UNIVERSITY OF ARKANSAS

Annual Financial Report
1998-1999


UNIVERSITY OF ARKANSAS
1871
VERITATE DUCE PROGREDI

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UNIVERSITY of ARKANSAS
1871

Vice Chancellor for Finance and Administration

406 Administration Building
Fayetteville, Arkansas 72701
(501) 575-5828

November 2, 1999

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

Dear Chancellor White:

It is my pleasure to present the annual Financial Report of the University of Arkansas, Fayetteville, for the year ended June 30, 1999.

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

Sincerely,

D. O. Pederson

Don O. Pederson
Vice Chancellor for Finance and Administration

The University of Arkansas is an equal opportunity/affirmative action institution.

Arkansas

JONATHAN S. "JON" FITCH, SENATOR
CHAIRMAN

DANNY W. FERGUSON, REPRESENTATIVE
VICE CHAIRMAN

CHARLES L. ROBINSON, CPA, CFE
LEGISLATIVE AUDITOR

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas - Fayetteville
Legislative Joint Auditing Committee

We have audited the balance sheet of the University of Arkansas - Fayetteville (the "University"), a component unit of the State of Arkansas, as of June 30, 1999 and the related statements of changes in fund balances and current funds revenues, expenditures, and other changes for the year then ended as listed in the table of contents. These financial statements are the responsibility of the University's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the University of Arkansas - Fayetteville as of June 30, 1999 and changes in fund balances and the current funds revenues, expenditures, and other changes for the year then ended, in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated November 2, 1999 on our consideration of the University of Arkansas - Fayetteville's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants.

DIVISION OF LEGISLATIVE AUDIT

Charles L. Robinson, CPA, CFE
Legislative Auditor

Little Rock, Arkansas
November 2, 1999
EDHE13599

Exhibit A
University of Arkansas
Balance Sheet at June 30, 1999 with Comparative Totals for June 30, 1998

	Current Funds				Plant Funds					Totals	
										Memorandum Only	
	Unrestricted	Restricted	Loan Funds	Endowment Funds	Unexpended	Renewals and Replacements	Retirement of Indebtedness	Investment in Plant	Agency Funds	June 30, 1999	June 30, 1998
Assets											
Cash and Cash Equivalents	$ 48,206,288	$	$	$	$ 3,971,630	$ 1,040,490	$	$	$ 645,382	$ 53,863,790	$ 52,658,373
Investments	2,747,316	10,507,318	834,488	63,589,647	31,759,499	969,755	843,150			111,251,173	101,990,459
Funds Held in Trust by Others					33,237,136		2,246,062			35,483,198	20,227,893
Accounts Receivable less allowance:											
1999, $2,708,363 and 1998, $2,196,967	6,432,524	9,182,824			772,124		33,617		1,543	16,422,632	14,643,852
Accrued Interest Receivable	128,663		475,376	384	24,229		20,166			648,818	522,262
Notes and Deposits Receivable less allowance:											
1999, $832,149 and 1998, $746,863	2,397,347		12,699,142		2,710,000					17,806,489	12,249,832
Inventories	1,571,864	563,449								2,135,313	2,146,572
Prepaid Expenses	3,073,023	40,832								3,113,855	3,052,204
Due from Other Funds	3,656,719									3,656,719	2,623,024
Investment in Plant								552,293,527		552,293,527	500,414,143
Other Assets	133,671									133,671	148,999
Total Assets	$ 68,347,415	$ 20,294,423	$ 14,009,006	$ 63,590,031	$ 72,474,618	$ 2,010,245	$ 3,142,995	$ 552,293,527	$ 646,925	$ 796,809,185	$ 710,677,613
Liabilities and Fund Balances											
Liabilities											
Accounts Payable	$ 2,691,547	$ 1,103,175	$ 362	$	$ 3,421,627	$ 100,513	$	$	$ 170,706	$ 7,487,930	$ 5,853,133
Accrued Payroll Liabilities	5,119,627									5,119,627	7,558,745
Deferred Revenues	8,831,360									8,831,360	7,698,830
Due to Other Funds		3,042,405		607,614			6,700			3,656,719	2,623,024
Bonds Payable					30,260,274			50,942,726		81,203,000	54,856,000
Notes Payable								5,058,663		5,058,663	5,183,560
Capital Leases Payable								1,088,968		1,088,968	623,259
Compensated Absences	10,867,947									10,867,947	9,285,020
Funds Held in Trust for Others									476,219	476,219	606,384
Other Liabilities	169,681									169,681	163,776
Total Liabilities	$ 27,680,162	$ 4,145,580	$ 362	$ 607,614	$ 33,681,901	$ 100,513	$ 6,700	$ 57,090,357	$ 646,925	$ 123,960,114	$ 94,451,731
Fund Balances											
Unrestricted											
Allocated	$ 40,667,253	$	$	$	$ 32,814,159	$ 1,615,988	$	$	$	$ 75,097,400	$ 65,243,563
Net Investment in Plant								495,203,170		495,203,170	451,868,392
Restricted											
General		16,148,843			5,978,558					22,127,401	23,885,062
University Loan Funds			530,844							530,844	503,284
U.S. Government Grants Refundable			13,477,800							13,477,800	13,050,046
Endowment				55,317,044						55,317,044	50,725,321
Life Income											369,817
Quasi-endowment				7,665,373						7,665,373	6,667,155
Renewals and Replacements						293,744				293,744	967,150
Retirement of Indebtedness							3,136,295			3,136,295	2,946,092
Total Fund Balances	$ 40,667,253	$ 16,148,843	$ 14,008,644	$ 62,982,417	$ 38,792,717	$ 1,909,732	$ 3,136,295	$ 495,203,170	$	$ 672,849,071	$ 616,225,882
Total Liabilities and Fund Balances	$ 68,347,415	$ 20,294,423	$ 14,009,006	$ 63,590,031	$ 72,474,618	$ 2,010,245	$ 3,142,995	$ 552,293,527	$ 646,925	$ 796,809,185	$ 710,677,613

The accompanying notes are an integral part of these financial statements.

Exhibit B
University of Arkansas
Statement of Changes in Fund Balances for the Year Ended June 30, 1999

	Current Funds			Loan Funds	Endowment Funds	Plant Funds			
	Unrestricted	Restricted	Total			Unexpended	Renewals & Replacements	Debt Retirement	Investment in Plant
Revenues and Other Additions									
Unrestricted Current Fund Revenue	$ 263,232,968	$	$ 263,232,968	$	$	$	$	$	$
Federal Appropriations - Restricted		13,746,220	13,746,220						
State Appropriations - Restricted						1,414,469	549,428		
County Appropriations - Restricted		1,881,864	1,881,864						
Gifts, Grants, and Contracts - Restricted		67,902,284	67,902,284	307,957	215,961	7,149,306		106,311	
Donated Fixed Assets									13,541,737
Note Receivable						2,710,000			
Investment Income (Other than E & G)				284,214	5,512,918	617,969		539,944	
Expended for plant facilities (including $10,988,728 charged to current funds expenditures and $1,072,180 obtained via capital leases)									44,076,939
Bond Proceeds						30,000,000			
Retirement of Indebtedness						11,856,794			4,376,854
Other Additions		258,169	258,169	144,320		60,100			675,081
Total Revenues and Other Additions	$ 263,232,968	$ 83,788,537	$ 347,021,505	$ 736,491	$ 5,728,879	$ 53,808,638	$ 549,428	$ 646,255	$ 62,670,611
Expenditures and Other Deductions									
Educational and General	$ 205,237,837	$ 72,262,378	$ 277,500,215	$	$	$	$	$	$
Auxiliary Enterprises	35,482,614		35,482,614						
Indirect Costs Recovered		3,102,110	3,102,110						
Loan Cancellations and Write-Offs				216,310					
Administrative and Collection Costs				71,725					
Retirement of Indebtedness								4,376,854	
Additions to Plant from Plant Funds						31,455,165	560,866		
Non-Capitalized Expenditures						1,152,990	1,797,116		
Interest on Indebtedness								2,799,823	
Bonds, Notes, and Leases Payable Assumed						30,000,000			12,928,974
Net Bond Issue Costs						440,152			
Disposal of Plant Facilities									6,316,287
Reclassification of Prior Year Restricted Unbilled Receivables		5,533,849	5,533,849						
Other Deductions	295,128		295,128	85,287	309,771			22,810	90,572
Total Expenditures and Deductions	$ 241,015,579	$ 80,898,337	$ 321,913,916	$ 373,322	$ 309,771	$ 63,048,307	$ 2,357,982	$ 7,199,487	$ 19,335,833
Transfers Among Funds - Additions/(Deductions)									
Mandatory Transfers									
Principal and Interest	$ (5,689,942)	$	$ (5,689,942)	$	$	$ (1,053,493)	$	$ 6,743,435	$
Loans Matching Contributions	(92,145)		(92,145)	92,145					
Plant Fund Transfers (excluding Debt Service)	(9,467,596)		(9,467,596)			8,186,409	1,281,187		
Other Transfers	(460,547)	659,531	198,984		(198,984)				
Total Transfers Among Funds	$ (15,710,230)	$ 659,531	$ (15,050,699)	$ 92,145	$ (198,984)	$ 7,132,916	$ 1,281,187	$ 6,743,435	$
Net Increase/(Decrease) for the Year	$ 6,507,159	$ 3,549,731	$ 10,056,890	$ 455,314	$ 5,220,124	$ (2,106,753)	$ (527,367)	$ 190,203	$ 43,334,778
Fund Balance at Beginning of the Year	$ 34,160,094	$ 12,599,112	$ 46,759,206	$ 13,553,330	$ 57,762,293	$ 40,899,470	$ 2,437,099	$ 2,946,092	$ 451,868,392
Fund Balance at End of the Year	$ 40,667,253	$ 16,148,843	$ 56,816,096	$ 14,008,644	$ 62,982,417	$ 38,792,717	$ 1,909,732	$ 3,136,295	$ 495,203,170

The accompanying notes are an integral part of these financial statements.

Exhibit C

University of Arkansas

Statement of Current Funds Revenues, Expenditures, and Other Changes for the Year Ended June 30, 1999

With Comparative Totals for the Year Ended June 30, 1998

	Unrestricted	Restricted	Fiscal 1999 Total	Fiscal 1998 Total
Revenues				
Educational and General				
Student Tuition and Fees	$ 57,121,137	$	$ 57,121,137	$ 47,035,797
State Appropriations	140,731,239	222,663	140,953,902	137,268,617
Federal Appropriations		12,029,105	12,029,105	11,213,471
County Appropriations	3,123	1,832,784	1,835,907	
Endowment Earnings	664,919	701,774	1,366,693	668,129
Federal Grants and Contracts	1,885,025	25,976,177	27,861,202	26,976,184
State and Local Grants and Contracts	1,641,725	11,452,693	13,094,418	12,479,399
Private Gifts, Grants, and Contracts	7,243,262	20,037,707	27,280,969	21,780,661
Sales and Services	5,900,651	9,474	5,910,125	6,167,664
Other Sources	5,840,788		5,840,788	5,454,181
Total Educational and General	$ 221,031,869	$ 72,262,377	$ 293,294,246	$ 269,044,103
Auxiliary Enterprises	42,201,099		42,201,099	38,282,887
Total Revenues	$ 263,232,968	$ 72,262,377	$ 335,495,345	$ 307,326,990
Expenditures and Mandatory Transfers				
Educational and General				
Instruction	$ 66,212,574	$ 10,312,854	$ 76,525,428	$ 59,727,605
Research	36,520,321	26,590,395	63,110,716	75,461,204
Public Service	31,080,718	17,181,291	48,262,009	44,663,577
Academic Support	17,933,185	2,075,869	20,009,054	19,261,258
Student Services	8,161,924	46,892	8,208,816	7,891,548
Institutional Support	14,433,827	827,630	15,261,457	14,281,246
Operation and Maintenance of Plant	15,645,471	188,645	15,834,116	14,253,906
Scholarships and Awards	15,249,817	15,038,801	30,288,618	21,110,925
Total Educational and General Expenditures	$ 205,237,837	$ 72,262,377	$ 277,500,214	$ 256,651,269
Mandatory Transfers for:				
Principal and Interest	$ 2,434,525	$	$ 2,434,525	$ 2,552,939
Loans Matching	92,145		92,145	105,456
Total Educational and General	$ 207,764,507	$ 72,262,377	$ 280,026,884	$ 259,309,664
Auxiliary Enterprises				
Expenditures	$ 35,482,614	$	$ 35,482,614	$ 34,979,372
Mandatory Transfers for:				
Principal and Interest	3,255,417		3,255,417	3,110,226
Total Auxiliary Enterprises	$ 38,738,031	$	$ 38,738,031	$ 38,089,598
Total Expenditures and Mandatory Transfers	$ 246,502,538	$ 72,262,377	$ 318,764,915	$ 297,399,262
Other Transfers and Additions/(Deductions)				
Excess of Restricted Receipts over Transfers to Revenues	$	$ 8,165,880	$ 8,165,880	$ (3,481,094)
Decrease in Unfunded Liability for Compensated Absences				4,891,461
Transfers to Plant	(9,467,596)		(9,467,596)	(6,803,845)
Other Transfers and Changes	(755,675)	(4,616,149)	(5,371,824)	192,476
Net Increase/(Decrease) for the Year	$ 6,507,159	$ 3,549,731	$ 10,056,890	$ 4,726,726

The accompanying notes are an integral part of these financial statements.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

(1). Summary of Significant Accounting Policies

The financial statements for the University of Arkansas, Fayetteville ("the University") for the fiscal year ended June 30, 1999, have been prepared in accordance with generally accepted accounting principles, contained in *College and University Business Administration* published by the National Association of College and University Business Officers (NACUBO), as well as *Audits of Colleges and Universities* published by the American Institute of Certified Public Accountants (AICPA). The accompanying notes to the financial statements are an integral part of the financial statements. The statements are intended to provide a summary of the flow of financial resources of the University during the fiscal year and balances available for future use.

Accrual Basis
The financial statements of the University have been prepared on the accrual basis except for depreciation accounting for plant assets.

The Statement of Current Fund Revenues, Expenditures, and Other Changes is a statement of financial activities of current funds related to the current reporting period. It does not purport to present the results of operations or the net income or loss for the period as would a statement of income or a statement of earnings.

To the extent that current funds are used to finance plant assets, the amounts are accounted for as (1) expenditures, in the case of the normal replacement of movable equipment and library books; (2) mandatory transfers, in the case of required provisions for debt amortization and interest; and (3) transfers of a non-mandatory nature for all other cases.

Fund Accounting
Accounts are maintained in accordance with the principles of Fund Accounting. This is the procedure by which resources are classified for accounting and reporting purposes into funds that are in accordance with activities or objectives specified. Separate accounts are maintained for each fund. Within each group, fund balances restricted by outside sources are so indicated and are distinguished from unrestricted funds designated for specific purposes by the University.

Current Funds
The current funds group includes those economic resources of the institution which are expendable for any purpose in performing the primary objectives of the institution and which have not been designated by the University's Board of Trustees for other purposes. The term "current" indicates that these resources are intended for use in the current fiscal period. Current fund balances are separated into those which are restricted by donors or grantors and those which are unrestricted. Restricted current funds are reported as revenues and expenditures when expended for current operating purposes.

Loan Funds
The loan funds group is used to account for loan programs available to students.

Endowment and Similar Funds
True endowment funds consist of gifts from donors or external entities. These funds are subject to the restrictions of the gift instrument requiring that the principal is not expendable and that it be invested in perpetuity. Depending on the terms of the gift, the income from the endowments may be expended or added to the principal of the gift. The endowment fund does not include the assets of the University of Arkansas Foundation, Inc., a separate non-profit entity. Quasi endowments are resources provided by gift or bequest, or by administrative action, with the understanding that the principal is to be maintained for a specific period of time or for a specific expenditure. Also, included in this group are funds designated by the University to function as endowments. These designations are not binding.

Income derived from investment of endowments is reported as endowment income, except for income made available for expenditure in the current funds.

Plant Funds
The plant funds consist of (1) unexpended plant funds which are to be used for the construction or acquisition of physical properties for institutional purposes; (2) renewals and replacements plant funds which are to be expended for renewals and replacements of plant fund assets; (3) retirement of indebtedness plant funds which consist of funds set aside for debt service reserves and charges; and (4) investment in plant funds which are funds expended for and thus invested in institutional properties.

Physical properties are recorded at cost, or if by gift, at fair market value at date of acquisition. Present accounting principles do not require the depreciation of physical property values.

Agency Funds
Agency funds are used to account for assets held by the University as custodian or fiscal agent for others.

Cash and Cash Equivalents
The Balance Sheet classification "Cash and Cash Equivalents" includes all readily available sources of cash such as cash on hand, cash on deposit with financial institutions, cash on deposit with the State Treasurer and other state agencies, and highly liquid short term investments.

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

Inventories	June 30, 1999	June 30, 1998
University Press	$ 368,345	$ 394,252
COOP Warehouse	563,450	493,205
Physical Plant	846,188	836,121
Research Services	106,453	102,791
* Scientific Supplies	0	68,915
Printing Services	174,081	187,702
Arkansas Union	2,954	3,113
Student Health Pharmacy	62,791	48,059
Museum Gift Shop	11,051	12,414
Total Inventories	$2,135,313	$2,146,572

* During fiscal year ended June 30, 1999, the scientific supplies inventory was sold to an outside vendor that is under contract to operate the campus' scientific supplies service.

Accounts Receivable
Unrestricted current fund 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. Unrestricted current fund receivables represent charges due the University from various student fees, room and board, student fines, and other charges. Restricted current fund accounts receivable consist mainly of unreimbursed expenses relating to research contracts with federal, state, and private agencies. Accounts receivable totaling $17,954 were written off during the fiscal year ended June 30, 1999.

Due To and Due From Other Funds
Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed.

Encumbrances
Encumbrances are defined as commitments related to unperformed contracts for goods or services. Encumbrances are not recorded in the accompanying financial statements.

Biennial Appropriated Budgets

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

Plant Assets
Plant assets consisting of land, buildings, furniture, fixtures, equipment, improvements, and construction in progress are stated at cost or fair market value at date of gift. 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.

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.

Service Departments
Service departments provide various specific services to institutional departments as well as individuals and concerns outside the University. The net of revenues and expenditures of the various service departments are reflected in the function which the operations support.

Memorandum Totals
Total columns are captioned "Memorandum Only" to indicate that they are presented only to facilitate financial analysis. Data in these columns do not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles.

(2). Reporting Entity

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

(3). Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full time, non-classified, University employees accrue annual leave at the rate of fifteen hours per month, classified employees at a variable rate (from 8 to 15 hours per month) dependent upon number of years of employment in state government. Under the University's policy, an employee may carry accrued leave forward from one fiscal 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.

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.

It is the policy of the University to recognize the cost of sick leave when paid. Employees who leave University employment are not entitled to be paid for accrued sick leave. Therefore no liability is shown in the financial statements for accrued sick leave.

(4). Cash Deposits and Investments

The University currently uses commercial banks for its depositories. Deposits with commercial banks are covered by the Federal Deposit Insurance Corporation (FDIC) or by collateral held by a third party financial institution (Federal Reserve, St. Louis branch).

Cash at June 30, 1999
Cash deposits are carried at cost. The University's cash deposits at year end are shown as below:

	Carrying Value	Bank Balance
Insured (FDIC, FSLIC, SIPC)	$ 566,588	$ 657,877
Uninsured, Collateralized	3,619,289	4,439,620
Uninsured, Uncollateralized	3,710,905	5,372,785
Total Deposits	$ 7,896,782	$ 10,470,282

The University of Arkansas System Administration (System Administration) does not maintain separate bank accounts. System Administration deposits are commingled in University of Arkansas, Fayetteville bank accounts. The carrying value of the System Administration funds was $1,131,037 at June 30, 1999. The above deposit schedule does not include cash on hand in various imprest funds maintained by the University in the amount of $32,775 for the year ended June 30, 1999.

Cash balances in excess of current requirements are pooled and invested in short and intermediate term securities. Cash from the various funds is effectively transferred to the Current Unrestricted Fund (except where prohibited by legal or contractual provision) to make these investments. Income earned on these investments is recognized in the Current Unrestricted Fund. A portion of the investment income is subsequently transferred to other funds at management's direction or where required by legal or contractual provisions, i.e. federal funds. Investments are periodically allocated to the various funds for reporting purposes.

Investments at June 30, 1999
During the year ended June 30, 1997, the University of Arkansas System and the University of Arkansas Foundation established and began using an external investment pool. This external investment pool is not SEC-registered. The University of Arkansas Board of Trustees is the sponsor of this investment pool and is responsible for operation and oversight for the pool. The University's participation in this investment pool is voluntary.

The activities during fiscal year 1999 affecting the University's investments in the external pool are as follows:

	Total Return Pool	Short Intermediate Pool	Totals	Percent
June 30, 1998 Balances	$ 48,274,576	$ 40,853,579	$ 89,128,155	
Income	$ 1,293,782	$ 2,775,087	$ 4,068,869	4.57%
Capital Gains/(Losses)	5,110,170	(398,714)	4,711,456	5.29%
Expenses Paid from Pool	(298,195)	(233,853)	(532,048)	-0.60%
Transfers In/(Out) of Pool	(1,500,000)	2,488,661	988,661	
June 30, 1999 Balances	$ 52,880,333	$ 45,484,760	$ 98,365,093	

Investments are stated at fair value. Fair value for reporting purposes is market value if a market price or quote is readily available. Investments that do not have readily available market prices or quotes are reported at cost or amortized cost. Investments reported at cost or amortized cost are as follows:

	June 30, 1999	June 30, 1998
Bonds	$ 0	$ 555,226
Equities	217	217
Total	$ 217	$ 555,443

All other investments are reported at fair value.

The University's investments at year-end are shown below, by category, to give an indication of the level of risk assumed by the University. Category 1 includes investments that are insured or registered or for which the University or its agent in the University's name holds the securities. Category 2 includes uninsured and unregistered investments for which the broker's or dealer's trust department or agent in the University's name holds the securities. A Category 3 investment would include uninsured and unregistered investments for which the securities are held by the broker or dealer, or by its trust department or agent, but not in the University's name. The University has no Category 3 investments.

Type of Investment	Category 1	Category 2	External Investment Pool	Total
U.S. Treasury Obligations	$ 606,537	$ 0	$ 0	$ 606,537
Federal Agency Obligations	6,833	0	0	6,833
Certificates of Deposit	184,000	0	0	184,000
Common Stock	201	3,439,414	0	3,439,615
Agriculture Debentures	7,893	0	0	7,893
Other Managed Investments	0	8,641,202	98,365,093	107,006,295
Totals	$ 805,464	$ 12,080,616	$ 98,365,093	$ 111,251,173

Note: This table does not include Deposits with Trustees of $35,483,198.

Endowment Funds at June 30, 1999

Assets of endowment funds, except where donor restrictions prohibit commingling of investments, are pooled on a fair value basis, with each fund subscribing or disposing of units on the basis of the unit fair

value. The unit fair value is recalculated each month. The following summarizes the relationship between the pooled assets and their earnings at June 30, 1999 and June 30, 1998.

	1998-99	1997-98
Fair Value @ June 30	$ 52,704,386	$ 48,441,501
Number of Units in Pool @ June 30	1,544,256	1,598,814
Fair Value per Unit @ June 30	$ 34.13	$ 30.30
Realized Gains/(Losses) for the Year	$ 5,121,941	$ 7,057,377
Income Earned for the Year	$ 996,797	$ 1,147,539
Realized Gain/(Loss) per Unit	$ 3.32	$ 4.41
Income Earned per Unit	0.64	0.72
Total per Unit	$ 3.96	$ 5.13

(5). Loan Funds

Loan funds consist of resources made available for financial loans to students of the University. These resources include federal funds, funds from other external sources, and University funds. For the year ended June 30, 1999, new student loans totaling $2,287,775 were issued under the Student Loan Programs. Of total campus-based loans processed, the majority were from Perkins funds provided by the federal government. The federal student loan default rate for the year ended June 30, 1999, was 5.24% based on the U.S. Department of Education Cohort default rate.

(6). Income Taxes

The University is tax exempt from federal income taxes except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 1999. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

(7). Notes and Bonds Payable

Debt service payments on existing bonds amounted to $6,177,957 for the fiscal year ended June 30, 1999. The amount of $998,720 was expended for principal and interest on notes payable and capital leases for the same period.

The retirement of some bond issues is secured, by a specific pledge of certain gross revenues, surplus revenues and specific fees. Debt service accounts are funded at various times during the year by transfers from the applicable funds.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE
NOTES TO THE FINANCIAL STATEMENTS

A summary of long term debt is as follows:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 1999	Maturities to June 30, 1999
04/01/1960	04/02/2000	3.125%	$ 1,672,000	$ 77,000	$ 1,595,000
04/01/1961	04/01/2001	3.50%	935,000	83,000	852,000
04/01/1966	04/01/2006	3.00%	4,000,000	1,068,000	2,932,000
11/01/1970	11/01/2000	5.50% to 7.50%	6,500,000	1,010,000	5,490,000
04/01/1971	04/01/2001	5.00% to 7.00%	1,928,000	285,000	1,643,000
11/01/1996	11/01/2009	3.85% to 5.25%	12,105,000	9,415,000	2,690,000
11/01/1997	09/15/2011	4.10% to 5.00%	19,170,000	18,130,000	1,040,000
10/15/1997	11/01/2022	3.95% to 5.25%	21,445,000	21,135,000	310,000
05/01/1999	09/15/2020	3.35% to 4.85%	30,000,000	30,000,000	0
11/30/1991	05/01/2022	5.50%	3,000,000	2,661,316	338,684
11/29/1995	Various	Various	2,071,140	1,932,347	138,793
09/13/1995	12/1/2010	5.75% to 7.05%	535,000	465,000	70,000
Various	Various	Various	1,589,100	1,088,968	500,132
TOTALS	-	-	$104,950,240	$87,350,631	$17,599,609

Changes in long term debt are as follows:

				Fiscal Year Ended June 30, 1999					
					Payments				
	Bonds Issued	Principal Retired to June 30, 1998	Balance June 30, 1998	Additions	Principal	Interest	Other	Fees	Balance June 30, 1999
Bonds	$97,755,000	$13,010,000	$54,856,000	$30,000,000	$3,653,000	$2,524,957	$	$11,437	$81,203,000
Notes			5,183,560		124,884	230,698	13	4,121	5,058,663
Leases			623,259	1,072,180	598,970	44,168	7,501	7,252	1,088,968
Total	$97,755,000	$13,010,000	$60,662,819	$31,072,180	$4,376,854	$2,799,823	$7,514	$22,810	$87,350,631

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

	PRINCIPAL	INTEREST *	TOTAL
1999-2000	4,341,856	3,766,992	8,108,848
2000-2001	5,542,410	3,740,367	9,282,777
2001-2002	5,152,596	3,511,070	8,663,666
2002-2003	5,047,234	3,288,247	8,335,481
2003-2004	3,951,357	3,093,354	7,044,711
Thereafter	63,315,178	25,024,925	88,340,103
Total	87,350,631	42,424,955	129,775,586
* In addition, there will be interest payments made on a Note Payable that will be figured on a floating rate ranging from 2.5% to 4.7% from the fiscal years ended June 30, 1999 through June 30, 2020.			

On May 1, 1999, the University issued $30,000,000 in bonds with an average interest rate of 4.78 percent to partially finance the renovation and expansion of Razorback Stadium and the construction of an academic support center. This bond issue has a final maturity date of September 15, 2020. As of June 30, 1999, the only contractual obligation on this project was for architectural services in the amount of $2,637,775.00.

On November 1, 1997, the University issued $19,170,000 in bonds with an average interest rate of 4.82 percent to advance refund $17,825,000 of outstanding Series 1991 bonds with an average interest rate of 6.55 percent. The net proceeds of $18.9 million (after payment of $243,473 in underwriting fees, insurance, and other issuance costs) plus an additional $1,024,372 of 1991 sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the 1991 Series bonds. As a result, the 1991 Series bonds are considered defeased. The liability for those bonds has been removed from the Investment in Plant Fund. The University advance refunded the 1991 Series bonds to reduce its total debt service payments over the next 15 years by $1,558,118 and to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $901,333.

The University issued $12,105,000 in bonds during the fiscal year ended June 30, 1997. In order to advance refund the 1988 issue and to defease the 1989A issue, net proceeds of $11,916,359 plus an additional $345,527 of 1989A sinking fund monies were placed in escrow with commercial banks. All Series 1988 bonds were redeemed on May 1, 1997 at a redemption price equal to 101.5% of the principal amount plus interest accrued thereon. Regularly scheduled interest and principal payments on the 1989A issue were made on February 1, 1997, and will continue through August 1, 1999, from the escrow fund. All outstanding Series 1989A bonds will be redeemed on August 1, 1999, at a price equal to 102% of the principal amount plus interest accrued thereon.

The University executed the athletic facilities' notes for $12,800,000 during the fiscal year ended June 30, 1985. In order to defease the 1973 and 1976 issues, $3,778,079 was placed in escrow with commercial banks. This amount is expected to yield $7,324,848, which is required to meet the debt service payments on the defeased issued from July 1, 1986 to maturity.

In connection with the above bonds and notes, the following bond issues were defeased in order to make certain revenues available to meet the pledged revenues requirements.

Title	Principal Balance at June 30, 1999
Improvement Bonds – Athletic Facilities 1973	$ 0
Athletic Facilities Improvements Bonds 1976	370,000
Various Facility Revenue Bonds 1989A	5,010,000
Athletic Facilities Revenue Bonds Series 1991	17,035,000
Total	$22,415,000

(8). Commitments

The University was contractually obligated for the following at June 30, 1999:

A. Construction and Architect Contracts

Project Name	Completion Date	Contract Amount	Amount Paid	Contract Balance
Alumni Center	December, 1999	$ 3,060,264	$ 2,644,999	$ 415,265
Animal Care Facility	June, 1999	1,552,252	1,371,452	180,800
Animal Science Facility	June, 1999	4,073,103	3,877,135	195,968
Animal Science Renovation	February, 2000	2,503,800	555,622	1,948,178
ARAS Curator Facility	September, 1999	3,169,905	3,169,649	256
Arkansas Union Renovation	December, 1999	13,459,108	11,088,043	2,371,065
Dorothy E. King Equine Center	December, 2001	474,950	3,908	471,042
Engineering Research Center	February, 1999	5,099,158	4,840,453	258,705
Intermodal Parking Facility	January, 1999	8,066,681	7,669,007	397,674
Mullins Library Addition	Completed	10,460,819	10,408,665	52,154
Razorback Stadium Expansion	September, 2000	2,637,775	0	2,637,775
Residence Hall - Misc. Renov.	August, 1998	1,315,070	1,304,977	10,093
Science Tower	December, 1998	7,088,938	5,627,348	1,461,590
Other	Various	2,972,571	2,818,465	154,106
Totals		$ 65,934,394	$ 55,379,723	$ 10,554,671

The contract balances listed above do not reflect the effects of accrued expenses as of June 30, 1999.

B. Operating Leases

The University has entered into various operating leases for buildings and equipment. It is expected that in the normal course of business, such leases will continue to be required. The total expenditures for all rental lease payments and non-lease rental payments for the fiscal year ended June 30, 1999, was $2,558,752. Minimum annual rental payments for leases having an initial term in excess of one year total $1,036,463. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Year ended June 30	Amount
2000	$393,943
2001	177,033
2002	146,963
2003	135,524
2004	122,000
Thereafter	61,000
Total	$1,036,463

(9). Employee Benefits

A. Retirement Benefits

Substantially all employees of the University are covered under the following pension plan:

Teachers Insurance and Annuity Association and College Retirement Equities Fund (TIAA-CREF) and the Fidelity Fund. The University participates in TIAA/CREF and the Fidelity Fund, a defined contribution plan. The plan is a 403(b) program as defined by the Internal Revenue Service Code of 1986 as amended, and is administered by the University of Arkansas System. TIAA is an insurance company offering participants a traditional annuity with guaranteed principle and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company which offers a variable annuity. The Fidelity Fund is an investment company offering mutual fund investments. Arkansas Code Annotated authorizes participation in the plan.

TIAA/CREF and the Fidelity Fund have contributory and non-contributory plans. Contributory members contribute from 0% to 10% of earnings to the plan. The University contributes 5% of earnings for non-contributory and follows a matching schedule which ranges from 5% to 10% for contributory members. The University's and participants' contributions for the year ending June 30, 1999 were $10,187,156 and $9,368,201, respectively.

The University's and participants' contributions to all other pension plans for the year ended June 30, 1999 were $129,093 and $16,844 respectively.

B. Self-Insurance Plans

The University of Arkansas System sponsors self-funded health and dental benefit plans for University employees and their eligible dependents. The Fayetteville, Medical Sciences, Little Rock, Pine Bluff and Monticello campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, Criminal Justice Institute and the University of Arkansas Foundation participate in the health insurance program which is administered by the System Administration; operations of the plans are recorded in the separate financial statements of the System Administration. Health benefits are equal for all plan participants. Participation in the self-funded dental plan is limited to employees of the Medical Sciences, Monticello, Pine Bluff, and Little Rock campuses, System Administration and Criminal Justice Institute.

At year end, a total of 11,124 active employees, former employees, and retirees were participants in the health plan. The University pays 60% of the total premium for full time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

C. Life Insurance Plan

The University's life insurance carrier is Teachers Insurance and Annuity Association (TIAA). The funding arrangement for the University's life insurance plan is a minimum premium arrangement whereby the University's monthly life insurance premium is based on the actual loss experience of the previous month, plus fixed monthly retention and contingency reserve charges. The difference between the actual loss experience and the total premium collected is held by the University. Any surplus that may develop can be called by TIAA in the event of unfavorable life experience.

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

(10). Property, Plant and Equipment

The following schedule presents a comparative summary of property, plant, and equipment for the fiscal years 1999 and 1998, respectively.

	June 30, 1999	June 30, 1998
Land	$ 9,854,529	$ 8,629,312
Buildings	349,320,737	324,279,616
Equipment	126,467,943	114,560,126
Improvements	33,748,155	32,834,883
Other Asset	845,389	935,961
Construction in Progress	32,056,774	19,174,245
Total	$552,293,527	$500,414,143

Note: Land of $176,625 and buildings of $3,964,743 related to the joint endeavor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See note 12.

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

Selected Estimate of Library Holdings as of June 30, 1999		
Books and Periodicals		
Mullins Library	1,274,851	
Chemistry Library	37,267	
Fine Arts Library	38,143	
Law Library	185,478	
Physics Library	20,833	
Total Books and Periodicals		1,556,572
Microforms		2,052,560
Maps and Charts		118,140
Audio/Visual		22,191
CD-ROMs		942
U.S. Documents (volumes and microfiche)		1,615,752
Total Estimate		5,366,157

The University estimates holdings of $14.8 million in timber resources as of the balance sheet date. These resources are located on various tracts of land in Arkansas, which total 12,339 acres. The estimated value of these holdings was derived by multiplying the estimated amount of timber on hand by published market rates at June 30, 1999

(11). Museum Collection

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

(12). City of Fayetteville Arts Interlocal Agreement

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 operations of the center. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, three are appointed by the University, three by the City of Fayetteville, and three are recommended by the Foundation that must be approved by the mayor and chancellor. The audited financial statements of the University of Arkansas/City of Fayetteville Arts Foundation, Inc., as of and for the year ended June 30, 1999, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Arts Foundation at June 30, 1998, which have been audited by an independent certified public accountant, are presented below in summary form:

Balance Sheet	
Assets	
Cash	$ 597,450
Investments	11,543,546
Receivables	410,422
Total Assets	**$ 12,551,418**
Liabilities and Net Assets	
Liabilities	$ 0
Net Assets	$ 12,551,418
Total Liabilities and Net Assets	**$ 12,551,418**

Statement of Activities	
Contributions	$ 2,955,309
Other Income	1,220,749
Total Income and Other Additions	**$ 4,176,058**
Total Expenditures and Other Deductions	**$ 80,122**
Increase/(Decrease) in Net Assets	**$ 4,095,936**

The Arts Center Council, Inc. was formed to construct, operate, manage, and maintain the Arts Center in Fayetteville, Arkansas, in accordance with the Interlocal Cooperation Agreement between the City of Fayetteville and the University of Arkansas. The ownership of the Arts Center facilities including land, is held equally by the City and the University. The Arts Center Council must submit an annual budget to both the City and the University for approval. The Board of Trustees of The Arts Center Council is comprised of five members appointed by the University, five members appointed by the City, and ten members appointed at large, all of whom serve as volunteers. The audited financial statements of the Council as of and for the year ended June 30, 1999, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Council at June 30, 1998, which have been audited by an independent certified public accountant, are presented below in summary form:

Balance Sheet	
Assets	
Cash	$ 553,635
Other Assets	48,414
Fixed Assets, Net of Depreciation	5,024,069
Total Assets	**$ 5,626,118**
Liabilities and Net Assets	
Liabilities	$ 758,738
Net Assets	4,867,380
Total Liabilities and Net Assets	**$ 5,626,118**

Statement of Activities	
Ticket Sales	$ 942,826
Contributions and Sponsorships	574,734
Other Income	988,137
Transfers	506,496
Total Income and Other Additions	**$ 3,012,193**
Total Expenditures and Other Deductions	**$ 2,937,742**
Increase/(Decrease) in Net Assets	**$ 74,451**

(13). Affiliated Entities

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

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 four (4) members who are also members of the University's Board of Trustees. The audited financial statements of the Foundation as of and for the year ended June 30, 1999, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Foundation at June 30, 1998, which have been audited by an independent certified public accountant, are presented below in summary form:

Balance Sheet	
Assets	
Cash and Cash Equivalents	$ 2,192,143
Investments	177,275,006
Contributions Receivable, less Allowance	31,472,773
Other Receivables	1,992,901
Land and Improvements	3,870,191
Other Assets	169,657
Total Assets	**$ 216,972,671**
Liabilities and Net Assets	
Liabilities	$ 7,753,691
Net Assets	
Unrestricted	33,191,079
Restricted	176,027,901
Net Assets	209,218,980
Total Liabilities and Net Assets	**$ 216,972,671**

Statement of Activities	
Contributions	$ 31,693,791
Other Revenues and Additions	24,559,977
Total Income and Other Additions	**$ 56,253,768**
Total Expenditures and Other Deductions	**$ 27,210,342**
Increase/(Decrease) in Net Assets	**$ 29,043,426**

Arkansas Alumni Association, Inc. - The Association was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. The audited financial statements of the Alumni Association as of and for the year ended June 30, 1999, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Alumni Association at June 30, 1998, which have been audited by an independent certified public accountant, are presented below in summary form:

Balance Sheet	
Assets	
Cash	$ 2,533,263
Life Memberships	993,363
Fixed Assets, Net of Depreciation	119,057
Other Assets	1,525,325
Total Assets	**$ 5,171,008**
Liabilities and Net Assets	
Liabilities	$ 93,452
Net Assets	
Unrestricted	772,149
Restricted	4,305,407
Net Assets	5,077,556
Total Liabilities and Net Assets	**$ 5,171,008**

Statement of Activities	
Memberships	$ 327,631
Other Revenues and Additions	2,016,429
Total Income and Other Additions	**$ 2,344,060**
Expenditures and Other Deductions	**$ 1,420,625**
Increase/(Decrease) in Net Assets	**$ 923,435**

Arkansas Four-H Foundation, Inc. - The Arkansas Four-H Foundation, Inc. was incorporated in 1951. The purpose and objectives of the Foundation are educational. The Foundation was formed for such educational purposes as, in the judgment of the Foundation, will best meet the needs and advance the interests of 4-H Club work throughout the State of Arkansas, by providing educational programs in agriculture, home economics, natural resources, community development, etc. Financial statements of the corporation are presented below; they have been audited by an independent certified public accountant for the year ended December 31, 1998.

Balance Sheet	
Assets	
Cash and Investments	$ 1,549,038
Inventories	20,354
Fixed Assets, Net of Depreciation	1,885,569
Total Assets	**$ 3,454,961**
Liabilities and Fund Balance	
Liabilities	$ (902)
Fund Balance	3,455,863
Total Liabilities and Fund Balance	**$ 3,454,961**

Statement of Revenues, Expenses and Changes in Fund Balance	
Program Revenue	$ 1,378,227
Contributions	24,530
Other Income	101,932
Total Income and Other Additions	**$ 1,504,689**
Total Expenditures and Other Deductions	**$ 1,531,440**
Increase/(Decrease) in Fund Balance	**$ (26,751)**

The Razorback Foundation, Inc. - The Razorback Foundation, Inc. was incorporated on October 17, 1980. The audited financial statements of the Razorback Foundation, Inc., as of and for the year ended June 30, 1999, were not available at the time these financial statements were prepared. Therefore, the financial statements of the Razorback Foundation, Inc. as of and for the year ended June 30, 1998, which have been audited by an independent certified public accountant, are presented below in summary form:

Balance Sheet	
Assets	
Cash	$ 52,267
Investments	23,456,172
Land and Improvements	209,961
Interfund Receivables	276,141
Other Assets	1,434,105
Total Assets	**$ 25,428,646**
Liabilities and Net Assets	
Liabilities	$ 4,189,677
Net Assets	
Unrestricted	18,903,029
Restricted	2,335,940
Net Assets	21,238,969
Total Liabilities and Net Assets	**$ 25,428,646**

Statement of Activities	
Donations	$ 7,398,217
Other Revenues and Additions	3,538,331
Total Income and Other Additions	**$ 10,936,548**
Total Expenditures and Other Deductions	**$ 7,289,450**
Increase/(Decrease) in Net Assets	**$ 3,647,098**

(14). 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.

(15). Year 2000

The Year 2000 (Y2K) issue is the result of many electronic data processing systems and other electronic equipment that use only the last two digits and cannot tell the difference between the year 1900 and the year 2000. This may cause inaccurate processing of information or a complete halt to processing.

The University has intensely reviewed and assessed the critical systems and applications for Year 2000 compliance. All critical systems and applications have been reprogrammed to be Year 2000 compliant. The following table represents the status of the compliance effort directed towards the critical systems and applications:

System	Assessment	Remediation	Validation/Testing
Financial Accounting/Budget	Yes	Yes	Yes
Student Information	Yes	Yes	Yes
Student Loans Accounting Mgmt	Yes	Yes	Yes
Personnel/Payroll	Yes	Yes	Yes
Purchasing/Payable	Yes	Yes	Yes

The University does not anticipate any major disruption of services as a result of non-compliant internal systems.

The costs of the Year 2000 compliance project are not determinable. The impact of the completion of this project is not deemed to be material to this financial report. Due to the unprecedented nature of the year 2000 issue, its effects and the success of related remediation efforts will not be fully determinable until the year 2000 and thereafter.