

University of Arkansas Annual Financial Report
2012-2013

Table of Contents

Presentation Letter	3
Financial Highlights	4
Enrollment Data	8
Independent Auditor's Report	12
Management Discussion and Analysis	14
Statement of Net Position	30
Statement of Revenue, Expenses, and Changes in Net Position	32
Statement of Cash Flows	34
Component Unit Schedules	36
Notes to Financial Statements	47
Required Supplemental Information-OPEB	94

On the cover: Pi Phi Gate

UNIVERSITY OF ARKANSAS

Vice Chancellor for Finance and Administration

November 12, 2013

Dr. G. David Gearhart
Chancellor
University of Arkansas
Fayetteville, AR 72701

Dear Chancellor Gearhart:

It is my pleasure to present the annual Financial Report of the University of Arkansas, for the year ended June 30, 2013.

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

406 Administration Building • Fayetteville, AR 72701 • 479-575-5828 • Fax: 479-575-5400 • http://vcfa.uark.edu/
The University of Arkansas is an equal opportunity/affirmative action institution.

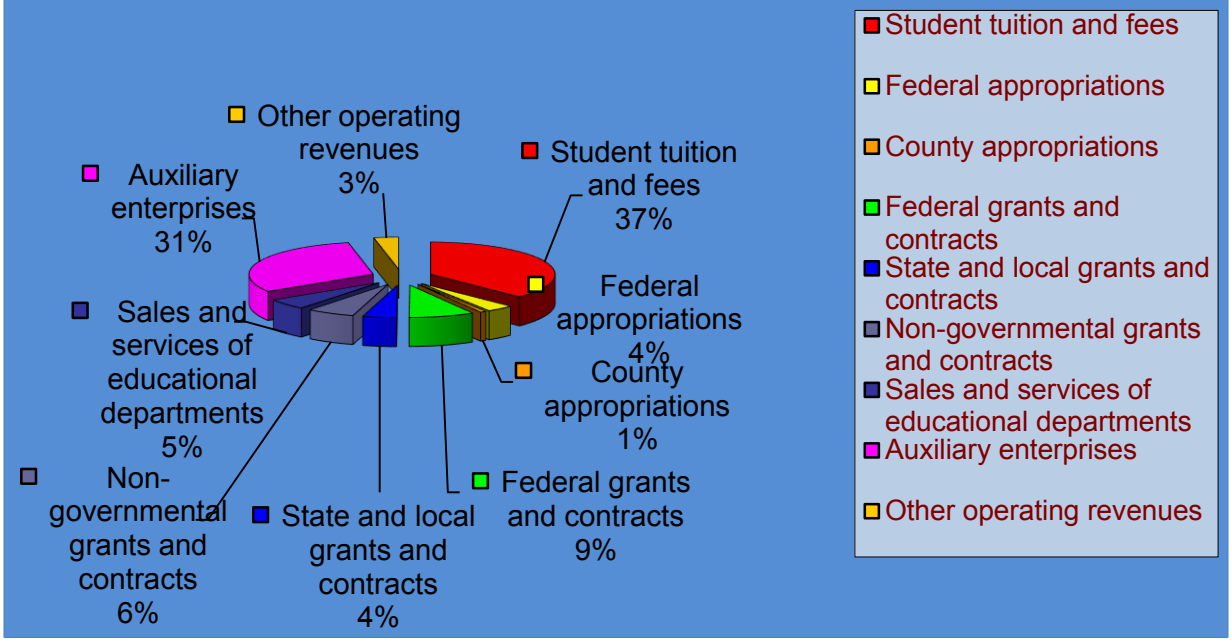
FISCAL YEAR 2013 OPERATING REVENUES

Student tuition and fees	149,979,017
Federal appropriations	14,035,901
County appropriations	2,992,672
Federal grants and contracts	33,897,047
State and local grants and contracts	17,631,073
Non-governmental grants and contracts	24,715,454
Sales and services of educational departments	21,486,061
Auxiliary enterprises	123,434,436
Other operating revenues	12,890,424
Total operating revenues	401,062,085

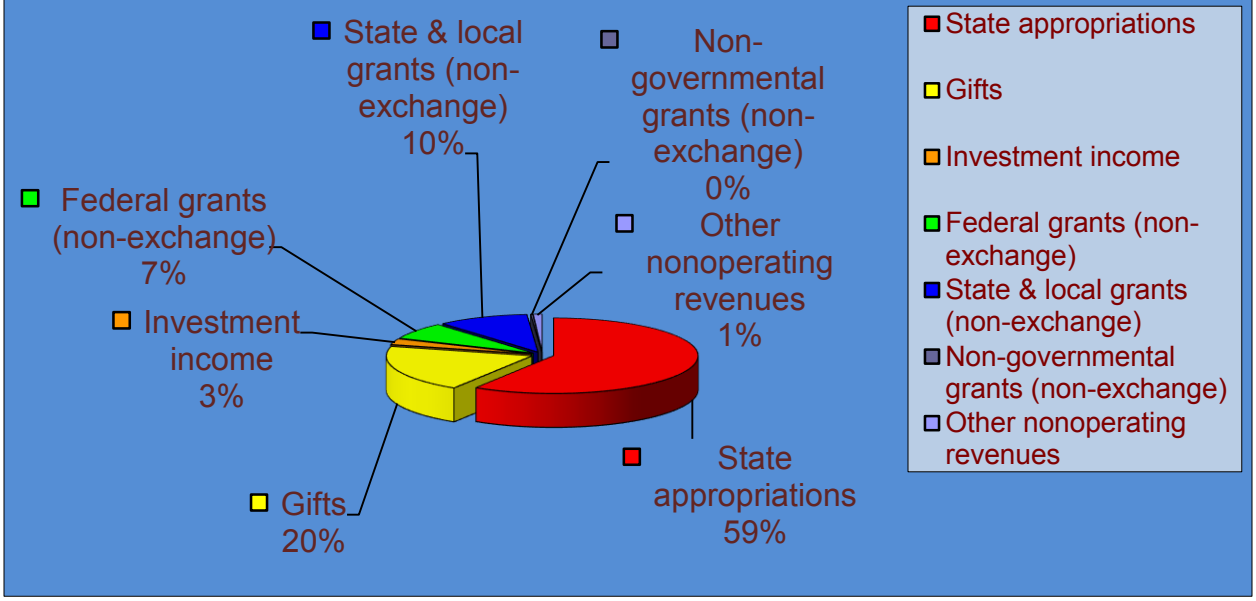
FISCAL YEAR 2013 NONOPERATING REVENUES

State appropriations	200,939,410
Gifts	68,337,167
Investment income	8,362,479
Federal grants (non-exchange)	24,409,373
State & local grants (non-exchange)	34,615,555
Non-governmental grants (non-exchange)	802,351
Other nonoperating revenues	3,348,125
Total nonoperating revenues	340,814,460

Fiscal Year 2013 Operating Revenues



Fiscal Year 2013 Nonoperating Revenues



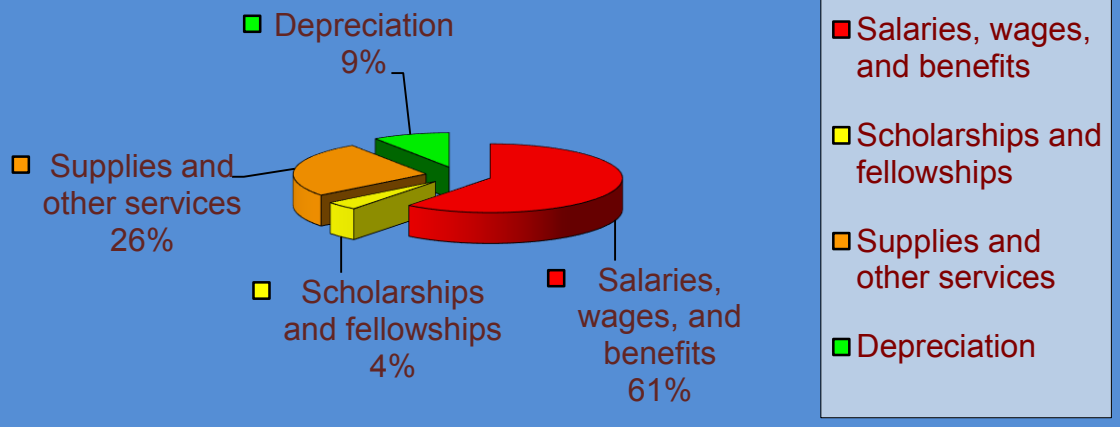
FISCAL YEAR 2013 OPERATING EXPENSES BY NATURAL CLASSIFICATION

Salaries, wages, and benefits	414,557,521
Scholarships and fellowships	27,368,387
Supplies and other services	179,198,304
Depreciation	64,325,083
Total operating expenses	685,449,295

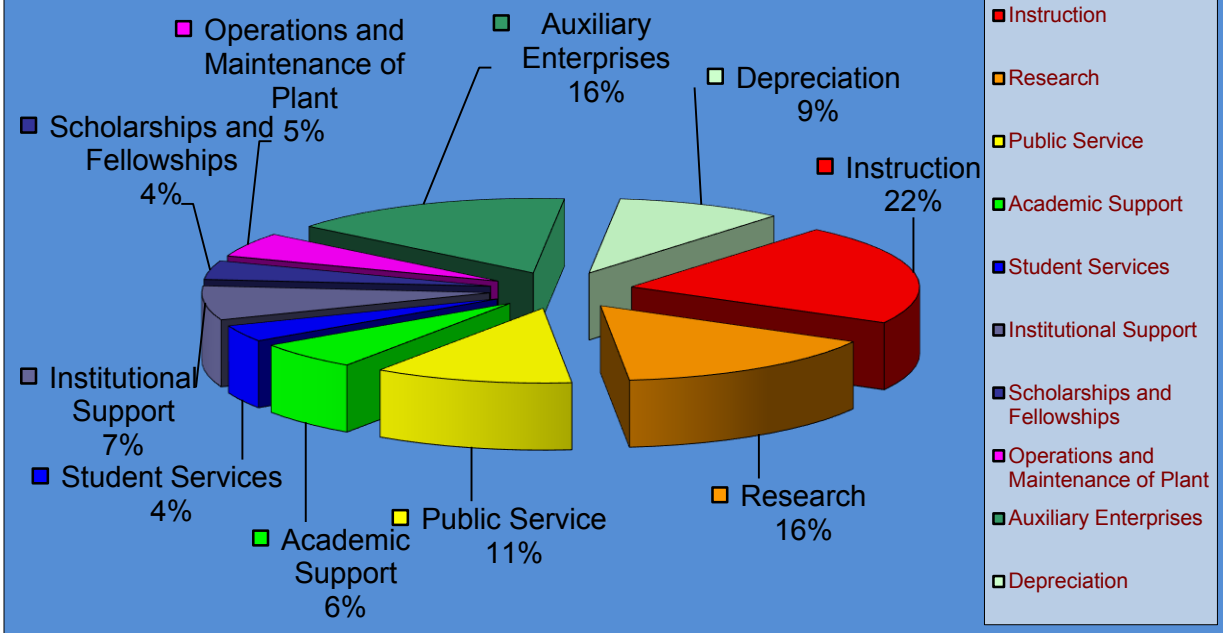
FISCAL YEAR 2013 OPERATING EXPENSES BY FUNCTION

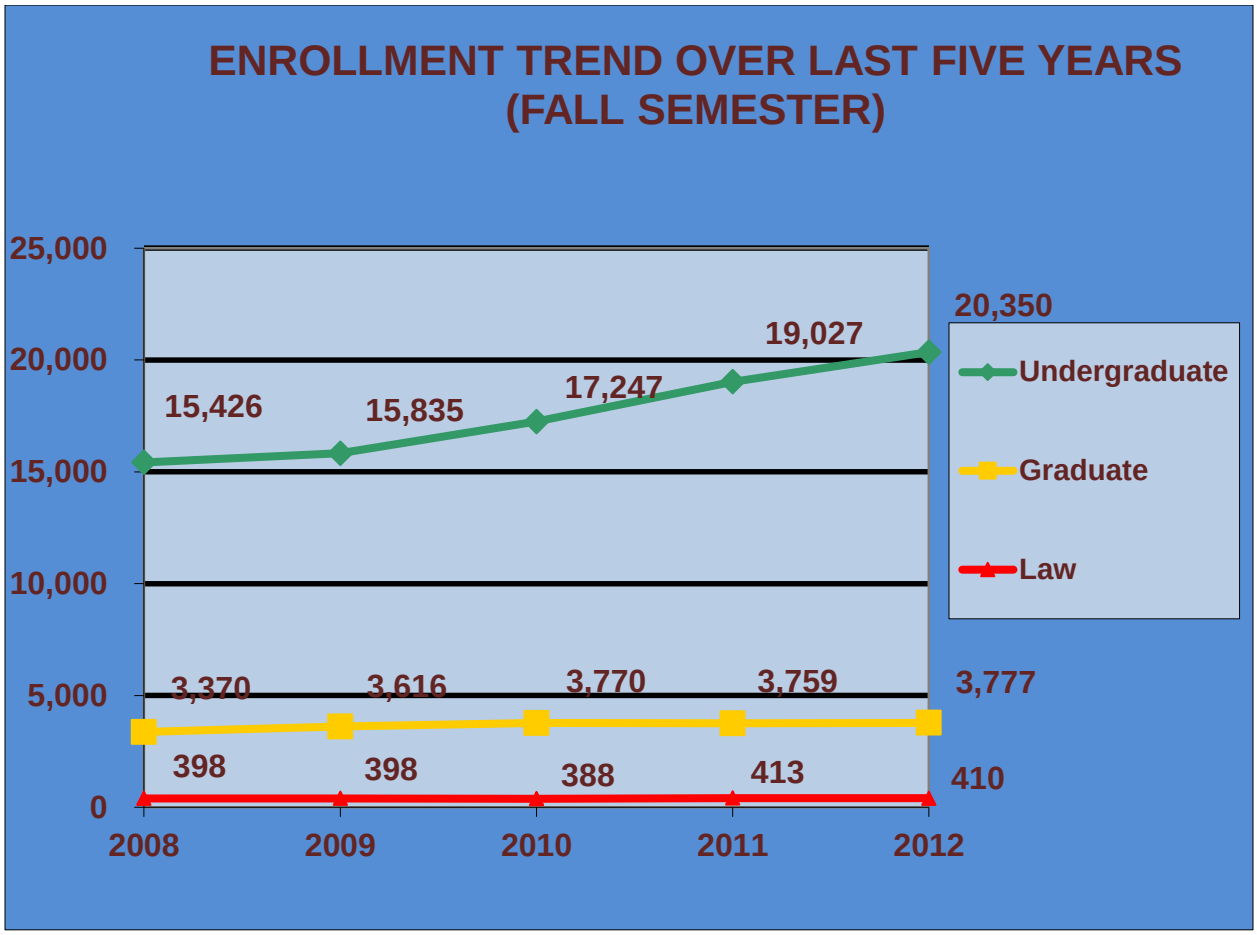
Instruction	150,053,325
Research	105,549,659
Public Service	76,478,924
Academic Support	40,909,060
Student Services	24,536,091
Institutional Support	50,336,730
Scholarships and Fellowships	27,713,529
Operations and Maintenance of Plant	36,142,419
Auxiliary Enterprises	109,404,475
Depreciation	64,325,083
Total operating expenses	685,449,295

Fiscal Year 2013 Operating Expenses by Natural Classification

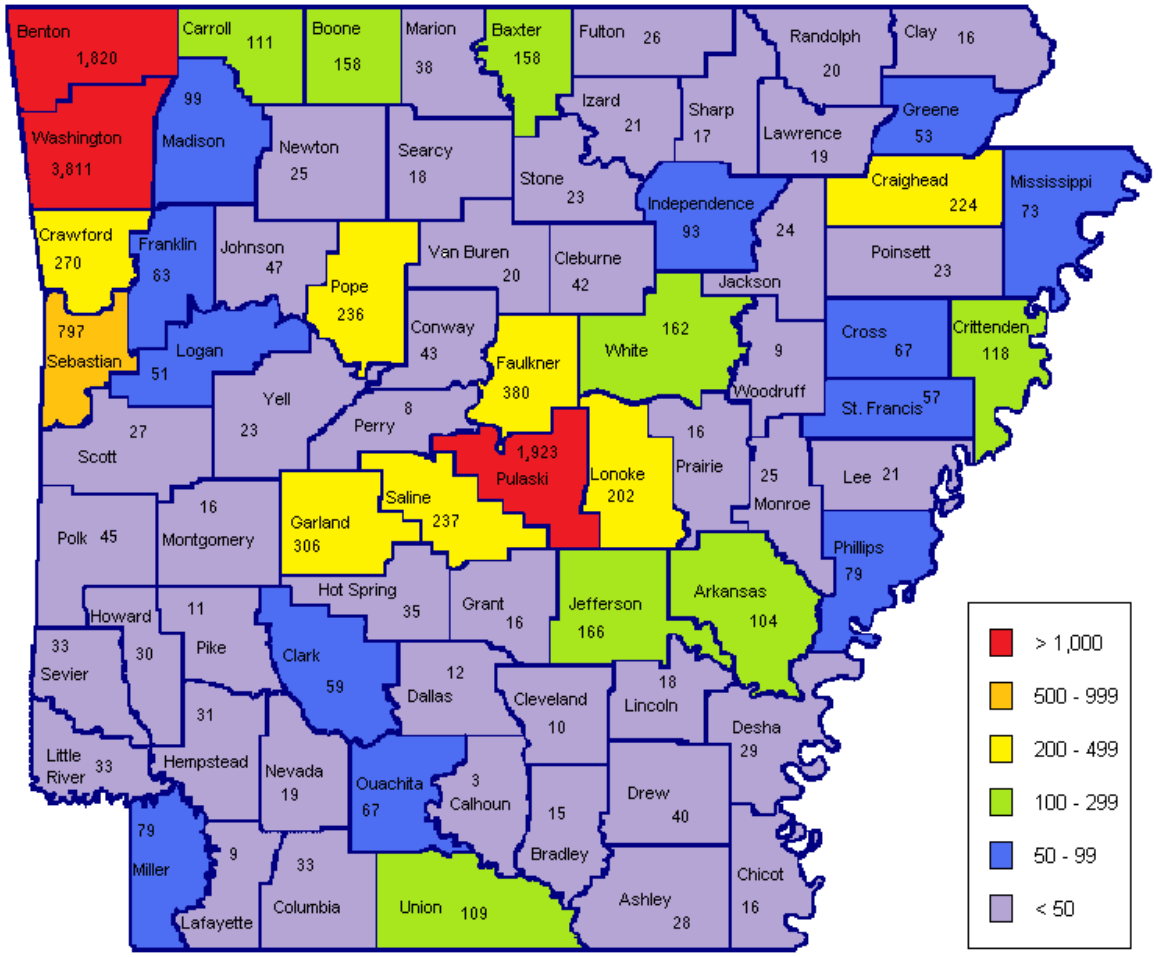


Fiscal Year 2013 Operating Expenses by Function

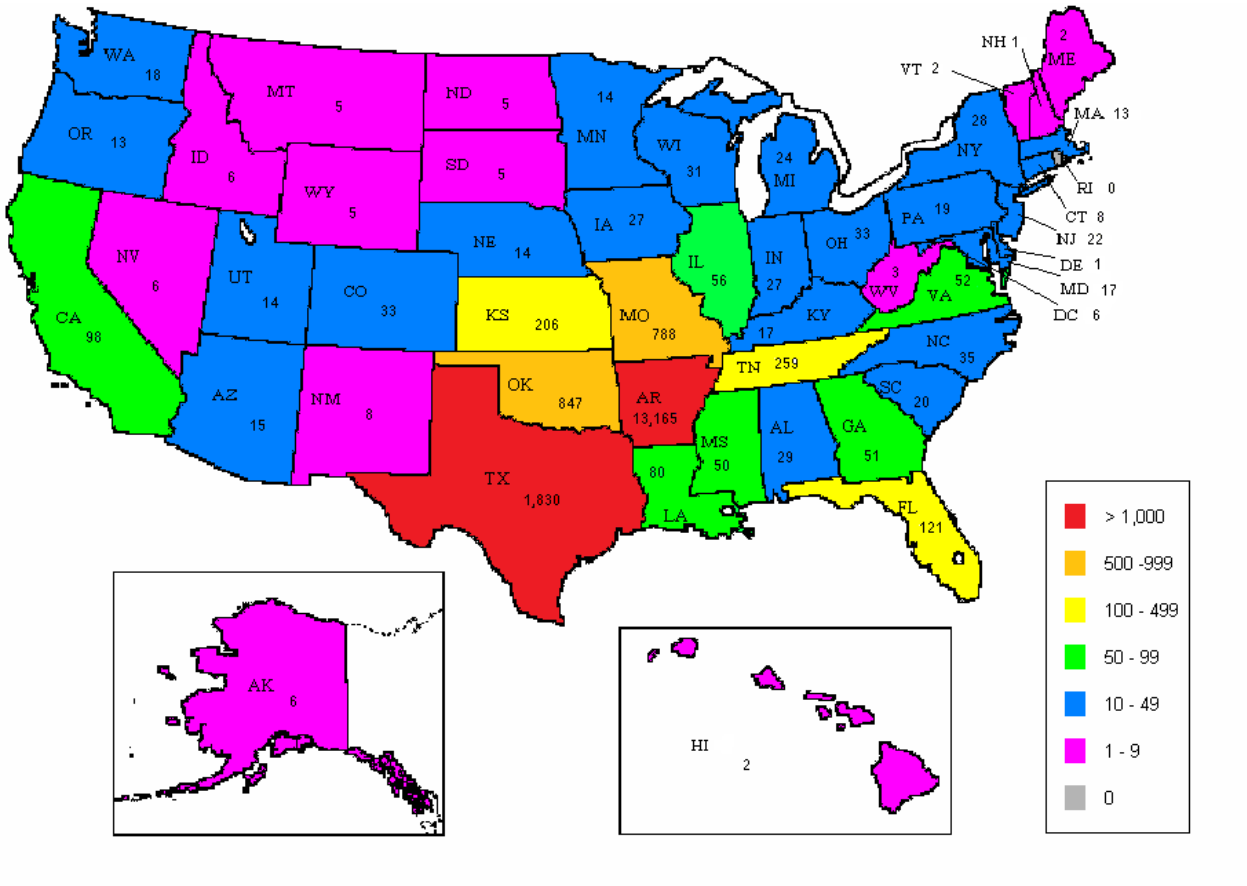



ENROLLMENT TREND OVER LAST FIVE YEARS
(FALL SEMESTER)
25,000
20,000
15,000
10,000
5,000
0
2008
2009
2010
2011
2012
15,426
15,835
17,247
19,027
20,350
3,370
3,616
3,770
3,759
3,777
398
398
388
413
410
Undergraduate
Graduate
Law

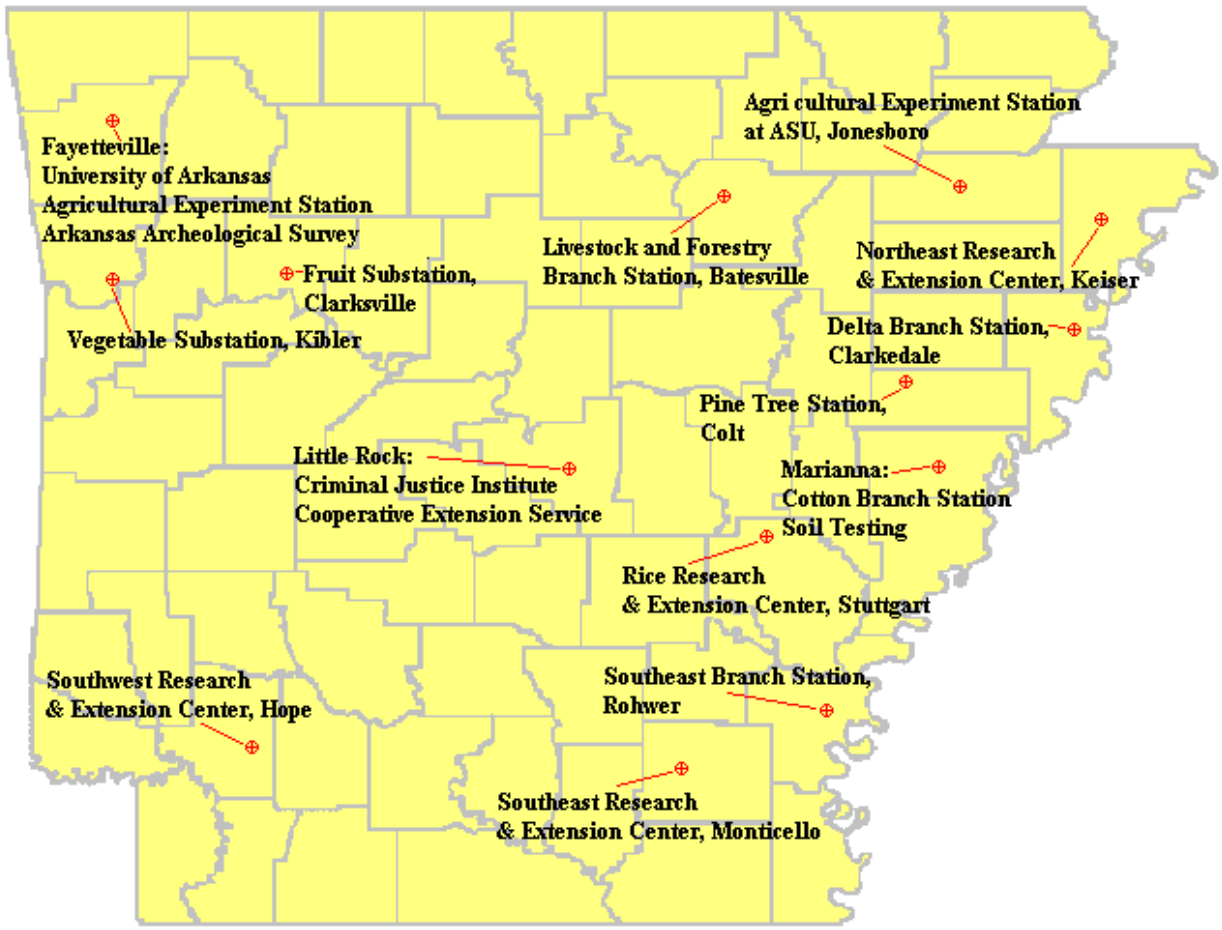
IN-STATE ENROLLMENT
BY COUNTY OF ORIGIN



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.

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

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE

DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas, Fayetteville
Legislative Joint Auditing Committee

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

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

Emphasis of Matter

As discussed in Note 21 to the financial statements, the 2012 financial statements have been restated to correct certain accounts receivable and related gift revenue. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2012 financial statements, and we expressed unmodified audit opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated October 25, 2012. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

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

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 12, 2013
EDHE13513

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following discussion and analysis provides an overview of the financial position of the University of Arkansas, Fayetteville (the University) for the year ended June 30, 2013, with fiscal year ended June 30, 2012 data presented for comparative purposes. The emphasis of the discussion concerning the financial statements will be for the current year. Management has prepared this discussion, along with the financial statements and related note disclosures, and it should be read in conjunction with financial statements and notes to the financial statements. The financial statements, notes and discussion are the responsibility of management. All references to "2013", "2012" or another year refer to the fiscal year ended June 30, unless otherwise noted.

The University is the largest and oldest state institution of higher education in Arkansas. Established in 1871 under the provisions of the Morrill Act, it is the state's first land-grant institution and the flagship of the University of Arkansas System. Recognized as a *Carnegie Research University,* the university is classified as a 'very high research activity' institution, the highest classification possible. As the state's only comprehensive research university, and one of a select group of institutions nationwide with the highest Carnegie classification, the University is positioned to be a nationally and internationally influential research university. The continued productivity in advancing higher learning and stimulating economic opportunity reflects the return on investment the University is producing for Arkansas, our nation and our many public and private sector partners.

Under the leadership of Chancellor Gearhart, the University has added more than 6,000 students since 2008. Today's student body is without question the most academically qualified and diverse student body ever enrolled at the University. The financial condition of the University is the best it has been in years, due in large measure to the exploding enrollment. Research productivity continues to rise with a record 45 invention disclosures and over $120 million in research expenditures for the third straight year. The University's growing reputation for academic excellence and student-centeredness was underscored in the *U.S. News & World Report's* "Best Colleges 2013" publication. A national survey of higher education leaders selected the University as one of the nation's top ten 'up and coming' public universities.

All programs and activities of the University are governed by the University of Arkansas Board of Trustees, which has delegated to the System President the administrative authority for all aspects of operations. The System President has further delegated administrative authority to the Chancellor and Vice President for Agriculture, who have responsibility for the programs and activities of the colleges, schools and divisions presented in this financial report.

Overview of the Financial Report and Financial Analysis

The University's financial report includes three primary financial statements: the Statement of Net Position, the Statement of Revenues, Expenses, and Changes in Net Position and the Statement of Cash Flows. The financial statements of three component units are presented discretely from the University. The notes to the financial statements provide additional information that is essential to understanding the primary financial statements. Other required

supplementary information provides additional information related to other post employment benefits.

Financial statements are presented in accordance with Governmental Accounting Standards Board (GASB) Statement No. 35, *Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities*. The statement establishes standards for financial reporting of public colleges and universities and requires that financial statements be presented on an entity-wide basis to focus on the University as a whole. Statements are 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.

The University has identified three foundations as component units subject to inclusion in the financial report: 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.* This statement provides criteria for determining which related organizations should be reported as component units based on the nature and significance of their relationship to the primary government, which is the University. Additional information regarding this reporting requirement is provided at Notes to the Financial Statements (Note) No. 1 "Summary of Significant Accounting Policies", under the "Component Units" heading.

Note 17, "Other Entities" refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 51.5% of the net assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Statement of Net Position

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which became effective for this reporting period, provides guidance on reporting deferred outflows of resources and deferred inflows of resources. Certain items that were previously reported as assets and liabilities should now be reported as deferred outflows of resources and deferred inflows of resources. As a result of this new guidance, the Statement of Net Assets has become the Statement of Net Position. The statement still presents the assets and liabilities, but has added two additional categories for deferred inflows and deferred outflows and net assets (assets minus liabilities) has changed to net position (assets plus deferred outflows minus liabilities plus deferred inflows). The purpose of the statement is to provide a fiscal snapshot of the University as of the end of the fiscal year. Because the University did not have any items in this reporting period to report as deferred outflows of resources or deferred inflows of resources, the effect of the change to the Statement of Net Position is in name only. Assets and liabilities are presented in the order of their relative liquidity, and are identified as current or noncurrent. Current assets are those assets that can be realized, 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 Position is presented in four categories. The first category, Net Invested in capital assets, provides the University's equity in property, plant and equipment net of depreciation. The next category, Restricted non-expendable, is that portion of net position that is subject to externally-imposed stipulations that the corpus of non-expendable and restricted resources (endowments) is only available for investment purposes. The third category, Restricted expendable, represents the portion of net position that is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the resources. The final category, Unrestricted, is the portion of net position available to the University for any lawful purpose of the University.

The following summarizes the University's assets, liabilities, and net position as of June 30, 2013, and June 30, 2012:

	As of June 30, 2013	As of June 30, 2012
Assets		
Current Assets	$ 329,212,868	$ 279,500,835
Capital Assets, net of depreciation	1,072,790,009	978,606,995
Other Noncurrent Assets	207,640,460	140,020,888
Total Assets	$ 1,609,643,337	$ 1,398,128,718
Liabilities		
Current Liabilities	$ 119,403,765	$ 108,451,285
Noncurrent Liabilities	716,360,574	579,436,280
Total Liabilities	$ 835,764,339	$ 687,887,565
Net Position		
Net Invested in Capital Assets	$ 480,518,668	$ 459,488,312
Restricted – Nonexpendable	23,742,448	23,663,271
Restricted – Expendable	77,790,058	69,530,747
Unrestricted	191,827,824	157,558,823
Total Net Position	$ 773,878,998	$ 710,241,153

Overall, the University's total assets increased $211.5 million. A review of the statement of net position reveals that there were several offsetting variances, but the increase was largely attributable to increases in cash and cash equivalents of $47.8 million, deposits with trustees of $64.5 million and capital assets of $94.2 million.

The University continues to strengthen its liquidity position, with 59% of current assets comprised of cash and cash equivalents. For several years, the University's year-over-year cash balances have shown a steady increase. The rate and risk environment in the financial markets has not provided a significant premium over cash returns and cannot match the liquidity and low-risk benefits of cash and cash equivalents. Thus, the University has been intentional in maintaining a strong cash position to provide needed flexibility in deploying resources during a

multi-year period of unprecedented growth in enrollment coupled with an aggressive reinvestment in campus facilities.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The increase in 2013 is the net of bond proceeds totaling $145.3 million associated with three new 2013 bond issues and continued spending of 2012 and earlier bond proceeds for ongoing construction projects.

The increase in Capital Assets, net of depreciation, is primarily a reflection 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 13 "Property, Plant and Equipment" provide additional information about capital assets.

Overall, liabilities increased $147.9 million. A review of the statement indicates the increase was driven by the $141 million net increase in bonds, notes, capital leases and installment contracts (long-term debt). Current liabilities, other than the current portion of long term debt, experienced a modest net increase totaling $5.2 million, with accounts payable and accrued payroll liabilities adding $3 million and $1 million, respectively.

The University continued its investments in facilities renewal and replacement along with the addition of new facilities and improvements in 2013. Using bonds to finance a portion of the costs also continued as evidenced by the issuance of $60.5 million Various Facilities Revenue Bonds, Series 2012B, $54.4 million Various Facilities Revenue Bonds, Series 2013A and $30.4 million Athletic Facilities Revenue Bonds, Series 2013. The three issues totaled $145.3 million and also realized a net unamortized premium of $19.8 million, which when netted against scheduled retirements of $24.3 million resulted in a net increase in long term debt of $141 million. Additional information about University debt, and the projects financed with debt proceeds, is provided in the "Significant Changes in Capital Assets and Long Term Debt Activity" discussion below and at Note 9 "Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts".

The increase in assets of $211.5 million netted with the increase in liabilities of $147.9 million resulted in an increase of $63.6 million in net position.

The following summarizes the composition of unrestricted net position owned by the units of the University of Arkansas Fund:

	As of June 30, 2013	As of June 30, 2012
Fayetteville Campus	$ 127,984,749	$ 97,350,315
Agricultural Experiment Station	43,198,540	40,708,495
Cooperative Extension Service	12,631,932	11,061,815
Arkansas Archeological Survey	339,026	449,952
Criminal Justice Institute	2,974,092	2,900,049
Clinton School of Public Service	1,603,837	1,931,129
AREON	3,095,648	3,157,068
Total Unrestricted Net Position	$ 191,827,824	$ 157,558,823

Unrestricted net position for the Fayetteville Campus is allocated as follows:

	As of June 30, 2013	As of June 30, 2012
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	70,001,246	53,522,948
Service Operations	25,423	427,195
Auxiliaries	22,423,288	19,419,624
Plant Funds	22,633,140	12,016,021
Quasi-Endowment Funds	12,151,652	11,214,527
Total Fayetteville Campus Unrestricted Net Position	$ 127,984,749	$ 97,350,315

Plant Funds unrestricted net position includes amounts allocated to an unrestricted reserve fund. Resembling an internal bank, the reserve may be used for interim internal financing for capital projects until permanent financing is finalized. Generally, the permanent financing arrangement is funded by future gifts or bond issues. The reserve may also be used as a funding source for payment of principal amounts due on bonds.

Statement of Revenues, Expenses, and Changes in Net Position

Changes in total net position are the result of activity presented in the Statement of Revenues, Expenses, and Changes in Net Position. Just as with the Statement of Net Assets changing to the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Assets became the Statement of Revenue, Expenses and Changes in Net Position for 2013. The statement presents the revenues earned by the University, both operating and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses and changes in net position. GASB requires that state appropriations, gifts, investment income and certain grants and contracts be classified as non-operating revenues. As a result, the operating loss of $284.4 million is of little significance, but

does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets.

The following summarizes the University's revenues, expenses and changes in net position:

		Fiscal 2013 Total		Fiscal 2012 Total
Operating Revenues	$	401,062,085	$	369,659,769
Operating Expenses		685,449,295		659,755,528
Operating loss		(284,387,210)		(290,095,759)
Net nonoperating revenues		321,317,749		313,744,269
Gain before other revenues and changes in net position		36,930,539		23,648,510
Other revenues and changes in net position		26,707,306		34,390,005
Increase in Net Position	$	63,637,845	$	58,038,515

Operating revenue increased 8.5% or $31.4 million. Student tuition and fees accounted for $19.4 million of the increase, a reflection of continued record enrollment growth and rate revisions. Auxiliary enterprises revenue attributable to Athletics increased $1.9 million, largely due to increases in conference distributions. All other auxiliary enterprises realized a net increase totaling $2.4 million collectively, demonstrating the impact of enrollment growth. Research awards from non-governmental sources increased $6.5 million, reflecting the success in growing the research base in both the campus and the Division of Agriculture.

Operating expenses increased $25.7 million or 3.9% over 2012. Compensation and benefits costs grew $22 million, due in part to necessary increases in faculty to support enrollment growth, along with modest increases in salaries for faculty and staff. Supplies and other services expenses grew only 1% when compared to 2012, demonstrating the continued emphasis on cost containment and efficiency for the campus.

Overall, net nonoperating revenues increased $7.6 million. There were several offsetting variances, but the primary driver of the increase was increases in gifts of $4.7 million, reflecting increased support from private sources to meet the challenges of record growth. Investment income also increased $2.4 million.

Gifts reported on the Statement of Revenues, Expenses and Changes in Net Position only reflect a portion of the gifts available to the University. Most gifts for the benefit of the University are made to the University of Arkansas Foundation, Inc. whose financial information is presented in summary form at Note 17 "Other Entities".

The overall decrease in Other Revenues and Changes in Net Position of $7.7 million is primarily a reflection of the winding down of work on the AREON construction project. Additional information about the AREON project is provided in the "Significant Changes in Capital Assets and Long Term Debt Activity" discussion below and at Note 9 "Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts".

Statement of Cash Flows

The Statement of Cash Flows provides information about the cash receipts and disbursements of the University for the year. The statement aids in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow. It is prepared using the "direct method" as required by the GASB. The direct method reports all major gross cash inflows and outflows, differentiating these activities into operating activities, noncapital financing, such as state appropriations and nonexchange grants; capital and related financing, including bond proceeds from debt issued to construct or purchase capital assets; and investing activities.

The following summarizes the University's cash flows:

	Fiscal Year 2013	Fiscal Year 2012
Net cash used by operating activities	$ (218,342,080)	$ (219,536,339)
Net cash provided by noncapital financing activities	330,306,533	324,937,023
Net cash provided by operating and noncapital financing activities	111,964,453	105,400,684
Net cash used by capital and related financing activities	(69,801,648)	(86,269,026)
Net cash provided (used) by investing activities	5,663,654	9,692,270
Net increase in cash	$ 47,826,459	$ 28,823,928

The University used $218.3 million of cash for operating activities in 2013 offset by cash provided by noncapital financing activities of $330.3 million. Similar to the operating loss on the Statement of Revenues, Expenses and Changes in Net Position, net cash provided by operating activities is of little significance to the University. The net cash provided by the combination of operating activities and noncapital financing activities is a much more meaningful number for the University. The positive amount of almost $112 million for 2013 indicates that these activities contributed to cash and liquidity for the year.

Cash used by capital financing activities reflects the University's continued use of bonded debt to finance the acquisition of capital assets. Net cash provided by investing activities illustrates the positioning of the cash component of matured investments to other university accounts.

Significant Changes in Capital Assets and Long-Term Debt Activity

The university continues an aggressive plan to upgrade and add facilities in order to expand capacity and modernize the campus. A dedicated facilities fee, phased in over the time period 2009 to 2013, provides a revenue stream that is used to leverage bonded debt which provides a portion of the funding for this large-scale, long-range facilities renewal plan. The pace of

construction was frenetic during 2013 with several projects begun in previous years completed and new projects initiated.

Projects completed in 2013 include Uptown Campus, Hillside Auditorium, Jean Tyson Child Development Study Center, Pomfret Hall, utility infrastructure capacity expansions, and the Arkansas Research and Education Optical Network (AREON). In addition, five projects – Vol Walker Hall, Ozark Hall, Founders Hall and extension of the Brough Commons dining facility, Hotz Hall and the Fred W. Smith Football Center were brought on-line in time for occupancy for the Fall 2013 semester.

Uptown Campus is a renovated commercial building complex located on 9.34 acres off campus. Purchased in 2012, the property underwent renovations totaling $1.9 million during 2013 to convert into space for various academic and campus support services, thus making space available on campus for critical needs. Uptown Campus property and renovation costs were funded with bond proceeds. The University added large capacity teaching space with the construction of Hillside Auditorium. Completed in time for occupancy for the Spring 2013 semester, the 36,500 gsf building provides two modern, multi-function auditoriums (487 seats and 290 seats) for teaching, fine arts presentations and other campus uses. Total project cost was $14.6 million and was funded with bond proceeds. The Jean Tyson Child Development Study center replaced two outdated structures and increased capacity from 40 children to 144 children, all housed in a single, multi-use facility. Total project cost was $8.6 million, funded with a mix of bond proceeds, private funds and reserves. Residence hall demand has never been greater and projects are underway for several residence halls to accommodate demand for student housing created by continued enrollment growth. The first hall completed was Pomfret Hall, with refurbishments totaling $11.9 million. The residence hall renovation projects are funded with a mix of bond proceeds and reserves. That part of Utility infrastructure capacity expansions associated with the Fred W. Smith Football Center, Hillside Auditorium and Chiller #1 that provide heating and cooling extensions to those structures and increase water capacity totaling $5.5 million were also funded with a mix of bond proceeds and reserves.

Construction of the Arkansas Research and Education Optical Network (AREON), a high-speed, fiber-based optical communication network established and operated by a consortium of public four-year universities in Arkansas, with cooperation of the Arkansas Department of Higher Education was substantially completed in 2013. The AREON network connects most of the State's four year and two year higher education institutions as well as over 400 healthcare facilities, enabling true collaboration, resource sharing, and economies of scale in technical infrastructure to apply advance communications technologies. Funding for this multi-year project came from Arkansas Department of Higher Education bonds, state general improvement funds, mineral lease rights, federal stimulus funds and consortium members.

The Steven L. Anderson Design Center, a 34,320 gsf addition for Vol Walker Hall, along with a whole building renovation was completed in time for occupancy for Fall 2013. The building houses all programs of the School of Architecture. Total project cost was $39 million, funded with bond proceeds of $25.7 million, Donald W. Reynolds Foundation gift of $10 million and the remainder with private funds. The Ozark Hall project included a whole building renovation along with an 18,310 gsf addition was also completed in time for occupancy for Fall 2013. The

building houses the Honor's College, Graduate School and the J. William Fulbright College of Arts and Sciences Geosciences Department. Total project cost was $27.6 million, funded with bond proceeds of $18.5 million and the remainder with private funds. Construction started on both projects during summer 2011.

Increased capacity for student housing and dining halls was realized in 2013 with the completion of the Hotz Hall renovation, Founders Hall and the extension of Brough Commons dining facility. The conversion of Hotz Hall from an administrative building back to its original purpose of residence hall began in 2012. The renovation, which included upgrades to building infrastructure systems such as fire protection, plumbing and power distribution, provides an additional 416 beds. Total project cost of $17.2 million was funded with a mix of bond proceeds and reserves. Founders Hall and an extension of the Brough Commons dining facility added 78,500 gsf of space on five floors for residence and dining purposes. Several additional street-level retail food outlets, an additional 250 seats of dining connected to the existing Brough Commons at the second floor and 214 new beds were realized. Total project cost was $26.6 million, funded with a mix of bond proceeds, dining and housing reserves and other available resources.

The Fred W. Smith Football Center provides space for coaching staff and other administrative space; team meeting rooms and locker room; equipment room, athletic training area and other operations space as well as public space with museum quality displays and lighting. The project, funded in part with $25.2 million Athletic Facilities Revenue Bonds and a $10 million grant from the Donald W. Reynolds Foundation, was the final phase of a $42 million project to construct an operations center, football practice fields and additional parking.

Several new projects that were begun in previous years continued in 2013, including the Housing Administration Building, John A. White Jr. Engineering Hall renovation phase 1, and the Science Building renovation. The modernization of classroom and lab space, as well as refurbishments to several residence halls and utility infrastructure capacity expansions also are ongoing.

In order to re-locate the administrative services formerly housed in Hotz Hall, the University began construction during 2012 of a 20,000 gsf Housing Administration Building to replace Housing offices located in Hotz Hall and to serve as a welcome and resource center for parents and students. Total project cost is $5.9 million with completion expected in spring 2014. The project is funded with bond proceeds.

The John A. White Jr. Engineering Hall project consists of full design for renovation and a planned addition to the building and renovation of the first floor as Phase 1 of the full project. Renovation of the 9,200 gsf first floor includes new mechanical, electrical and plumbing systems and life safety systems upgrades. The $4.4 million project is funded by bond proceeds and university reserves, with completion expected in December 2013.

Science Building renovations include updates to infrastructure as well as life safety upgrades. The multi-phase, multi-year $11.3 million project is funded by bond proceeds and completion is scheduled for summer 2014. A multi-year program to modernize up to 160 classrooms and 35

general teaching labs continued in 2013. The $7.6 million Phase II upgrade began in spring 2011, with completion of this phase expected in summer 2014. The project is funded with bond proceeds. Refurbishments are planned for several residence halls to accommodate demand for student housing created by continued enrollment growth. Projects totaling $12.9 million for Futrall, Humphries and Yocum Halls got underway during summer 2011 with completion expected in summer 2014. Residence hall projects are funded with a mix of bond proceeds and reserves.

Utility infrastructure capacity expansions are associated with many of the projects described above. The projects primarily address heating and cooling service extensions as well as a major improvement in core campus domestic water capacity for additional fire protection capability. Project cost for the remaining work is estimated at $3.7 million funded with a mix of bond proceeds and reserves. Completion is expected during summer 2014.

The Division of Agriculture continued renovation of an existing laboratory and office facility, along with construction of a new Soil Testing Laboratory. The Eastern Arkansas Soil Testing and Research Laboratory located at the Lon Mann Cotton Research Station in Marianna, Arkansas, is undergoing renovation and a new Soil Testing Laboratory is being constructed. Total project cost is estimated at $2.3 million with completion expected in summer 2014. The project is funded by Agriculture sales and reserves.

The scope of the Nanoscale Science and Engineering Building project continues to evolve as additional funds become available. The project was originally planned as a phased construction, with phase one financed in part by $16 million from Arkansas Department of Higher Education bonds and $5.5 million from state general improvement funds. Various Facility Revenue bonds issued in 2010 provided additional funding that made it possible to complete the initial project, leaving a shelled out third floor and clean room for future expansion. An additional $2 million capital appropriation received in 2011, along with an additional appropriation of $2.3 million expected in 2014, will fund the third floor interior fit-out and provide equipment. Project completion is expected in 2014.

Projects began in 2013 include the Champions Hall classroom and laboratory building, LeRoy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, Utility Combined Heat and Power Project, Athletic Academic and Dining Facility, the Baseball and Track Indoor Training Facility, and the Basketball Practice Facility.

Champions Hall will provide a new general use classroom and teaching laboratory building to meet the capacity demands of a growing enrollment. The building will house twenty 75 person classrooms, twenty 30 seat wet/dry teaching labs and a small number of faculty offices. Total project cost is estimated at $26.5 million, funded with a mix of bonds and university reserves. Project completion is expected in January 2015.

The LeRoy Pond Utility Plant is a new plant to support planned growth in the Athletic Valley district of the campus as well as other housing and dining facilities in the area. It is expected to provide 4000 tons of additional cooling capacity and a new chilled and heating hot water

distribution infrastructure. Total project cost is estimated at $12.2 million, funded by a mix of utility reserves and bond funds. Project completion is expected in December 2014.

Jim and Joyce Faulkner Performing Arts Center project will transform the Old Fieldhouse building into a state-of-the-art venue for exhibiting the musical and theatrical talents of students and faculty. The interior space will be completely renovated to provide a concert hall with seating for 650 or more, while the exterior of the building will be preserved. Total project cost is estimated at $18 million, funded with a mix of bond proceeds, university reserves and private support. Project completion is expected in April 2015.

A new combined heating and power system (CHP) will upgrade existing Heating Plant Production infrastructure that provides steam and hot water to the campus. The new system replaces old, inefficient and outdated equipment that has reached the end of its useful life. The new system provides capacity for future growth and the opportunity to use electrical power from CHP to provide uninterruptible power for the campus, especially to critical research buildings. Total project cost is estimated at $17.6 million, funded with a mix of bonds and university reserves. Project completion is expected in summer 2014.

Athletic facilities will also be upgraded with the addition of an Academic and Dining Facility, a Basketball Practice Facility and a Baseball & Indoor Track Training Facility. The Academic and Dining Facility will provide tutorial rooms, group study rooms, quiet study areas, computer lab and learning laboratories to serve 460 student-athletes. A dining hall and full-service kitchen is also an integral part of the building, designed to support the health of student-athletes. An auditorium with seating for at least 250 people will also be included in the facility. Total project cost is estimated at $23.7 million, funded with a mix of bond proceeds, athletic reserves and private support. Completion is expected in December 2014.

The Basketball Practice Facility will include separate gymnasiums for men's and women's teams, along with locker rooms, weight rooms, training rooms and coaches suites and administrative space. It will also house public space with museum quality displays and lighting. Total project cost is estimated at $25.6 million, funded with a mix of bond proceeds, athletic reserves and private support. Completion is expected in December 2014.

The Baseball & Track Indoor Training Facility will provide 45,000 gsf of climate-controlled multi-use space for over 150 student-athletes in the baseball, men's track and women's track programs. The space will include a practice in-field, throwing areas, batting areas, and ancillary team spaces. A shared strength and conditioning space and training room are also planned. Total project cost is estimated at $9.6 million, funded by a mix of bond proceeds, athletic reserves and private support. Completion is expected in May 2014.

The University issued three bond issues during 2013 to provide permanent financing for certain projects already underway as well as to provide financing for new projects slated to begin during 2013. On September 13, 2012, the University issued $60,540,000 in Various Facility Revenue Bonds, Series 2012B. The bonds were issued to provide funds to finance various construction and renovation projects including renovation and construction of and additions to Vol Walker; construction of a new University Housing Administration Building, Founders Hall, and the Jean

Tyson Child Development Study Center; a major renovation of Hotz Hall; purchase of the Uptown Campus facilities and other real property; and renovation and improvements to various housing and academic buildings as well as various other campus improvements and infrastructure.

On May 16, 2013, the University issued $54,450,000 in Various Facility Revenue Bonds, Series 2013A. The bonds were issued to provide funds to finance various construction projects on the University campus, including construction of Champion's Hall classroom and laboratory building, the Leroy Pond Utility Plant, the Jim & Joyce Faulkner Performing Arts Center and the Utility Combined Heat and Power Project.

On May 16, 2013, the University also issued $30,355,000 in Athletic Facility Revenue Bonds, Series 2013. The bonds were issued to provide funds to finance construction of various athletic facilities including the construction of the Athletic Academic and Dining Facility, the Baseball and Track Indoor Training Facility, and the Basketball Practice Facility.

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, 2012	$ 515,000,775	$ 8,239,281	$ 37,535,495
Additions	165,171,997		14,627
Payments of principal	(17,895,000)	(2,065,918)	(3,632,474)
Refunded			
Amortization of deferred loss	595,131		
Amortization of net bond premium	(1,151,243)		
Balance as of June 30, 2013	$ 661,721,660	$ 6,173,363	$ 33,917,648

Note 9, "Compensated Absences, Bonds, Notes, Capital Leases Payable, and Installment Contracts" provides additional information related to the University's long-term debt.

A summary of the change in Net invested in capital assets is as follows:

Net Invested in Capital Assets as of June 30, 2012	$	459,488,312
Land Additions and Disposals (net)		5,424,911
Buildings Additions and Disposals, net of depreciation		27,564,784
Improvements/Infrastructure Additions, net of depreciation		29,636,771
Equipment Additions and Disposals, net of depreciation		3,826,478
Construction In Progress Additions net of transfers to buildings, improvements/infrastructure, and intangible assets		31,779,644
Livestock Additions/deductions		21,201
Library Holdings Additions and Disposals, net of depreciation		(869,555)
Intangible Assets, net of amortization		(1,903,007)
Bond debt moved to Net invested in capital assets		(79,885,195)
Bond Principal Paid in 2013		17,895,000
Deferred loss on refinanced bond issues, amortized		(595,131)
Unamortized bond issuance costs		1,126,444
Net unamortized bond issue premium		(18,675,754)
Capital Leases and Installment Contracts assumed in 2013		(14,627)
Note, Capital Lease and Installment Contract Principal Paid in 2013		5,698,392
Net Invested in Capital Assets as of June 30, 2013	$	480,518,668

Conditions and other factors having a significant effect

Financial and political support from state government remains a critical element to the continued financial health of the University. Arkansas continues to weather the slow national economic recovery with general revenue forecasts remaining positive and a balanced budget. The total general revenue distribution from the State for 2013 was $197.1 million, essentially the same level of support received in 2012. The University expects a $3.2 million increase in general revenues for 2014, bringing the estimated total general revenue distribution from the State to $200.3 million. This is the first significant increase in state funding since 2008, but is still well below needs-based formula calculations for support. Management will continue to institute both internal and external efforts to minimize the effect of state funding levels not keeping pace with growth.

The University continues to seek ways to manage the cost of attendance so that it remains affordable while achieving revenue support necessary to offer a high quality university experience. Tuition and mandatory fee increases totaling 4.3% were necessary in 2013 in order to maintain the facilities, faculty and other support needed to fulfill our mission. The projected increase in State funding for 2014 will slightly relieve pressure on the revenue growth needed from tuition and mandatory fees, thus a smaller increase in rates is expected.

The University enrollment growth continued on a record-setting pace, with a preliminary enrollment of 25,341 for Fall 2013, meeting the goal of enrolling 25,000 students by 2021 seven years ahead of schedule. The preliminary enrollment numbers for 2013 show an increase of 804 students. Total undergraduate enrollment is up 3.2% to 21,009 students, graduate enrollment

increased 4.4% to 3,942 students, while enrollment at the School of Law decreased 4.9% to 390 students. Since 2008, university enrollment has increased 32%, or more than 6000 students. This growth trend led the *Chronicle of Higher Education* to rank the University as the 13th fastest growing public research university in the country. Not only has the university grown in number of students enrolled, but has also experienced a steady improvement in both academic quality and diversity. With an intentional effort to recruit students who will succeed, it is expected that continued growth through retention will be experienced for the next several years. While it is encouraging to see record enrollment, further increases in undergraduate enrollment must occur to ensure continued increases in the revenue generated by tuition and to ensure continued support from state government.

The University continues to build momentum for its next comprehensive fundraising campaign, which is currently in the quiet phase. Positive news continues with three consecutive years of private gift support exceeding $100 million. The University recorded $108.4 million of private gift support in 2013, surpassing its goal of $107 million. This support is critical to ensure success for students and faculty, and is a fundamental component in meeting budgetary needs. Support received from alumni, friends, organizations and faculty and staff of the University enhances all aspects of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; study abroad opportunities and innovative programs.

The condition of the University's capital assets is another important measure of the University's overall financial health. Providing and maintaining facilities that create an attractive environment in which to learn and live is vital to attracting new students, as well as recruiting excellent faculty and staff. Management continues to implement a long-range plan (Facility Renewal & Stewardship Plan) to modernize and expand teaching, research and student facilities with small, targeted amounts of new construction, coupled with a primary focus on renewal and renovation and stewardship of existing facilities.

Facilities Management prepared an initial estimate in 2003 of the condition of capital assets in order to accumulate the necessary data to develop an optimized facility renewal and stewardship plan. The University's goal is to update twenty percent of the assessment of square footage contained in the index annually on a rolling basis, addressing all facilities on a five year cycle. A Facilities Condition Index (FCI) between zero, indicating no deficiencies in building systems such as interiors and services, and 1.0, indicating the cost of a building's deficiencies equals its plant replacement value, has been assigned to each building. A building with deficiencies estimated at more than the plant replacement value will have an FCI greater than 1.0.

The gross square footage weighted average for all Educational and General Facilities was 0.23 for 2003 compared to 0.22 in 2007. The relatively large improvement from 0.22 in 2007 to 0.17 in 2008 was the result of an across the board updating of plant replacement values, all of which increased. The index has declined steadily over time with indexes of 0.09 in 2013. An effective method of assessing the management of capital assets is to track the average facility score over time.

Factors contributing to the downward trend include renovations and the elimination of deferred maintenance to campus infrastructure and educational and general buildings as directed by the Facilities Renewal and Stewardship Plan, made possible by a facilities renewal fee. Other factors include improvements to HVAC systems, lighting systems and overall building energy consumption resulting from Energy Savings Performance Contracts; the demolition of certain old structures and the addition of new structures. Facilities Management's effort to perform scheduled preventative maintenance also contributes to the improving FCI. Although the downward trend is expected to continue, the University will likely never achieve an FCI of zero.

THIS PAGE INTENTIONALLY LEFT BLANK

UNIVERSITY OF ARKANSAS
Statement of Net Position
June 30, 2013
With Comparative Figures at June 30, 2012

	June 30, 2013	June 30, 2012
ASSETS		
Current Assets		
Cash and cash equivalents	$ 194,021,026	$ 144,987,700
Short-term investments	72,282,259	71,847,085
Accounts receivable, net	39,054,689	37,345,598
Accrued interest receivable	718,010	943,992
Inventories	5,808,597	5,344,354
Deposits with bond trustees	10,680,257	11,119,982
Notes receivable, net	3,142,501	3,355,845
Other assets	3,505,529	4,556,279
Total current assets	329,212,868	279,500,835
Noncurrent Assets		
Cash and cash equivalents	843,094	2,049,961
Endowment investments	65,324,862	62,391,332
Notes receivable, net	12,418,278	12,064,275
Deposits with bond trustees	122,086,829	57,103,469
Other long-term investments	3,390,269	3,941,264
Other assets	3,577,128	2,470,587
Capital assets, net	1,072,790,009	978,606,995
Total noncurrent assets	1,280,430,469	1,118,627,883
Total assets	$ 1,609,643,337	$ 1,398,128,718
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 34,930,526	$ 31,911,308
Accrued payroll liabilities	17,601,008	16,558,525
Accrued interest expense	5,337,076	4,479,930
Student overpayments	84,590	68,877
Funds held in trust for others	1,383,526	628,295
Advance receipts	29,976,451	30,519,336
Compensated absences payable - current portion	1,161,585	1,130,467
Bonds, notes, capital leases and installment contracts payable - current portion	28,929,003	23,154,547
Total current liabilities	119,403,765	108,451,285

UNIVERSITY OF ARKANSAS
Statement of Net Position
June 30, 2013
With Comparative Figures at June 30, 2012

	June 30, 2013	June 30, 2012
Noncurrent Liabilities		
Refundable federal advance - Perkins loans	14,066,490	14,022,433
Compensated absences payable	17,974,453	17,248,439
Liability for other post employment benefits	11,430,713	10,539,604
Bonds, notes capital leases and installment contracts payable	672,883,668	537,621,004
Other noncurrent liabilities	5,250	4,800
Total noncurrent liabilities	716,360,574	579,436,280
Total liabilities	$ 835,764,339	$ 687,887,565
NET POSITION		
Net invested in capital assets	$ 480,518,668	$ 459,488,312
Restricted for		
Nonexpendable		
Scholarships and fellowships	7,980,968	8,118,497
Research	5,739,659	5,739,659
Instructional department uses	8,644,889	8,644,839
Loans	1,104,216	887,560
Other	272,716	272,716
Expendable		
Scholarships and fellowships	10,422,147	9,125,347
Research	24,378,042	22,550,281
Public service	10,822,533	10,267,413
Instructional department uses	10,185,165	9,923,320
Loans	2,455,356	2,484,714
Capital projects	15,781,459	12,876,730
Debt service	205,455	211,843
Other	3,539,901	2,091,099
Unrestricted	191,827,824	157,558,823
Total net position	$ 773,878,998	$ 710,241,153

See accompanying notes to financial statements.

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013
With Comparative Figures for 2012

	Fiscal 2013 Total	Fiscal 2012 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $62,547,155 in fiscal year 2013, and $58,580,598 in fiscal year 2012)	$ 149,979,017	$ 130,571,742
Federal appropriations	14,035,901	11,615,106
County appropriations	2,992,672	3,383,149
Federal grants and contracts	33,897,047	38,448,980
State and local grants and contracts	17,631,073	17,502,653
Nongovernmental grants and contracts	24,715,454	18,256,503
Sales and services of educational departments	21,486,061	22,394,961
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $8,167,784 in fiscal year 2013, and $8,132,005 in fiscal year 2012)	26,936,578	24,915,952
Athletics	71,739,926	69,793,575
Bookstore (net of scholarship allowances of $154,961 in fiscal year 2013, and $118,422 in fiscal year 2012)	13,369,754	13,265,776
Student Health Services	753,775	569,714
Transit and Parking	6,684,527	6,591,747
Student Organizations/Activities	180,157	203,093
Other Auxiliary Enterprises	3,769,719	3,782,555
Other operating revenues	12,890,424	8,364,263
Total operating revenues	401,062,085	369,659,769
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	414,557,521	392,496,355
Scholarships and fellowships	27,368,387	27,071,128
Supplies and other services	179,198,304	177,430,399
Depreciation	64,325,083	62,757,646
Total operating expenses	685,449,295	659,755,528
Operating loss	(284,387,210)	(290,095,759)

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses, and Changes in Net Position
For the Year Ended June 30, 2013
With Comparative Figures for 2012

	Fiscal 2013 Total	Fiscal 2012 Total
NONOPERATING REVENUES (EXPENSES)		
State appropriations	200,939,410	201,724,363
Gifts	68,337,167	63,599,752
Investment income (net of investment expense of $423,138 in fiscal year 2013, and $887,216 in fiscal year 2012)	8,362,479	5,997,430
Interest on capital asset - related debt	(19,291,196)	(18,888,991)
Federal grants (nonexchange)	24,409,373	24,822,337
State and local grants (nonexchange)	34,615,555	33,249,890
Nongovernmental grants (nonexchange)	802,351	831,557
Loss on disposal of assets	(205,515)	(572,447)
Other nonoperating revenues	3,348,125	2,980,378
Net nonoperating revenues	321,317,749	313,744,269
Gain before other revenues and changes in net position	36,930,539	23,648,510
OTHER REVENUES AND CHANGES IN NET POSITION		
Capital appropriations	800,000	500,000
Capital grants and gifts	26,868,665	33,158,761
Other changes	(961,359)	731,244
Total other revenues and changes in net position	26,707,306	34,390,005
Increase in net position	63,637,845	58,038,515
NET POSITION		
Net position - beginning of year	710,241,153	652,202,638
Net position - end of year	$ 773,878,998	$ 710,241,153

See accompanying notes to financial statements.

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2013
With Comparative Figures for 2012

	Fiscal 2013 Total	Fiscal 2012 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 150,602,931	$ 130,723,176
Federal appropriations	11,964,827	12,996,469
County appropriations	2,992,672	3,383,149
Grants and contracts	77,607,756	74,527,891
Payments to suppliers	(176,268,091)	(181,532,353)
Payments to employees	(326,932,572)	(307,098,005)
Payments for benefits	(85,050,553)	(81,614,153)
Payments for scholarships and fellowships	(27,166,373)	(26,947,157)
Loans issued to students and employees	(2,437,359)	(2,523,538)
Collections of loans to students	2,214,381	2,372,266
Collections of interest on loans to students	509,245	116,807
Auxiliary enterprise charges		
Residence Life	26,584,902	25,370,514
Athletics	66,438,653	73,191,812
Bookstore	13,254,086	13,021,445
Student Health Services	768,386	798,704
Transit and Parking	6,586,723	6,489,727
Student Organizations/Activities	156,067	200,803
Other Auxiliary Enterprises	3,889,774	3,885,123
Sales and services of educational departments	20,814,306	22,112,452
Other receipts	15,128,159	10,988,529
Net cash used by operating activities	(218,342,080)	(219,536,339)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	200,939,410	201,724,362
Gifts and grants for other than capital purposes	68,716,877	65,005,056
Federal grants (nonexchange)	24,409,373	24,899,908
State and local grants (nonexchange)	34,594,821	33,232,632
Nongovernmental grants (nonexchange)	799,455	835,181
Direct Lending, and private loan receipts	102,519,130	96,205,456
Direct Lending, and private loan payments	(101,794,225)	(96,975,441)
Net agency fund transactions	121,722	9,869
Net cash provided by noncapital financing activities	330,306,533	324,937,023
Net cash provided by operating activities and noncapital financing activities	111,964,453	105,400,684
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	98,134,222	70,250,078
Capital appropriations	800,000	500,000
Capital grants and gifts received	29,362,550	28,007,493
Purchases of capital assets	(150,882,255)	(143,375,809)
Principal paid on capital debt and leases	(23,610,170)	(18,557,020)
Interest paid on capital debt and leases	(23,605,995)	(23,093,768)
Net cash used by capital financing activities	(69,801,648)	(86,269,026)

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For the Year Ended June 30, 2013
With Comparative Figures for 2012

	Fiscal 2013 Total	Fiscal 2012 Total
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 5,471,319	$ 8,949,069
Investment income	195,415	761,742
Purchase of investments	(3,080)	(18,541)
Net cash provided by investing activities	5,663,654	9,692,270
NET INCREASE IN CASH	47,826,459	28,823,928
Cash - beginning of year	147,037,661	118,213,733
Cash - end of year	$ 194,864,120	$ 147,037,661
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (284,387,210)	$ (290,095,759)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	64,325,083	62,757,646
Other miscellaneous operating receipts	3,293,974	3,090,389
Changes in assets and liabilities		
Receivables (net)	(6,500,050)	2,085,496
Inventories	(464,243)	(528,352)
Prepaid expenses	904,681	(805,697)
Accounts payable and accrued liabilities	2,643,228	(3,108,307)
Accrued payroll liabilities (Employees)	40,850	1,039,383
Accrued payroll liabilities (Benefits)	885,309	1,071,940
Student overpayments	15,713	17,862
Advance receipts	(531,685)	3,212,663
Refundable federal advance	44,057	101,433
Deposits	450	
Compensated absences	757,134	446,569
Retiree benefits	891,109	1,226,690
Loans to students and employees	(260,480)	(48,295)
Net cash used by operating activities	$ (218,342,080)	$ (219,536,339)
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$ 1,703,584	$ 967,956
Equipment donations	282,524	856,427
Payments to bond escrow directly from bond proceeds		65,717,794
Payment of bond proceeds directly into deposits with trustees	144,502,988	6,358
Payment of premium on bonds directly into deposits with trustees	19,826,997	
Bond issuance costs and underwriter's discounts paid directly from bond proceeds	1,260,226	488,365
Principal on long-term debt paid directly from deposits with trustees		908,900
Interest on long-term debt paid directly from deposits with trustees	1,234,084	2,540
Payment of long-term debt directly from University of Arkansas Foundation, Inc. accounts	11,000	53,394
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments	9,751	
Loss on disposal of assets	190,626	640,946

See accompanying notes to financial statements.

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statements of Financial Position
June 30, 2013 and 2012

	2013	2012
Assets		
Investments	$ 466,010,660	$ 435,890,065
Liabilities and Net Assets		
Accounts payable	$ 99,193	$ 85,612
Net Assets:		
Temporarily restricted	$ 31,050,931	$ 24,653,951
Permanently restricted	434,860,536	411,150,502
Total net assets	465,911,467	435,804,453
Total liabilities and net assets	$ 466,010,660	$ 435,890,065

THIS PAGE INTENTIONALLY LEFT BLANK

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends	$	$ 2,649,640	$ 88,036	$ 2,737,676
Net realized and unrealized gains on investments		13,265,762	32,721,998	45,987,760
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	18,618,422	(9,518,422)	(9,100,000)	
Total revenue, gains and other support	18,618,422	6,396,980	23,710,034	48,725,436
Program services-				
Construction	4,685,367			4,685,367
Research	1,169,505			1,169,505
Faculty/staff support	2,391,441			2,391,441
Scholarships and awards	9,266,519			9,266,519
Equipment and technology	952,736			952,736
Other	152,854			152,854
Total program services	18,618,422			18,618,422
Change in net assets		6,396,980	23,710,034	30,107,014
Net assets, beginning of year		24,653,951	411,150,502	435,804,453
Net assets, end of year	$	$ 31,050,931	$ 434,860,536	$ 465,911,467

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Contributions		$ 89,170	$ (89,170)	
Interest and dividends		3,190,757	179,645	$ 3,370,402
Net realized and unrealized gains on investments		12,630,542	(14,074,364)	(1,443,822)
Net assets released from restrictions	$ 14,302,023	(14,302,023)		
Total revenue, gains and other support	14,302,023	1,608,446	(13,983,889)	1,926,580
Program Services-				
Research	1,271,247			1,271,247
Faculty/staff support	2,335,058			2,335,058
Scholarships and awards	9,236,339			9,236,339
Equipment and technology	1,247,897			1,247,897
Other	211,482			211,482
Total program services	14,302,023			14,302,023
Change in net assets		1,608,446	(13,983,889)	(12,375,443)
Net assets, beginning of year		23,045,505	425,134,391	448,179,896
Net assets, end of year	$	$ 24,653,951	$ 411,150,502	$ 435,804,453

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2013

Assets		
Cash and cash equivalents	$	13,529,676
Contributions receivable, net		10,969,773
Investments, at fair value		17,026,719
Prepaid rent		1,427,451
Other		893,727
Property and equipment, net of accumulated depreciation of $2,385,782		169,923
Total assets	$	44,017,269
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$	870,224
Deferred compensation		3,886,591
Total liabilities		4,756,815
Net assets:		
Stockholder's equity of for-profit subsidiary		39,883
Unrestricted net assets of nonprofit parent		23,875,088
Total unrestricted net assets		23,914,971
Temporarily restricted net assets		12,840,663
Permanently restricted net assets		2,504,820
Total net assets		39,260,454
Total liabilities and net assets	$	44,017,269

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2012

Assets		
Cash and cash equivalents	$	17,293,862
Contributions receivable, net		17,337,982
Investments, at fair value		15,702,869
Prepaid rent		1,444,904
Other		242,361
Property and equipment, net of accumulated depreciation of $2,362,363		50,242
Total assets	$	52,072,220
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	$	1,079,927
Deferred compensation		3,904,448
Total liabilities		4,984,375
Net assets:		
Stockholder's deficit of for-profit subsidiary		(9,840)
Unrestricted net assets of nonprofit parent		21,846,120
Total unrestricted net assets		21,836,280
Temporarily restricted net assets		22,984,129
Permanently restricted net assets		2,267,436
Total net assets		47,087,845
Total liabilities and net assets	$	52,072,220

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 18,439,493	$ 7,975,139	$ 237,384	$ 26,652,016
Sports Shows, Inc. revenues	1,098,585			1,098,585
Interest and dividends	185,225	34,262		219,487
Net realized and unrealized gains on investments	1,228,458	368,127		1,596,585
Other	996,554			996,554
Net assets released from restrictions	18,520,994	(18,520,994)		
Total revenues, gains and other support	40,469,309	(10,143,466)	237,384	30,563,227
Expenses and losses:				
Program services:				
Athletic department expenses	12,897,541			12,897,541
Construction and capital projects	18,521,237			18,521,237
Total program services	31,418,778			31,418,778
Supporting services:				
Management and general	1,742,119			1,742,119
Fundraising	3,709,021			3,709,021
Sports Shows, Inc. operating expenses	1,048,862			1,048,862
Change in cash surrender value of life insurance	100,211			100,211
Provision for loss on uncollectible contributions	371,627			371,627
Total supporting services	6,971,840			6,971,840
Total expenses and losses	38,390,618			38,390,618
Change in net assets	2,078,691	(10,143,466)	237,384	(7,827,391)
Net assets, beginning of year	21,836,280	22,984,129	2,267,436	47,087,845
Net assets, end of year	$ 23,914,971	$ 12,840,663	$ 2,504,820	$ 39,260,454

THE RAZORBACK FOUNDATION, INC.
Consolidated Statement of Activities
Year ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 22,406,460	$ 14,360,604	$ 228,200	$ 36,995,264
Sports Shows, Inc. revenues	734,212			734,212
Interest and dividends	158,735	53,823		212,558
Net realized and unrealized gains on investments	737,925	127,939		865,864
Other	602,218			602,218
Reclassifications-including net assets from restrictions	271,493	(592,003)	320,510	
Total revenues, gains and other support	24,911,043	13,950,363	548,710	39,410,116
Expenses and losses:				
Program services:				
Athletic department expenses	10,997,586			10,997,586
Construction and capital projects	592,003			592,003
Total program services	11,589,589			11,589,589
Supporting services:				
Management and general	1,515,210			1,515,210
Fundraising	3,184,565			3,184,565
Sports Shows, Inc. operating expenses	1,248,210			1,248,210
Change in cash surrender value of life insurance	70,114			70,114
Provision for loss on uncollectible contributions	333,205			333,205
Total supporting services	6,351,304			6,351,304
Total expenses and losses	17,940,893			17,940,893
Change in net assets	6,970,150	13,950,363	548,710	21,469,223
Net assets, beginning of year	14,866,130	9,033,766	1,718,726	25,618,622
Net assets, end of year	$ 21,836,280	$ 22,984,129	$ 2,267,436	$ 47,087,845

ARKANSAS 4-H FOUNDATION, INC.
Statements of Financial Position
June 30, 2013 and 2012

ASSETS	2013	2012
CURRENT ASSETS:		
Cash and cash equivalents	$ 749,773	$ 1,404,765
Investments, at fair value	1,610,581	1,550,256
Certificates of deposit	36,133	154,264
Due from affiliate	40,107	
Other current assets	47,646	65,493
Total current assets	2,484,240	3,174,778
OTHER ASSETS:		
Investments, at fair value, restricted	2,111,293	1,899,996
Certificates of deposit, restricted	29,132	99,165
Total other assets	2,140,425	1,999,161
PROPERTY AND EQUIPMENT, NET	5,661,444	5,524,248
TOTAL ASSETS	$ 10,286,109	$ 10,698,187
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 73,793	$ 77,877
Due to affiliate		47,634
Line of credit		
Other current liabilities	108,827	91,564
Total current liabilities	182,620	217,075
LONG-TERM LIABILITY:		
Note payable, less current maturity		42,438
TOTAL LIABILITIES	182,620	259,513
NET ASSETS:		
Unrestricted	6,222,473	6,484,980
Temporarily restricted	3,144,276	3,077,527
Permanently restricted	736,740	876,167
Total net assets	10,103,489	10,438,674
TOTAL LIABILITIES AND NET ASSETS	$ 10,286,109	$ 10,698,187

ARKANSAS 4-H FOUNDATION, INC.
Statement of Activities
For the Years Ended June 30, 2013

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Program service revenue	$ 1,389,071	$ 20	$	$ 1,389,091
Grants and contributions	14,091	41,100		55,191
Interest and dividends	14,746	127,346	278	142,370
Net unrealized and realized appreciation on investments	31,213	269,560	589	301,362
Other revenues (expenses), net	(22,441)	714		(21,727)
Net assets released from restrictions	512,285	(371,991)	(140,294)	
Total support and revenues	1,938,965	66,749	(139,427)	1,866,287
EXPENSES:				
Program	2,091,013			2,091,013
Management and general	108,059			108,059
Fundraising	2,400			2,400
Total expenses	2,201,472			2,201,472
CHANGE IN NET ASSETS	(262,507)	66,749	(139,427)	(335,185)
NET ASSETS, BEGINNING OF YEAR	6,484,980	3,077,527	876,167	10,438,674
NET ASSETS, END OF YEAR	$ 6,222,473	$ 3,144,276	$ 736,740	$ 10,103,489

ARKANSAS 4-H FOUNDATION, INC.
Statement of Activities
For the Years Ended June 30, 2012

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
SUPPORT AND REVENUES:				
Program service revenue	$ 1,606,250	$ 6,553		$ 1,612,803
Grants and contributions	126,195	63,702	$ 100	189,997
Interest and dividends	18,065	119,800	9,164	147,029
Net unrealized and realized depreciation on investments	(30,458)	(201,987)	(15,449)	(247,894)
Other revenues (expenses), net	7,395	(3,176)		4,219
Net assets released from restrictions	320,498	(320,498)		
Total support and revenues	2,047,945	(335,606)	(6,185)	1,706,154
EXPENSES:				
Program	2,063,693			2,063,693
Management and general	235,593			235,593
Fundraising	120,530			120,530
Total expenses	2,419,816			2,419,816
CHANGE IN NET ASSETS	(371,871)	(335,606)	(6,185)	(713,662)
NET ASSETS, BEGINNING OF YEAR	6,856,851	3,413,133	882,352	11,152,336
NET ASSETS, END OF YEAR	$ 6,484,980	$ 3,077,527	$ 876,167	$ 10,438,674

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 2013, 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).

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

Net Position
The University's net position is classified as follows:

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

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

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

- Unrestricted: – portion that is not subject to externally imposed stipulations. Unrestricted net position 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 position is designated for academic and research programs and initiatives as well as capital programs.

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 $15,863,204 and $15,833,989 to the University during the fiscal years ended June 30, 2013, and June 30, 2012, 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 $28,655,372 to the University, and provided equipment, facilities, improvements and supplies in the amount of $386,786 during the fiscal year ended June 30, 2013. During the fiscal year ended June 30, 2012, the Razorback Foundation distributed $9,342,604 to the University, and provided equipment, facilities, improvements and supplies in the amount of $592,003. Complete financial statements for the Razorback

Foundation can be obtained from the administrative office at 1295 S. 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 160 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, 2013, or June 30, 2012, 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, AR 72203.

New Accounting Pronouncements

The GASB issued the following four statements which became effective with the fiscal year ending June 30, 2013: Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* which addresses partnerships with private and other public entities; Statement No. 61, *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34,* which modifies certain requirements for inclusion of component units; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* which incorporates pre-November 30, 1989 pronouncements into GASB's authoritative language from FASB, APB and AICPA; and Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* which redefines some assets and liabilities. Management has determined that the University has not entered into any service concession arrangements and does not hold derivatives in its investments that would require a classification of deferred inflows and deferred outflows per Statements No. 60 and 63. Management also determined that Statements No. 61 and 62 did not change reporting by the University.

The GASB issued the following four statements which become effective with the fiscal year ending June 30, 2014: Statement No. 65, *Items Previously Reported as Assets and Liabilities,* Statement No. 66, *Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62,* Statement No. 67, *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25,* and Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees.* The GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27,* which becomes effective for the fiscal year ending June 30, 2015. Management has determined that Statement No. 66 will not have an effect on current reporting and disclosures, but has not yet determined the effects of the other statements.

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 costs being determined using several generally accepted inventory valuation methods depending on the best practices of the University department to which the inventory belongs.

The following summarized the cost of inventories with the method of valuation:

Inventories	Valuation Method	June 30, 2013	June 30, 2012
Athletics Inventory	Retail	$ 560,837	$ 260,986
Bookstore	Retail	3,366,236	3,234,147
CES Warehouse	FIFO	74,678	84,197
Garvan Woodland Gardens Shop	Weighted Average	85,064	91,067
Facilities Management	FIFO	532,668	495,731
Printing Services	FIFO	185,528	169,380
Research Services	Weighted Average	52,055	51,795
Residence Life	Weighted Average	389,287	394,679
University Press	LCM	562,244	562,372
Total Inventories		$ 5,808,597	$ 5,344,354

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 $522,914 and $285,791 were written off during the fiscal years ended June 30, 2013, and June 30, 2012, respectively.

Accounts receivable at June 30, 2013, totaled $45,190,743. The allowance for doubtful accounts was computed to be $6,136,054, resulting in net accounts receivable totaling $39,054,689. Accounts receivable at June 30, 2012, totaled $43,444,005. The allowance for doubtful accounts was computed to be $6,098,407, resulting in net accounts receivable totaling $37,345,598.

A summary of accounts receivable balances at June 30, 2013, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 11,638,886	$ (5,870,859)	$ 5,768,027
Non-student Accounts Receivable	18,024,749	(265,195)	17,759,554
Unreimbursed Research Contract Expenses	15,527,108		15,527,108
Totals	$ 45,190,743	$ (6,136,054)	$ 39,054,689

A summary of accounts receivable balances at June 30, 2012, are as follows:

	Gross	Allowance	Net
Student Accounts Receivable	$ 11,451,730	$ (5,929,782)	$ 5,521,948
Non-student Accounts Receivable	19,470,770	(168,625)	19,302,145
Unreimbursed Research Contract Expenses	12,521,505		12,521,505
Totals	$ 43,444,005	$ (6,098,407)	$ 37,345,598

Annual Appropriated Budgets
Annual appropriated budgets are adopted for the state general fund. The annual period commences on July 1 of each year following the adjournment of the regular sessions of the General Assembly, and ends on June 30 the year after. An appropriation is construed to be available for the one year period following the legislative session in which it was approved. All appropriations lapse at the end of the year unless otherwise provided.

Capital Assets
Capital assets consisting of land, buildings, furniture, fixtures, equipment, improvements, infrastructure, construction in progress, and intangible assets 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. Renovations to buildings, infrastructure and land improvements are also capitalized when they significantly increase the value or extend the useful life of the structure and the cost exceeds $50,000.

In accordance with the University's capitalization policy, equipment includes all furniture, fixtures and equipment with a unit cost of $5,000 or more and an estimated useful life of one year or more.

Intangible assets are capitalized when the cost is $500,000 or more for purchased software, $1,000,000 or more for internally developed software, or $250,000 or more for easements, land use rights, trademarks and copyrights, and patents.

Library holdings are generally defined as collections of books and reference materials, and are valued using average prices for library acquisitions. A library book is a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference

materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items.

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, 3 to 10 years for equipment and 10 years for library holdings. Amortization of intangible assets, except for those determined to have indefinite useful lives, is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years for purchased software; 10 years for internally developed software; 15 years for easements, land use rights, trademarks, and copyrights; and 20 years for patents.

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. The total amount of interest cost incurred and the net amount thereof that has been capitalized was $25,637,647 and $6,118,753, respectively, for the fiscal year ended June 30, 2013.

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, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

Scholarship Discounts and Allowances
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 and 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, the 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 Fay Jones 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 Global Campus. 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.

GASB No. 14 addresses the issue of the financial reporting entity. According to GASB No. 14, the financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University is a component unit of the State of Arkansas (primary government). GASB No. 14 defines a component unit as a legally separate organization for which the elected officials of the primary government are financially accountable. Although this statement is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit, and therefore, the component unit should apply the provisions of GASB No. 14 as if it was a primary government.

(3). Compensated Absences

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, 2013. 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*.

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.

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, 2013	June 30, 2012
	Bank Balance	Bank Balance
Insured (FDIC)	$ 1,929,033	$ 3,371,791
Uninsured, Collateralized	201,228,288	151,094,821
Uninsured, Uncollateralized		
Total Deposits	$ 203,157,321	$ 154,466,612

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized, collateralized with securities held by the pledging institution or collateralized with securities held by the pledging institution's agent but not in the University's name. At June 30, 2013, none of the University's bank balance of $203,157,321 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 $1,772,378 at June 30, 2013, and $2,327,154 at June 30, 2012. The above deposit schedule does not include cash on hand in various imprest funds maintained by the University of $88,555 or short-term investments (cash equivalents) of $21,792,881 at June 30, 2013. At June 30, 2012, these amounts were $69,180 and $18,433,153, respectively.

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

	June 30, 2013		June 30, 2012	
Bank Balance	$ 203,157,321		$ 154,466,612	
Less: Items in Transit	(29,523,629)		(25,767,574)	
Less: Nonnegotiable Certificates of Deposit	(34,000)		(280,686)	
Cash on Books		$ 173,599,692		$ 128,418,352
State Treasury Cash	$ 1,243,925		$ 2,513,310	
Cash Equivalents	21,792,881		18,433,153	
Less: System Cash	(1,772,378)		(2,327,154)	
Cash and Equivalents		21,264,428		18,619,309
Total Cash and Equivalents		$ 194,864,120		$ 147,037,661

Investments

Investments, other than deposits held with trustees, are recorded at fair value. Fair value for reporting purposes is market value if a market price or quote is readily available. Investments that are not recorded at fair value are reported at cost or amortized cost.

The following is a summary of the University's investments held at June 30, 2013:

Investment Type	Value at June 30, 2013
Mutual Treasury Funds	$ 130,840,215
Treasury Notes/Bonds	1,936,838
Mutual Bond Funds	137,791
Corporate Bonds	2,318,303
External Investment Pool-University of Arkansas System	136,529,094
Other	1,943,029
Total Investments	$ 273,705,270

The Mutual Treasury Funds of $130,840,215 includes $130,830,248 reported as deposits with bond trustees on the Statement of Net Position. The Treasury Notes/Bonds of $1,936,838 are reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $59,206 which are considered deposits for GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

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 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 Statement No. 40 interest rate risk disclosure are summarized below:

Interest Rate Risk				
Investment Maturities (in years)				
Investment Type	Value	Less than 1	1 to 5	6 to 10
Treasury Notes/Bonds	$ 1,936,838	$ 1,936,838		
Corporate Bonds	2,318,303	308,890	$ 1,243,857	$ 765,556
Totals	$ 4,255,141	$ 2,245,728	$ 1,243,857	$ 765,556

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The University does not have a formal investment policy addressing credit risk.

The University of Arkansas' investments subject to GASB Statement No. 40 credit risk disclosure are summarized below:

Credit Risk					
Investment Type	Fair Value	Aaa-Aa3	A1-A3	Baa1-Baa3	Not Rated
Mutual Treasury Funds	$ 130,840,215	$ 130,830,248			$ 9,967
Treasury Notes/Bonds	1,936,838	1,936,838			
Mutual Bond Funds	137,791				137,791
Corporate Bonds	2,318,303	244,219	$ 917,840	$ 847,354	308,890
Totals	$ 135,233,147	$ 133,011,305	$ 917,840	$ 847,354	$ 456,648

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

Concentration of Credit Risk

The University places no limit on the amount that may be invested with any one issuer. There were no investments, other than U.S. Treasuries/Notes, with any one issuer that represented 5% or more of the total funds invested on June 30, 2013.

External Investment Pool-University of Arkansas System

Effective June 30, 1997, the University of Arkansas adopted Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Pools.* GASB No. 31 requires that investments be carried at fair value and all changes in fair value be reported in revenue as a component of investment income. In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. During 1998, the Walton Arts Foundation joined the pool and during 2003, the Fayetteville Campus Foundation joined the pool. During 2007, the University of Arkansas Community College at Hope Foundation joined the pool. The Razorback Foundation, Inc. joined the pool during 2012.

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

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

The following tables contain information on the risk disclosure of the Pool, which includes the Total Return Pool and the Intermediate Pool. The University of Arkansas, Fayetteville owns 8.80% of the Pool's net assets.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Statement of Invested Assets
June 30, 2013

Investment Type		**Fair Value***
Equity	**$**	**393,170,798**
Common Stock		43,409,966
Funds – Common Stock		332,285,499
Preferred Stock		30,415
Rights/Warrants		6
Funds – Equities ETF		17,444,912
Fixed Income		**430,429,596**
Government Bonds		30,331,139
Corporate Bonds		83,950
Funds – Corporate Bond		28,949,425
Government Mortgage Back Securities		121
Non-Government Backed C.M.O.s		1
Funds – Other Fixed Income		340,375,596
Funds – Fixed Income ETC		30,689,364
Venture Capital and Partnerships		**577,858,492**
Partnerships		577,858,492
Commodities		**19,739,206**
Funds – Commodity Linked		19,739,206
Hedge Fund		**116,900,969**
Hedge Equity		92,767,694
Hedge Event Driven		24,133,275
All Other		**18,418**
Recoverable Taxes		18,418
Cash/Cash Equivalents		**12,968,417**
Short Term Investment Funds		13,482,463
Cash		(514,047)
Invested Cash		1
TOTAL	**$**	**1,551,085,896**

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Credit Risk - S&P Quality Ratings
June 30, 2013

Investment Type and Fair Value*	TOTAL	BBB	NR	US GOVN. GUAR
Corporate Bonds	$ 83,950		$ 83,950	
Funds – Corporate Bond	28,807,397		28,807,397	
Funds – Fixed Income ETF	30,689,364		30,689,364	
Funds – Other Fixed Income	340,158,442		340,158,442	
Funds – Short Term Investment	13,482,337		13,482,337	
Government Bonds	30,258,819	$ 7,866		$ 30,250,953
Govn Mortgage Backed Securities	121			121
Hedge Event Driven	24,133,275		24,133,275	
Non-Govn Backed C.M.O.s	1		1	
Total	$ 467,613,706	$ 7,866	$ 437,354,766	$ 30,251,074

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Years to Maturity
June 30, 2013

		Investment Maturities (in years)			
Investment Type(1)	Fair Value*	Less than 1	1 to 5	6 to 10	More than 10
Corporate Bonds	$ 83,950				$ 83,950
Funds – Corporate Bond	28,807,397				
Funds – Fixed Income ETF	30,689,364				
Funds – Other Fixed Income	340,158,442				
Funds – Short Term Investment	13,482,337				
Government Bonds	30,258,819			$ 30,250,953	7,866
Govn Mortgage Backed Securities	121				121
Hedge Event Driven	24,133,275				
Non-Govn Backed C.M.O.s	1				
Total	$ 467,613,706	$	$	$ 30,250,953	$ 91,937

*Does not include accrued income
(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Interest Rate Sensitivity - Effective Duration
June 30, 2013

Investment Type(1)	Fair Value*	Effective Duration
Corporate Bonds	$ 83,950	
Funds – Corporate Bond	28,807,397	
Funds – Fixed Income ETF	30,689,364	
Funds – Other Fixed Income	340,158,442	
Funds – Short Term Investment	13,482,337	
Government Bonds	30,258,819	8.92
Govn Mortgage Backed Securities	121	3.32
Hedge Event Driven	24,133,275	
Non-Govn Backed C.M.O.s	1	
Total	$ 467,613,706	

*Does not include accrued income
(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Foreign Currency Risk By Investment Type
June 30, 2013

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
Swiss Franc			$ 11,828
Euro	$ 19,468		
British Pound Sterling		$ 754	
Hong Kong Dollar		5,552	
Polish Zloty			6,590
	$ 19,468	$ 6,306	$ 18,418

*Includes accrued income

The activities during fiscal year 2013 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2012, Balances	$ 61,362,292	$ 60,806,482	$ 10,793,917	$ 132,962,691
Income	714,244	1,591,259	282,469	2,587,972
Realized Gains/(Losses)	1,552,198	2,007,107	356,287	3,915,592
Unrealized Gains/(Losses)	5,171,258	(2,949,089)	(523,501)	1,698,668
Expenses Paid from Pool	(253,157)	(70,209)	(12,463)	(335,829)
Transfers In/(Out) of Pool	(4,300,000)			(4,300,000)
June 30, 2013, Balances	$ 64,246,835	$ 61,385,550	$ 10,896,709	$ 136,529,094

The activities during fiscal year 2012 affecting the University's investments in the external pool are summarized below:

	Total Return Pool	Intermediate Pool	Intermediate Pool CES	Total
June 30, 2011, Balances	$ 60,465,127	$ 57,298,639	$ 10,171,231	$ 127,934,997
Income	604,689	1,559,916	276,904	2,441,509
Realized Gains/(Losses)	674,977	1,170,838	207,839	2,053,654
Unrealized Gains/(Losses)	(154,082)	826,608	146,733	819,259
Expenses Paid from Pool	(228,419)	(49,519)	(8,790)	(286,728)
June 30, 2012, Balances	$ 61,362,292	$ 60,806,482	$ 10,793,917	$ 132,962,691

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:

	2013	2012
Fair Value @ June 30	$ 64,275,946	$ 60,120,477
Number of Units in Pool @ June 30	1,560,459	1,638,336
Fair Value per Unit @ June 30	$ 41.190	$ 36.696
Gains/(Losses) for the Year	$ 6,723,456	$ 520,894
Net Income Earned for the Year	$ 107,885	$ 43,970
Gain/(Loss) per Unit	$ 4.31	$ 0.32
Income Earned per Unit	0.07	0.03
Total per Unit	$ 4.38	$ 0.35

Donor-restricted Endowments

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

	2013	2012
Total Endowment at June 30	$ 65,353,961	$ 61,149,504
Less: Funds treated as Endowment	(12,151,652)	(11,214,527)
Non-expendable portion of Endowment	(23,020,824)	(23,126,342)
Available for Expenditure	$ 30,181,485	$ 26,808,635

Note: The amounts shown as available for expenditure and the funds treated as endowments are reported as expendable net position on the Statement of Net Position.

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

The University uses a total return policy for investing endowed funds. The University's spending policy is to expend 5.369% 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 $2,373,813 and $2,463,097 were issued under the Student Loan Programs for the years ended June 30, 2013, and June 30, 2012, 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 12.37% for the year ended June 30, 2013, and 12.03% for the year ended June 30, 2012. Notes receivable totaling $20,344 and $28,642 were written off during the fiscal year ended June 30, 2013, and June 30, 2012, respectively.

The following summarizes the balance of notes receivable at June 30, 2013:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,635,012	$ 846,897	$ 14,788,115	$ 3,127,002
Loans to Greek organizations	772,664		772,664	15,499
Totals	$ 16,407,676	$ 846,897	$ 15,560,779	$ 3,142,501

The following summarizes the balance of notes receivable at June 30, 2012:

Type of Note	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,408,524	$ 881,123	$ 14,527,401	$ 3,235,790
Loans to Greek organizations	892,719		892,719	120,055
Totals	$ 16,301,243	$ 881,123	$ 15,420,120	$ 3,355,845

(6). Pledges Receivable

The University did not have any material amounts pledged that were receivable at June 30, 2013 or 2012.

(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, 2013. 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, 2013	June 30, 2012
Payable to Outside Vendors	$ 26,965,698	$ 27,173,130
Retainage on Construction Contracts	7,719,030	4,513,307
Property Taxes Payable	245,798	224,871
Total	$ 34,930,526	$ 31,911,308

Accrued payroll liabilities are summarized as follows:

	June 30, 2013	June 30, 2012
Net Salaries and Wages Payable	$ 3,506,123	$ 3,645,205
Employee Withholdings Payable	8,102,692	7,175,609
Employer Payroll Taxes and Benefits Matching Payable	5,992,193	5,737,711
Total	$ 17,601,008	$ 16,558,525

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

Debt service payments on existing bonds amounted to $42,142,480 for the fiscal year ended June 30, 2013. The amount of $6,231,052 was expended for principal and interest on notes payable, installment contracts and capital leases for the same period.

On September 13, 2012, the University issued $60,540,000 in Various Facility Revenue Bonds, Series 2012B. The bonds were issued to provide funds to finance various construction and renovation projects on the University campus. Projects include renovation and construction of and additions to Vol Walker; construction of a new University Housing Administration Building, Founders Hall, and the Jean Tyson Child Development Study Center; a major renovation of Hotz Hall; purchase of the Uptown Campus facilities and other real property; and renovation and improvements to various housing and academic buildings as well as various other campus improvements and infrastructure.

On May 16, 2013, the University issued $54,450,000 in Various Facility Revenue Bonds, Series 2013A. The bonds were issued to provide funds to finance various construction projects on the University campus. Projects include construction of Champion's Hall classroom and laboratory building, the Leroy Pond Utility Plant, the Jim & Joyce Faulkner Performing Arts Center and the Utility Combined Heat and Power Project.

On May 16, 2013, the University issued $30,355,000 in Athletic Facility Revenue Bonds, Series 2013. The bonds were issued to provide funds to finance construction of various athletic facilities. Projects include the construction of the Athletic Academic and Dining Facility, the Baseball and Track Indoor Training Facility, and the Basketball Practice Facility.

On April 17, 2012, the University issued $56,965,000 in Various Facility Revenue Refunding Bonds, Series 2012A. The bonds, with interest rates of 1.0% to 5.0% were issued to refund $44,555,000 of outstanding bonds dated December 1, 2002 with an interest rate of 4.75% to 5.50%, and $17,080,000 of outstanding bonds dated October 1, 2004 with interest rates of 3.25% to 4.75%. Net bond proceeds and premiums of $65,717,794 were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4,082,794. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2033 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by $9,331,777 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7,016,631. The escrow balance as of June 30, 2013 was $16,965,063. The bonds dated December 1, 2002 were refunded on December 1, 2012. The bonds dated October 1, 2004 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2014, at which time the remaining balance will be refunded.

On June 29, 2011, the University issued $101,225,000 in Various Facility Revenue Bonds, Series 2011A and $8,895,000 in Various Facility Revenue Bonds, Refunding Series 2011B. The Series 2011A bonds were issued to provide funds to finance various construction and renovation projects on the University campus. Projects include renovation and construction of and additions to Vol Walker and Ozark Halls, construction of Hillside Auditorium, renovations to various classrooms and teaching labs, renovation to the Science Building, construction of the Child Development Study Center, improvements to the Arkansas Union, construction of a hazardous waste facility, renovation and improvements to various student housing and dining facilities, and various infrastructure improvements.

The Various Facility Revenue Bonds, Refunding Series 2011B, with interest rates of 3.0% to 5.0% were issued to refund $3,580,000 of outstanding bonds dated October 15, 1997 with an interest rate of 5.0%, and $6,270,000 of outstanding bonds dated November 1, 2001 with interest rates of 4.10% to 4.75%. Bond proceeds of $3,593,922 were used to redeem the 1997 bonds. Bond proceeds of $6,414,688 were deposited into the advance refunding fund to retire the 2001 bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $158,610. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by $1,496,871 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1,130,158. The bonds dated October 15, 1997 were redeemed on July 29, 2011. The bonds dated November 1, 2001 were refunded on December 1, 2011. The escrow account has been closed as of June 30, 2012.

On June 30, 2010, the University issued $23,965,000 in Athletic Facilities Revenue Refunding Bonds, Series 2010 (Taxable) with interest rates of 1.00% to 4.82% to refund $19,145,000 of outstanding bonds dated May 1, 1999 with interest rates of 3.35% to 5.05%, and $4,000,000 of outstanding bonds dated November 1, 2001 with an interest rate of 4.20%. Bond proceeds of $19,460,189 were deposited into the current refunding fund to retire the 1999 bonds. Bond proceeds of $4,229,298 were deposited into the advance refunding fund to retire the 2001 bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $544,487. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2021 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by $1,319,864 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $355,490.

The bonds dated May 1, 1999 were refunded on July 16, 2010. The bonds dated November 1, 2001 were refunded on December 1, 2011. The escrow account has been closed as of June 30, 2012.

On April 8, 2010, the University entered into a financing agreement with Banc of America Public Capital Corp. to finance the acquisition and installation of equipment, together with all additions, accessions, repairs and replacements necessary to fulfill the amended energy savings performance contract between the University and Energy Systems Group, LLC. Under the terms of the financing agreement, the University has available up to $9,694,713 to draw upon to pay its obligations to Energy Systems Group, LLC. The University was obligated to pay quarterly interest-only payments to the lender until the original anticipated completion date of the project of April 8, 2011. On that date, the amortization of the loan agreement commenced with quarterly payments. In the event the University does not draw down the entire amount available, Banc of America Public Capital Corp. will adjust the payment schedule to reflect the actual amount drawn and credit the University for any excess interest paid. The financing agreement bears an interest rate of 4.80%. As of June 30, 2012, the University has drawn down the entire $9,694,713.

On December 19, 2008, the University entered into a financing agreement with Banc of America Public Capital Corp. to finance the acquisition and installation of equipment, together with all additions, accessions, repairs and replacements necessary to fulfill the energy savings performance contract between the University and Energy Systems Group, LLC. Under the terms of the financing agreement, the University has available up to $23,842,000 to draw upon to pay its obligations to Energy Systems Group, LLC. The University was obligated to pay quarterly interest-only payments to the lender until the original anticipated completion date of the project of October 19, 2010. On that date, the amortization of the loan agreement commenced with quarterly payments beginning on November 11, 2010. In the event the University does not draw down the entire amount available, Banc of America Public Capital Corp. will adjust the payment schedule to reflect the actual amount drawn and credit the University for any excess interest paid. The financing agreement bears an interest rate of 4.581%. As of June 30, 2012, the University has drawn down the entire $23,842,000.

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 had 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 continued 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 were 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 were 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 Position. 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 account has been closed as of June 30, 2013.

Remaining balances of defeased bond issues as of June 30, 2013:

Title	Principal Balance at June 30, 2013
Various Facilities Revenue Bonds, Series 2004A	$ 16,055,000

On April 16, 2012, the University signed an agreement to enter into a lease purchase arrangement with AG-PRO Companies. The purpose of the agreement is to provide the University with the financing to purchase a tractor. The lease purchase agreement commenced with up-front payment made upon receiving the equipment in July, 2012. The total of the lease agreement is $14,627 and bears no interest. The agreement has a final maturity date of July 5, 2014.

A summary of long term debt at June 30, 2013, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2013	Maturities and Refinanced Amounts to June 30, 2013
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,315,000	$ 20,130,000
10/01/2004	11/01/2024	2.00% to 4.75%	7,050,000	4,415,000	2,635,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	72,785,000	8,235,000
06/01/2006	11/01/2036	4.00% to 5.00%	67,420,000	62,740,000	4,680,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	5,735,000	2,470,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	41,075,000	3,935,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	36,360,000	390,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	14,565,000	645,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	50,410,000	2,020,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	18,475,000	5,490,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	98,640,000	2,585,000
06/29/2011	11/01/2022	3.00% to 5.00%	8,895,000	7,790,000	1,105,000
06/29/2011	09/15/2021	2.00% to 4.895%	23,575,000	21,210,000	2,365,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	52,440,000	4,525,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	60,540,000	
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	54,450,000	
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	30,355,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,442,248	1,557,752
11/29/1995	11/01/2034	4.00% to 5.00%	2,071,140	772,664	1,298,476
12/20/1999	12/31/2017	Variable	1,161,952	538,002	623,950
05/11/2007	09/30/2013	Variable	6,000,000	3,126,238	2,873,762
11/30/2007	07/01/2023	4.69%	6,950,000	5,802,366	1,147,634
10/15/2008	09/13/2013	5.00%	5,000,000	294,211	4,705,789
12/19/2008	08/19/2023	4.581%	23,842,000	19,825,862	4,016,138
04/08/2010	01/08/2023	4.80%	9,694,713	8,272,304	1,422,409
Various	Various	Various	27,670	17,116	10,554
Deferral on debt defeasance			(8,955,890)	(6,200,312)	(2,755,578)
Net unamortized premium			36,310,469	34,621,972	1,688,497
Totals			$ 779,612,054	$ 701,812,671	$ 77,799,383

A summary of long term debt at June 30, 2012, is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2012	Maturities and Refinanced Amounts to June 30, 2012
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,440,000	$ 20,005,000
11/01/2001	12/01/2021	2.90% to 5.50%	42,985,000		42,985,000
12/01/2002	12/01/2032	1.80% to 5.50%	110,980,000		110,980,000
10/01/2004	11/01/2024	2.00% to 4.75%	30,550,000	5,205,000	25,345,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	74,030,000	6,990,000
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	63,710,000	3,710,000
06/01/2006	09/15/2022	4.00% to 4.375%	8,205,000	6,190,000	2,015,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	41,960,000	3,050,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	36,610,000	140,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	14,820,000	390,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	51,435,000	995,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	20,460,000	3,505,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	100,555,000	670,000
06/29/2011	11/01/2022	3.00% to 5.00%	8,895,000	8,895,000	
06/29/2011	09/15/2021	2.00% to 4.895%	23,575,000	23,575,000	
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	56,965,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,563,231	1,436,769
11/29/1995	12/01/2019	4.00% to 5.00%	2,071,140	892,719	1,178,421
12/20/1999	12/31/2019	Variable	1,161,952	647,648	514,304
05/11/2007	09/30/2013	Variable	6,000,000	3,700,893	2,299,107
11/30/2007	07/01/2023	4.69%	6,950,000	6,102,174	847,826
10/15/2008	09/13/2013	5.00%	5,000,000	1,434,790	3,565,210
12/19/2008	08/19/2023	4.581%	23,842,000	21,309,523	2,532,477
04/08/2010	01/08/2023	4.80%	9,694,713	8,922,992	771,721
Various	Various	Various	3,044,230	1,200,806	1,843,424
Deferral on debt defeasance			(9,080,890)	(6,795,443)	(2,285,447)
Net unamortized premium			16,483,472	15,946,218	537,254
Totals			$ 804,441,617	$ 560,775,551	$ 243,666,066

Equipment Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $29,046 at June 30, 2013. The expense resulting from depreciation of assets recorded under capital leases is included with depreciation expense as reflected in the summary of property, plant and equipment. See Note 13.

Type of Equipment	Asset Balance June 30, 2013
Color Digital Copier	$ 14,419
Farm Equipment	14,627
Total	$ 29,046
Total Minimum Lease Payments	$ 17,686
Less: Amount Representing Interest	570
Total Present Value of Net Minimum Lease Payments	$ 17,116

The accumulated depreciation for the above items was $10,114 as of June 30, 2013.

Changes in long-term liabilities for the year ended June 30, 2013, are as follows:

	Fiscal Year Ended June 30, 2013				
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 505,850,000	$ 145,345,000	$ 17,895,000	$ 633,300,000	$ 21,565,000
Deferral on debt defeasance	(6,795,443)		(595,131)	(6,200,312)	(595,131)
Net unamortized premium	15,946,218	19,826,997	1,151,243	34,621,972	1,721,984
Notes	8,239,281		2,065,918	6,173,363	3,680,478
Leases	1,200,806	14,627	1,198,317	17,116	7,511
Installment contracts	36,334,689		2,434,157	33,900,532	2,549,161
Compensated absences	18,378,906	921,058	163,926	19,136,038	1,161,585
Liability for retiree insurance benefits	10,539,604	891,109		11,430,713	
Totals	$ 589,694,061	$ 166,998,791	$ 24,313,430	$ 732,379,422	$ 30,090,588

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

Changes in long-term liabilities for the year ended June 30, 2012, are as follows:

Fiscal Year Ended June 30, 2012					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 525,370,000	$ 56,965,000	$ 76,485,000	$ 505,850,000	$ 17,895,000
Deferral on debt defeasance	(3,107,580)	(4,082,794)	(394,931)	(6,795,443)	(595,130)
Net unamortized premium	7,207,645	9,247,517	508,944	15,946,218	865,339
Notes	10,140,976		1,901,695	8,239,281	2,082,072
Leases	1,671,707		470,901	1,200,806	473,109
Installment contracts	31,687,814	6,971,219	2,324,344	36,334,689	2,434,157
Compensated absences	17,947,364	615,607	184,065	18,378,906	1,130,467
Liability for retiree insurance benefits	9,312,914	1,226,690		10,539,604	
Totals	$ 600,230,840	$ 70,943,239	$ 81,480,018	$ 589,694,061	$ 24,285,014

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
2014	$ 27,802,150	$ 29,619,191	$ 57,421,341
2015	26,645,580	29,084,013	55,729,593
2016	27,666,085	28,148,631	55,814,716
2017	29,436,815	27,078,573	56,515,388
2018	29,644,103	25,929,677	55,573,780
2019-2023	158,798,431	109,026,747	267,825,178
2024-2028	108,821,787	76,871,097	185,692,884
2029-2033	106,191,640	50,993,246	157,184,886
2034-2038	106,214,420	25,423,978	131,638,398
2039-2043	52,170,000	4,773,666	56,943,666
Totals	$ 673,391,011	$ 406,948,819	$ 1,080,339,830
Less Deferral on Debt Defeasance	(6,200,312)		
Plus Net unamortized premiums	34,621,972		
Totals	$ 701,812,671		

*Interest payments made on two notes payable are calculated using floating interest rates. The interest on the notes will be calculated using a floating rate equal to the amount earned on non-endowed investments known as the short-term intermediate pool each quarter from the fiscal years ended June 30, 2013, until maturity. The estimated future interest for these notes was calculated using the rate of 1.775%.

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, 2013, and June 30, 2012, that are pledged:

BOND SERIES	REVENUE SOURCE	2013	2012
Series 1997 Various Facilities	Student Tuition and Fees	$ 211,930,572	$ 188,696,913
Series 2004 Various Facilities	Sales and Services	7,638,343	13,074,148
Series 2005 Various Facilities	Residential Life	35,104,362	33,047,957
Series 2006 Various Facilities	Bookstore[1]	18,775,473	18,487,696
Series 2007 Various Facilities	Student Health Services	753,775	569,714
Series 2008 Various Facilities	Transit and Parking	6,684,527	6,591,747
Series 2009 Various Facilities	Other Auxiliaries	3,949,876	3,985,648
Series 2011 Various Facilities			
Series 2012 Various Facilities			
Series 2013 Various Facilities			
	Total Various Fac. Pledge	$ 284,836,928	$ 264,453,823
Series 2006 Athletic Facilities	Men's Athletic Revenue	$ 60,852,585	$ 61,439,528
Series 2010 Athletic Refunding	(less game guarantees)	(3,368,109)	(3,368,027)
Series 2011 Athletic Facilities			
Series 2013 Athletic Facilities			
	Total Athletics Pledge	$ 57,484,476	$ 58,071,501

[1]For the purposes of calculating pledged revenues, Bookstore revenues shown include internally generated revenues from sales to the University campus of $5,250,758 for the year ending June 30, 2013 and $5,103,498 for the year ending June 30, 2012.

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2013:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2013 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2013 REVENUE	% OF PLEDGED REVENUES IN FY2013
VARIOUS FACILITIES BONDS:							
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	$ 1,636,810	$ 195,664	Various Fac. Pledge	$ 284,836,928	.07%
Series 2004B Various Facilities	11/01/2024	Refund portion of Series 1998 Var. Facilities Bonds	4,876,764	972,443	Various Fac. Pledge	284,836,928	.34%
Series 2005 Various Facilities	11/01/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds.	89,044,875	4,445,829	Various Fac. Pledge	284,836,928	1.56%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	108,847,983	4,027,385	Various Fac. Pledge	284,836,928	1.41%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	70,811,731	2,851,863	Various Fac. Pledge	284,836,928	1.00%
Series 2008 Various Facilities	11/01/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, also purchase of parcels of land.	89,431,669	3,147,288	Various Fac. Pledge	284,836,928	1.10%
Series 2009 Various Facilities	11/01/2039	Construction of Nano Scale Building and Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center, and Peabody Hall. Classroom and Lab Improvements and Utility Renewal	87,297,566	3,232,758	Various Fac. Pledge	284,836,928	1.13%
Series 2011 Various Facilities	11/01/2040	Renovation of and additions to Vol Walker and Ozark Halls, Hillside Auditorium, renovation to various classrooms and labs and Science Building, construction of Child Development Study Center, improvements to Arkansas Union, construction of hazardous waste facility, improvements to various student housing and dining facilities and various infrastructure improvements.	187,039,248	7,784,031	Various Fac. Pledge	284,836,928	2.73%
Series 2012A Various Facilities Refunding	11/01/2032	Refunded $44,555,000 of Series 2002 Various Facility Revenue Bonds and $17,080,000 of Series 2004A Various Facility Revenue Bonds	83,825,725	7,063,444	Various Fac. Pledge	284,836,928	2.48%
Series 2012B Various Facilities	11/01/2042	Renovations and addition to Vol Walker Hall, renovation of Hotz Hall, John A. White Engineering Hall, Science Building, construction of Founders Hall and Brough Addition, purchase of Uptown Campus, and various other renovations and infrastructure improvements.	115,477,200	1,785,620	Various Fac. Pledge	284,836,928	.63%
Series 2013A Various Facilities	11/01/2042	Construction of new Classroom & Lab Building, Leroy Pond Utility Plant, Jim & Joyce Faulkner Performing Arts Center, and the Combined Heat & Power facility	95,296,343		Various Fac. Pledge	284,836,928	
		Total Percentage of Pledged Revenues					12.45%
ATHLETIC FACILITIES BONDS AND NOTE:							
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	7,043,371	704,291	Athletics Pledge	57,484,476	1.23%
Series 2010 Athletic Facilities	09/15/2020	Refunded Series 1999 and 2001 Athletic Facilities Bonds for Football Stadium	21,896,361	2,736,616	Athletics Pledge	57,484,476	4.76%
Series 2011 Athletic Facilities	09/15/2021	Construction of Football Center	25,160,600	3,195,250	Athletics Pledge	57,484,476	5.56%
Series 2013 Athletic Facilities	09/15/2027	Construction of the Basketball Practice Facility, the Track and Baseball Indoor Practice Facility, and the Athletic & Academic Dining Facility	42,376,401		Athletics Pledge	57,484,476	
Series 2008 Athletic Facilities Revenue Prom. Note	09/13/2013	Improvements to various athletic facilities	297,970	1,191,881	Athletics Pledge	57,484,476	2.07%
		Total Percentage of Pledged Revenues					13.62%

The following is a comparison of pledged revenues earned to the amount of debt service per bond issue for the year ended June 30, 2012:

BOND SERIES	MATURITY DATE	PURPOSE OF DEBT	REMAINING PRINCIPAL & INTEREST	FY2012 PRINCIPAL & INTEREST	REVENUE SOURCE	FY2012 REVENUE	% OF PLEDGED REVENUES IN FY2012
VARIOUS FACILITIES BONDS:							
Series 1997 Various Facilities	11/01/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	$ 1,832,474	$ 196,913	Various Fac. Pledge	$ 264,453,823	.07%
Series 2001 Various Facilities	12/01/2021	Renovation of Science Engineering, University House, Construction of Chiller, Gymnastics Facility, Research Building and other Capital Assets		1,281,250	Various Fac. Pledge	264,453,823	.48%
Series 2002 Various Facilities	12/01/2032	Construction of Student Housing, Health Center, Parking Structure, Walker Graduate School of Business, Chemistry Building Renovation, HPER Renovation, Utility Infrastructure and other Capital Assets		4,478,175	Various Fac. Pledge	264,453,823	1.69%
Series 2004 Various Facilities	11/01/2024	Law Library Addition, Chiller Rebuild, Old Main Renovation, Parking Structure, Band Building Addition, Land Purchases, Health Center, Vol Walker Renovation, and other Capital Assets. Refund portion of Series 1998 Var. Facilities Bonds	5,849,207	2,340,884	Various Fac. Pledge	264,453,823	.89%
Series 2005 Various Facilities	11/01/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds.	93,490,704	4,444,738	Various Fac. Pledge	264,453,823	1.68%
Series 2006 Various Facilities	11/01/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	112,875,367	3,953,985	Various Fac. Pledge	264,453,823	1.50%
Series 2007 Various Facilities	11/01/2037	Construction of Student Housing	73,663,594	2,851,563	Various Fac. Pledge	264,453,823	1.08%
Series 2008 Various Facilities	11/01/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, also purchase of parcels of land.	92,578,957	3,015,683	Various Fac. Pledge	264,453,823	1.14%
Series 2009 Various Facilities	11/01/2039	Construction of Nano Scale Building and Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center, and Peabody Hall. Classroom and Lab Improvements and Utility Renewal	90,530,324	3,233,058	Various Fac. Pledge	264,453,823	1.22%
Series 2011 Various Facilities	11/01/2040	Renovation of and additions to Vol Walker and Ozark Halls, Hillside Auditorium, renovation to various classrooms and labs and Science Building, construction of Child Development Study Center, improvements to Arkansas Union, construction of hazardous waste facility, improvements to various student housing and dining facilities and various infrastructure improvements.	194,823,279	4,709,036	Various Fac. Pledge	264,453,823	1.78%
Series 2012 Various Facilities Refunding	11/01/2032	Refunded $44,555,000 of Series 2002 Various Facility Revenue Bonds and $17,080,000 of Series 2004A Various Facility Revenue Bonds	90,889,169		Various Fac. Pledge	264,453,823	
		Total Percentage of Pledged Revenues					11.53%
ATHLETIC FACILITIES BONDS AND NOTE:							
Series 2005 Athletic Facilities	09/15/2011	Refund Series 1997 Athletic Facilities Bonds for Walton Arena		1,442,720	Athletics Pledge	58,071,501	2.48%
Series 2006 Athletic Facilities	09/15/2022	Construction of John McDonnell Outdoor Track Stadium	7,747,664	702,091	Athletics Pledge	58,071,501	1.21%
Series 2010 Athletic Facilities	09/15/2020	Refunded Series 1999 and 2001 Athletic Facilities Bonds for Football Stadium	24,632,978	2,426,952	Athletics Pledge	58,071,501	4.18%
Series 2011 Athletic Facilities	09/15/2021	Construction of Football Center	28,355,850	607,218	Athletics Pledge	58,071,501	1.05%
Series 2008 Athletic Facilities Revenue Prom. Note	09/13/2013	Improvements to various athletic facilities	1,489,851	1,191,881	Athletics Pledge	58,071,501	2.05%
		Total Percentage of Pledged Revenues					10.97%

(10). Commitments

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

Construction and Architect Contracts

Project Name	Completion Date	Beginning Contract Balance Plus Amendments	Amount Paid	Year-End Contract Balance
ARE-ON Fiber Optic	Substantially Complete	$ 4,397,360	$ 2,922,002	$ 1,475,358
Athletic Academic & Dining Facility	January, 2015	1,831,063	438,963	1,392,100
Basketball Practice Facility	December, 2014	1,956,049	986,192	969,857
Baseball & Track Indoor Practice Facility	May, 2014	926,233	519,552	406,681
Campus District Energy Systems	December, 2013	1,671,937	109,078	1,562,859
Child Development Research Center	Substantially Complete	2,154,072	2,087,156	66,916
Classroom & Teaching Lab Building	January, 2015	2,023,151	901,293	1,121,858
Football Center	October, 2013	23,664,850	18,970,781	4,694,069
Founders Hall	December, 2013	23,640,782	15,761,473	7,879,309
Hillside Auditorium	Substantially Complete	7,624,334	6,951,680	672,654
Hotz Hall Renovation	December, 2013	13,910,235	8,754,198	5,156,037
Housing Administration Building	December, 2013	4,685,291	831,648	3,853,643
Humphreys Renovation	January, 2018	2,062,139		2,062,139
Jim & Joyce Faulkner Performing Arts	April, 2015	1,863,476	340,589	1,522,887
John A. White Engineering Hall Phase I	December, 2013	3,562,339	632,344	2,929,995
Lambda Chi Alpha Fraternity House	June, 2014	532,848		532,848
Leroy Pond Utility Plant	December, 2014	1,299,421	465,641	833,780
Mechanical Eng. Building Modifications	October, 2013	1,940,000	1,041,626	898,374
Nano 3rd Floor – Dickson St. Utility	December, 2013	1,751,216	726,634	1,024,582
Ozark Hall Renovation and Addition	October, 2013	15,649,873	11,704,392	3,945,481
Pi Beta Phi Gate & Campus Walk Ext.	Substantially Complete	1,184,428	1,009,372	175,056
Pomfret Honors Quarters	December, 2013	6,886,674	5,467,917	1,418,757
Science D Building Lab Upgrades	December, 2014	5,488,397	2,929,836	2,558,561
Vol Walker Hall Renovation	November, 2013	20,892,929	15,625,554	5,267,375
Yocum Hall Renovation	June, 2014	6,050,452	3,026,015	3,024,437
Other	Various	8,120,559	5,212,560	2,907,999
Totals		$ 165,770,108	$ 107,416,496	$ 58,353,612

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, 2013.

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, 2013, were $7,892,227. Minimum future annual rental payments for leases having an initial term in excess of one year totaled $7,542,430. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2014	$ 2,057,416
2015	1,233,171
2016	1,024,254
2017	667,521
2018	490,141
2019-2023	2,030,927
2024-2028	39,000
Total	$ 7,542,430

(11). Employee Benefits

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 Employees Retirement System (APERS). Effective July 1, 2011, new employees of the University are no longer eligible to participate in the Arkansas Teacher Retirement System (ATRS). Existing ATRS participants are allowed to continue ATRS participation. 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, 2013, were $15,501,108 and $15,830,669, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2013, were $6,181,711 and $6,338,988, respectively. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2012, were $14,973,403 and $15,168,522, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2012, were $5,721,349 and $5,900,388, respectively.

APERS is a cost-sharing multiple employer defined benefit plan administered by the State of Arkansas. The University contributes 14.24% 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, 2013, were $636,330 and $144,164, respectively. The University's and participants' contribution for the year ending June 30, 2012, were $420,627 and $83,389, respectively. The University's and participants' contribution for the year ending June 30, 2011, were $306,730 and $49,017, 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, 2013, were $289,557 and $81,700, respectively. The University's and participants' contributions for the year ending June 30, 2012, were $303,552 and $82,177, respectively. The University's and participants' contributions for the year ending June 30, 2011, were $283,388 and $85,694, respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 2013, were $412,107 and $311,116, respectively. The University's and participants' contributions to all other pension plans for the year ended June 30, 2012, were $429,643 and $322,556, respectively.

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 University of Arkansas consolidated financial report.

For the year ending June 30, 2013, a total of 5,030 active employees, former employees, and retirees were participants in the health plan. For the year ending June 30, 2012, the total of active employees, former employees, and retirees participating in the health plan was 4,903. The University pays 73.519% for the Point of Service Plan and 81.178% for the Classic Plan for Fayetteville, the Criminal Justice Institute and the Arkansas Archeological Survey. The University pays 74.295% for the Point of Service Plan and 79.905% for the Classic Plan for the Division of Agriculture. The University pays 75% of the health plan for federal employees.

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): Other Postemployment Benefits

Other Postemployment Benefits (OPEB)
The University offers postemployment health (including prescription drugs) and dental benefits along with life insurance ($10,000 available coverage) to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and retired employees of the Fayetteville (UAF), Little Rock (UALR), Medical Sciences (UAMS), Monticello (UAM), Pine Bluff (UAPB), Phillips (PCCUA) and Batesville (UACCB) campuses, the Cooperative Extension Service of the Division of Agriculture (CES), the Arkansas School for Mathematics, Sciences and the Arts (ASMSA), and the University of Arkansas System Administration (SYSTEM). The plan is considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University's plan for the University of Arkansas Foundation, Inc. and the University of Arkansas Winthrop Rockefeller Institute, no postemployment benefit is accrued by the University for these private entities. Financial activities of the plan are reported in the University of Arkansas consolidated financial report.

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The calculation reflects expected future medical costs. It includes an accrual for all active employees valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits. As a result of the implementation of this statement, the University accrued $11,430,713 in retiree healthcare liability as of June 30, 2013.

For those campuses in the University's self-funded plan, retirees qualify for postretirement benefits as follows:

- Participation: Employees who retire with a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan are eligible to participate. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Retirees can continue coverage past Medicare eligibility age (age 65 or disabled) with the University plan paying secondary to Medicare.
- Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.

- Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Summary of Key Actuarial Methods and Assumptions

Actuarial Assumptions	
University Self-Funded Plan	
Valuation date	July 1, 2012
Valuation year	Census data was collected as of November 1, 2012
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Immediate rate of 8%, with a 0.5% decrease each year starting in year 4 to an ultimate rate of 5%

General Overview of the Valuation Methodology

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods

Effective January 1, 2013, UMR, a subsidiary of United Healthcare, replaced QualChoice as the University's medical plan administrator. The effect of this change on network discounts was estimated based on the United Healthcare book-of-business discount information contained in the Aon Hewitt Discount Analysis Database compared to the specific claims and discount data reported by QualChoice. In the aggregate, this change is estimated to reduce health care costs by 11.4%. Also, the healthcare trend rate assumption was changed to better reflect anticipated future experience. This change decreased the Actuarial Accrued Liability by $646,792 as of July 1, 2012.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period January 1, 2011 through December 31, 2012 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 612 life years of exposure and was deemed to be 80% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the expected cost sharing level anticipated by the University. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Medical and prescription drug claims for the period January 1, 2011 through December 31, 2012 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 3,000 life years of exposure and was deemed to be fully credible. This analysis indicates that retiree contributions have become inadequate to fully cover the expected health care costs for the current period as intended. However, the University plans to implement a fully insured Medicare Advantage program with costs fully paid by retirees effective January 1, 2014. The cost associated with the temporary mismatch between costs and retiree contributions for Medicare eligible retirees was excluded from this valuation.

Dental Coverage

Dental claims coverage for the period January 1, 2011 through December 31, 2012 was used to develop per capita claims cost for dental coverage. The claims experience includes over 32,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

Actuarial Assumptions	
University Self-Funded Plan	
Healthy Mortality	RP-2000 Generational Combined Healthy Mortality Table projected by scale AA

Actuarial Assumptions
University Self-Funded Plan

Disability Rates — Various rates based on age. Selected rates are:

Age	Rate per 1,000 Male	Female
25	.0003	.0003
30	.0003	.0004
40	.0008	.0013
50	.0033	.0040
55	.0069	.0064
60	.0115	.0090

Actuarial Assumptions
University Self-Funded Plan

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

Service	Select Rates UAF	UAMS	OTHER
0	25%	30%	20%
1	25%	20%	20%
2	20%	18%	20%
3	16%	18%	15%
4	16%	15%	15%

Ultimate rates are from Sarason turnover table T-6 for UAF, table T-7 for UAMS, and table T-4 for all other locations.

Actuarial Assumptions

University Self-Funded Plan

Retirement Rates

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

Actuarial Assumptions

University Self-Funded Plan

Future Retiree Coverage

For medical insurance, retiring employees are assumed to elect medical and Rx coverage as follows:

	UAF	UALR	UAMS	OTHER
Pre-Medicare	55%	55%	55%	55%
Medicare Eligible	60%	60%	50%	45%

Retirees were assumed to remain in their current plan indefinitely.

75% of retiring employees are assumed to continue life insurance at retirement.

Actuarial Assumptions

University Self-Funded Plan

Future Dependent Coverage

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

Spouse Age Differential

Males are assumed to be 4 years older than females.

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/12	$	19,691,029
Annual Required Contribution (ARC)		
Normal cost	$	925,409
Amortization of the unfunded actuarial accrued liability over 30 years		703,033
Interest		73,280
Annual Required Contribution for FY13		1,701,722
Interest on Net OPEB Obligation		473,940
ARC Amortization Adjustment		(392,948)
Annual OPEB Cost for FY13	$	1,782,714
Net OPEB Obligation, 7/1/12	$	10,539,604
Annual OPEB Cost for FY13		1,782,714
Less: Expected Employer Contributions		(891,605)
Net OPEB Obligation, 6/30/13	$	11,430,713

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/11	$ 1,913,022	$ 825,425	43.15%	$ 9,312,914
6/30/12	$ 2,029,394	$ 802,704	39.55%	$ 10,539,604
6/30/13	$ 1,782,714	$ 891,605	50.01%	$ 11,430,713

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Of Covered Payroll
6/30/13	$ 0	$ 19,691,029	$ 19,691,029	0%	$ 257,844,616	7.64%

(13). Property, Plant and Equipment

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, 2013, 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.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2013:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 37,662,224	$ 5,400,776		$ 24,135	$ 43,087,135
Construction in progress	136,851,038	132,300,761	$ 1,494,273	(100,325,057)	167,332,469
Other assets	1,654,449	35,201	14,000		1,675,650
TOTAL NONDEPRECIABLE CAPITAL ASSETS	176,167,711	137,736,738	1,508,273	(100,300,922)	212,095,254
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,144,992,857	5,059,693	1,828,235	60,992,520	1,209,216,835
Equipment	209,836,903	15,535,091	9,419,420	4,665,159	220,617,733
Improvements	26,744,361	102,913		3,410,205	30,257,479
Infrastructure	60,363,899			31,233,038	91,596,937
Intangible assets	81,620,339		2,144,150		79,476,189
Library holdings	73,430,299	1,909,344	59,799		75,279,844
Total depreciable capital assets	1,596,988,658	22,607,041	13,451,604	100,300,922	1,706,445,017
Less accumulated depreciation					
Buildings	(439,396,141)	(38,323,671)	(1,670,060)	(5,583)	(476,055,335)
Equipment	(167,740,328)	(16,211,969)	(9,267,971)	(10,354)	(174,694,680)
Improvements	(13,894,666)	(1,228,604)			(15,123,270)
Infrastructure	(31,680,821)	(3,880,781)			(35,561,602)
Intangible assets	(77,938,811)	(1,903,007)	(2,144,150)		(77,697,668)
Library holdings	(63,898,607)	(2,777,051)	(57,951)		(66,617,707)
Total accumulated depreciation	(794,549,374)	(64,325,083)	(13,140,132)	(15,937)	(845,750,262)
TOTAL DEPRECIABLE CAPITAL ASSETS	802,439,284	(41,718,042)	311,472	100,284,985	860,694,755
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 978,606,995	$ 96,018,696	$ 1,819,745	$ (15,937)	$ 1,072,790,009

Note 1: Land of $415,652 and buildings of $4,824,755 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See Note 16.

The following schedule presents a summary of property, plant and equipment for the fiscal year 2012:

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
NONDEPRECIABLE CAPITAL ASSETS					
Land	$ 32,628,936	$ 5,033,288			$ 37,662,224
Construction in progress	94,904,381	134,845,249		$ (92,898,592)	136,851,038
Other assets	1,232,442	422,007			1,654,449
TOTAL NONDEPRECIABLE CAPITAL ASSETS	128,765,759	140,300,544		(92,898,592)	176,167,711
DEPRECIABLE CAPITAL ASSETS					
Buildings	1,055,395,008	4,826,696	$ 1,015,153	85,786,306	1,144,992,857
Equipment	199,690,583	15,634,935	5,488,615		209,836,903
Improvements	26,048,919	610,840		84,602	26,744,361
Infrastructure	52,496,647	845,352		7,021,900	60,363,899
Intangible assets	81,620,339				81,620,339
Library holdings	72,441,664	1,110,262	121,627		73,430,299
Total depreciable capital assets	1,487,693,160	23,028,085	6,625,395	92,892,808	1,596,988,658
Less accumulated depreciation					
Buildings	(403,447,470)	(36,355,866)	(407,195)		(439,396,141)
Equipment	(157,158,394)	(15,870,794)	(5,292,170)	(3,310)	(167,740,328)
Improvements	(12,826,184)	(1,060,891)		(7,591)	(13,894,666)
Infrastructure	(29,121,556)	(2,356,009)		(203,256)	(31,680,821)
Intangible assets	(73,425,145)	(4,513,666)			(77,938,811)
Library holdings	(61,416,055)	(2,600,420)	(117,868)		(63,898,607)
Total accumulated depreciation	(737,394,804)	(62,757,646)	(5,817,233)	(214,157)	(794,549,374)
TOTAL DEPRECIABLE CAPITAL ASSETS	750,298,356	(39,729,561)	808,162	92,678,651	802,439,284
TOTAL CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	$ 879,064,115	$ 100,570,983	$ 808,162	$ (219,941)	$ 978,606,995

The University estimates holdings of $12.3 million in timber resources as of June 30, 2013. The estimated value of these holdings was $10.3 million as of June 30, 2012. These resources, which total 13,163 acres, are located on various tracts of land in Arkansas. These resources are currently being inventoried.

(14). 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.

(15). Operating Expenses by Function

For the year ended June 30, 2013:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 131,159,851		$ 18,893,474		$ 150,053,325
Research	74,801,961		30,747,698		105,549,659
Public Service	57,475,424		19,003,500		76,478,924
Academic Support	27,366,963		13,542,097		40,909,060
Student Services	16,868,810		7,667,281		24,536,091
Institutional Support	39,936,433		10,400,297		50,336,730
Scholarships and Fellowships	190,636	$ 27,368,387	154,506		27,713,529
Operation and Maintenance of Plant	17,996,447		18,145,972		36,142,419
Auxiliary Enterprises	48,760,996		60,643,479		109,404,475
Depreciation				$ 64,325,083	64,325,083
Totals	$ 414,557,521	$ 27,368,387	$ 179,198,304	$ 64,325,083	$ 685,449,295

For the year ended June 30, 2012:

	Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 123,825,928		$ 19,659,050		$ 143,484,978
Research	71,466,948		31,211,713		102,678,661
Public Service	54,610,957		18,941,087		73,552,044
Academic Support	25,858,042		11,576,363		37,434,405
Student Services	15,659,684		7,306,012		22,965,696
Institutional Support	38,544,801		11,715,363		50,260,164
Scholarships and Fellowships	117,901	$ 27,071,128	136,044		27,325,073
Operation and Maintenance of Plant	17,764,876		27,158,893		44,923,769
Auxiliary Enterprises	44,647,218		49,725,874		94,373,092
Depreciation				$ 62,757,646	62,757,646
Totals	$ 392,496,355	$ 27,071,128	$ 177,430,399	$ 62,757,646	$ 659,755,528

(16). 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.

On July 16, 2010, the Arts Center Council filed articles of incorporation for NWA Entertainment, LLC ("NWA") for the purpose of acquiring certain assets of the Arkansas Music Pavilion, Inc. and for the purpose of operating, managing and maintaining assets related to the promotion and presentation of the arts in Northwest Arkansas. NWA is a 100% wholly-owned subsidiary of the Council and has a fiscal year end of March 31. The results of the operations of NWA have been included in the combined financial statements of the Walton Arts Center.

The combined audited financial statements of the Walton Arts Center Council, Inc., the Walton Arts Center Foundation, Inc., and NWA Entertainment, LLC as of and for the year ended June 30, 2013, which have been audited by an independent certified public accountant, are presented below in summary form. Complete financial statements for the Walton Arts Center can be obtained from the administrative office at 229 N. School Avenue, Fayetteville, AR 72701.

Condensed Statement of Financial Position	
Assets	
Cash and Cash Equivalents	$ 2,522,500
Investments	13,999,069
Other Assets	4,354,602
Fixed Assets, Net of Depreciation	6,018,613
Total Assets	**$ 26,894,784**
Liabilities and Net Assets	
Liabilities	$ 2,540,116
Net Assets	24,354,668
Total Liabilities and Net Assets	**$ 26,894,784**

Condensed Statement of Activities		
Ticket Sales	$	5,529,334
Contributions and Sponsorships		3,231,935
Other Income		4,414,043
Total Income and Other Additions	**$**	**13,175,312**
Total Expenditures and Other Deductions	**$**	**13,336,490**
Increase/(Decrease) in Net Assets	**$**	**(161,178)**

(17). Other Entities

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, 2013, 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 51.5% of the net assets of the Foundation. The remaining 48.5% benefits other University of Arkansas campuses. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

Condensed Statement of Financial Position		
Assets		
Investments	$	745,144,731
Contributions Receivable, less Allowance		38,470,190
Other Receivables		2,375,241
Fixed Assets, Net of Depreciation		1,106,752
Other Assets		985,888
Total Assets	**$**	**788,082,802**
Liabilities and Net Assets		
Liabilities	$	23,256,041
Net Assets		
Unrestricted		81,420,607
Restricted		683,406,154
Net Assets		764,826,761
Total Liabilities and Net Assets	**$**	**788,082,802**

Condensed Statement of Activities		
Contributions	$	61,905,346
Other Revenues, Additions and Gains/(Losses)		69,465,574
Total Income and Other Additions/(Losses)	**$**	**131,370,920**
Total Expenditures and Other Deductions	**$**	**82,155,108**
Increase/(Decrease) in Net Assets	**$**	**49,215,812**

Arkansas Alumni Association, Inc. – The Arkansas Alumni Association, Inc., was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. Audited financial statements for the year ended June 30, 2013 are presented below in summary form. Complete financial statements for the Arkansas Alumni Association, Inc. can be obtained from the administrative office at 491 N. Razorback Road, Fayetteville AR 72701.

Condensed Statement of Financial Position		
Assets		
Cash and investments	$	1,706,348
Other Assets		6,490,711
Total Assets	**$**	**8,197,059**
Liabilities and Net Assets		
Liabilities	$	283,823
Net Assets		7,913,236
Total Liabilities and Net Assets	**$**	**8,197,059**

Condensed Statement of Activities		
Income and Other Additions	$	3,331,331
Expenditures and Other Deductions		2,928,194
Increase/(Decrease) in Net Assets	**$**	**403,137**

University of Arkansas Technology Development Foundation – The Foundation was incorporated in May, 2003, and is considered a supporting organization of the Fayetteville campus. The Foundation's mission is to stimulate a knowledge-based economy through partnerships that lead to new opportunities for learning and discovery, that build and retain a knowledge-based workforce and that spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2013 are presented below in

summary form. Complete financial statements for the Foundation can be obtained from the administrative office at 535 W. Research Center Boulevard, Fayetteville, AR 72701

Condensed Statement of Financial Position		
Assets		
Cash and investments	$	1,091,643
Other Assets		40,435
Total Assets	**$**	**1,132,078**
Liabilities and Net Assets		
Liabilities	$	108,558
Net Assets		1,023,520
Total Liabilities and Net Assets	**$**	**1,132,078**

Condensed Statement of Activities		
Income and Other Additions	$	1,587,958
Expenditures and Other Deductions		1,464,628
Increase/(Decrease) in Net Assets	**$**	**123,330**

(18). 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, 2013.

(19). Risk Management

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

All campuses are currently covered under the property and auto coverage provided through the System Office. The property coverage is insured through FM Global with a $100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock Campuses. All other campuses have a $50,000 deductible. It is the responsibility of each campus to confirm all building and content values to be covered. The FM Global policy also contains earthquake and flood insurance coverage. The System Office has also secured domestic and foreign terrorism coverage.

Likewise with the auto coverage, each campus is responsible for providing a list of vehicles to be covered under the auto coverage through Cypress Insurance. The auto coverage has a physical damage deductible of $1,000 and provides coverage against liability losses up to $1,000,000 per occurrence.

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

The University of Arkansas maintains workers' compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Department of Finance and Administration which is provided to the campuses around April 1 of each year to be used for the upcoming fiscal year. The types of benefits and expenditures that are paid include the following: medical expenses, hospital expenses, death benefits, disability, and claimant's attorney fees.

Additionally, the University of Arkansas participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of $250,000 recovery per occurrence with a $2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Department of Finance and Administration.

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

20). Related Party Transactions

There were four significant related party transactions other than those with component units discussed in Note 1.

A member of the Board of Trustees is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2013, bank balances held at First Security Bank total $23,868,587 (book balances shown on the Statement of Net Position were $24,041,843). The University has conducted business with the bank for several years. In addition, Crews and Associates, Inc. (Crews) is a wholly owned, non-bank affiliate of First Security Bancorp and has served as one of the University's bond underwriters for several years. After a Request for Proposal was issued in February, 2011, the Board selected two firms as underwriters, one of which was Crews, who, in FY13, was co-underwriter for three bond issues for the Fayetteville campus in the amount of $145,345,000. The underwriter was chosen and bond issues were approved by the Board before this member was appointed by the Governor in March, 2013.

The Provost and Vice Chancellor for Academic Affairs is a member of the Board of Directors of Simmons First National Corporation (NASDAQ – SFNC) based in Pine Bluff, Arkansas. At June 30, 2013, bank balances held at Simmons First National Bank total $97,975,867 (book balances shown on the Statement of Net Position were $97,999,035). Simmons First National Bank has served as trustee for bond proceeds for several years, and amounts on deposit represent funds held in that capacity, primarily for three bond issues.

The Vice Chancellor and Director of Athletics is a member of the Board of Directors of Arvest Bank Fayetteville, one of 16 autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2013, bank balances held at Arvest Bank Group, Inc. banks total $151,799 (book balances shown on the Statement of Net Position were $135,581).

The Associate Vice Chancellor for Business Affairs is a member of the Board of Directors of the Educational and Institutional Cooperative Service, Inc., a not-for-profit corporation chartered in the State of New York in 1934. The principle role of the Cooperative is to secure group discounts and favorable terms of sale for member institutions by aggregating buying power through large volume contracts. The University has been a member institution of the E&I Cooperative since 1952. All contracts negotiated by E&I are competitively bid and approved for the university's use by the Office of State Procurement. Purchases totaling $4,266,929 were made during the fiscal year ended June 30, 2013 utilizing twenty-six E&I contracts.

(21). Restatement of Prior Year

The Statement of Net Position and the Statement of Revenues, Expenses and Changes in Net Position have been restated for the year ended June 30, 2012. Accounts receivable was reduced by the amount of $2,451,360. Corresponding gift revenue has also been reduced by $2,451,360. This restatement had no effect on the Statement of Cash Flows.

(22). Pollution Remediation

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations,* which became effective with the fiscal year ending June 30, 2009. The Statement establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. On July 21, 2009, the University was awarded a grant in the amount of $1,900,000 from the United States Department of Energy to conduct a study to determine what obligation, if any, the University may have for potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR); including estimated remediation cost and development of a plan for necessary remediation. As of June 30, 2013, the study has been completed and the grant closed. The University remains under no obligation to begin pollution remediation of the site.

(23). 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.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

2013
ANNUAL FINANCIAL REPORT

REQUIRED SUPPLEMENTAL INFORMATION

Other Postemployment Benefits

Determination of End of Year Accrual		
Unfunded actuarial accrued liability at 7/1/12	$	19,691,029
Annual Required Contribution (ARC)		
Normal cost	$	925,409
Amortization of the unfunded actuarial accrued liability over 30 years		703,033
Interest		73,280
Annual Required Contribution for FY13		1,701,722
Interest on Net OPEB Obligation		473,940
ARC Amortization Adjustment		(392,948)
Annual OPEB Cost for FY13	$	1,782,714
Net OPEB Obligation, 7/1/12	$	10,539,604
Annual OPEB Cost for FY13		1,782,714
Less: Expected Employer Contributions		(891,605)
Net OPEB Obligation, 6/30/13	$	11,430,713

Schedule of Employer Contributions						
Fiscal Year Ending		Annual OPEB Cost		Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/11	$	1,913,022	$	825,425	43.15%	$ 9,312,914
6/30/12	$	2,029,394	$	802,704	39.55%	$ 10,539,604
6/30/13	$	1,782,714	$	891,605	50.01%	$ 11,430,713

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

An explanation of the differences in the annual required contribution is provided in the section, *General Overview of the Valuation Methodology.*

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage Of Covered Payroll
6/30/11	$ 0	$ 21,255,846	$ 21,255,846	0%	$ 234,043,967	9.08%
6/30/12	$ 0	$ 22,239,601	$ 22,239,601	0%	$ 247,779,672	8.98%
6/30/13	$ 0	$ 19,691,029	$ 19,691,029	0%	$ 257,844,616	7.64%

General Overview of the Valuation Methodology

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

Changes in Actuarial Assumptions and Methods

Effective January 1, 2013, UMR, a subsidiary of United Healthcare, replaced QualChoice as the University's medical plan administrator. The effect of this change on network discounts was estimated based on the United Healthcare book-of-business discount information contained in the Aon Hewitt Discount Analysis Database compared to the specific claims and discount data reported by QualChoice. In the aggregate, this change is estimated to reduce health care costs by 11.4%. Also, the healthcare trend rate assumption was changed to better reflect anticipated future experience. This change decreased the Actuarial Accrued Liability by $646,792 as of July 1, 2012.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period January 1, 2011 through December 31, 2012 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This

experience includes 612 life years of exposure and was deemed to be 80% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the expected cost sharing level anticipated by the University. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Medical and prescription drug claims for the period January 1, 2011 through December 31, 2012 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 3,000 life years of exposure and was deemed to be fully credible. This analysis indicates that retiree contributions have become inadequate to fully cover the expected health care costs for the current period as intended. However, the University plans to implement a fully insured Medicare Advantage program with costs fully paid by retirees effective January 1, 2014. The cost associated with the temporary mismatch between costs and retiree contributions for Medicare eligible retirees was excluded from this valuation.

Dental Coverage

Dental claims coverage for the period January 1, 2011 through December 31, 2012 was used to develop per capita claims cost for dental coverage. The claims experience includes over 32,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

BOARD OF TRUSTEES

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

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

Mark Waldrip, Secretary
Moro, AR
Term Ends 03/01/20

Ben Hyneman, Vice Secretary
Jonesboro, AR
Term Ends 03/01/18

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

Reynie Rutledge
Searcy, AR
Term Ends 03/01/17

David H. Pryor
Fayetteville, AR
Term Ends 03/01/19

John C. Goodson
Texarkana, AR
Term Ends 03/01/21

Stephen Broughton, M.D.
Pine Bluff, AR
Term Ends 03/01/22

C.C. "Cliff" Gibson III
Monticello, AR
Term Ends 03/01/23

UNIVERSITY OF ARKANSAS FINANCIAL OFFICERS

Donald O. Pederson
Vice Chancellor for
Finance & Administration

Jean E. Schook
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 Director

Susan Slinkard
Investment Manager

Charles D. Ramseyer
Director of Financial &
Management Analysis

Printed by University of Arkansas P·M·C Solutions