On the Cover: An original painting of Old Main by Benjamin Flowers (B.A. '16) that was commissioned specifically for the launch of Campaign Arkansas. More information about the campaign can be found on page six.

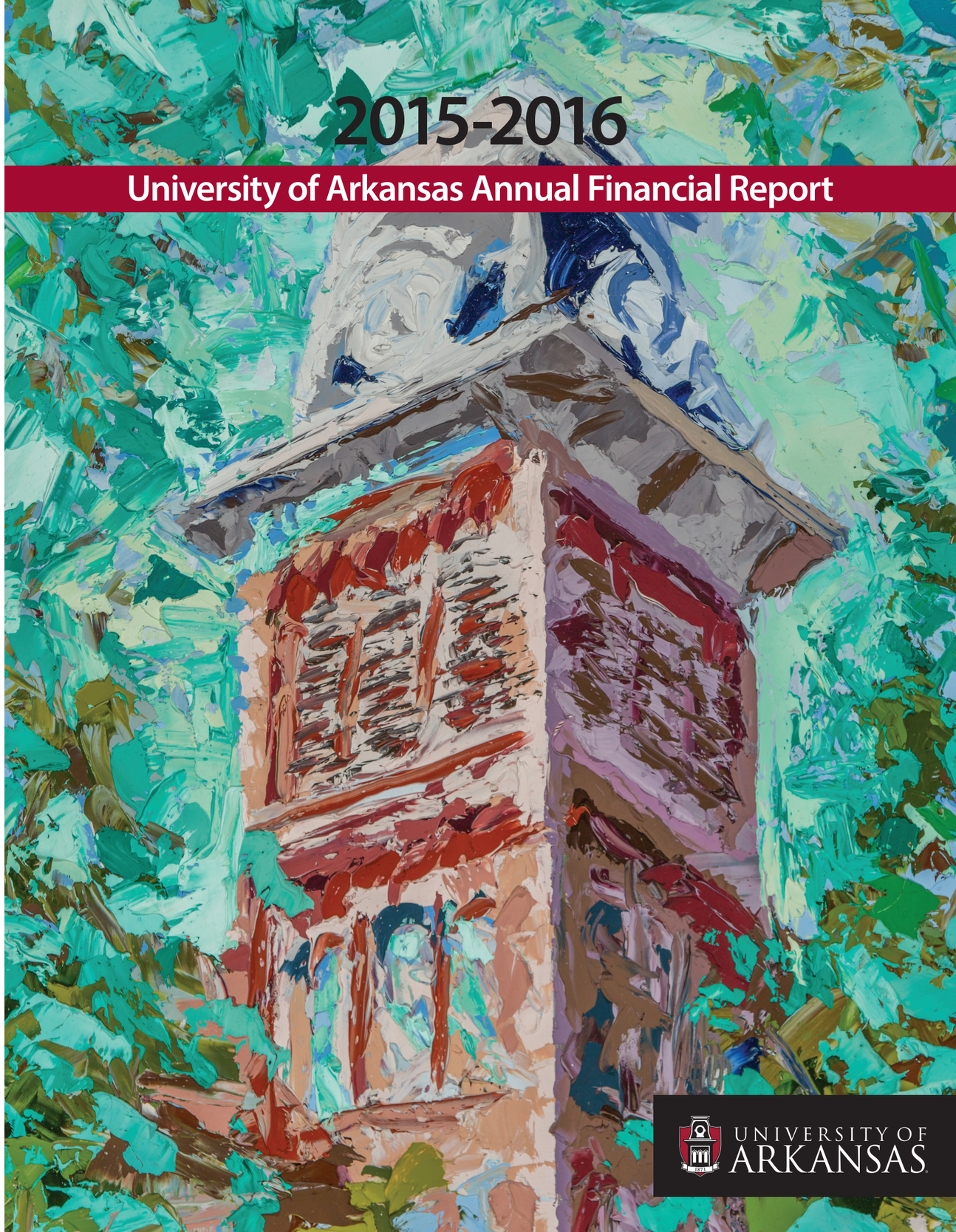
UNIVERSITY OF ARKANSAS

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2015-2016

University of Arkansas Annual Financial Report



UNIVERSITY OF ARKANSAS

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MESSAGE FROM THE CHANCELLOR



Thank you for your interest in the annual financial report for the University of Arkansas. As the state's flagship university, we know how important it is to be good stewards of state resources. State resources, however, are just one component of university finances. Tuition dollars, research grants, private gift support, and various auxiliaries like housing and athletics are also critical parts of the budgetary mix. Whatever its source, it's important that we can account for how every dollar is acquired and spent.

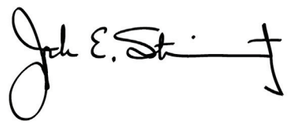
This financial report reflects our desire to be completely open in our financial accounting. Nevertheless, it must represent the diversity and complexity of financing a major public research university. While we tried to make this report as clear and straightforward as possible, it will never be mistaken as light reading.

As detailed in these pages, it should be clear that university finances are in great shape. Last fiscal year, research expenditures exceeded $145 million for the first time ever and private giving exceeded $131 million (propelling us to more than halfway toward our $1 billion goal for Campaign Arkansas). Rising enrollment has also generated critical revenue, which has helped finance our Facility Renewal and Stewardship Plan. This plan has been so successful, in fact, that the university has reduced its backlog of deferred maintenance from $215 million in 2008 to $161 million in 2015—something we believe is a unique accomplishment, where a rising backlog is the norm across the country.

And not only is our athletics department self-sustaining, it is helping support the university's academic mission. The athletics department returns more than $3 million a year in direct funding of academic programs and initiatives to the academic side of campus, in addition to having pledged more than $60 million over the next 30 years to support the Nanoscale Material Science and Engineering Building and Champions Hall.

This is all to say your university is in good hands. We take pride in the sound fiscal management of university resources and welcome the opportunity to share that information with our stakeholders across the state.

Thank you so much for your support.



Joe Steinmetz
Chancellor

PROGRESS AND MAJOR INITIATIVES

Private Gift Support Impacts the Institution

Private gift support continues to be a critical component to the university's success, as it adds to the academic opportunities available to faculty, staff and students on campus. These contributions enhance 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. Fundraising at the University of Arkansas continues to be successful. The university raised $131.6 million in private gift support in fiscal year 2016, making it the third-best year in the university's fundraising history.

The amount raised surpassed the university's goal of $115 million and included gifts of cash, gifts-in-kind, planned gifts and new pledges to the U of A received from July 1, 2015, through June 30, 2016.

Approximately $19.2 million of the total amount raised, or nearly 15 percent, was allocated for endowed funds and will add to the university's overall endowment total. Cash receipts, which include pledge payments, outright gifts and estate and planned gift distributions, reached $103.5 million in fiscal year 2016.

Of the $131.6 million raised during the 2016 fiscal year, 32 percent came from individuals such as alumni, friends, parents, faculty and staff. Another 35 percent came from corporations, while 26 percent came from foundations and 7 percent came from other organizations, including trusts and estates. All gifts are designated and allocated for specific purposes set forth by each donor and used solely for those purposes.

Students and programs were supported with 41 percent of the money raised, while another 41 percent supported capital improvements. Twelve percent supported faculty and staff and 6 percent supported other initiatives. The campus brought in a record-setting 98,464 outright gifts and new pledges from 52,737 benefactors during the fiscal year.

Fundraising totals reached $108.1 million in 2012, $108.4 million in 2013 and $113.3 million in 2014 and $116.5 million in 2015.

The university makes every effort to align donors' giving interests with campus priorities. The following gifts of $500,000 or more were announced publicly during fiscal year 2016.

Walton Family Foundation – The Accelerated Student Achievement Program, or ASAP, is being established at the U of A with a $2.4 million grant from the Walton Family Foundation. The program will serve first-generation and low-income students in 26 Arkansas counties and is a joint effort by the Center for Multicultural and Diversity Education and the Office of Graduation and Retention.

Herman and Barbara Williamson – The late Herman and Barbara Williamson of Shreveport, Louisiana, both attended the university and left an estate gift of $1.5 million to the College of Engineering. Their gift will create a chair in the college and will be named after Barbara's father, Earl Dyess.

Susan Walk Burnett and Rusty Burnett – A $1 million gift from alumna Susan Walk Burnett and her husband, Rusty, will support students involved with the Department of Journalism and student media. The gift will create an addition to the second floor of Kimpel Hall that will include an integrated newsroom where students from all journalism disciplines will converge. A new UATV television studio will also open to a view of one of the busiest hubs on campus. The addition will be named the Susan Walk Burnett Journalism and Student Media Center in honor of the donors.

Frank and Judy Fletcher – A $600,000 gift from alumnus Frank Fletcher and his wife, Judy, established the Frank and Judy Fletcher S.A.K.E. Fund in the Sam M. Walton College of Business. S.A.K.E. is an entrepreneurial practicum course known as Students Acquiring Knowledge through Enterprise. The course allows students to participate in the accounting, marketing and sales, customer service and operations of ForeverRed, which provides unique and personalized products to commemorate the Razorback experience at the U of A.

Bob and Sunny Evans – Sunny Evans of Hot Springs and her late husband, Bob, committed $500,000 of a previous estate gift to create matching funds for a new treehouse in Garvan Woodland Gardens. The treehouse is a part of the Evans Children's Adventure Garden and was designed by Modus Studio in Fayetteville.



Campaign Arkansas

Throughout most of fiscal year 2016, university advancement prepared for the public launch of Campaign Arkansas in September 2016, the first quarter of FY17. The quiet phase of Campaign Arkansas launched July 1, 2012, and the campaign has a working goal of $1 billion. The public launch included a series of events for the university's students, faculty, staff, alumni and friends. The purpose of the public phase is to increase momentum and excitement about the campaign by talking about it with a wider audience. Solicitations will also increase, the goal will be shared more openly and progress toward the goal will be reported.

All In For Arkansas

The university hosted its first-ever giving day on March 29, 2016. "All in for Arkansas" had an initial goal of raising "$100K in a Day" in celebration of the U of A's 145th birthday, and that goal was attained less than 11 hours after the event began. The university increased the goal to $145,000 but actually ended up raising $168,405 during a 1,871-minute period from 993 donors.

A $25,000 gift from Chancellor Joe Steinmetz and his wife, Sandy, was announced during the giving day and will be used to support student scholarships. The university plans to host another day of giving in fiscal year 2017.



Awards Enable Cutting-Edge Research

Federal agencies, research foundations and top industries alike turn to the University of Arkansas to solve problems, advance technology and better our world.

The University of Arkansas received more research funding this year than any in its history, supporting research in key areas such as cybersecurity, nanotechnology, health and agriculture and advancing the university's mission.

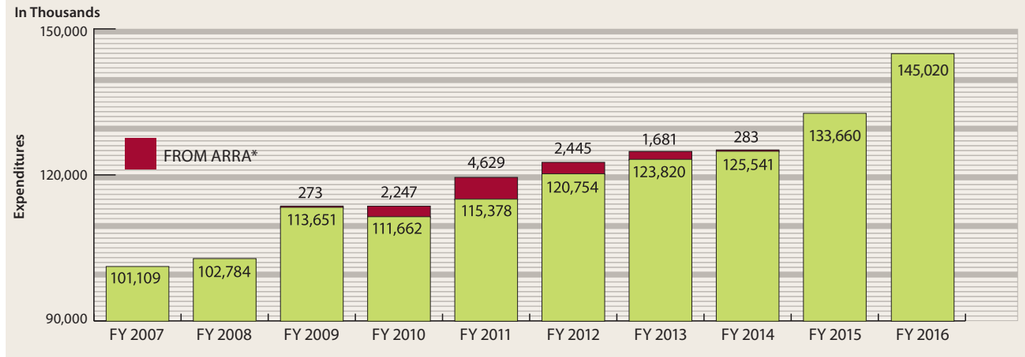
The Office of Research and Sponsored Programs received $101.7 million in research funding, including awards made to the Division of Agriculture. That marks a 27 percent increase over the $80 million in research funding received in 2015.

The growth in research funding led to a rise in campus research expenditures as well, which also set a record at $145 million in FY16. Research expenditures for the university have grown 150 percent over the last decade.

"This is a significant milestone for the university as a comprehensive research institution and remarkable growth in a difficult funding environment," said Jim Rankin, vice provost for research and economic development. "Our faculty and staff are collaborating across departments and colleges more than ever, resulting in research that impacts Arkansas, the nation and the world."



ARKANSAS RESEARCH ON THE RISE



As reported in National Science Foundation Higher Education Research and Development survey.
*American Recovery and Reinvestment Act

Among the Sponsored-Research Highlights of FY16:

The National Science Foundation funded research in a wide range of scientific disciplines, including nanotechnology, surface engineering, power electronics, data privacy, renewable energy, next-generation electronic devices and evolutionary biology.

Min Zou, who holds the Twenty-First Century Professorship in Mechanical Engineering and Jingyi Chen, assistant professor of chemistry, received $450,000 from NSF to improve wear resistance of polytetrafluoroethylene coatings commonly known by the brand name Teflon.

Min Zou also received a $20 million grant from NSF through its Experimental Program to Stimulate Competitive Research to establish a new Center for Advanced Surface Engineering in partnership with eight U of A faculty and nine other institutions across the state.

The U.S. Department of Energy awarded Alan Mantooth, Distinguished Professor of electrical engineering, $12.2 million to create a new national center devoted to cybersecurity for the nation's power grid. The center's researchers include faculty with the U of A's National Center for Reliable Electric Power Transmission and researchers from the University of Arkansas at Little Rock, Carnegie Mellon University, Florida International University and Lehigh University.

The U.S. Department of Education awarded $10 million to Arkansas PROMISE, a program designed to improve the education and employment outcomes of teens with disabilities who receive Supplemental Security Insurance. The $10 million award was FY16's allotment of the five-year, $35.7 million grant for the PROMISE program.

The U.S. Department of Agriculture awarded the university $5.9 million for several research projects, including a study of the potential of invasive Asian carp as a source of protein for organic poultry feed.

The National Institutes of Health funded $2.5 million for research that improves human health, including biomedical engineering, cancer treatments and childhood obesity.

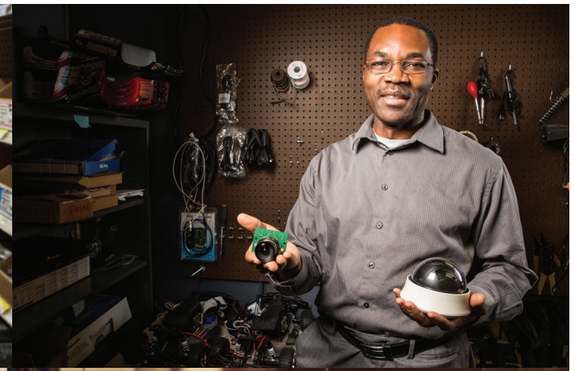
NASA awarded $1.7 million to researchers at the Arkansas Center for Space and Planetary Sciences to study the possibility of life on Mars, planetary environments, the formation of galaxies and ways to power spacecraft for future missions.

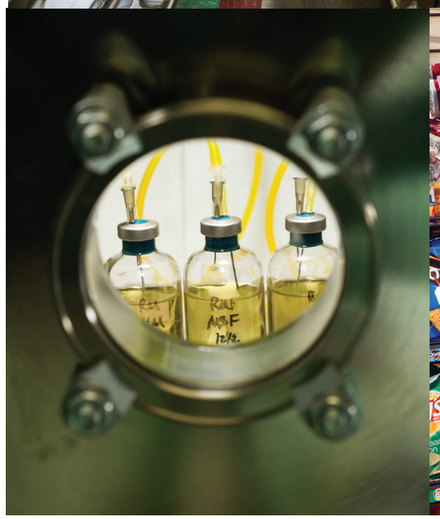
Arkansas Biosciences Institute, which focuses on supporting biomedical research and agricultural research with medical implications, awarded $1.5 million to the university.

The Arkansas Highway and Transportation Department awarded the university $960,881 for research to improve roads and bridges and ease highway congestion.

The W.K. Kellogg Foundation awarded $902,400 to the Indigenous Food and Agriculture Initiative at the University of Arkansas School of Law.

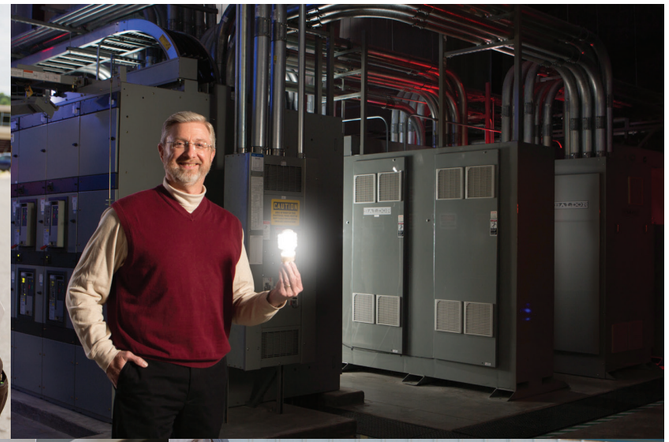


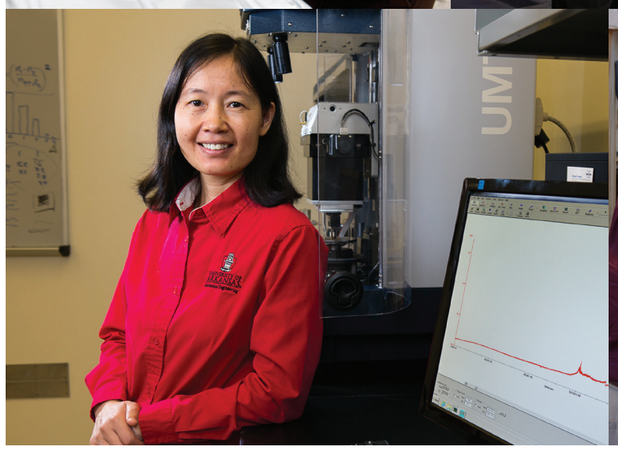














LETTER OF TRANSMITTAL



November 9, 2016

Chancellor Steinmetz,
President Bobbitt, and
Members of the Board of Trustees

I am pleased to present the annual Financial Report of the University of Arkansas for the year ended June 30, 2016. The report includes the annual financial statements, Management's Discussion and Analysis and supplemental information to assist the reader in clearly understanding the University's financial activities and outcomes.

University management is responsible for the accuracy and completeness of the information presented, including all disclosures. The financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America and, as such, include amounts based on judgments and estimates by management.

State law, federal guidelines and certain bond covenants require the University's accounting and financial records be audited each year. The University's annual audit is performed by Arkansas Legislative Audit. The reports resulting from the audit are shared with University management and the Board of Trustees. For the year ended June 30, 2016, Arkansas Legislative Audit issued an unmodified opinion, the most favorable outcome of the audit process. The independent auditor's report follows this letter of transmittal.

The University maintains a system of internal controls over financial reporting. Such controls are designed to identify internal control weaknesses in order to permit management to take appropriate corrective action on a timely basis. Because the cost of internal controls should not exceed the anticipated benefits, the objective is to provide management with reasonable, although not absolute, assurance that the financial statements are free of material misstatements.

Based on the above, I certify that the information contained in the accompanying financial statements fairly presents, in all material respects, the financial condition, changes in net position and cash flows of the University.

Sincerely,

Tim O'Donnell

Timothy J. O'Donnell
Vice Chancellor for Finance and Administration

INDEPENDENT AUDITOR'S REPORT

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS 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, 2016, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas 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, 2016, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the financial statements, the University implemented Governmental Accounting Standards Board (GASB) Statement no. 72, *Fair Value Measurement and Application*, during the year ended June 30, 2016. No restatement of the University's beginning net position was required due to the adoption of this Statement. Our opinion is not modified with respect to this matter.

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2015 financial statements, and we expressed unmodified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units in our report dated November 9, 2015. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, certain information pertaining to postemployment benefits other than pensions, and certain information pertaining to 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.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 9, 2016
EDHE13516

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The University of Arkansas (the University) is pleased to present its financial statements for fiscal year 2016, with comparative figures for fiscal year 2015. The University's financial statements, notes to the financial statements and discussion and analysis are the responsibility of, and have been prepared by management. The discussion and analysis should be read in conjunction with financial statements and notes. All references to "2016", "2015" or another year refer to the fiscal year ended June 30, unless otherwise noted.

Overview of the Financial Report and Financial Analysis

The University's financial report includes three basic financial statements: the Statement of Net Position, which presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position of the University as of the fiscal year end; the Statement of Revenues, Expenses, and Changes in Net Position, which reflects revenues and expenses recognized during the fiscal year; and the Statement of Cash Flows, which provides information on the major sources and uses of cash during the fiscal year. These financial statements and related note disclosures are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB) and present a comprehensive, entity-wide perspective. Financial statements are prepared under the accrual basis of accounting, whereby revenues and assets are recognized when services are provided and expenses and liabilities are recognized when others provide the services, regardless of when cash is exchanged. The report also includes other required supplementary information for other post-employment benefits and pension liabilities.

The University has identified three legally separate foundations: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. (Foundations) that meet the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* These Foundations provide financial support for the objectives, purposes and programs of the university. Although the university does not control the timing, purpose or amount received by these Foundations; the resources (and income thereon) they hold and invest are dedicated to benefit the University. Because these resources held by the Foundations can only be used by, or for the benefit of, the University, they are considered component units and are discretely presented in the financial report. Additional information about component units is provided at Notes to the Financial Statements (Note) No. 1 "Summary of Significant Accounting Policies", under the "Discretely Presented 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% of the net assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Statement of Net Position

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

Net Position is presented in four categories:

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 - net position subject to externally-imposed stipulations that it be maintained permanently by the University.

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

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

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2016, and 2015:

Condensed Summary of Net Position

	2016	2015
ASSETS		
Current Assets	$ 427,531,182	$ 405,046,702
Capital Assets, Net of Depreciation	1,192,317,818	1,186,589,373
Other Noncurrent Assets	113,304,921	101,943,352
Total Assets	$ 1,733,153,921	$ 1,693,579,427
Total Deferred Outflows of Resources	$ 21,332,570	$ 11,831,017
LIABILITIES		
Current Liabilities	$ 119,658,614	$ 113,400,878
Noncurrent Liabilities	720,175,946	710,328,839
Total Liabilities	$ 839,834,560	$ 823,729,717
Total Deferred Inflows of Resources	$ 1,756,044	$ 2,709,951
NET POSITION		
Net Invested in Capital Assets	$ 537,504,192	$ 517,259,642
Restricted – Nonexpendable	25,586,770	24,334,251
Restricted – Expendable	80,603,901	95,201,785
Unrestricted	269,201,024	242,175,098
Total Net Position	**$ 912,895,887**	**$ 878,970,776**

Overall, the University's total assets increased $39.6 million. A review of the statement of net position reveals that most asset categories increased, with the most significant increases in cash and cash equivalents of $10.8 million and deposits with trustees of $15.5 million.

The University continues to strengthen its liquidity position, with 67% 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 2016 is the net of bond proceeds totaling $32.4 million associated with two new bond issues and continued spending of 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 4 "Capital Assets" provide additional information about capital assets.

Deferred outflows of resources consist of deferred amounts on refinancing of debt and deferred outflows related to pensions. Overall deferred outflows increased $9.5 million. Deferred amounts on refinancing of debt increased $7.3 million as a result of increased deferred losses totaling $9.7 million related to three new refunding bond issues, offset by a reduction of $1.3 million for a previous refunding issue that was removed due to a 2016 refunding and scheduled amortization. Deferred outflows related to pensions increased $2.2 million primarily due to actuarially determined additions. Additional information about these computations can be found at Note 12 "Employee Benefits".

Overall, liabilities increased $16.1 million. Nearly half of the increase was attributable to a $7.9 million net increase in bonds, notes, capital leases and installment contracts (long-term debt). Advance receipts increased $2.9 million primarily because of increased advance sales of athletic tickets. Liabilities established for Other Post Retirement Benefits and Pensions experienced actuarially determined increases in obligations of $1.6 million and $2.8 million, respectively.

The University continued its investment in facilities renewal and replacement along with the addition of new facilities and improvements in 2016. 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 8 "Long-Term Debt".

Deferred inflows of resources related to pensions decreased nearly $1 million as a result of actuarially determined reductions. Additional information about these computations can be found at Note 12 "Employee Benefits".

The increases in assets and deferred outflows of resources of $39.6 million and $9.5 million, respectively, combined with the decrease in deferred inflows of resources of almost $1 million provides positive support to net position. This positive support is offset by the increase in liabilities of $16.1 million, resulting in a net increase of $33.9 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, 2016 and 2015:

Unrestricted Net Position

Unit	2016	2015
Fayetteville Campus	$ 192,730,119	$ 170,501,191
Agricultural Experiment Station	46,952,993	43,992,878
Cooperative Extension Service	19,834,809	18,707,815
Arkansas Archeological Survey	859,140	758,653
Criminal Justice Institute	3,861,094	3,998,583
Clinton School of Public Service	1,136,688	1,098,504
AREON	3,826,181	3,117,474
Total Unrestricted Net Position	**$ 269,201,024**	**$ 242,175,098**

Unrestricted net position for the Fayetteville Campus as of June 30, 2016 and 2015 is allocated as follows:

Unrestricted Net Position – Fayetteville Campus

Allocation	2016	2015
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	95,137,038	80,693,694
Service Operations	2,410,380	2,219,770
Auxiliaries	29,783,969	24,700,414
Plant Funds	52,043,118	48,725,397
Quasi-Endowment Funds	12,605,614	13,411,916
Total Fayetteville Campus Unrestricted Net Position	**$192,730,119**	**$170,501,191**

Although unrestricted net position is not subject to externally-imposed restrictions, the majority of the University's unrestricted net position is subject to internal designations to meet various specific commitments. These commitments include reserves established for capital projects, scholarships, and other academic or research priorities; working capital for self-supporting auxiliary enterprises; reserves for the continued recognition of OPEB and pension obligations; and unrestricted quasi endowments. For 2016, the increase in reserves was primarily due to additional amounts reserved for scholarships, and other academic or research priorities as denoted by the increase in E&G Department Uses in the table above.

Statement of Revenues, Expenses, and Changes in Net Position

The Statement of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year. Activities are reported as either operating or non-operating. Generally speaking, operating revenues are received for providing goods and services to the various customers and constituencies of the University. Operating expenses are those expenses paid to acquire or produce the goods and services provided in return for operating revenues, and to carry out the mission of the University. Non-operating revenues are revenues received for which goods and services are not provided.

In accordance with GASB standards, significant recurring sources of University revenue such as state appropriations, gifts, investment income and certain grants and contracts are reported as non-operating revenues. As a result, the operating loss of $284.3 million is of little significance, but does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets. The utilization of capital assets is reflected in the statement as depreciation, which amortizes the cost of an asset over its expected useful life.

Changes in total net position, as presented on the Statement of Net Position, is based on the activity presented in the Statement of Revenues, Expenses and Changes in Net Position. The statement presents the revenues earned by the University, both operating and non-operating, and the expenses incurred by the University, both operating and non-operating, and any other revenues, expenses, gains and losses received or spent by the University.

The following summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2016 and 2015:

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

	2016	2015
Operating Revenues	$ 503,524,412	$ 467,876,899
Operating Expenses	787,813,196	742,133,267
Operating loss	(284,288,784)	(274,256,368)
Net nonoperating revenues	312,193,610	305,827,428
Gain before other revenues and changes in net position	27,904,826	31,571,060
Other revenues and changes in net position	6,020,285	35,009,133
Increase in Net Position	**$ 33,925,111**	**$ 66,580,193**

Operating revenue increased 7.6% or $35.6 million in 2016. Net student tuition and fees increased $16.8 million, a reflection of continued record enrollment growth and tuition rate increases for the Fayetteville campus. Auxiliary enterprises revenue attributable to Athletics increased $11.7 million, primarily due to increases in SEC conference distributions, sponsorship and licensing agreements, and transfers from the Razorback Foundation. The remaining auxiliary enterprises realized a net increase totaling $1.4 million collectively, demonstrating the impact of enrollment growth. Grants and contracts collectively increased $3.6 million, primarily as a result of timing of certain awards and other cyclical changes.

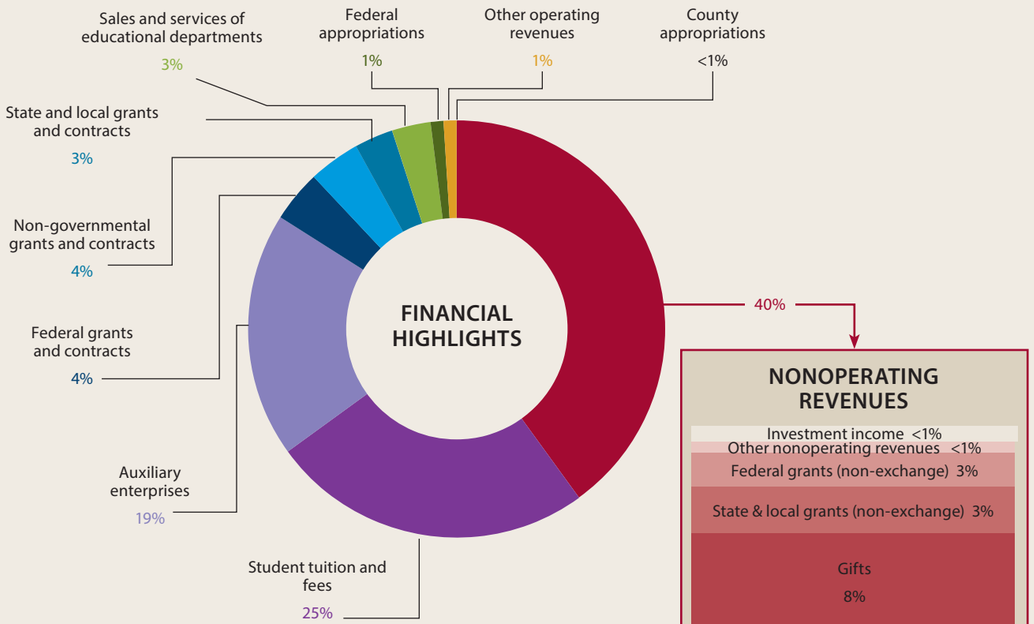
Operating expenses increased $45.7 million or 6.2% over 2015. Compensation and benefits costs grew $18.8 million, due in part to necessary increases in faculty to support enrollment growth, along with modest increases in salaries for faculty and staff. Supplies and other services grew $22.8 million or 11.3% over 2015. Approximately half of the increase was related to renewals and replacements in plant that were not capitalized. The University continues to focus on cost containment initiatives to control expenses.

Overall, net non-operating revenues increased $6.4 million or just over 2%. State appropriations increased $4.7 million. Gift revenue increased nearly $3.7 million, evidencing continued growth in private support. Investment income decreased $1.3 million, due to market performance, and Grants (nonexchange) decreased $1.4 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".

Other Revenues and Changes in Net Position reflect changes in capital appropriations and capital gifts. All categories decreased, with Capital grants and gifts experiencing the most significant drop of $25.9 million, reflecting capital gifts received in 2015 to support five separate capital building projects for educational and general and athletic facilities.

Fiscal Year Operating and Nonoperating Revenues

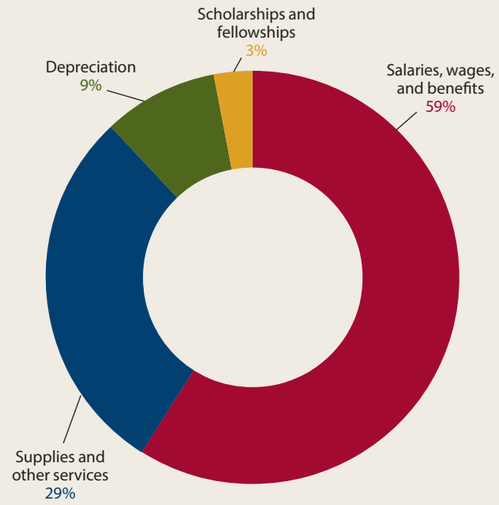


Financial Highlights

Operating Revenues	FY2016
Student tuition and fees	$ 206,138,574
Auxiliary enterprises	157,126,606
Federal grants and contracts	33,598,011
Non-governmental grants and contracts	32,821,266
State and local grants and contracts	25,347,076
Sales and services of educational departments	23,093,648
Federal appropriations	11,138,807
Other operating revenues	10,810,896
County appropriations	3,449,528
Total	**$ 503,524,412**

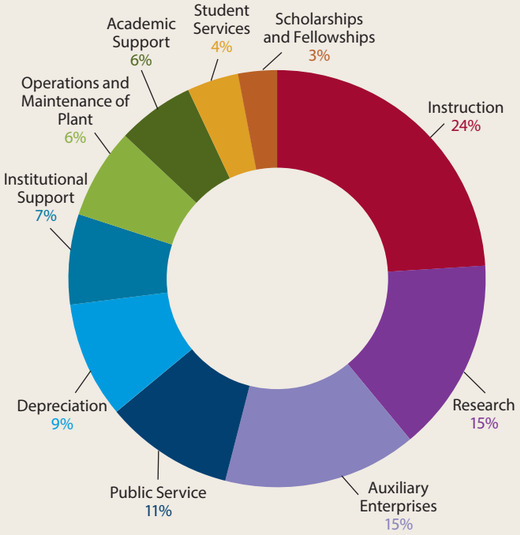
Nonoperating Revenues	FY2016
State appropriations	$ 210,455,158
Gifts	70,317,049
State & local grants (non-exchange)	28,055,324
Federal grants (non-exchange)	22,309,930
Other nonoperating revenues	3,134,598
Investment income	3,078,937
Total	**$ 337,350,996**

Fiscal Year 2016 Operating Expenses by Natural Classification



Operating Expenses by Natural Classification	FY2016
Salaries, wages, and benefits	$ 468,599,991
Supplies and other services	225,229,984
Depreciation	73,379,367
Scholarships and fellowships	20,603,854
Total operating expenses	**$ 787,813,196**

Fiscal Year 2016 Operating Expenses by Function



Operating Expenses by Function	FY2016
Instruction	$ 191,073,337
Research	120,164,049
Auxiliary Enterprises	118,028,836
Public Service	79,571,954
Depreciation	73,379,367
Institutional Support	56,058,502
Operations and Maintenance of Plant	55,684,796
Academic Support	45,175,928
Student Services	27,686,571
Scholarships and Fellowships	20,989,856
Total	**$ 787,813,196**



Statement of Cash Flows

The Statement of Cash Flows provides information about the cash activity of the University during the year. The statement is divided into five parts. The first part deals with operating cash flows and shows the net cash used by the operating activities of the institution. The second section reflects cash flows from noncapital financing activities. This section reflects the cash received and spent for non-operating, non-investing, and non-capital financing purposes. The third section deals with cash flows from capital and related financing activities. This section deals with the cash used for the acquisition and construction of capital and related items. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from investing activities. The fifth section reconciles the net cash used to the operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position.

The statement aids in the assessment of the University's ability to meet obligations as they become due, the need for external financing, and the ability to generate future cash flow.

The following summarizes the University's cash flows for the years ended June 30, 2016 and 2015:

Condensed Summary of Cash Flows

	2016	2015
Net cash used by operating activities	$ (204,242,356)	$ (199,759,210)
Net cash provided by noncapital financing activities	329,682,190	323,624,325
Net cash provided by operating and noncapital financing activities	125,439,834	123,865,115
Net cash used by capital and related financing activities	(116,995,238)	(68,288,153)
Net cash provided by investing activities	2,433,128	2,475,163
Net increase in cash	**$ 10,877,724**	**$ 58,052,125**

The University used $204.2 million of cash for operating activities in 2016 offset by cash provided by noncapital financing activities of $329.7 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 $125.4 million for 2016 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 continued work on the multi-year Facilities Renewal and Stewardship Plan. This large-scale, long-range plan is intended to upgrade and add facilities in order to expand capacity and modernize the campus. A dedicated facilities fee, phased in over the time beginning in 2009, provides a revenue stream that is used to leverage bonded debt in order to fund a portion of this aggressive plan. The condition of the University's capital assets is an 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. The University maintains a Facility Condition Index (FCI) to assist in assessment of the overall management of capital assets. The index trend is positive, demonstrating the positive effect of additions, renovations and the elimination of deferred maintenance to campus infrastructure and educational and general buildings as the Facilities Renewal and Stewardship Plan is implemented.

A summary of the changes in net invested in capital assets is as follows:

Changes in Net Invested in Capital Assets

	Amount
Net Invested in Capital Assets as of July 1, 2015	$ 517,259,642
Land Additions and Disposals (net)	2,296,551
Buildings Additions and Disposals, net of depreciation	98,794,175
Improvements/Infrastructure Additions, net of depreciation	(2,153,490)
Equipment Additions and Disposals, net of depreciation	1,868,782
Construction In Progress Additions net of transfers to buildings, improvements/infrastructure, and intangible assets	(93,514,701)
Livestock Additions/deductions	(534,195)
Library Holdings Additions and Disposals, net of depreciation	(754,338)
Intangible Assets, net of amortization	(274,339)
Bond debt moved to Net invested in capital assets	(137,867,171)
Bond Principal Paid in 2016	24,730,000
Bonds Refinanced in 2016	133,190,000
Deferred loss on refinanced bond issues, amortized	7,268,075
Net unamortized bond issue premium	(15,593,185)
Installment Contracts Assumed in 2016	(28,749,368)
Note, Capital Lease and Installment Contract Principal Paid in 2016	3,384,345
Installment Contracts Refinanced in 2016	28,153,409
Net Invested in Capital Assets as of June 30, 2016	**$ 537,504,192**

Note 4, "Capital Assets" provides additional information related to the University's depreciable and non-depreciable capital assets.

Capital projects continued at an impressive pace in 2016, with several construction projects begun in previous years completed or substantially completed, continued progress on multi-year projects and new projects initiated.

The list of projects begun in previous years completed in 2016 include:

- Champions Hall classroom and laboratory building – new construction of general use classrooms and teaching laboratories to meet the capacity demands of a growing enrollment. Total project cost of $26.9 million was funded with a mix of bond proceeds and university reserves. Athletic contributions will fund a significant portion of the debt payments.

- Jim & Joyce Faulkner Performing Arts Center – whole building conversion of the Fieldhouse building to a state-of-the-art performance venue. Total project cost of $22.6 million was funded with a mix of bond proceeds, university reserves and private support.

- Agricultural, Food and Life Science – renovate and repurpose an abandoned two-story creamery into general purpose classrooms, laboratories and office space. Total project cost of $2.8 million was funded by bond proceeds.

- Jerry & Gene Jones Student Athlete Success Center – new construction of a facility to provide academic support space, auditorium and dining hall with full-service kitchen for student-athletes. Total project cost of $22.5 million was funded with a mix of bond proceeds, athletic reserves and private support.

- Basketball Performance Center – new construction of a facility that provides separate gymnasiums for men's and women's teams, along with locker rooms, weight rooms, training rooms and coaches suites and administrative space. Total project cost of $23.6 million was funded with a mix of bond proceeds, athletic reserves and private support.

Projects begun in previous years that continued in 2016, with substantial completion expected in the 2016 fall semester include:

- Fowler House Garden Conservatory – construction of an outdoor garden pavilion, catering kitchen, and formal lawn and garden gathering space at the Chancellor's residence. Estimated project cost is $3.3 million, funded by private support.

- Art and Design District – renovate and equip a previously purchased warehouse and small office building to relocate the Department of Art sculpture labs, foundations studio course programs and research studios. Estimated project cost is $6.5 million funded by bond proceeds.

- Student Housing – renovation and expansion of student Greek housing operated by the University. Estimated project cost is $6.5 million, funded by bond proceeds and private support.

- Natural Gas Bypass Pipeline – utility infrastructure improvement to construct a high pressure gas pipeline to support the Utility Combined Heat and Power facility. Estimated project cost is $3.4 million, funded with a mix of bond proceeds and university reserves.

Construction continuing and new projects begun in 2016 include:

- Donald W. Reynolds Razorback Stadium North End Zone – New project to expand the north end zone of the stadium, construct updates to existing areas, and rebuild the Broyles Athletic Center around the new north end zone seating. Total project cost is estimated at $160 million, funded by $120 million in bonds, $30 million of gifts and $10 million from athletic reserves. Project completion is estimated for occupancy for the 2018 football season.

- Entrance Monument Signs – New project to construct monument signs to mark the three major vehicular entrances to the University of Arkansas Campus. The design of each location includes a native stone wall with capstone featuring the University of Arkansas name, new sidewalks and curbs, trees, and other landscaping. Total estimated project cost is $2.5 million, funded by bonds. Estimated project completion is December, 2016.

- Civil Engineering Research & Education Center – New project to construct a research and education facility for the U of A Civil Engineering Department. Phase 1 includes planning and programming, site options/selections at the Arkansas Research and Technology Park, early schematic design and fundraising support images. Total estimated project cost is $14.9 million and will be managed in phases. Phase 1 estimated project cost is $2.7 million, funded by $2 million in bonds and the balance with gifts. Estimated Phase 1 completion in October, 2017. Additional phases will be underway as funding sources are determined.

- Kimpel Hall Renovation – New project for a total renovation of the classroom block and exterior building envelope, along with a 3,500 to 7,000 square foot addition for the Student Media department to include an open newsroom, on-air studio, control room, master control, student radio and offices. Total estimated project cost $11.8 million, and will be completed in phases. The project will be funded in phases, with Phase 1 funded by $3 million in bonds and $1 million in gifts.

- Off-Site Library Storage – New project to construct a 20,000 square foot structure to house a high density storage system and processing area, along with a modest public space for accessing the collection. Total estimated project cost is $11.4 million. The project will be funded in phases, with Phase 1 funded by $3 million in bonds. Estimated project completion in December, 2019.

- Pat Walker Health Center Addition – New project to construct a 20,000 square foot addition to the Pat Walker Health Center. The addition will provide space for expanded counseling and psychological services, wellness and health promotion classrooms and consultation rooms, technology support and administrative space. Total estimated project cost is $11.8 million. The project will be funded in phases, with Phase 1 funded by $3.3 million in bonds and $3.7 million from student health reserves. Estimated project completion in December, 2018.

- Student Housing – New project for renovation and expansion of student Greek housing operated by the University. Total estimated project cost is $6.4 million funded by $3.3 million in bonds and gifts of $3.1 million. Estimated project completion in December, 2017.

- University Recreation Intramural Fields – New project to construct new University playing fields. The project includes three separate locations totaling 106.64 acres of land near campus. The main location will provide six flag football/soccer fields, four softball fields, three basketball courts, and four volleyball courts; along with parking lots, lighting, a maintenance barn and restrooms. The two smaller parcels will be developed concurrently to accommodate three club sports fields, tennis courts and parking. Total estimated project cost have not been finalized. The project will be funded in phases, with Phase 1 funded by $4 million in bonds. Estimated project completion in December, 2019.

- The Division of Agriculture Eastern Arkansas Soil Testing and Research Laboratory located at the Lon Mann Cotton Research Station in Marianna, Arkansas – project continues to renovate the existing facility and construct a new Soil Testing Laboratory. Total project cost is estimated at $8.5 million with completion expected in December, 2017. The project is funded by Agriculture sales and reserves and Community Board grants.

- The Division of Agriculture Seed Plant Facility at the Rice Research and Extension Center Station located at Stuttgart, Arkansas - project continues to construct a new facility to replace the current aging facility. Estimated project cost is $8.9 million, funded with state general improvement funds and Agricultural sales and reserves with expected completion in June, 2017.

- The Division of Agriculture Don Tyson Center for Agricultural Sciences located at Fayetteville, Arkansas – project continues to construct a multipurpose laboratory, with two greenhouses and office complex. Estimated cost is $16 million, funded by a mix of private support, Agricultural sales and reserves with an expected completion of March, 2017.

A summary of long-term debt (including the current portion) activity is as follows:

Summary of Changes in Long-Term Debt

	Bonds	Notes	Installment Contracts and Leases
Balance as of July 1, 2015	$ 656,591,620	$ 1,917,253	$ 29,103,386
Additions	171,849,110		28,749,368
Retirement of principal	(157,920,000)	(162,395)	(31,375,358)
Amortization of net bond premium	(3,200,925)		
Balance as of June 30, 2016	**$ 667,319,805**	**$ 1,754,858**	**$ 26,477,396**

Note 8, "Long-Term Debt" provides additional information related to the University's long-term debt.

The University issued bonds in four separate issues during 2016 to provide funds to finance various construction and renovation projects and to refund several various facility outstanding bonds. Proceeds totaling almost $36 million in two issues will provide financing for many of the construction projects discussed above. Outstanding bonds over several issues totaling $133.2 million were refunded, resulting in a total economic gain of $13.3 million.

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. In 2016, the total general revenue distribution from the State, which is a portion of the state appropriation revenue on the Statement of Revenues, Expenses and Changes in Net Position, remained virtually flat at $201.9 million. Estimates for 2017 indicate general revenue distributions from the State will remain flat, with no significant increase or decrease. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

We continue 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. Diverse revenue resources, including state appropriations, tuition and fees (net of scholarship allowance), private support and sponsored grants and contracts all contribute to support the mission of teaching, research and service. Tuition and mandatory fee increases totaling 3.8% for resident and 7.5% for nonresident students, respectively, were necessary in 2016 in order to maintain the facilities, faculty and other support needed to fulfill our mission. As record growth in enrollment continues, together with state funding

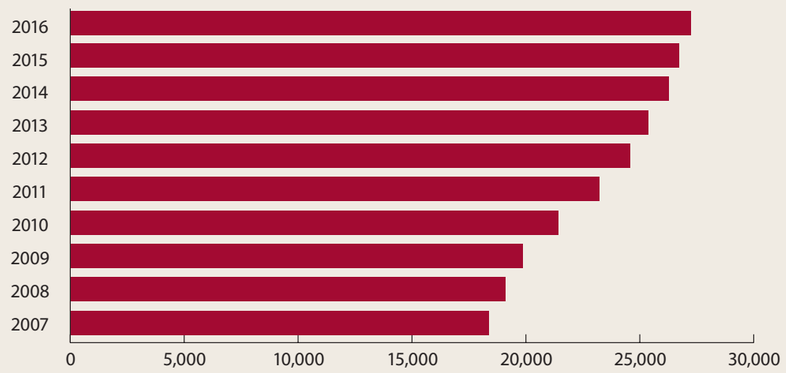
levels not able to keep pace with formula calculations, it is expected that the University must continue to look to increases in tuition rates for revenue support as well as grow other revenue streams.

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

Positive news continues with the University fundraising production totals for private gift support for 2016 being the third-best year in university history. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2016, the University recognized $131.6 million of private gift support, surpassing its goal of $115 million. This support is critical to ensure success for students and faculty, and is a fundamental component in meeting budgetary needs. Support received from alumni, friends, organizations 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.

Preliminary figures indicate that the university enrolled 27,194 students for the fall 2016 semester, another record enrollment. As the charts below indicate, university enrollment has increased 45.8%, or more than 8,500 students over the past ten years. The growth trend continues, but slowed to only 1.6% growth over the past year. This more sustainable rate of growth is welcome as the university assesses future goals and the optimum number of students.

Enrollment Trend over the last 10 Years



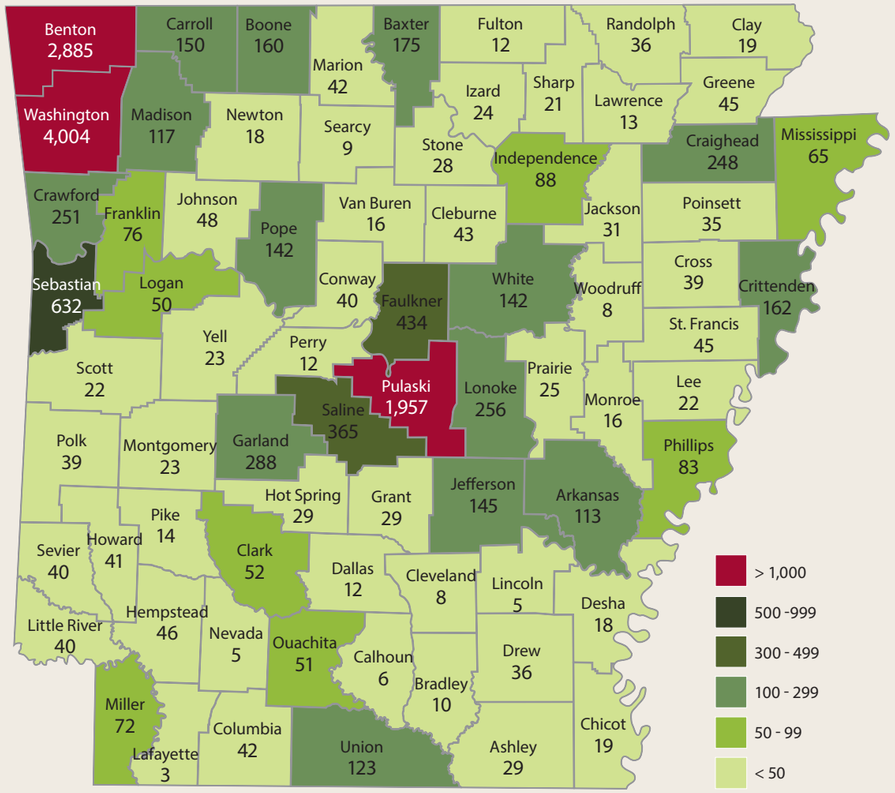
Fall Semester Enrollment

	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016
TOTAL	18,648	19,194	19,849	21,405	23,199	24,537	25,341	26,237	26,754	27,194
UNDERGRADUATE	14,948	15,426	15,835	17,247	19,027	20,350	21,009	21,836	22,158	22,548
LAW	413	412	408	407	413	410	390	379	375	371
GRADUATE	3,287	3,356	3,606	3,751	3,759	3,777	3,942	4,022	4,221	4,275
NEW FRESHMEN	3,066	3,233	3,046	3,873	4,462	4,591	4,357	4,590	4,927	4,998

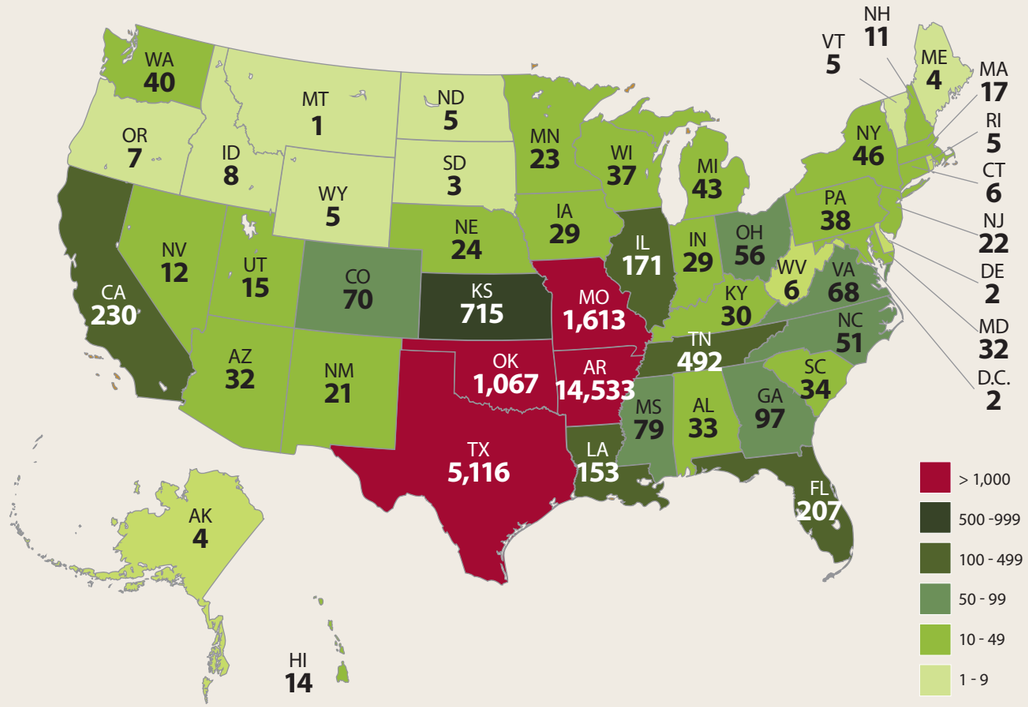
Per the Office of Institutional Research and Assessment



In-State Enrollment by County of Origin



Enrollment by State



Foreign Countries
1,607



STATEMENT OF NET POSITION

June 30, 2016
With Comparative Figures at June 30, 2015

	June 30 2016	June 30 2015
ASSETS		
Current Assets		
Cash and cash equivalents	$ 284,637,152	$ 273,555,167
Short-term investments	82,150,434	77,156,987
Accounts receivable, net	39,205,979	34,580,747
Accrued interest receivable	897,292	802,730
Pledges receivable	4,508,078	4,016,236
Inventories	5,647,819	5,505,385
Deposits with bond trustees	2,222,482	2,201,430
Notes receivable, net	3,837,146	3,399,741
Other assets	4,424,800	3,828,279
Total current assets	427,531,182	405,046,702
Noncurrent Assets		
Cash and cash equivalents	2,682,971	2,887,232
Endowment investments	70,576,791	73,415,511
Other long-term investments	3,001	1,530,358
Notes receivable, net	12,255,251	11,830,152
Deposits with bond trustees	27,227,513	11,744,948
Other assets	559,394	535,151
Capital assets, net	1,192,317,818	1,186,589,373
Total noncurrent assets	1,305,622,739	1,288,532,725
Total assets	**$1,733,153,921**	**$ 1,693,579,427**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	17,248,606	9,980,532
Deferred outflows related to pensions	4,083,964	1,850,485
Total deferred outflows of resources	**$ 21,332,570**	**$ 11,831,017**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 25,627,849	$ 26,605,417
Accrued payroll liabilities	20,275,413	18,612,153
Accrued interest expense	5,359,371	5,492,628
Student overpayments	109,795	73,223
Funds held in trust for others	1,313,857	1,251,413
Advance receipts	32,469,939	29,608,169
Compensated absences payable - current portion	1,685,575	1,408,052
Bonds, notes, capital leases and installment contracts payable- current portion	32,816,815	30,349,823
Total current liabilities	119,658,614	113,400,878

	June 30 2016	June 30 2015
Noncurrent Liabilities		
Refundable federal advance - Perkins loans	14,210,926	14,185,613
Compensated absences payable	18,519,150	18,597,878
Liability for other post employment benefits	15,386,270	13,803,981
Pension liability	9,296,127	6,450,702
Bonds, notes, capital leases and installment contracts payable	662,735,244	657,262,436
Other noncurrent liabilities	28,229	28,229
Total noncurrent liabilities	720,175,946	710,328,839
Total liabilities	**$ 839,834,560**	**$ 823,729,717**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	$ 1,756,044	$ 2,709,951
Total deferred inflows of resources	**$ 1,756,044**	**$ 2,709,951**
NET POSITION		
Net invested in capital assets	$ 537,504,192	$ 517,259,642
Restricted for		
Nonexpendable		
Scholarships and fellowships	8,366,072	8,365,759
Research	5,739,659	5,739,659
Instructional department uses	10,535,480	9,044,447
Loans	672,843	911,670
Other	272,716	272,716
Expendable		
Scholarships and fellowships	13,043,792	13,201,055
Research	28,077,855	27,033,953
Public service	8,997,390	7,467,633
Instructional department uses	10,580,121	14,649,562
Loans	3,294,116	2,990,821
Capital projects	10,191,897	24,666,137
Debt service	363,562	205,421
Other	6,055,168	4,987,203
Unrestricted	269,201,024	242,175,098
Total net position	**$ 912,895,887**	**$ 878,970,776**

See Accompanying Notes To Financial Statements.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2016
With Comparative Figures for 2015

	Fiscal 2016 Total	Fiscal 2015 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $71,476,290 in fiscal year 2016, and $69,976,246 in fiscal year 2015)	$ 206,138,574	$ 189,315,846
Federal appropriations	11,138,807	12,116,593
County appropriations	3,449,528	3,054,500
Federal grants and contracts	33,598,011	31,709,977
State and local grants and contracts	25,347,076	23,668,832
Nongovernmental grants and contracts	32,821,266	32,831,792
Sales and services of educational departments	23,093,648	22,070,764
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $8,819,828 in fiscal year 2016, and $8,747,901 in fiscal year 2015)	34,785,840	32,673,491
Athletics	98,143,466	86,417,607
Bookstore (net of scholarship allowances of $129,638 in fiscal year 2016, and $144,356 in fiscal year 2015)	12,629,223	13,516,538
Student Health Services	2,310,530	2,881,754
Transit and Parking	8,874,690	7,892,613
Student Organizations/Activities	92,917	104,576
Other Auxiliary Enterprises	289,940	487,258
Other operating revenues	10,810,896	9,134,758
Total operating revenues	**503,524,412**	**467,876,899**
EXPENSES		
Operating Expense		
Salaries, wages, and benefits	468,599,991	449,757,461
Scholarships and fellowships	20,603,854	21,247,744
Supplies and other services	225,229,984	202,439,536
Depreciation	73,379,367	68,688,526
Total operating expenses	**787,813,196**	**742,133,267**
Operating loss	**(284,288,784)**	**(274,256,368)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	210,455,158	205,745,146
Gifts	70,317,049	66,653,990
Investment income (net of investment expense of $329,408 in fiscal year 2016, and $337,098 in fiscal year 2015)	3,078,937	4,338,885
Interest on capital asset - related debt	(24,013,039)	(24,003,224)
Federal grants (nonexchange)	22,309,930	23,140,414
State and local grants (nonexchange)	28,055,324	28,644,847
Loss on disposal of assets	(188,529)	(1,047,765)
Other nonoperating revenues	3,134,598	3,077,806
Other nonoperating expenses	(955,818)	(722,671)
Net nonoperating revenues	**312,193,610**	**305,827,428**
Gain before other revenues and changes in net position	**27,904,826**	**31,571,060**
OTHER REVENUES AND CHANGES IN NET POSITION		
Capital appropriations	1,000,000	2,143,171
Capital grants and gifts	6,036,286	31,954,904
Other changes	(1,016,001)	911,058
Total other revenues and changes in net position	**6,020,285**	**35,009,133**
Increase in net position	**33,925,111**	**66,580,193**
NET POSITION		
Net position, beginning of year - as originally reported	878,970,776	820,310,798
Adjustment due to GASB 68, as amended		(7,920,215)
Net position, beginning of year - restated	878,970,776	812,390,583
Net position, end of year	**$ 912,895,887**	**$ 878,970,776**

See Accompanying Notes To Financial Statements.

STATEMENT OF CASH FLOWS – DIRECT METHOD

For the Year Ended June 30, 2016
With Comparative Figures for 2015

	Fiscal 2016 Total	Fiscal 2015 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 206,543,041	$ 188,413,009
Federal appropriations	10,769,584	13,314,541
County appropriations	3,449,528	3,054,500
Grants and contracts	86,996,530	87,117,812
Payments to suppliers	(220,351,034)	(200,824,858)
Payments to employees	(364,205,785)	(352,328,055)
Payments for benefits	(101,341,579)	(95,153,791)
Payments for scholarships and fellowships	(20,606,660)	(21,250,689)
Loans issued to students and employees	(2,833,076)	(2,447,198)
Collections of loans to students	3,032,272	2,530,074
Collections of interest on loans to students	415,478	481,656
Auxiliary enterprise charges		
Residence Life	34,807,449	31,991,043
Athletics	97,241,435	86,539,416
Bookstore	12,815,569	12,877,934
Student Health Services	2,330,738	2,846,801
Transit and Parking	8,809,215	7,916,682
Student Organizations/Activities	95,476	96,057
Other Auxiliary Enterprises	381,157	688,063
Sales and services of educational departments	23,878,712	22,396,907
Other receipts	13,529,594	11,980,886
Net cash used by operating activities	**(204,242,356)**	**(199,759,210)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	210,455,158	205,745,146
Gifts and grants for other than capital purposes	70,319,734	65,967,272
Federal grants (nonexchange)	22,309,931	23,140,415
State and local grants (nonexchange)	27,569,480	28,649,147
Nongovernmental grants (nonexchange)	25,326	(31,783)
Direct Lending, and private loan receipts	114,825,895	110,372,353
Direct Lending, and private loan payments	(114,807,219)	(110,368,343)
Net agency fund transactions	151,016	150,118
Interfund loan	(1,167,131)	
Net cash provided by noncapital financing activities	**329,682,190**	**323,624,325**
Net cash provided by operating activities and noncapital financing activities	**125,439,834**	**123,865,115**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	20,427,123	70,774,651
Capital appropriations	1,000,000	2,143,171
Capital grants and gifts received	1,230,625	27,771,693
Purchases of capital assets	(77,320,029)	(111,959,308)
Principal paid on capital debt and leases	(28,114,345)	(27,087,062)
Interest paid on capital debt and leases	(27,196,348)	(29,931,298)
Payments for bond refunding and related costs	(7,022,264)	
Net cash used by capital and related financing activities	**(116,995,238)**	**(68,288,153)**

	Fiscal 2016 Total	Fiscal 2015 Total
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$ 1,615,837	$ 2,604,789
Investment income	832,866	475,163
Purchase of investments	(15,575)	(604,789)
Net cash provided by investing activities	**2,433,128**	**2,475,163**
NET INCREASE IN CASH	10,877,724	58,052,125
Cash - beginning of year	276,442,399	218,390,274
Cash - end of year	**$ 287,320,123**	**$ 276,442,399**
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (284,288,784)	$ (274,256,368)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	73,379,367	68,688,526
Other miscellaneous operating receipts	3,226,814	3,320,383
Changes in assets and liabilities		
Receivables (net)	(4,143,433)	(252,431)
Inventories	(142,436)	936,195
Prepaid expenses	(610,762)	(660,465)
Accounts payable and accrued liabilities	2,260,609	1,315,823
Accrued payroll liabilities (Employees)	441,890	17,980
Accrued payroll liabilities (Benefits)	1,085,036	1,172,454
Student overpayments	38,572	(13,333)
Advance receipts	2,846,113	(1,208,120)
Refundable federal advance	25,313	(139,821)
Deposits		4,900
Compensated absences	198,795	365,676
Retiree benefits	1,240,329	879,501
Loans to students and employees	200,221	69,890
Net cash used by operating activities	**$(204,242,356)**	**$(199,759,210)**
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$ 1,257,486	$ 140,104
Equipment donations	2,920,254	88,183
Payment of bond escrow directly from bond proceeds	134,624,725	97,937,124
Payment of bond proceeds directly into deposits with trustees	36,567,554	263,419
Payment of underwriter's discounts directly from bond proceeds	656,831	465,157
Bond issuance costs paid directly from deposits with trustees	459,533	263,419
Interest on long-term debt paid directly from deposits with trustees	188,610	124,938
Payment of long-term debt directly from University of Arkansas Foundation, Inc. accounts		214,188
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments		492,553
Maintenance expense paid directly from proceeds of long-term debt instruments		71,530
Loss on disposal of assets	412,595	1,176,840
Value of goods received from sponsorship agreements with vendors	3,430,000	

See Accompanying Notes To Financial Statements.



DISCRETELY PRESENTED COMPONENT UNITS

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION

June 30, 2016 and 2015

	2016	2015
Assets		
Investments	$ 486,777,148	$ 515,236,233
Liabilities and Net Assets		
Accounts payable	$ 287,102	$ 476,827
Net assets:		
Temporarily restricted	33,875,459	30,571,566
Permanently restricted	452,614,587	484,187,840
Total net assets	486,490,046	514,759,406
Total liabilities and net assets	$ 486,777,148	$ 515,236,233

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends (see Note 6)	$ -	$ 3,722,126	$ 4,788	$ 3,726,914
Net realized and unrealized gains (losses) on investments (see Note 6)	-	16,016,332	(31,578,041)	(15,561,709)
Net asset reclassifications, including released from restrictions - satisfaction of restrictions	16,434,565	(16,434,565)	-	-
Total revenue, gains and other support	16,434,565	3,303,893	(31,573,253)	(11,834,795)
Program services:				
Research	1,131,919	-	-	1,131,919
Faculty/staff support	2,443,951	-	-	2,443,951
Scholarships and awards	10,847,583	-	-	10,847,583
Equipment and technology	1,665,250	-	-	1,665,250
Other	345,862	-	-	345,862
Total program services	16,434,565	-	-	16,434,565
Changes in net assets	-	3,303,893	(31,573,253)	(28,269,360)
Net assets, beginning of year	-	30,571,566	484,187,840	514,759,406
Net assets, end of year	$ -	$ 33,875,459	$ 452,614,587	$ 486,490,046

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends (see Note 6)	$ -	$ 3,194,907	$ 3,864	$ 3,198,771
Net realized and unrealized gains (losses) on investments (see Note 6)	-	14,978,660	(2,238,028)	12,740,632
Reclassification due to change in donor intent	-	(1,955,757)	1,955,757	-
Net asset reclassifications, including released from restrictions - satisfaction of restrictions	14,807,911	(14,807,911)	-	-
Total revenue, gains and other support	14,807,911	1,409,899	(278,407)	15,939,403
Program services:				
Research	1,151,398	-	-	1,151,398
Faculty/staff support	2,394,666	-	-	2,394,666
Scholarships and awards	9,601,436	-	-	9,601,436
Equipment and technology	1,442,809	-	-	1,442,809
Other	217,602	-	-	217,602
Total program services	14,807,911	-	-	14,807,911
Changes in net assets	-	1,409,899	(278,407)	1,131,492
Net assets, beginning of year	-	29,161,667	484,466,247	513,627,914
Net assets, end of year	$ -	$ 30,571,566	$ 484,187,840	$ 514,759,406

DISCRETELY PRESENTED COMPONENT UNITS

THE RAZORBACK FOUNDATION, INC.

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2016

Assets	
Cash and cash equivalents	$ 14,446,156
Contributions receivable, net	28,687,543
Investments, at fair value	14,052,653
Prepaid rent	1,370,710
Other	1,340,929
Property and equipment, net	15,490,674
Total assets	$ 75,388,665
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	$ 640,298
Deferred compensation	389,191
Total liabilities	1,029,489
Net assets:	
Stockholder's equity in for-profit subsidiary	100
Unrestricted net assets of nonprofit parent	24,032,152
Total unrestricted net assets	24,032,252
Temporarily restricted net assets	47,064,378
Permanently restricted net assets	3,262,546
Total net assets	74,359,176
Total liabilities and net assets	$ 75,388,665

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2016

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 19,513,762	$ 30,027,049	$ 354,200	$ 49,895,011
Interest and dividends	90,048	21,200	-	111,248
Net realized and unrealized loss on investments	(154,201)	(11,316)	-	(165,517)
Other	77,344	-	-	77,344
Net assets released from restrictions	8,305,743	(8,305,743)	-	-
Total revenues, gains and other support	27,832,696	21,731,190	354,200	49,918,086
Expenses and losses:				
Program services:				
Athletic department expenses	17,336,746	-	-	17,336,746
Construction and capital projects	4,729,151	-	-	4,729,151
Total program services	22,065,897	-	-	22,065,897
Supporting services:				
Management and general	2,401,340	-	-	2,401,340
Fundraising	2,875,280	-	-	2,875,280
Change in cash surrender value of life insurance policies	61,436	-	-	61,436
Provision for loss on uncollectible contributions	206,700	-	-	206,700
Total supporting services	5,544,756	-	-	5,544,756
Total expenses and losses	27,610,653	-	-	27,610,653
Change in net assets	222,043	21,731,190	354,200	22,307,433
Net assets, beginning of year	23,810,209	25,333,188	2,908,346	52,051,743
Net assets, end of year	$ 24,032,252	$ 47,064,378	$ 3,262,546	$ 74,359,176

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 1015

Assets	
Cash and cash equivalents	$ 10,573,235
Contributions receivable, net	12,916,263
Investments, at faviarlue	13,452,810
Prepaid rent	1,390,384
Other	2,209,860
Property and equipment, net	12,930,958
Total assets	$ 53,473,510
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	$ 314,426
Deferred compensation	1,107,341
Total liabilities	1,421,767
Net assets:	
Stockholder's equity in for-profit subsidiary	7,854
Unrestricted net assets of nonprofit parent	23,802,355
Total unrestricted net assets	23,810,209
Temporarily restricted net assets	25,333,188
Permanently restricted net assets	2,908,346
Total net assets	52,051,743
Total liabilities and net assets	$ 53,473,510

THE RAZORBACK FOUNDATION , INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2015

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 19,480,695	$ 20,514,686	$ 187,750	$ 40,183,131
Interest and dividends	115,371	17,382	-	132,753
Net realized and unrealized gains on investments	395,086	237,954	-	633,040
Other	427,437	-	-	427,437
Net assets released from restrictions	12,734,241	(12,734,241)	-	-
Total revenues, gains and other support	33,152,830	8,035,781	187,750	41,376,361
Expenses and losses:				
Program services:				
Athletic department expenses	19,775,789	-	-	19,775,789
Construction and capital projects	9,135,448	-	-	9,135,448
Total program services	28,911,237	-	-	28,911,237
Supporting services:				
Management and general	2,767,099	-	-	2,767,099
Fundraising	2,528,583	-	-	2,528,583
Change in cash surrender value of life insurance policies	(20,494)	-	-	(20,494)
Provision for loss on uocollectible contributions	386,357	-	-	386,357
Total supporting services	5,661,545	-	-	5,661,545
Total expenses and losses	34,572,782	-	-	34,572,782
Change in net assets	(1,419,952)	8,035,781	187,750	6,803,579
Net assets, beginning of year	25,230,161	17,297,407	2,720,596	45,248,164
Net assets, end of year	$ 23,810,209	$ 25,333,188	$ 2,908,346	$ 52,051,743



DISCRETELY PRESENTED COMPONENT UNITS

ARKANSAS 4-H FOUNDATION, INC.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2016 AND 2015

ASSETS	2016	2015
UNRESTRICTED ASSETS:		
Cash and cash equivalents	$ 502,714	$ 506,009
Certificate of deposit	50,205	-
Investments, at fair value	1,649,681	1,860,232
Accounts receivable	110,491	5,364
Other assets	20,109	19,895
Total unrestricted assets	2,333,200	2,391,500
RESTRICTED ASSETS:		
Cash and cash equivalents	190,405	36,284
Investments, at fair value	1,991,988	2,349,438
Total restricted assets	2,182,393	2,385,722
PROPERTY AND EQUIPMENT, NET	5,311,991	5,025,552
TOTAL ASSETS	$ 9,827,584	$ 9,802,774
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 56,768	$ 52,146
Due to affiliate	63,343	7,761
Other liabilities	57,509	40,727
TOTAL LIABILITIES	177,620	100,634
NET ASSETS:		
Unrestricted	6,014,018	5,673,446
Temporarily restricted	2,864,025	3,289,001
Permanently restricted	771,921	739,693
Total net assets	9,649,964	9,702,140
TOTAL LIABILITIES AND NET ASSETS	$ 9,827,584	$ 9,802,774

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2016

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:				
Program service revenue	$ 1,276,695	$ -	$ -	$ 1,276,695
Grants and contributions	10,450	3,430	31,000	44,880
In-kind contributions	478,409	-	-	478,409
Interest and dividends	18,415	178,902	1,228	198,545
Net unrealized and realized depreciation on investments	(30,686)	(298,152)	-	(328,838)
Contributed services from affiliate	363,767	-	-	363,767
Other revenues, net	11,053	-	-	11,053
Net assets released from restrictions	309,156	(309,156)	-	-
Total support and revenues	2,437,259	(424,976)	32,228	2,044,511
EXPENSES:				
Program	1,936,104	-	-	1,936,104
Management and general	160,583	-	-	160,583
Fundraising	-	-	-	-
Total expenses	2,096,687	-	-	2,096,687
CHANGE IN NET ASSETS	340,572	(424,976)	32,228	(52,176)
NET ASSETS, BEGINNING OF YEAR	5,673,446	3,289,001	739,693	9,702,140
NET ASSETS, END OF YEAR	$ 6,014,018	$ 2,864,025	$ 771,921	$ 9,649,964

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:				
Program service revenue	$ 1,238,806	$ 15	$ -	$ 1,238,821
Grants and contributions	15,230	4,715	-	19,945
Interest and dividends	34,801	239,997	17,740	292,538
Net unrealized and realized depreciation on investments	(31,212)	(215,224)	(15,908)	(262,344)
Contributed services from affiliate	340,877	-	-	340,877
Other revenues, net	24,251	-	-	24,251
Net assets released from restrictions	225,783	(225,783)	-	-
Total support and revenues	1,848,536	(196,280)	1,832	1,654,088
EXPENSES:				
Program	1,969,506	-	-	1,969,506
Management and general	169,349	-	-	169,349
Fundraising	6,181	-	-	6,181
Total expenses	2,145,036	-	-	2,145,036
CHANGE IN NET ASSETS	(296,500)	(196,280)	1,832	(490,948)
NET ASSETS, BEGINNING OF YEAR	5,969,946	3,485,281	737,861	10,193,088
NET ASSETS, END OF YEAR	$ 5,673,446	$ 3,289,001	$ 739,693	$ 9,702,140

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1A Nature of the Organization

The University of Arkansas, Fayetteville ("the University") is a State-supported institution of higher education and the flagship of the University of Arkansas System. 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, and is one of eleven campuses of the University of Arkansas System.

The University is granted an annual appropriation for operating purposes as authorized by the Arkansas General Assembly. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. 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. The laws of the State and the policies and procedures specified by the State for state agencies and institutions are applicable to the activities of the University.

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

The University is governed by a ten-member Board of Trustees which has been accorded constitutional status for the exercise of its powers and authority by Amendment 33 to the Arkansas Constitution. The Board of Trustees has delegated to the President the administrative authority for all aspects of the University's operations. Administrative authority is further delegated to the Chancellors, the Vice President for Agriculture, the Dean of the Clinton School, the Director of the Criminal Justice Institute, the Director of the Archeological Survey and the Executive Director of the Arkansas Research and Education Optical Network who have responsibility for the programs and activities of the respective campus or state-wide operating division.

1B Financial Reporting Entity

GASB Statement No. 14, *The Financial Reporting Entity*, as amended by GASB Statements No. 39, *Determining Whether Certain Organizations are Component Units - an amendment of GASB Statement No. 14* and No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and 34*, defines the financial reporting entity as the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that exclusion could cause the financial statements to be misleading or incomplete. Under the provisions of these statements, the University is a component unit of the State of Arkansas (primary government). Although the guidance 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 as if it was a primary government.

For purposes of financial reporting, the primary government of the University includes the academic units in Fayetteville, the Agricultural Experiment Station, the Cooperative Extension Service, the Arkansas Archeological Survey, the Criminal Justice Institute, the Clinton School of Public Service and the Arkansas Research Education Optical Network. 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.

1C Discretely Presented Component Units

Under the provisions of the GASB statements discussed above, the University has identified three organizations that should be reported as component units based on the nature and significance of their relationship with the primary government. The qualifying organizations are: the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. Although the University does not control the timing or amount of receipts from any of these foundations, the majority of resources or income thereon, which the foundations hold and invest, is restricted to the activities of the University by donors. Because these restricted resources held by the foundations can be used only by, or for the benefit of, the University, and their individual net assets are considered as having met the financial accountability criteria of Statement No. 39 by management, these foundations are considered component units of the University and are discretely presented in the University's financial statements.

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.

The Foundation distributed $16,536,124 and $14,784,573 to the University during the fiscal years ended June 30, 2016 and June 30, 2015, 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 not-for-profit organization whose sole purpose is to support intercollegiate athletics at the University.

The Razorback Foundation distributed $13,644,674 to the University, and provided equipment, facilities, improvements and supplies in the amount of $2,860,668 during the fiscal year ended June 30, 2016. During the fiscal year ended June 30, 2015, the Razorback Foundation distributed $25,636,493 to the University, and provided equipment, facilities, improvements and supplies in the amount of $951,403. 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 115 distinct funds that are used to account for various educational or administrative activities.

The majority of the distributions made by the 4-H Foundation directly to the University during the fiscal year ended June 30, 2016 were for reimbursement to the University for expenses incurred on their behalf. Other distributions made by 4-H Foundation directly to the University during the fiscal year ended June 30, 2016 included transfers of program balances of $5,000. Distributions made by the 4-H Foundation directly to the University for program support equaled $22,621 for the fiscal year ended June 30, 2016. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, Little Rock, AR 72204.

1D Basis of Presentation

The financial statements for the University 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).

1E Basis of Accounting

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.

1F Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows, deferred outflows, revenues and expenses at the date of the financial statements. Significant estimates include separation of accrued compensated absences between current and non-current and depreciation expense. Actual results could differ from those estimates.

1G Cash and Cash Equivalents

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

1H Investments

Investments are stated at fair value. Changes in unrealized gain (loss) on the carrying value are reported as a component of investment income on the Statement of Revenues, Expenses and Changes in Net Position.

1I 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.

1J Inventories

Inventories are valued at cost with costs generally using retail, and first in first out valuation methods, depending on the best practices of the University department to which the inventory belongs.

1K 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.

1L Capitalization of Interest

The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use. The total amount of interest cost incurred and the net amount thereof that has been capitalized was $27,187,820 and $1,216,243, respectively, for the fiscal year ended June 30, 2016. The total amount of interest cost incurred and the net amount thereof that has been capitalized was $30,001,505 and $4,691,442, respectively, for the fiscal year ended June 30, 2015.

1M Deferred Outflows of Resources

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

1N Advance Receipts

Advance receipts consist primarily of athletic ticket sales and related fees and unearned student revenues for summer session and fall semester. These monies were collected in advance and were not earned as of the end of each fiscal year.

1O Noncurrent Liabilities

Noncurrent liabilities include principal amounts of revenue bonds payable, notes payable, capital lease obligations and installment contracts payable with contractual maturities greater than one year, as well as estimated amounts for accrued compensated absences, net pension obligations, refundable advances on student loans, net other postemployment benefits obligation, and other liabilities that will not be paid within the next fiscal year.

1P Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

1Q Pensions

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

1R 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 that may be used for the same purpose. Responsible officials determine at the time funds are expended whether 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.

1S 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. 34, *Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments*, such as state appropriations and investment income.

1T Scholarship Discounts and Allowances

Student tuition and fee revenues, and certain other revenues from students, are reported net of scholarship discounts and allowances in the Statement of Revenues, Expenses and Changes in Net Position. Scholarship discounts and allowances are the 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.

1U Encumbrances

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

1V New Accounting Pronouncements

The GASB issued four statements which became effective for the fiscal year ended June 30, 2016. Statement No. 72, *Fair Value Measurement and Application*, addresses accounting and financial reporting issues related to fair value measurements and provides guidance for disclosures related to all fair value measurements. Management has added additional disclosures, discussed at Note 9, as a result of implementing Statement 72. Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, addresses accounting and financial reporting for defined benefit pension plans that are not within the scope of Statement No. 68. No defined benefit pension plans were identified that were impacted by this statement. Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies a hierarchy of generally accepted accounting principles (GAAP) within the context of governmental financial reporting. Management has determined this statement has no effect on current reporting and disclosures. Statement No. 79, *Certain External Investment Pools and Pool Participants*, which establishes criteria for an external investment pool to qualify for making an election to measure all of its investments at amortized cost for financial reporting purposes. Management elected to report investments in the external investment pool at fair value, thus this statement has no effect on financial reporting and disclosures.

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

1W Restatement of Prior Year

Beginning net position for the year ended June 30, 2015, as reported on the Statement of Revenues, Expenses and Changes in Net Position, was restated due to the implementation of GASB Statement 68, as amended. As a result, Net Position – beginning of the year was reduced $7,920,215 to reflect the net effect of recognizing the University's proportionate share of the net pension liability and deferred outflows of resources attributable to the year ended June 30, 2014.

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

2A Cash and Cash Equivalents

The University uses commercial banks for its cash deposits. Cash deposits are carried at cost. 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 $4,212,534 at June 30, 2016 and $3,761,723 at June 30, 2015.

The following schedule reconciles the amount of deposits to the Statement of Net Position at June 30, 2016 and June 30, 2015:

Cash and Cash Equivalents

Cash and Cash Equivalents	June 30, 2016	June 30, 2015
Cash on deposit, carrying value	$ 287,313,407	$ 276,839,056
Cash held at State Treasury	4,158,325	3,303,161
Imprest Funds, non-Bank	60,925	61,905
Less: System Administration Cash	(4,212,534)	(3,761,723)
Totals	**$ 287,320,123**	**$ 276,442,399**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Deposits are exposed to custodial risk if they are not insured by Federal Deposit Insurance Corporation (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. Board of Trustees policy requires that all cash deposits be either insured by the FDIC or collateralized by securities held at a third party financial institution (preferably the Federal Reserve Bank) in the University's name. At June 30, 2016, none of the University's bank balances were exposed to custodial credit risk.

2B Investments

The following is a summary of the University's investments held at June 30, 2016 and June 30, 2015:

Investments

Investment Type	Fair Value at June 30, 2016	Fair Value at June 30, 2015
Mutual Treasury Funds	$ 29,455,653	$ 13,952,761
Mutual Bond Funds	82,941	97,961
Corporate Bonds	75,058	75,448
External Investment Pool-University of Arkansas System	150,005,854	149,443,092
Other	2,501,522	2,421,025
Totals	**$ 182,121,028**	**$165,990,287**

At June 30, 2016, the Mutual Treasury Funds of $29,455,653 includes $29,449,995 reported as deposits with bond trustees on the Statement of Net Position; at June 30, 2015, Mutual Treasury Funds of $13,952,761 includes $13,946,378 reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $59,193 at June 30, 2016 and $58,947 at June 30, 2015 which are considered deposits for GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3.*

Investment Risk

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 are 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 for non-operating investments. The University of Arkansas' investments subject to GASB Statement No. 40 interest rate risk disclosure are summarized below:

Interest Rate Risk

June 30, 2016

		Investment Maturities (in years)			
Investment Type	**Value**	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Corporate Bonds	$ 75,058	$ 50,040	$ 25,018	$ 0	$ 0

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 for non-operating investments.

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

Credit Risk

June 30, 2016

Investment Type	Value	Aaa-Aa3	A1-A3	Not Rated
Mutual Treasury Funds	$ 29,455,653	$ 29,449,995		$ 5,658
Mutual Bond Funds	82,941			82,941
Corporate Bonds	75,058		$ 75,058	
Totals	**$ 29,613,652**	**$ 29,449,995**	**$ 75,058**	**$ 88,599**

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

2C External Investment Pool

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

The external investment pool is exempt from registration with the Securities and Exchange Commission. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees were the sponsors of this investment pool and 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 implementation of GASB 72 during the fiscal year ended June 30, 2016, caused management to reassess the University of Arkansas Board of Trustees' sponsorship role. Based on the UA Foundation's fiduciary responsibilities outlined in the January 2010 agreement, management concluded that the UA Foundation acts as sole sponsor of this investment pool.

The Pool consists of the Total Return Pool and the Intermediate Pool. UAF's ownership of each of these individual pools and of the total external pool was as follows:

External Investment Pool

Fiscal Year	UAF Total Return Pool	UAF Intermediate Pool	CES Intermediate Pool	Total Pool
June 30, 2016	5.07%	21.36%	3.79%	8.87%
June 30, 2015	5.08%	19.78%	3.51%	8.51%

University of Arkansas External Investment Pool

Statement of Invested Assets

Investment Type	Fair Value* June 30, 2016	Fair Value* June 30, 2015
Equities	**$ 475,819,049**	**$ 511,167,043**
Common Stock	200,276,780	198,753,100
Funds - Common Stock	237,495,225	286,584,388
Stapled Securities	1,168,734	
Preferred Stock		16,167
Rights/Warrants	4,478	12
Funds - Equities ETF	36,873,832	25,813,376
Fixed Income	**$ 378,383,254**	**$ 429,136,814**
Government Bonds	88,091,606	71,154,303
Funds - Government Bonds	29,457,668	35,789,348
Corporate Bonds	41,665,211	95,454
Funds - Corporate Bond	15,291,094	37,703,409
Government Mortgage Backed Securities	6,219,773	86
Commercial Mortgage-Backed	522,965	
Asset Backed Securities	6,274,704	
Non-Government Backed C.M.O.s	1	1
Funds - Other Fixed Income	47,034,191	253,145,879
Funds - Fixed Income ETF	143,826,041	31,248,334
Venture Capital and Partnerships	**$ 577,606,549**	**$ 594,280,382**
Partnerships	577,606,549	594,280,382
Commodities	**$ 0**	**$ 24,551,528**
Funds – Commodity Linked		24,551,528
Hedge Fund	**$ 203,461,577**	**$ 172,468,960**
Hedge Equity	174,593,501	139,944,236
Hedge Event Driven	28,868,076	32,524,724
All Other	**$ 426,686**	**$ 204,899**
Recoverable Taxes	426,686	204,899
Cash/Cash Equivalents	**$ 55,684,307**	**$ 23,609,445**
Funds - Short Term Investment	37,744,671	18,302,204
Cash	14,128,439	2,488,878
Invested Cash	3,811,197	2,818,363
Totals	**$ 1,691,381,422**	**$ 1,755,419,071**

*Includes accrued income

Credit Risk - S&P Quality Ratings

June 30, 2016

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

*Does not include accrued income

Years to Maturity

June 30, 2016

		Investment Maturities (in years)				
Investment Type	**Fair Value***	**Less than 1**	**1+ to 6**	**6+ to 10**	**10+**	**Maturity Not Determined**
Asset Backed Securities	$6,269,701		$5,045,821	$1,223,880		
Commercial Mortgage-Backed	521,696				$521,696	
Corporate Bonds	41,325,798		16,571,062	16,701,548	8,053,188	
Funds - Corporate Bond	15,222,377					$15,222,377
Funds - Fixed Income ETF	143,826,041					143,826,041
Funds - Government Bond	29,325,718					29,325,718
Funds - Other Fixed Income	47,034,191					47,034,191
Funds - Short Term Investment	37,738,170					37,738,170
Government Bonds	88,082,875		84,320,259	3,756,403	6,213	
Govn Mortgage Backed Securities	6,212,345				6,212,345	
Hedge Event Driven	28,868,076					28,868,076
Non-Government Backed C.M.O's	1					1
Totals	**$444,426,989**	**$0**	**$105,937,142**	**$21,681,831**	**$14,793,442**	**$302,014,574**

*Does not include accrued income

Interest Rate Sensitivity - Effective Duration

June 30, 2016

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

*Does not include accrued income

Foreign Currency Risk By Investment Type

June 30, 2016

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	$ 3,407,279	$ 7,522,352	$ 0
CANADIAN DOLLAR	(775,532)	1,313,386	22,212
SWISS FRANC	61,790	8,408,149	94,926
HK OFFSHORE CHINESE YUAN RENMINBI	(3,545,422)	0	0
DANISH KRONE	0	1,044,453	4,768
EURO	(962,542)	37,999,019	229,670
BRITISH POUND STERLING	1,379,453	12,402,553	0
HONG KONG DOLLAR	32,257	7,364,913	0
NEW ISRAELI SHEKEL	285,312	170,440	0
JAPANESE YEN	4,365,076	24,151,266	50,752
NORWEGIAN KRONE	153,712	260,978	0
NEW ZEALAND DOLLAR	5	1,175,245	0
POLISH ZLOTY	0	0	5,542
SWEDISH KRONA	1,113,922	4,552,296	0
SINGAPORE DOLLAR	484,813	213,502	0
Totals	**$ 6,000,123**	**$ 106,578,552**	**$ 407,870**

*Includes accrued income

2D Donor-restricted Endowments

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

Endowment Available for Expenditure

	June 30, 2016	June 30, 2015
Endowment Investments	$ 70,576,791	$ 73,415,511
Operating Investment Sweep	597,161	(37,296)
Accrued Interest Receivable	2	3
Funds treated as Endowment	(12,605,613)	(13,411,916)
Non-expendable portion of Endowment	(25,296,519)	(23,805,173)
Totals	**$ 33,271,822**	**$ 36,161,129**

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.

The University uses a total return policy for investing endowed funds. The University's spending policy is to expend 4.4% of the balance of the endowment averaged over the previous twelve quarters. For FY2016, the total takedown percentage of 5.306% includes .6% for administrative costs plus other external fees. For FY2015, the total takedown percentage was 5.271%.

3. RECEIVABLES

3A Accounts Receivable

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.

A summary of accounts receivable balances at June 30, 2016 and 2015, are as follows:

Accounts Receivable

June 30, 2016

Type	Gross	Allowance	Net
Student Accounts Receivable	$ 14,600,428	$ (4,624,127)	$ 9,976,301
Non-student Accounts Receivable	18,189,730	(172,261)	18,017,469
Unreimbursed Research Contract Expenses	11,212,209		11,212,209
Totals	**$ 44,002,367**	**$ (4,796,388)**	**$ 39,205,979**

Accounts Receivable

June 30, 2015

Type	Gross	Allowance	Net
Student Accounts Receivable	$ 13,720,528	$ (4,443,972)	$ 9,276,556
Non-student Accounts Receivable	15,630,959	(157,969)	15,472,990
Unreimbursed Research Contract Expenses	10,617,979	(786,778)	9,831,201
Totals	**$ 39,969,466**	**$ (5,388,719)**	**$ 34,580,747**

3B Notes Receivable

Notes receivable consist of resources made available for financial loans to students of the University and 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 $1,956,028 and $2,286,850 were issued under the Student Loan Programs for the years ended June 30, 2016 and June 30, 2015, 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 14.04% and 11.82%, for the years ended June 30, 2016 and June 30, 2015, respectively. Notes receivable totaling $17,464 and $8,808 were written off during the fiscal years ended June 30, 2016 and June 30, 2015, respectively.

A summary of notes receivable balances at June 30, 2016 and 2015, are as follows:

Notes Receivable

June 30, 2016

Type	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,320,451	$ (819,273)	$ 14,501,178	$ 3,676,908
Loans to Greek organizations	377,104		377,104	144,845
Lease termination	46,984		46,984	15,393
Interfund loan	1,167,131		1,167,131	
Totals	**$16,911,670**	**$ (819,273)**	**$16,092,397**	**$ 3,837,146**

Notes Receivable

June 30, 2015

Type	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,531,639	$ (816,947)	$ 14,714,692	$ 3,261,644
Loans to Greek organizations	515,201		515,201	138,097
Totals	**$16,046,840**	**$ (816,947)**	**$15,229,893**	**$ 3,399,741**

3C Pledges Receivable

Pledges receivable consists of gifts pledged for capital projects. The entire amount outstanding is expected to be collected in the next fiscal year, 2017.

A summary of pledges receivable balances at June 30, 2016 and 2015, are as follows:

Pledges Receivable

June 30, 2016

Project	Total Gift Pledge	Received as of June 30, 2016	Pledge Outstanding as of June 30, 2016	Current Portion
Burnett Journalism & Student Media	$ 1,000,000	$ 500,000	$ 500,000	$ 500,000
Jim and Joyce Faulkner Performing Arts Center	6,000,000	1,991,922	4,008,078	4,008,078
Totals	**$ 7,000,000**	**$ 2,491,922**	**$ 4,508,078**	**$ 4,508,078**

Pledges Receivable

June 30, 2015

Project	Total Gift Pledge	Received as of June 30, 2015	Pledge Outstanding as of June 30, 2015	Current Portion
Wallace W. and Jama M. Fowler House	$ 2,934,400	$ 2,926,242	$ 8,158	$ 8,158
Jim and Joyce Faulkner Performing Arts Center	6,000,000	1,991,922	4,008,078	4,008,078
Totals	**$ 8,934,400**	**$ 4,918,164**	**$ 4,016,236**	**$ 4,016,236**

4. CAPITAL ASSETS

The following presents a summary of changes in capital assets for the years ended June 30, 2016 and 2015:

Capital Assets

June 30, 2016

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 54,960,319	$ 2,296,551			$ 57,256,870
Construction in progress	140,102,845	56,474,057		$ (149,988,758)	46,588,144
Other assets	2,725,667			(534,195)	2,191,472
Total Nondepreciable Capital Assets	**197,788,831**	**58,770,608**		**(150,522,953)**	**106,036,486**
Depreciable Capital Assets					
Buildings	1,416,465,095	1,255,338	$ (718,592)	147,241,278	1,564,243,119
Equipment	231,162,696	17,376,858	(7,135,975)	147,847	241,551,426
Improvements	32,919,185	824,207		2,258,137	36,001,529
Infrastructure	110,858,378			580,485	111,438,863
Intangible assets	79,476,189				79,476,189
Library holdings	82,887,436	1,581,590	(40,196)		84,428,830
Total depreciable capital assets	**1,953,768,979**	**21,037,993**	**(7,894,763)**	**150,227,747**	**2,117,139,956**
Less accumulated depreciation					
Buildings	(563,965,209)	(49,302,162)	318,313		(612,949,058)
Equipment	(189,004,219)	(15,737,991)	7,256,750	(38,707)	(197,524,167)
Improvements	(17,643,165)	(1,436,421)			(19,079,586)
Infrastructure	(44,353,818)	(4,379,898)			(48,733,716)
Intangible assets	(78,583,741)	(188,209)		(86,130)	(78,858,080)
Library holdings	(71,418,285)	(2,334,686)	38,954		(73,714,017)
Total accumulated depreciation	**(964,968,437)**	**(73,379,367)**	**7,614,017**	**(124,837)**	**(1,030,858,624)**
Total Depreciable Capital Assets	**988,800,542**	**(52,341,374)**	**(280,746)**	**150,102,910**	**1,086,281,332**
Total Capital Assets, Net of Accumulated Depreciation	**$1,186,589,373**	**$ 6,429,234**	**$ (280,746)**	**$ (420,043)**	**$1,192,317,818**

Note: 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

Capital Assets

June 30, 2015

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 50,214,591	$ 4,745,728			$ 54,960,319
Construction in progress	89,733,064	97,894,880		$ (47,525,099)	140,102,845
Other assets	2,215,901	509,766			2,725,667
Total Nondepreciable Capital Assets	**142,163,556**	**103,150,374**		**(47,525,099)**	**197,788,831**
Depreciable Capital Assets					
Buildings	1,385,207,136	2,114,770	$ (1,511,801)	30,654,990	1,416,465,095
Equipment	220,182,960	14,089,783	(5,950,753)	2,840,706	231,162,696
Improvements	30,516,835	120,644		2,281,706	32,919,185
Infrastructure	98,919,428	81,301		11,857,649	110,858,378
Intangible assets	79,476,189				79,476,189
Library holdings	81,768,825	879,460	(35,937)	275,088	82,887,436
Total depreciable capital assets	**1,896,071,373**	**17,285,958**	**(7,498,491)**	**47,910,139**	**1,953,768,979**
Less accumulated depreciation					
Buildings	(519,672,747)	(44,690,341)	401,561	(3,682)	(563,965,209)
Equipment	(179,536,738)	(15,341,273)	5,860,527	13,265	(189,004,219)
Improvements	(16,334,823)	(1,308,342)			(17,643,165)
Infrastructure	(39,850,179)	(4,503,639)			(44,353,818)
Intangible assets	(78,140,705)	(443,036)			(78,583,741)
Library holdings	(69,051,218)	(2,401,895)	34,828		(71,418,285)
Total accumulated depreciation	**(902,586,410)**	**(68,688,526)**	**6,296,916**	**9,583**	**(964,968,437)**
Total Depreciable Capital Assets	**993,484,963**	**(51,402,568)**	**(1,201,575)**	**47,919,722**	**988,800,542**
Total Capital Assets, Net Of Accumulated Depreciation	**$1,135,648,519**	**$ 51,747,806**	**$ (1,201,575)**	**$ 394,623**	**$1,186,589,373**

Note: 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

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 these collections have not been established by professionals in their respective fields.

5. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable balances are summarized as follows:

Accounts Payable

Type	June 30, 2016	June 30, 2015
Payable to Outside Vendors	$ 22,337,594	$ 21,237,191
Retainage on Construction Contracts	3,267,146	5,120,551
Property Taxes Payable	23,109	247,675
Totals	**$ 25,627,849**	**$ 26,605,417**

Accrued payroll liabilities are summarized as follows:

Accrued Payroll Liabilities

Type	June 30, 2016	June 30, 2015
Net Salaries and Wages Payable	$ 3,544,350	$ 2,930,325
Employee Withholdings Payable	9,286,148	8,540,047
Employer Payroll Taxes and Benefits Matching Payable	7,444,915	7,141,781
Totals	**$ 20,275,413**	**$ 18,612,153**

6. SHORT-TERM BORROWING

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

7. COMPENSATED ABSENCES

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

Classified employees who meet the conditions to be considered retirees at the time of termination of employment are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code Annotated (ACA) §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.

Changes in compensated absences for the years ended June 30, 2016 and 2015 are as follows:

Compensated Absences

June 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$ 20,005,930	$ 492,641	$ 293,846	$ 20,204,725	$ 1,685,575

Compensated Absences

June 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$ 19,640,254	$ 709,355	$ 343,679	$ 20,005,930	$ 1,408,052

8. LONG-TERM DEBT

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

8A Schedule of Long-Term Debt

A summary of long-term debt at June 30, 2016 and 2015, is as follows:

Long-Term Debt

June 30, 2016

Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2016	Maturities and Refinanced Amounts June 30, 2016
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	47,140,000	5,290,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	12,210,000	11,755,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	92,625,000	8,600,000
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	2,805,000	20,770,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	49,435,000	7,530,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	58,045,000	2,495,000
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	51,065,000	3,385,000
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	26,125,000	4,230,000
06/30/2014	11/01/2043	2.00% to 5.00%	24,730,000	24,125,000	605,000
06/30/2014	11/01/2043	0.85% to 4.50%	5,020,000	4,875,000	145,000
02/12/2015	11/01/2036	2.00% to 5.00%	70,360,000	67,590,000	2,770,000
02/12/2015	09/15/2022	2.00% to 5.00%	14,180,000	13,705,000	475,000
08/27/2015	11/01/2045	1.02% to 4.40%	7,510,000	7,510,000	
08/27/2015	11/01/2021	2.00% to 5.00%	36,675,000	31,400,000	5,275,000
04/05/2016	11/01/2046	3.00% to 5.00%	93,590,000	93,590,000	
04/05/2016	11/01/2028	0.87% to 3.25%	15,280,000	15,280,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,037,299	1,962,701
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	717,559	1,353,581
07/31/2015	07/01/2023	1.97%	4,935,766	4,935,766	
07/31/2015	11/19/2023	1.99%	16,969,012	15,058,996	1,910,016
07/31/2015	01/08/2023	1.95%	6,844,590	6,196,829	647,761
Various	Various	Various	564,083	285,805	278,278
Net unamortized premium			71,576,021	62,004,805	9,571,216
Totals			**$ 785,705,612**	**$ 695,552,059**	**$ 90,153,553**

Long-Term Debt

June 30, 2015

Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2015	Maturities and Refinanced Amounts June 30, 2015
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,045,000	$ 20,400,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	45,945,000	35,075,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	39,195,000	5,815,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	35,830,000	920,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	13,915,000	1,295,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	48,260,000	4,170,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	14,360,000	9,605,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	94,670,000	6,555,000
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	5,500,000	18,075,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	50,455,000	6,510,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	59,140,000	1,400,000
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	52,175,000	2,275,000
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	27,780,000	2,575,000
06/30/2014	11/01/2043	2.00% to 5.00%	24,730,000	24,595,000	135,000
06/30/2014	11/01/2043	0.85% to 4.50%	5,020,000	4,985,000	35,000
02/12/2015	11/01/2036	2.00% to 5.00%	70,360,000	70,360,000	
02/12/2015	09/15/2022	2.00% to 5.00%	14,180,000	14,180,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,179,668	1,820,332
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	737,585	1,333,555
11/30/2007	07/01/2023	4.69%	6,950,000	5,159,908	1,790,092
12/19/2008	08/19/2023	4.581%	23,842,000	16,647,887	7,194,113
04/08/2010	01/08/2023	4.80%	9,694,713	6,873,975	2,820,738
Various	Various	Various	577,126	421,616	155,510
Net unamortized premium			52,781,911	46,411,620	6,370,291
Totals			**$ 825,041,890**	**$ 687,612,259**	**$ 137,429,631**

8B Schedule of Changes in Long-Term Debt

Changes in long-term debt for the years ended June 30, 2016 and 2015, are as follows:

Changes In Long-Term Debt

June 30, 2016

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 610,180,000	$ 153,055,000	$ 157,920,000	$ 605,315,000	$ 25,400,000
Net unamortized premium	46,411,620	18,794,110	3,200,925	62,004,805	3,777,006
Notes	1,917,253		162,395	1,754,858	170,813
Leases	421,616		135,811	285,805	137,443
Installment contracts	28,681,770	28,749,368	31,239,547	26,191,591	3,331,553
Totals	**$ 687,612,259**	**$ 200,598,478**	**$ 192,658,678**	**$ 695,552,059**	**$ 32,816,815**

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

Changes In Long-Term Debt

June 30, 2015

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 641,485,000	$ 84,540,000	$ 115,845,000	$ 610,180,000	$ 24,695,000
Net unamortized premium	35,245,728	14,125,701	2,959,809	46,411,620	2,560,883
Notes	2,497,090		579,837	1,917,253	162,395
Leases	9,605	564,083	152,072	421,616	135,812
Installment contracts	31,351,371		2,669,601	28,681,770	2,795,733
Totals	**$ 710,588,794**	**$ 99,229,784**	**$ 122,206,319**	**$ 687,612,259**	**$ 30,349,823**

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

8C Future Principal and Interest Payments

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

Future Long-Term Payments

Year(s)	Principal	Interest	Total
2017	$ 29,039,809	$ 28,059,011	$ 57,098,820
2018	29,489,912	26,761,133	56,251,045
2019	30,564,131	25,676,658	56,240,789
2020	31,867,701	24,444,361	56,312,062
2021	32,525,456	23,075,566	55,601,022
2022-2026	127,564,599	96,676,465	224,241,064
2027-2031	111,474,932	69,694,666	181,169,598
2032-2036	118,000,714	42,951,392	160,952,106
2037-2041	96,710,000	16,341,419	113,051,419
2042-2046	24,780,000	2,303,943	27,083,943
2047	1,530,000	38,250	1,568,250
Total Future Payments	**$ 633,547,254**	**$ 356,022,864**	**$ 989,570,118**
Plus Net Unamortized Premiums	**62,004,805**		
Total Outstanding Debt	**$ 695,552,059**		

8D Capital Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $522,454 at June 30, 2016. The expense resulting from depreciation of assets recorded under capital leases is included with depreciation expense as reflected in the summary of changes in capital assets. See Note 4.

Equipment Leases

Type of Equipment	Cost	Accumulated Depreciation	Asset Balance June 30, 2016	Asset Balance June 30, 2015
Farm Equipment	$ 33,683	$ 26,946	$ 6,737	$ 30,315
Mainframe Computer	488,771	293,263	195,508	391,017
Totals	**$ 522,454**	**$ 320,209**	**$ 202,245**	**$ 421,332**
Total Minimum Lease Payments			$ 298,749	$ 446,244
Less: Amount Representing Interest			12,944	24,628
Total Present Value of Net Minimum Lease Payments			**$ 285,805**	**$ 421,616**

8E 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 years ended June 30, 2016 and June 30, 2015 that are pledged:

Pledged Revenues

Bond Series	Revenue Source	2016	2015
Series 1997 Various Facilities	Student Tuition and Fees	$ 277,010,264	$ 258,604,292
Series 2005B Various Facilities	Sales and Services	8,610,798	8,674,631
Series 2007 Various Facilities	Residential Life	43,605,668	41,421,392
Series 2008A&B Various Facilities	Bookstore[1]	16,612,951	17,685,978
Series 2009A Various Facilities	Student Health Services	2,310,530	2,881,754
Series 2011A&B Various Facilities	Transit and Parking	8,874,690	7,892,613
Series 2012A Various Facilities	Other Auxiliaries	382,857	591,834
Series 2012B Various Facilities			
Series 2013 Various Facilities			
Series 2014A&B Various Facilities			
Series 2015A Various Facilities			
Series 2015B Various Facilities			
Series 2015C Various Facilities			
Series 2016A Various Facilities			
Series 2016B Various Facilities			
Total Various Fac. Pledge		**$ 357,407,758**	**$ 337,752,494**
Series 2010 Athletic Refunding	Men's Athletic Revenue	93,652,857	$ 78,048,953
Series 2011 Athletic Facilities	(less game guarantees)	(3,474,792)	(3,186,843)
Series 2013 Athletic Facilities			
Series 2015 Athletic Facilities			
Total Athletics Pledge		**$ 90,178,065**	**$ 74,862,110**

[1]For the purposes of calculating pledged revenues, Bookstore revenues shown include internally generated revenues from sales to the University campus of $3,854,090 for the year ending June 30, 2016 and $4,025,084 for the year ending June 30, 2015.

The Various Facility revenue pledge is used to repay fifteen various facilities revenue bond issues as detailed in the schedule above. Proceeds from the bonds provided financing for the construction and renovation of various campus buildings; utility and other infrastructure; land purchases; and refunding of existing debt issues. The maturity date on the issues range from November, 2021 through November, 2046. Annual principal and interest payments on the bonds are expected to require approximately 11.65% of gross revenues. The total principal and interest remaining to be paid on the bonds is $891,470,822. Principal and interest paid for the current year and gross revenues were $41,624,940 and $357,407,758, respectively.

The Athletics revenue pledge is used to repay four athletic facilities revenue bond issues as detailed in the schedule above. Proceeds from the bonds provided financing for the construction and renovation of various athletic facilities as well as the refunding of existing debt issues. The maturity date on the issues range from September, 2016 to September, 2027. Annual principal and interest payments on the bonds are expected to require approximately 10.70% of net revenues pledged. The total principal and interest remaining to be paid on the bonds is $67,243,417. Principal and interest paid for the current year and net revenues were $9,649,430 and $90,178,065, respectively.

8F Fiscal Year 2016 Long-Term Debt Transactions

On August 27, 2015, the University issued $7,510,000 in Various Facility Revenue Bonds, Series 2015B. The bonds with interest rates of 1.02% to 4.4% were issued to provide funds to finance various construction and renovation projects on the University campus, and were issued on a taxable basis. Projects include construction of a high pressure natural gas service line and the renovations and improvements to various student housing facilities.

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

On April 5, 2016, the University issued $93,590,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding and Improvement Series 2016A and $15,280,000 in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding Series 2016B. The Series 2016A bonds, with interest rates of 3.0% to 5.0% were issued to provide funds to finance various construction and renovation projects on the University campus, and to refund $38,200,000 of outstanding bonds dated October 2, 2007 (Series 2007) with interest rates of 4.0% to 5.0%; and $35,545,000 of outstanding bonds dated August 1, 2008 (Series 2008A) with interest rates of 4.0% to 5.0%. Net bond proceeds and premiums of $28,504,688 were available to finance construction of a civil engineering research and education center, a library storage building, campus entrance signs, intramural sports playing fields, and an addition to the Pat Walker Student Health Center; to finance renovations of student housing; and to continue renovations of Kimpel Hall, and Discovery Hall. The Series 2016B bonds with interest rates of 0.87% to 3.35% were issued on a taxable basis to refund $13,500,000 of outstanding bonds dated August 1, 2008 (Series 2008B) with interest rates of 5.1% to 6.375%.

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

On July 31, 2015, the University refinanced three outstanding agreements with Banc of America Public Capital Corp. that were used to finance the acquisition and installation of equipment, together with all additions, accessions, repairs and replacements necessary to fulfill the energy savings performance contracts between the University and Energy Systems Group, LLC. The outstanding balances of the three agreements as of the date of the refinancing were $4,815,908, $16,647,886, and $6,689,614 with interest rates of 4.69%, 4.581%, and 4.80%, respectively. The new financing agreements with JPMorgan Chase Bank, N.A. result in overall savings of $3,003,289 over the life of the agreements. The date of final pay-off is November, 19, 2023. The new financing agreements have outstanding balances as of June 30, 2016 of $4,935,766, $15,058,996, and $6,196,829 and have interest rates of 1.97%, 1.99%, and 1.95% respectively.

8G Fiscal Year 2015 Long-Term Debt Transactions

On February 12, 2015, the University issued $70,360,000 in Various Facility Revenue Refunding Bonds, Series 2015A. The bonds, with interest rates of 2.0% to 5.0% were issued to refund $2,750,000 of outstanding bonds dated October 1, 2004 with interest rates of 2.0% to 4.375%, $13,510,000 of outstanding bonds dated March 1, 2005 with interest rates of 3.0% to 4.5%, and $60,475,000 of outstanding bonds dated June 1, 2006 with interest rates of $4.0% to 5.0%. Net bond proceeds and premiums of $81,714,224 and cash of $1,009,170 from the University were deposited into an escrow account to retire the bonds. The refunding of the bonds dated March 1, 2005 and June 1, 2006 was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,083,047. This difference, reported in the accompanying financial statements as Deferred outflows

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

On February 12, 2015, the University issued $14,180,000 in Athletic Facilities Revenue Refunding Bonds, Series 2015. The bonds, with interest rates of 2.0% to 5.0%, were issued to refund $4,770,000 of outstanding bonds dated June 1, 2006 with interest rates of 4.0% to 4.375%, and $10,475,000 of outstanding bonds dated June 29, 2011 with interest rates of 2.0% to 4.895%. Net bond proceeds and premiums of $16,222,900 and cash of $265,723 from the University were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $134,986. This difference, reported in the accompanying financial statements as Deferred outflows of resources, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eight years by $1,413,277 and to obtain an economic gain of $1,084,087. The escrow balance as of June 30, 2016 was $15,030,466. The bonds dated June 1, 2006 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of September 15, 2016. The bonds dated June 29, 2011 were not advance refunded in total. As of June 30, 2016, there was a balance of $2,805,000 outstanding that was not refunded. These bonds will continue to be paid normally through September 15, 2016. The refunded bonds dated June 29, 2011 will continue to have regularly scheduled interest payments made from the escrow account until the bond call date of September 15, 2016 at which date the principal will be refunded. The remaining balance of the defeased bonds at June 30, 2016 was $14,730,000.

9. FAIR VALUE MEASUREMENTS

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

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

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

- Level 1: Inputs that reflect unadjusted quoted prices in active markets for identical assets or liabilities that the University has the ability to access at the measurement date. Publicly traded equity securities and mutual funds are the primary investments included in Level 1 and are valued at the individual security's closing market price.

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

- Level 3: Inputs that are unobservable. Unobserved inputs are those that reflect the University's own assumptions about the assumptions that market participants would use in pricing the asset developed based on the best information available. These types of sources would include investment manager pricing for private equities, hedge funds and certain limited partnerships. Limited partner interests in private equity and other partnerships and hedge fund investments are included in Level 3 and are valued using the individual investment manager's reported estimates of fair value developed in accordance with reasonable valuation policies.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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

Investment Instruments Measured at Fair Value

		Fair Value Measurements Using		
Investments by fair value level	**June 30, 2016**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity Securities:				
US	$ 256,546	$ 256,546		
Fixed Income Securities:				
Other Debt Securities	134,251	100,251	$ $34,000	
Commingled Funds:				
US Equity	67,957	35,352	32,605	
International Equity	85,697	55,423	30,274	
US Government Bonds	29,507,097	29,507,097		
Corporate Bonds	2,093,702	2,051,080	42,622	
Non-marketable alternatives	3,016			$ $3,016
Marketable alternatives	20,442	20,442		
Money markets and short-term investments	5,659	5,659		
Total investments by fair value level	**$ 32,174,367**	**$ 32,031,850**	**$ 139,501**	**$ 3,016**
Investments measured at the net asset value (NAV)				
External Investment Pools:				
Total Return Pool	$ 69,455,618			
Intermediate Pool	80,550,236			
Total investments measured at the NAV	150,005,854			
Total investments measured at fair value	**$ 182,180,221**			

Debt and equity securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt and equity securities classified in Level 2 of the fair value hierarchy are valued using a funds accounting technique or are provided by time deposit custodians. Securities classified in Level 3 are valued using par value on the face of the investments.

Investments Measured at the NAV

Investments Measured at the NAV

	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
External Investment Pools:				
Total Return Pool[1]	$ 69,455,618		Daily	0 – 30 days
Intermediate Pool[2]	80,550,236		Daily	0 – 30 days
Total investments measured at the NAV	**$ 150,005,854**	**$ 0**		

1. This type includes investments in a broadly diversified external investment pool. Pooled investments include allocations to global equities, hedge funds, bonds, natural resources and real estate. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over $1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed $25 million in any 30 day period.

2. This type includes investments in an external investment pool comprised of fixed income investments. The pooled investments are allocated primarily to intermediate term government bonds and investment-grade intermediate term corporate bonds. The pool also includes allocations to mortgage-backed securities, high yield bonds, emerging market debt and money market funds. The assets in the pool are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board. A one-week notice is required for redemptions over $1 million. There is also a requirement for 30-days written notice if total withdrawals will exceed $25 million in any 30 day period.

10. NATURAL AND FUNCTIONAL CLASSIFICATIONS OF OPERATING EXPENSES

The following is a reconciliation of the natural classifications as presented in the Statement of Revenues, Expenses, and Changes in Net Position to the functional classifications for the years ended June 30, 2016 and 2015:

Operating Expenses

June 30, 2016

	Natural Classifications				
Functional Classifications	**Salaries, Wages and Benefits**	**Scholarships and Fellowships**	**Supplies and Other Services**	**Depreciation**	**Total**
Instruction	$ 163,942,957		$ 27,130,380		$ 191,073,337
Research	83,397,039		36,767,010		120,164,049
Public Service	56,694,819		22,877,135		79,571,954
Academic Support	28,988,825		16,187,103		45,175,928
Student Services	18,865,874		8,820,697		27,686,571
Institutional Support	43,664,393		12,394,109		56,058,502
Scholarships and Fellowships	162,327	$ 20,603,854	223,675		20,989,856
Operation and Maintenance of Plant	17,297,553		38,387,243		55,684,796
Auxiliary Enterprises	55,586,204		62,442,632		118,028,836
Depreciation				$ 73,379,367	73,379,367
Totals	**$ 468,599,991**	**$ 20,603,854**	**$ 225,229,984**	**$ 73,379,367**	**$ 787,813,196**

Operating Expenses

June 30, 2015

	Natural Classifications				
Functional Classifications	**Salaries, Wages and Benefits**	**Scholarships and Fellowships**	**Supplies and Other Services**	**Depreciation**	**Total**
Instruction	$ 153,857,097		$ 26,080,228		$ 179,937,325
Research	77,584,461		32,878,167		110,462,628
Public Service	60,458,020		23,109,496		83,567,516
Academic Support	27,922,423		15,965,583		43,888,006
Student Services	18,069,827		8,627,673		26,697,500
Institutional Support	42,769,206		11,724,959		54,494,165
Scholarships and Fellowships	116,595	$ 21,247,744	186,467		21,550,806
Operation and Maintenance of Plant	17,271,228		26,786,014		44,057,242
Auxiliary Enterprises	51,708,604		57,080,949		108,789,553
Depreciation				$ 68,688,526	68,688,526
Totals	**$ 449,757,461**	**$ 21,247,744**	**$ 202,439,536**	**$ 68,688,526**	**$ 742,133,267**

11. 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, 2016, were $4,771,427. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Future Operating Lease Payments

Year ended June 30	Amount
2017	$ 1,309,754
2018	1,125,657
2019	580,516
2020	535,894
2021	447,851
2022-2026	726,375
Total	**$ 4,726,047**

12. EMPLOYEE BENEFITS

12A Retirement Plans

The University offers benefits-eligible employees the option of participating in either the Optional Retirement Program (ORP) which includes Teachers Insurance Annuity Association (TIAA) and Fidelity Investments or the Arkansas Public Employees Retirement System (APERS). Participation in the Arkansas Teacher Retirement System (ATRS) is available only to employees employed by the University that have a previous record with ATRS.

Optional Retirement Program

Plan Description

The ORP is a defined contribution plan, offering both a 403(b) program and a 457(b) program, as defined by the Internal Revenue Service Code of 1986, as amended. The authority under which the Plan's benefit provisions are established or amended is the President of the University or his designee. 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 can be allocated among their various annuity accounts. Arkansas law authorizes participation in the plan.

Contributions

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 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 the Internal Revenue Service (IRS) match limit, which at June 30, 2016 was $26,500. Employee contributions in excess of 10% are allowed by the plans in accordance with IRS regulations but the University does not match these additional contributions. All benefits attributable to plan contributions made by the participant are vested immediately. All benefits attributable to contributions made by the University for faculty and staff hired July 1, 2014, and after, will be vested at the end of 12 consecutive months of employment, upon death or attainment of age 65, or should they become disabled as determined by the Social Security Administration or the university's long-term disability insurance provider. Faculty and non-classified employees hired prior to January 1, 2014 were 100% vested immediately. Classified Staff hired prior to January 1, 2014, were given the more generous of the previous vesting schedule or the new vesting schedule. The University's and participant's TIAA contributions for the year ending June 30, 2016, were $16,534,125 and $17,092,012, respectively. The University's and participants' Fidelity Investment contributions for the year ending June 30, 2016, were $7,655,084 and $7,944,814, respectively.

Arkansas Public Employees Retirement System (APERS)

Plan Description

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

Benefits Provided

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

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 15.14% of applicable compensation for the fiscal year ended June 30, 2016. The University's and members' contributions for the year ending June 30, 2016, were $1,364,539 and $391,358 respectively.

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

At June 30, 2016, the University reported a liability of $7,728,708 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the university's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the university's proportion was 0.3220% for Fayetteville and 0.1043% for Cooperative Extension Service, for a total proportion of 0.4263%, which was an increase of 0.0808 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the University recognized pension expense of $1,235,688. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Net Pension Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 0	$ 506,682
Changes of assumptions or other inputs	1,140,593	0
Net difference between projected and actual earnings on pension plan investments	0	383,460
Changes in the proportion and differences between the employer contributions and share of contributions	1,147,018	0
University contributions subsequent to the measurement date	1,364,539	0
Total	**$ 3,652,150**	**$ 890,142**

Deferred outflows of resources of $1,364,539 is related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Amortization of Other Deferred Inflows and Outflows

Year ended June 30:	
2016	$ 301,522
2017	301,522
2018	231,015
2019	563,410
2020	0
Thereafter	0

Actuarial Assumptions

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

Actuarial Assumptions

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based upon capital market assumptions provided by plan's investment consultant(s). For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Expected Rate of Return

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

Assumption Changes: Economic assumptions were updated in the June 30, 2015 valuation to a 7.50% investment return assumption, a 2.50% price inflation assumption, and a 3.25% wage inflation assumption.

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on

these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The current discount rate reflects a 0.25% decrease compared to the 7.75% single discount rate used to measure the total pension liability as of the prior measurement date.

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

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

Sensitivity of Discount Rate

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
$12,731,176	$7,728,708	$3,568,414

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The University reported payables to APERS of $128,144 at June 30, 2016.

Arkansas Teacher Retirement System (ATRS)

Plan Description

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

Benefits Provided

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

Contributory	2.15%
Non-Contributory	1.39%

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

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

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 7. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the beginning of ATRS. The noncontributory plan became available July 1, 1986. Act 81 of 1999, effective July 1, 1999, requires all new members to be contributory and allowed active members as of July 1, 1999, until July 1, 2000, to make an irrevocable choice to be contributory or noncontributory. Act 93 of 2007 allows any noncontributory member to make an irrevocable election to become contributory on July 1 of each fiscal year. Employers are required to contribute at a rate established by the Board of Trustees of ATRS based on an actuary's determination of a rate required to fund the plan. The University contributed 13.48% of applicable compensation for the fiscal year ended June 30, 2016. The University's and member's contributions for the year ending June 30, 2016, were $175,617 and $47,156, respectively.

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

At June 30, 2016, the University reported a liability of $1,567,419 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The university's proportion of the net pension liability was based on the university's share of contributions to the pension plan relative to the total contributions of all participating employers. At June 30, 2016, the university's proportion was 0.0384% for Fayetteville and 0.0097% for Cooperative Extension Service, for a total proportion of 0.0481%, which was a decrease of 0.0135 from its proportion measured as of June 30, 2015.

For the year ended June 30, 2016, the University recognized pension expense of $8,734. At June 30, 2016, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Net Pension Deferred Inflows and Outflows

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual Differences between expected and actual experience	$ 48,976	$ 32,116
Changes of assumptions or other inputs	0	0
Net difference between projected and actual earnings on pension plan investments	207,221	407,352
Changes in the proportion and differences between the employer contributions and share of contributions	0	426,434
University contributions subsequent to the measurement date	175,617	0
Totals	**$ 431,814**	**$ 865,902**

Deferred outflows of resources of $175,617 is related to pensions resulting from University contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the pension expense in the financial statements as follows:

Amortization of Other Deferred Inflows and Outflows

Year ended June 30:	
2016	$ (173,395)
2017	(173,395)
2018	(173,395)
2019	(34,800)
2020	(54,720)
Thereafter	0

Actuarial Assumptions

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

Actuarial Assumptions

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

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2016 are summarized below:

Expected Rate of Return

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

Discount Rate

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

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

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

Sensitivity of Discount Rate

1% Decrease (7.00%)	Discount Rate (8.00%)	1% Increase (9.00%)
$2,603,112	$1,567,419	$699,234

Pension Plan Fiduciary Net Position

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

Payables to the Pension Plan

The University reported payables to ATRS of $11,228 at June 30, 2016.

Other Plans

Cooperative Extension Service employees who hold accepted appointments with the U.S. Department of Agriculture are covered by one of the following plans depending on when he or she began work. Employees employed prior to January 1, 1984 are on the Civil Service Retirement System. This system requires an employee contribution of 7% and the University contributes 7%. Employees employed between January 1, 1984 and July 31, 1987, are on either the Civil Service Offset or the Federal Employees Retirement System, depending on their length of prior federal service. Both systems require an employee contribution of 0.80%. The Civil Service Offset requires matching of 7% and the Federal Employees Retirement System requires agency matching of 13.7%. Employees on Civil Service participate in TIAA-CREF and Fidelity. The University's and participants' CSR and FERS contributions were $268,859 and $104,514 respectively for the year ended June 30, 2016.

The Thrift Savings Plan is a retirement savings and investment plan for Federal employees at the Cooperative Extension Service. It is a defined contribution plan and its purpose is

to provide retirement income for Federal employees similar to a 401(k) plan. Employee contributions are exempt from taxation. The plan is available to all Federal employees without employer matching for employees covered under the Civil Service Retirement System. Employees covered under the Federal Employees Retirement System receive a mandatory 1% employer contribution. The University's and participants' CSR contributions were $60,701 and $108,553 respectively for the year ended June 30, 2016.

12B 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, Fort Smith, Batesville and Hope 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.

As of January 1, 2014, post age 65, Medicare eligible retirees no longer participate in the University of Arkansas' self-funded health and dental benefit plan. Those individuals are now covered by the UnitedHealthcare Medicare Advantage PPO plan.

For the year ending June 30, 2016, a total of 4,772 active employees, former employees, and retirees were participants in the health plan. The University's contributions to health coverage are based on the employee's salary and percent of appointment. Six salary bands are used to determine the employer contribution with the average contribution for 75%-100% appointed employees being:

Salary Bands

	Employer contribution	
Salary Range	**Point of Service Plan**	**Classic Plan**
Under $28,000	77.75%	84.18%
Between $28,000 to $38,999	76.67	83.42
Between $39,000 to $54,999	75.11	82.31
Between $55,000 to $99,999	73.52	81.18
Between $100,000 to $149,999	71.92	80.04
$150,000 and above	70.65	79.14

The University pays 70% for the health plan for federal employees.

12C Life Insurance Plan

The University of Arkansas System's life insurance carrier is the Standard Life Insurance Company. 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.

The University has, from time to time, negotiated early retirement agreements with faculty and staff which may include the provision of healthcare or other benefits for future periods.

There was no liability for these type of agreements at June 30, 2016. At June 30, 2015, the liability was $105,488.

13. OTHER POSTEMPLOYMENT BENEFITS

13A Other Postemployment Benefits (OPEB)

The University offers postemployment health (including prescription drugs) and dental benefits along with life insurance ($10,000 available coverage) to eligible retirees. Health and dental benefits are provided in the University's self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and pre-65 retired employees. The plan is considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University's plan for the University of Arkansas Foundation, Inc. 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 $15,386,270 in retiree healthcare liability as of June 30, 2016.

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.
- 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.

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

13B Summary of Key Actuarial Methods and Assumptions

Actuarial Assumptions

University Self-Funded Plan	
Valuation date	July 1, 2015
Valuation year	Census data was collected as of January 1, 2015
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 7%, with an ultimate rate of 4.5%

13C 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.

13D Changes in Actuarial Assumptions and Methods

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

13E Medical Coverage – Retirees not Eligible for Medicare

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

13F Dental Coverage

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

Actuarial Assumptions for the University Self-Funded Plan

University Self-Funded Plan

Mortality

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

Disability Rates

Various rates based on age. Selected rates are:

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

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
0	25%
1	25%
2	20%
3	16%
4	16%

Ultimate rates are from Sarason turnover table T-6.

Retirement Rates

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

Future Retiree Coverage

- For medical and Rx coverage
- 55% of employees are assumed to elect medical and Rx coverage at retirement.
- Retirees were assumed to remain in their current plan indefinitely (until age 65 at which point they would join the UHC Medicare Advantage plan).
- For life insurance coverage
- 75% of retiring employees are assumed to continue life insurance at retirement.

Future Dependent Coverage

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

Spouse Age Differential

- Males are assumed to be 4 years older than females.

Assumptions displayed are applicable to Fayetteville campus. Certain assumptions may differ for other System campuses participating in the University Self-Funded Plan. Refer to the University of Arkansas System Consolidated financial report at http://www.uasys.edu/system-administration/finance-and-administration/financial-statements/ for a complete summary of all actuarial assumptions.

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/15	$ 24,968,044
Annual Required Contribution (ARC)	
Normal cost	$ 1,318,325
Amortization of the unfunded actuarial accrued liability over 30 years	891,440
Interest	99,439
Annual Required Contribution for FY16	2,309,204
Interest on Net OPEB Obligation	618,676
ARC Amortization Adjustment	(512,949)
Annual OPEB Cost for FY16	$ 2,414,931
Net OPEB Obligation, 7/1/15	$ 13,803,981
Annual OPEB Cost for FY16	2,414,931
Less: Expected Employer Contributions	(832,642)
Net OPEB Obligation, 6/30/16	$ 15,386,270

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/14	$ 1,549,194	$ 665,475	42.96%	$ 12,314,432
6/30/15	2,287,717	798,168	34.89	13,803,981
6/30/16	2,414,931	832,642	34.48	15,386,270

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
6/30/16	$ 0	$ 24,968,044	$ 24,968,044	0%	$ 288,264,333	8.66%

14. POLLUTION REMEDIATION

GASB Statement 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. The University has assessed potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR), and has determined that presently there is no obligation to begin pollution remediation of the site.

15. 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 have an insurance policy covering the Razorback Foundation, Inc. and Board of Trustees of the University of Arkansas for the owned aircraft, which provides coverage liability losses up to $50,000,000 per occurrence and medical coverage of $25,000 per person.

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 $300,000 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.

16. WALTON ARTS CENTER

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

The Walton Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities, including land, is held equally by the City and the University. The Arts Center Council was required to submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council was comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom served as volunteers.

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the University of Arkansas to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional directors to the Board of Directors of the Arts Center Council while ensuring that the City and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of $1.5 million to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of $1.5 million to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. To date, the University's funds placed in the endowment have not been spent. Accordingly, the relationship of the University and Walton Arts Center Foundation, Inc, remains unchanged. In the event the funds are expended, as provided in the revised agreement, the Walton Arts Center Foundation, Inc. would no longer be an agent for the University nor would the University have the right of appointment of Walton Arts Center Foundation, Inc. directors.

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

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

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 years ended June 30, 2016 and June 30, 2015, 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 50.6% and 51.0% of the net assets of the Foundation for the years ended June 30, 2016 and June 30, 2015, respectively. The remaining 49.4% and 49.0% benefits other University of Arkansas campuses for the years ended June 30, 2016 and June 30, 2015, respectively. 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
University of Arkansas Foundation, Inc.

	2016	2015
Assets		
Investments, at fair value	$ 873,266,684	$ 884,394,655
Contributions Receivable, net	33,424,389	30,132,446
Other Receivables	2,021,882	2,814,863
Fixed Assets, Net of Depreciation	668,025	800,025
Other Assets	1,248,856	1,196,556
Total Assets	**$910,629,836**	**$919,338,545**
Liabilities and Net Assets		
Liabilities	$ 20,384,061	$ 17,412,395
Net Assets		
Unrestricted	106,811,150	102,610,251
Restricted	783,434,625	799,315,899
Net Assets	890,245,775	901,926,150
Total Liabilities and Net Assets	**$910,629,836**	**$919,338,545**

Condensed Statement of Activities
University of Arkansas Foundation, Inc.

	2016	2015
Contributions	$ 61,084,273	$ 73,167,513
Other Revenues, Additions and Gains/(Losses)	(2,634,862)	31,051,681
Total Income and Other Additions/(Losses)	**$ 58,449,411**	**$104,219,194**
Total Expenditures and Other Deductions	**$ 70,129,786**	**$ 63,955,982**
Increase/(Decrease) in Net Assets	$ (11,680,375)	$ 40,263,212

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 years ended June 30, 2016 and June 30, 2015 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
Arkansas Alumni Association, Inc.

	2016	2015
Assets		
Cash and investments	$ 2,537,795	$ 1,997,650
Other Assets	7,699,288	7,826,748
Total Assets	**$ 10,237,083**	**$ 9,824,398**
Liabilities and Net Assets		
Liabilities	$ 1,318,321	$ 1,187,598
Net Assets	8,918,762	8,636,800
Total Liabilities and Net Assets	**$ 10,237,083**	**$ 9,824,398**

Condensed Statement of Activities
Arkansas Alumni Association, Inc.

	2016	2015*
Income and Other Additions	$ 4,158,356	$ 5,139,923
Expenditures and Other Deductions	3,876,394	4,181,533
Increase in Net Assets	**$ 281,962**	**$ 958,390**

*Per the Arkansas Alumni Association, Inc. Notes to Financial Statements for June 30, 2016 and 2015: Reclassifications – Certain reclassifications have been made to the 2015 amounts in order for them to conform to the 2016 presentation. These reclassifications did not have a material impact on the financial statements as a whole.

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 years ended June 30, 2016 and June 30, 2015 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
University of Arkansas Technology Development Foundation

	2016	2015
Assets		
Cash and investments	$ 1,480,136	$ 1,313,285
Other Assets	13,680	13,373
Total Assets	**$ 1,493,816**	**$ 1,326,658**
Liabilities and Net Assets		
Liabilities	$ 110,054	$ 88,823
Net Assets	1,383,762	1,237,835
Total Liabilities and Net Assets	**$ 1,493,816**	**$ 1,326,658**

Condensed Statement of Activities
University of Arkansas Technology Development Foundation

	2016	2015
Income and Other Additions	$ 1,668,483	$ 1,637,089
Expenditures and Other Deductions	1,522,556	1,520,611
Increase in Net Assets	**$ 145,927**	**$ 116,478**

18. RELATED PARTIES

There were two 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, 2016, bank balances held at First Security Bank totaled $24,967,945 (book balances shown on the Statement of Net Position were $24,970,661). 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. During FY16, Crews was co-underwriter for four bond issues for the Fayetteville campus totaling $153,055,000.
- 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, 2016, bank balances held at Arvest Bank Group, Inc. banks total $38,366,414 (book balances shown on the Statement of Net Position were $37,922,585).

19. COMMITMENTS AND CONTINGENCIES

Construction

The University has contracted for the construction and renovation of several facilities. At June 30, 2016, the estimated remaining cost to complete the construction and renovation of these facilities is $47,553,578, which is expected to be financed from bond proceeds, private gifts and other university funds. At June 30, 2015, the estimated remaining cost to complete the construction and renovation of these facilities is $37,005,720.

Other Commitments

The University has agreed to supplement the base rent received from existing tenants of the Enterprise Center at the Arkansas Research and Technology Park to the degree necessary to ensure the related debt obligations are met. For the fiscal year ended June 30, 2016, the amount of this obligation was $452,328. For the fiscal year ended June 30, 2015, the amount of this obligation was $308,985.

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.

20. SUBSEQUENT EVENTS

Changes to Employee Benefit

Effective July 1, 2016, all newly hired benefits-eligible employees of the University of Arkansas are required to participate in the University of Arkansas Retirement Plan, formerly known as the Optional Retirement Program (ORP) (see Note 12). New employees who participated in APERS with a state agency or who have more than a 30-day break in their UA System service will be required to enroll in the 403b plan. Beginning July 1, 2016, all benefits-eligible employees will be vested after the employee completes 24 consecutive months of employment. Also beginning July 1, 2016, all benefits-eligible employees will be required to contribute 1% to retirement. The required employee contribution will increase 1% each July 1 until July 1, 2020, to an ultimate minimum employee required contribution of 5%.

Long-term Debt

On October 5, 2016, the University sold the Board of Trustees of the University of Arkansas Athletic Facilities Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2016A with a par amount of $24,845,000 and Taxable Series 2016B with a par amount of $90,000,000. The bond issues were closed and delivered on October 19, 2016. The bonds provide resources for the purpose of constructing, reconstructing, enlarging and repairing additional facilities including particularly improvements to and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects.

REQUIRED SUPPLEMENTAL INFORMATION

Employee Benefits

Schedule of University's Proportional Share of the Net Pension Liability
Arkansas Public Employees Retirement System

Last Two Fiscal Years*

	2016	2015
University's proportion of net pension liability	0.4263%	0.3455%
University's proportionate share of net pension liability	$ 7,728,708	$ 4,833,430
University's covered payroll	$ 7,329,295	$ 5,914,094
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	105.45%	81.73%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%

*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Schedule of University Contributions
Arkansas Public Employees Retirement System

Last Two Fiscal Years*

	2016	2015
Contractually required contribution	$ 1,364,539	$ 1,081,804
Contributions in relation to the contractually required contribution	(1,364,539)	(1,081,804)
Contribution deficiency (excess)	**$ 0**	**$ 0**
University's covered-employee payroll	$ 9,013,808	$ 7,329,295
Contributions as a percentage of covered-employee payroll	15.14%	14.76%

*Information is presented for those years for which it is available until a full 10-year trend is compiled.

Notes to Required Supplementary Information for the Year Ended June 30, 2016

Amounts reported in 2016 reflect changes in economic assumptions used in the valuation. The investment return (7.50%), price inflation (2.50%) and wage inflation (3.25%) assumptions were changed for the June 30, 2015 valuations.

Schedule of University's Proportional Share of the Net Pension Liability
Arkansas Teacher Retirement System

Last Two Fiscal Years*

	2016	2015
University's proportion of net pension liability	0.0481%	0.0616%
University's proportionate share of net pension liability	$ 1,567,419	$ 1,617,272
University's covered payroll	$ 1,401,043	$ 1,703,007
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	111.88%	94.97%
Plan fiduciary net position as a percentage of the total pension liability	82.20%	84.98%

*Information is presented for those years for which it is available until a full 10-year trend is compiled. The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Schedule of University Contributions
Arkansas Teacher Retirement System

Last Two Fiscal Years*

	2016	2015
Contractually required contribution	$ 175,617	$ 196,146
Contributions in relation to the contractually required contribution	(175,617)	(196,146)
Contribution deficiency (excess)	**$ 0**	**$ 0**
University's covered-employee payroll	$ 1,302,421	$1,401,043
Contributions as a percentage of covered-employee payroll	13.48%	14.00%

*Information is presented for those years for which it is available until a full 10-year trend is compiled.

Other Postemployment Benefits

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/15	$ 24,968,044
Annual Required Contribution (ARC)	
Normal cost	$ 1,318,325
Amortization of the unfunded actuarial accrued liability over 30 years	891,440
Interest	99,439
Annual Required Contribution for FY16	2,309,204
Interest on Net OPEB Obligation	618,676
ARC Amortization Adjustment	(512,949)
Annual OPEB Cost for FY16	**$ 2,414,931**
Net OPEB Obligation, 7/1/15	$ 13,803,981
Annual OPEB Cost for FY16	2,414,931
Less: Expected Employer Contributions	(832,642)
Net OPEB Obligation, 6/30/16	**$ 15,386,270**

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/14	$ 1,549,194	$ 665,475	42.96%	$ 12,314,432
6/30/15	2,287,717	798,168	34.89	13,803,981
6/30/16	2,414,931	832,642	34.48	15,386,270

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
6/30/14	$ 0	$ 17,588,820	$ 17,588,820	0%	$ 269,869,374	6.52%
6/30/15	0	23,394,775	23,394,775	0	278,146,096	8.41
6/30/16	0	24,968,044	24,968,044	0	288,264,333	8.66

General Overview of the Valuation Methodology

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

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

Changes in Actuarial Assumptions and Methods since the Prior Valuation

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

Medical Coverage – Retirees not Eligible for Medicare

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



BOARD OF TRUSTEES, UNIVERSITY OFFICIALS

Reynie Rutledge, Chairman

Reynie Rutledge of Searcy is chairman and CEO of First Security Bank. He earned his undergraduate and master's degrees from the University of Arkansas, Fayetteville, and has served on both the Sam M. Walton College of Business Executive Advisory Board and the University of Arkansas for Medical Sciences Foundation Board. His term expires in 2017.

David H. Pryor, Vice Chairman

David H. Pryor of Fayetteville is a former U.S. Senator (1979-1997), Arkansas Governor (1975-1979) and U.S. Congressman (1967-1973). He is founding dean of the University of Arkansas Clinton School of Public Service and serves on the board of the Corporation for Public Broadcasting. His term expires in 2019.

Morril Harriman, Secretary

Morril Harriman of Little Rock is an attorney with the Mitchell Williams law firm. He served as Governor Mike Beebe's chief of staff from 2007 to 2015. Prior to that, Harriman served 16 years in the Arkansas Senate. He earned both his bachelor and law degrees from the University of Arkansas, Fayetteville. His term expires in 2024.

Mark Waldrip, Assistant Secretary

Mark Waldrip of Moro is owner of East Arkansas Seeds, Inc. and Armor Seed, LLC, companies that develop and sell soybeans, wheat, rice and corn. He also owns and manages Waldrip Farms, Inc., a several thousand acre family farm. Waldrip is a 1977 graduate of the University of Arkansas. His term expires in 2020.

Ben Hyneman

Ben Hyneman of Jonesboro is president of Southern Property & Casualty Insurance Company. He is former commissioner and chairman of the Arkansas Soil and Water Conservation Commission. Hyneman is a 1971 graduate of the University of Arkansas. His term expires in 2018.

John Goodson

John Goodson of Texarkana is a law partner at Keil & Goodson, P.A. He earned his bachelor's degree in 1987 and law degree in 1989 from the University of Arkansas, Fayetteville. His term expires in 2021.

Stephen Broughton, M.D.

Stephen Broughton, M.D. of Pine Bluff is a staff psychiatrist for the Southeast Arkansas Behavioral Health System. Broughton earned his bachelor's degree from the University of Arkansas at Pine Bluff and completed his medical education at the University of Arkansas for Medical Sciences. His term expires in 2022.

C.C. "Cliff" Gibson III

C.C. "Cliff" Gibson III of Monticello is founder of Gibson and Keith Law Firm and serves as county attorney for Drew County, Arkansas. The former president of the Monticello Economic Development Commission, Gibson attended the University of Arkansas at Monticello and earned his Juris Doctorate degree at the UALR Bowen School of Law. His term expires in 2023.

Sheffield Nelson

Sheffield Nelson of Little Rock is a senior partner at Jack Nelson and Jones. He earned his Juris Doctorate from the University of Arkansas School of Law and is a graduate of the Arkansas State Teachers College. Nelson is the former chairman, president and CEO of Arkla, and won the Republican nomination for Arkansas Governor in 1990 and 1994. His term expires in 2025.

Kelly Eichler

Kelly Eichler of Little Rock is a graduate of the University of Arkansas, Fayetteville. She serves as policy director for Gov. Asa Hutchinson. Eichler earned a Juris Doctorate from the UALR Bowen School of Law and formerly served as a law clerk the Arkansas Court of Appeals, a Pulaski County Deputy Prosecutor, private practice partner and Special Judge in Circuit and Juvenile Courts. Her term expires in 2026.

Senior Management

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Chancellor, University of Arkansas – Joseph E. Steinmetz
Vice President for Agriculture – Mark J. Cochran
Dean of the Clinton School – James L. Rutherford
Director of the Criminal Justice Institute – Cheryl P. May
Director of the Archeological Survey – George Sabo III
Executive Director of the Arkansas Research and Education Optical Network – Steven Fulkerson

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