2017

Annual Financial Report, 2016-2017

University of Arkansas, Fayetteville

UNIVERSITY OF
ARKANSAS

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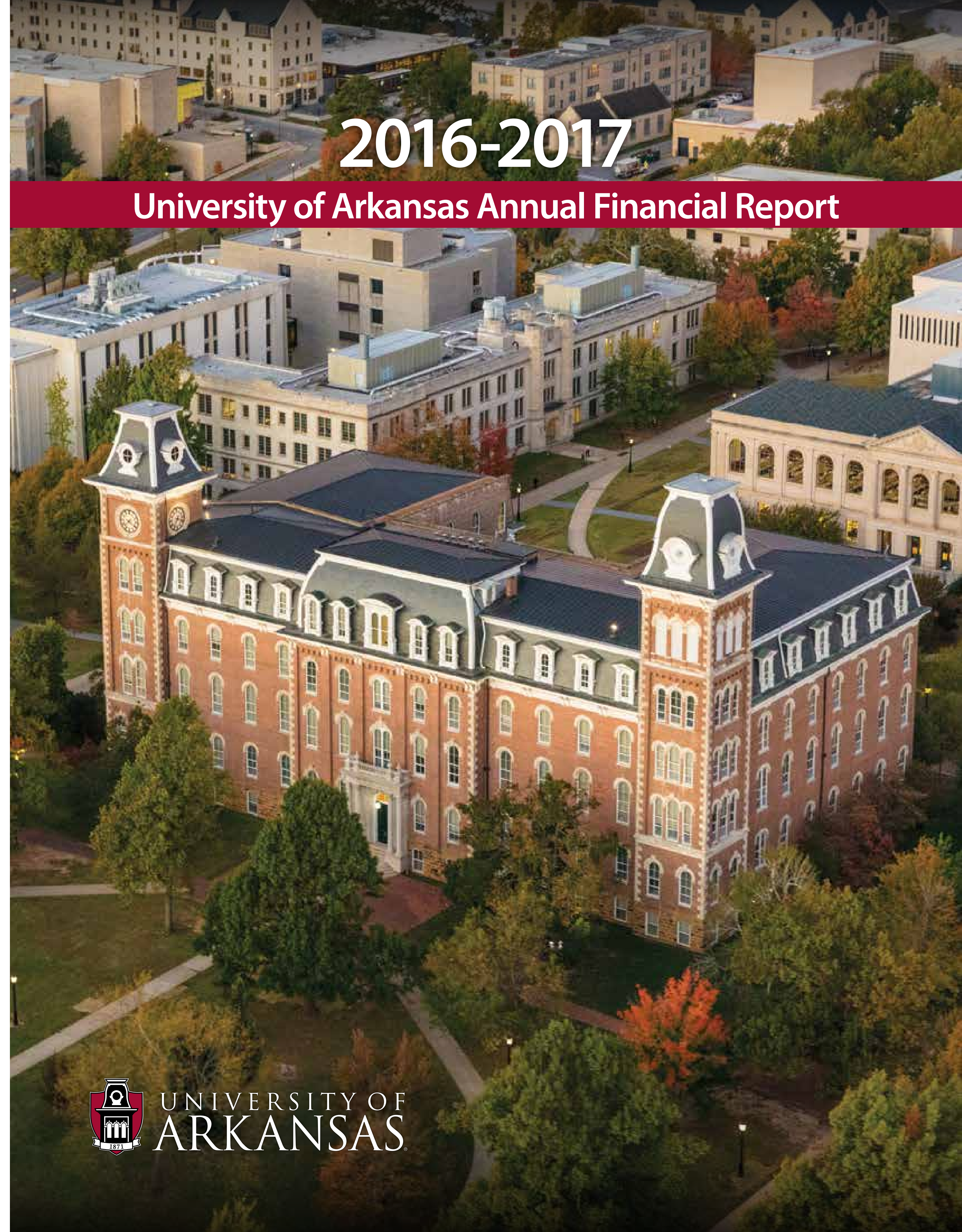
2016-2017
University of Arkansas Annual Financial Report

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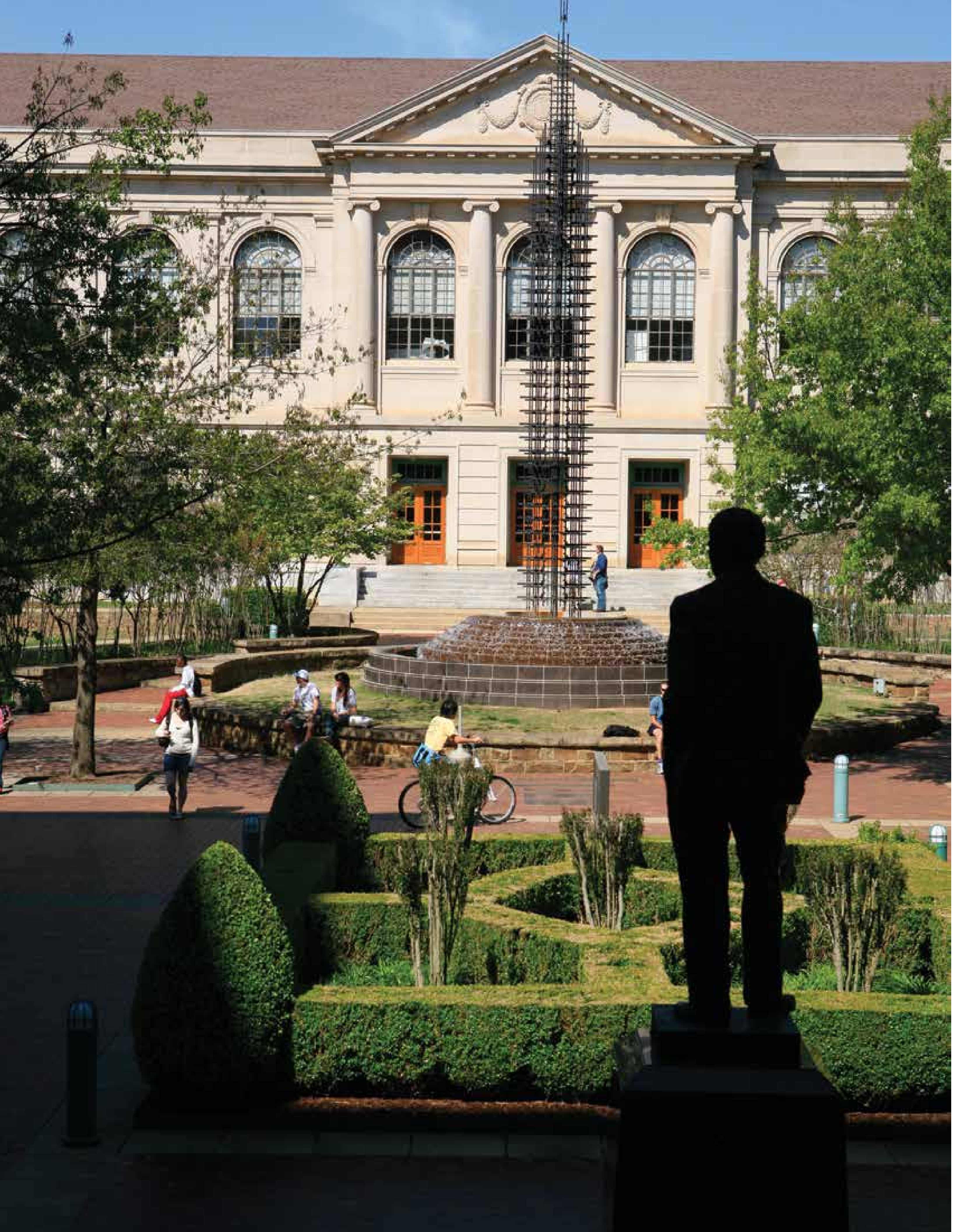
The University of Arkansas



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.

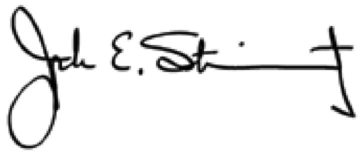
This financial report reflects our desire to be completely open in our financial accounting. Nevertheless, it must represent the diversity and complexity of financing a major public research university. While we tried to make this report as clear and straightforward as possible, it will never be mistaken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

As detailed in these pages, it should be clear that university finances are in great shape. Private giving has been exceptionally strong. After recording our third best fundraising year In FY 2016, exceeding $131 million, we did it again in FY 2017, exceeding $134 million. With a $120 million gift from the Walton Family Charitable Support Foundation to start FY 2018, it seems certain this year will one of the best ever. Rising enrollment has also helped generate critical revenue, which has helped provide much-needed raises for faculty and staff this year.

And not only is our athletics department self-sustaining, it is helping support the university's academic mission. The athletics department now returns more than $3.5 million a year in direct funding of academic programs and initiatives to the academic side of campus. This year, athletics was instrumental in helping us establish a new Chancellor's Collaboration and Innovation Fund, committed $750,000 to the $1 million fund.

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 from alumni, friends, corporations and foundations continues to be increasingly important to the University of Arkansas. It has also been incredibly successful. For the seventh year in a row, the university raised more than $100 million in private gift support and recorded $134.2 million in fiscal year 2017, making it the third best fundraising year in the university's history. The amount raised surpassed the university's goal of $125 million and included gifts of cash, gifts-in-kind, planned gifts and new pledges to the U of A received from July 1, 2016, through June 30, 2017.

Every aspect of the University of Arkansas campus benefits from philanthropy. Students are supported through academic and need-based scholarships and fellowships, as well as innovative programs funded through private gift support. Faculty are recruited and retained with endowed positions and research funding and thereby increase the quality of education offered to the students. And facilities are built and improved upon to keep up with the demands of a growing campus population and collaborative educational needs.

Approximately $14 million of the total amount raised was allocated for endowed funds and added to the university's overall endowment total. Cash receipts, which include pledge payments, outright gifts and estate and planned gift distributions, reached $109.6 million in fiscal year 2017. The campus had a record-setting year with 103,156 outright gifts and new pledges from 53,196 benefactors during the fiscal year.

Gifts from individuals such as alumni, friends, parents, faculty and staff made up 32 percent of the $134.2 million raised during the 2017 fiscal year. Another 39 percent came from corporations, while 19 percent came from foundations and 10 percent came from other organizations, including trusts and estates. All private gifts to the university are designated and allocated for specific purposes set forth by each donor and used solely for those purposes. The university makes every effort to align donors' giving interests with campus priorities.

Support for students and programs accounted for 40 percent of the money raised, 38 percent provided for capital improvements, 19 percent supported faculty and staff and 3 percent supported other initiatives.

Fundraising totals reached $108.1 million in 2012, $108.4 million in 2013, $113.3 million in 2014, $116.5 million in 2015 and $131.6 million in 2016.

The following gifts of $500,000 or more were announced publicly during fiscal year 2017.

- **Raymond W. Gosack** – An estate gift of more than $500,000 was made to the Department of Political Science in the J. William Fulbright College of Arts and Sciences to create the Raymond W. Gosack Master of Public Administration Endowment. This gift will provide ongoing support for the program, which aims to provide a broad, flexible foundation to prepare students for careers in public service for the government, with non-governmental organizations and in the nonprofit business sector.

- **Jerry and Kay Brewer and Clete and Tammy Brewer** – Jerry and Kay Brewer contributed $500,000 to create the Brewer Family Entrepreneurship Hub, and their son Clete Brewer, and his wife, Tammy, contributed another $100,000. The hub is located on the historic Fayetteville Square and will support collaborative entrepreneurship and innovation efforts across campus while serving as a starting point for students and their companies to launch their ideas.

- **J.B. Hunt Transport Services Inc.** – A $2.75 million investment from the Lowell-based J.B. Hunt Transport Services Inc. will create the J.B. Hunt Innovation Center of Excellence. This collaborative effort between the company, the College of Engineering and the Sam M. Walton College of Business will advance supply chain management efficiency through technology. Business researchers and students will work with J.B. Hunt employees in finding solutions to real-world problems through innovative design and technology-driven supply chain solutions.

Campaign Arkansas

Campaign Arkansas launched to the public in fiscal year 2017 with a working goal of $1 billion. The campaign, which began July 1, 2012, and will run through June 30, 2020, is a comprehensive fundraising campaign focused on advancing academic opportunity at the University of Arkansas. Gifts to the campaign will help students from across Arkansas access higher education at the U of A and foster their success. The campaign will also build meaningful resources for teaching and research, grow innovative and collaborative programs and enhance the university's facilities and technology. Campaign Arkansas is poised to make a difference for the university and the state today and for generations to come.

By the end of the 2017 fiscal year, $657.1 million had been raised toward the campaign, and $111.6 million had been allocated to the university's endowment.

Gifts by Purpose

Student Support	10%
Faculty Support	14%
Capital	41%
Programs	30%
Other	5%

Gifts by Source

Individuals	33%
Corporations	33%
Foundations	27%
Other Organizations	7%

A transformational $120 million gift from the Walton Family Charitable Support Foundation for a School of Art was announced at the beginning of fiscal year 2018.

Advance Arkansas

The Advance Arkansas scholarship initiative was launched in the spring of 2017 to catalyze the potential of the state's rising leaders by giving them resources to succeed academically at a nationally competitive institution. Advance Arkansas scholarships emphasize the following student support areas: (1) First Generation, which is awarded to new freshmen who aspire to be first in their families to earn a four-year college degree, (2) Community Leader, which is awarded to new freshmen who demonstrate significant acts of service within their communities, (3) Resilient Razorback, which is awarded to U of A students who have persisted in maintaining a compelling academic record, and (4) Talented Transfer, which is awarded to incoming transfer students with a strong academic record and commitment to degree completion at the U of A.

The University of Arkansas has raised $520,209 toward the Advance Arkansas scholarship initiative through fiscal year 2017. Ten scholarships were expected to be awarded during the fall 2017 academic semester.

All In for Arkansas

The university hosted its second annual giving day, All In for Arkansas, on March 29-30 to commemorate the 146th birthday of the U of A. The effort raised $411,175 during a 1,871-minute period and more than doubled its goal of $187,100. Four gifts of $25,000 and above were received during the event, and the largest, a gift for $125,000, was for a new Advance Arkansas scholarship. The event recorded 1,021 gifts during the virtual birthday celebration.

Awards Enable Cutting-Edge Research

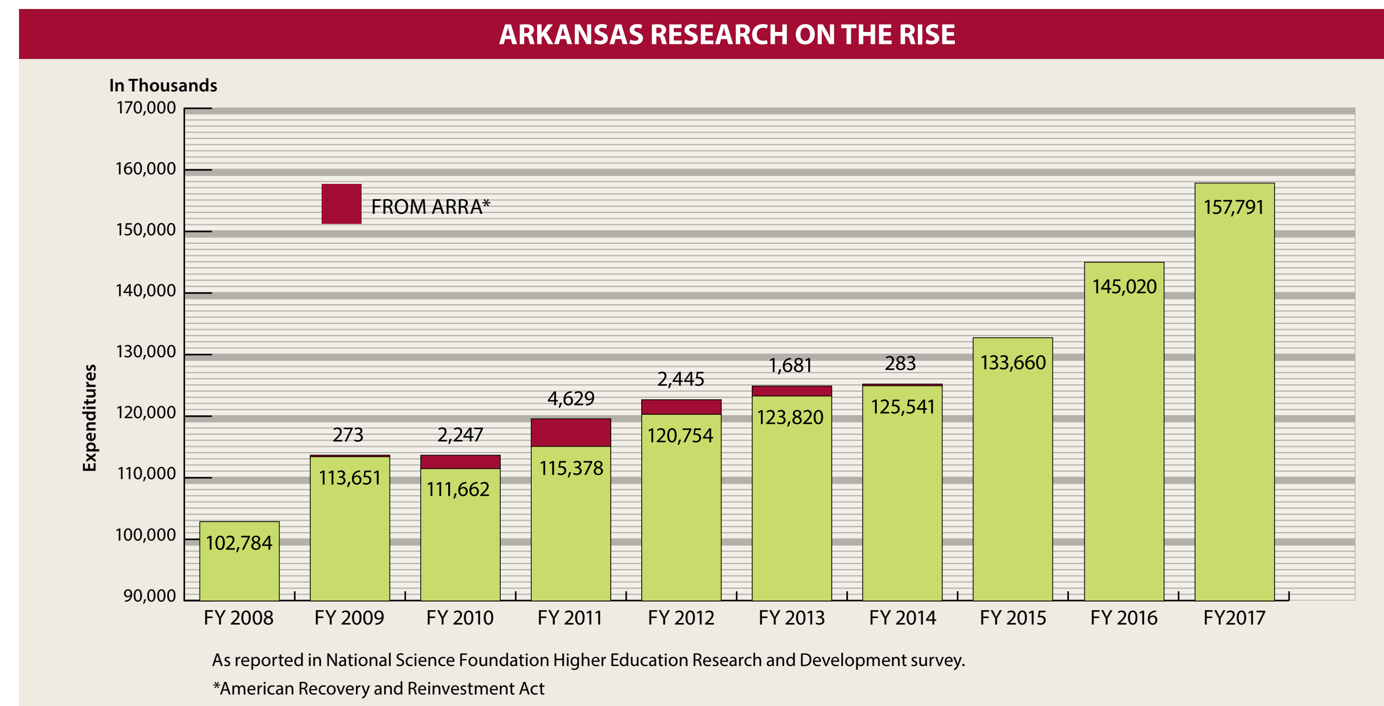
Federal agencies, research foundations and top industries alike turn to the University of Arkansas to solve problems, advance technology and better our world.

The University of Arkansas continued its growth in research funding, receiving more funding in fiscal year 2017 than previous years 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 was awarded $103.2 million in research funding in fiscal year 2017, including awards made to the Division of Agriculture. That marks a 1.5 percent increase over the $101.7 million in research funding received in fiscal year 2016.

The growth in research funding led to a rise in campus research expenditures as well, which also set a record at $157.8 million in fiscal year 2017. Research expenditures for the university have grown 54 percent over the last decade.

"It is exciting to see us continue this trend of growth, and I applaud our researchers, who have worked hard to secure these increasingly scarce resources and put them to good use," said Jim Rankin, vice provost for research and innovation. "Research is a central part of our land-grant mission; it is how we leverage the broad range of expertise on campus to help the state of Arkansas, the nation and the world.



Among the Sponsored-Research Highlights of FY17:

Partnerships with industry led to several important research efforts in the past year. **J.B. Hunt Transport Services, Inc.** made a $2.75 million investment in the University of Arkansas to create the J.B. Hunt Innovation Center of Excellence. The center will be a collaborative effort between the company, the College of Engineering and the Sam M. Walton College of Business to advance supply chain management efficiency through technology.

Researchers from the College of Engineering, the Sam M. Walton College of Business and the Dale Bumpers College of Agricultural, Food and Life Sciences received a $2.3 million grant from the **Walmart Foundation** to fund collaborative projects involving the poultry industry in China.

The **U.S. Department of Energy** awarded $14 million to researchers supporting research on alternative energy, cybersecurity, imaging and sensor technology, power electronics and nanotechnology.

Awards from the **National Science Foundation** totaled $13.5 million, including awards for research into water quality, music perception, stem cells and big data, as well as support for student research through the Research Experience for Undergraduates program.

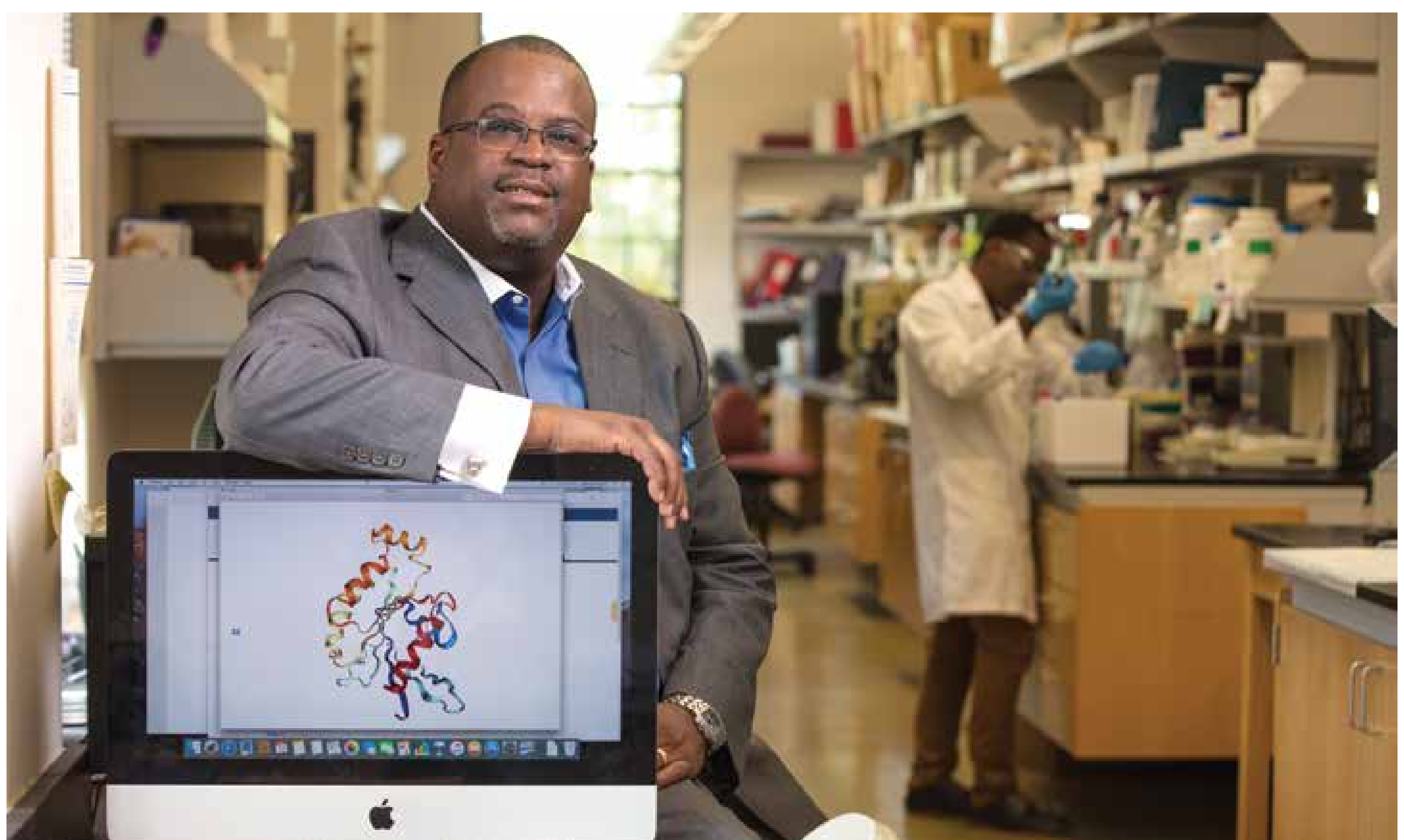
The **U.S. Department of Education** awarded a total of $11.6 million to the University of Arkansas, including over $6 million through Arkansas Department of Education to Arkansas PROMISE, a program designed to improve the education and employment outcomes of teens with disabilities who receive Supplemental Security Insurance. The award was FY17's allotment of the five-year, $35.7 million grant for the PROMISE program.

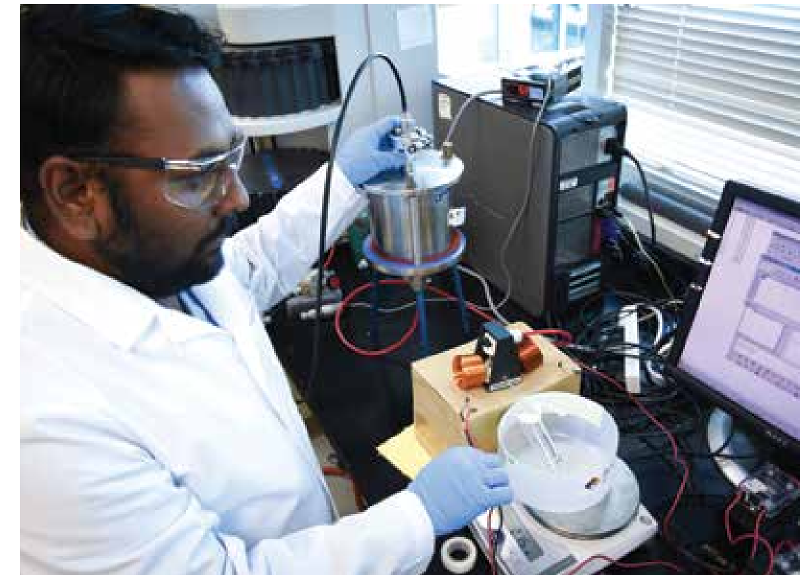
The **National Institutes of Health** awarded $3.4 million for research on breast cancer, obesity, computer-aided drug design, hydration and wound healing.

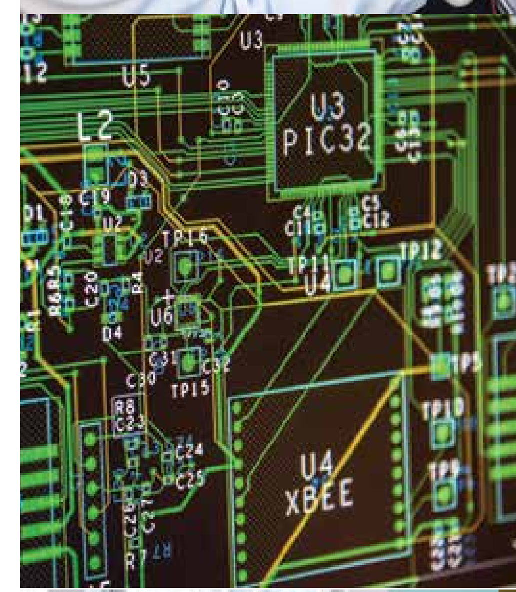
The **Department of Defense** awarded $1.6 million to researchers at the U of A, including a grant to Shilpa Iyer, assistant professor of biological sciences, for research into the use of stem cells to treat mitochondrial disease.

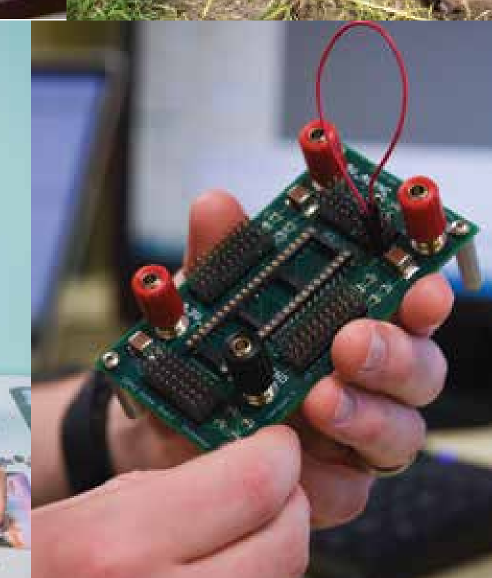
The **U.S. Department of Transportation** awarded the Maritime Transportation Research and Education Center $1.4 million for research to optimize resources and minimize congestion on navigable waterways.

NASA awarded $1 million to researchers who are studying Mars and Venus, as well as research into cube satellites and growing crops for space exploration.









LETTER OF TRANSMITTAL

November 14, 2017

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, 2017. 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, 2017, 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

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, 2017, 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 report has 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 report 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 judgement, 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, 2017, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

500 WOODLANE STREET, SUITE 172 • LITTLE ROCK, ARKANSAS 72201-1099 • PHONE: (501) 683-8600 • FAX: (501) 683-8605
www.arklegaudit.gov

Other Matters

Prior Year Comparative Information

We have previously audited the University's 2016 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, 2016. In our opinion, the comparative information presented herein as of and for the year ended June 30, 2016, 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, CFF
Legislative Auditor

Little Rock, Arkansas
November 14, 2017
EDHE13517

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The University of Arkansas (the University) is pleased to present its financial statements for fiscal year 2017, with comparative figures for fiscal year 2016. 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 "2017", "2016" 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 two legally separate foundations: the University of Arkansas Fayetteville Campus Foundation, Inc. and the Razorback Foundation, Inc. that meet the criteria set forth for component units under GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units.* These Foundations provide financial support for the objectives, purposes and programs of the university. Although the university does not control the timing, purpose or amount received by these Foundations; the resources (and income thereon) they hold and invest are dedicated to benefit the University. Because these resources held by the Foundations can only be used by, or for the benefit of, the University, 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 50.8% 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, 2017, and 2016:

Condensed Summary of Net Position

	2017	2016
ASSETS		
Current Assets	$ 472,170,731	$ 427,531,182
Capital Assets, Net of Depreciation	1,228,555,428	1,192,317,818
Other Noncurrent Assets	198,946,650	113,304,921
Total Assets	**$1,899,672,809**	**$ 1,733,153,921**
Total Deferred Outflows of Resources	**$ 23,093,566**	**$ 21,332,570**
LIABILITIES		
Current Liabilities	$ 128,407,232	$ 119,658,614
Noncurrent Liabilities	813,822,658	720,175,946
Total Liabilities	**$ 942,229,890**	**$ 839,834,560**
Total Deferred Inflows of Resources	**$ 929,772**	**$ 1,756,044**
NET POSITION		
Net Invested in Capital Assets	$ 550,573,383	$ 537,504,192
Restricted – Nonexpendable	26,542,019	25,586,770
Restricted – Expendable	111,448,473	80,603,901
Unrestricted	291,042,838	269,201,024
Total Net Position	**$ 979,606,713**	**$ 912,895,887**

Overall, the University's total assets increased $166.5 million. A review of the statement of net position reveals that most significant changes were a decrease in cash and cash equivalents of $147.4 million, offset by increases in investments of $196.1 million, deposits with trustees of $78.6 million and capital assets, net of depreciation of $36.2 million.

The net change in cash and cash equivalents when compared to 2016 balances was a decrease of $147.4 million. Cash and cash equivalents actually increased $45 million as result of continued growth, which was offset by shifting $190 million of cash to short term investments.

For the past several years, the University's year-over-year cash balances have shown a steady increase. The rate and risk environment in the financial markets had not provided a significant premium over cash returns, and the University was 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. In 2017, the financial markets environment showed signs of improvement, university enrollment growth was becoming more predictable and the facilities renewal program was slowing. All of these factors contributed to a change in philosophy in how excess operating funds were managed.

Investments in total increased $196.1 million. Nearly all of this increase is due to an increased investment of operating funds. During 2017, the University implemented an investment strategy for operating funds. The objectives of the operating investments in order of priority is safety of principal, maintenance of liquidity and return on investment. Upon implementation, approximately $190 million of cash and cash equivalents were used to purchase short term investments. This new investment, coupled with improved returns across the entire investment portfolio, resulted in the overall increase.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The increase in 2017 is the net of bond proceeds totaling $114.8 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 $1.8 million. Deferred amounts on refinancing of debt decreased $1.5 million as a result of scheduled amortization. Deferred outflows related to pensions increased $3.3 million primarily due to actuarially determined additions. Additional information about these computations can be found at Note 12 "Employee Benefits".

Overall, liabilities increased $102.4 million. The majority of the increase was attributable to an $87.2 million net increase in bonds, notes, capital leases and installment contracts (long-term debt). Accounts payable increased nearly $8 million. Two major construction projects, Donald W. Reynolds Razorback Stadium expansion and Health Center addition, along with a pollution remediation project were well underway at year end and were the primary drivers of the increase in payables. Pensions experienced an actuarially determined increase in obligations of nearly $5 million.

The University continued its investment in facilities renewal and replacement along with the addition of new facilities and improvements in 2017. 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 slightly more than $800 thousand 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 $166.5 million and $1.8 million, respectively, combined with the decrease in deferred inflows of resources of $800 thousand provides positive support to net position. This positive support is offset by the increase in liabilities of $102.4 million, resulting in a net increase of $66.7 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, 2017 and 2016:

Unrestricted Net Position

Unit	2017	2016
Fayetteville Campus	$ 225,231,536	$ 192,730,119
Agricultural Experiment Station	33,639,638	46,952,993
Cooperative Extension Service	21,835,442	19,834,809
Arkansas Archeological Survey	980,228	859,140
Criminal Justice Institute	3,688,617	3,861,094
Clinton School of Public Service	1,029,520	1,136,688
AREON	4,637,857	3,826,181
Total Unrestricted Net Position	**$ 291,042,838**	**$ 269,201,024**

Unrestricted net position for the Fayetteville Campus as of June 30, 2017 and 2016 is allocated as follows:

Unrestricted Net Position – Fayetteville Campus

Allocation	2017	2016
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	112,373,391	95,137,038
Service Operations	2,552,744	2,410,380
Auxiliaries	27,228,833	29,783,969
Plant Funds	68,434,510	52,043,118
Quasi-Endowment Funds	13,892,058	12,605,614
Total Fayetteville Campus Unrestricted Net Position	**$ 225,231,536**	**$ 192,730,119**

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 2017, the increase in reserves was primarily due to additional amounts reserved for scholarships, and other academic or research priorities or for building and maintenance reserves as denoted by the increase in E&G Department Uses and Plant Funds 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 $258.6 million is of little significance, but does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets. The utilization of capital assets is reflected in the statement as depreciation, which amortizes the cost of an asset over its expected useful life.

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, 2017 and 2016:

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

	2017	2016
Operating Revenues	$ 574,009,481	$ 522,713,218
Operating Expenses	832,633,066	807,002,002
Operating loss	(258,623,585)	(284,288,784)
Net nonoperating revenues	314,034,096	312,193,610
Gain before other revenues and changes in net position	55,410,511	27,904,826
Other revenues and changes in net position	11,300,315	6,020,285
Increase in Net Position	**$ 66,710,826**	**$ 33,925,111**

Operating revenue increased 9.8% or $51.3 million in 2017. Net student tuition and fees increased $17.6 million, a reflection of continued record enrollment growth and tuition rate increases for the Fayetteville campus. Grants and contracts collectively increased $23.2 million, with increases across all sources. The U.S. Department of Energy awarded $9.6 million to fund voluntary pollution remediation work at an abandoned university research site. State sources increased as well with nearly $6.1 million from the Arkansas Department of Education for various projects and $1.5 million from Arkansas Department of Human Services to provide additional funding for the Partners for Inclusive Communities project. Nongovernmental awards increased $6.4 million as a result of increased sponsor activity funded by private foundations and more sub awards from other universities. Auxiliary enterprises revenue attributable to Athletics increased $5.3 million, primarily due to increases in football ticket sales, SEC conference distributions, and a one-time distribution from the NCAA to support student-athlete programs. The remaining auxiliary enterprises realized a net increase totaling $1.8 million collectively, demonstrating the impact of enrollment growth.

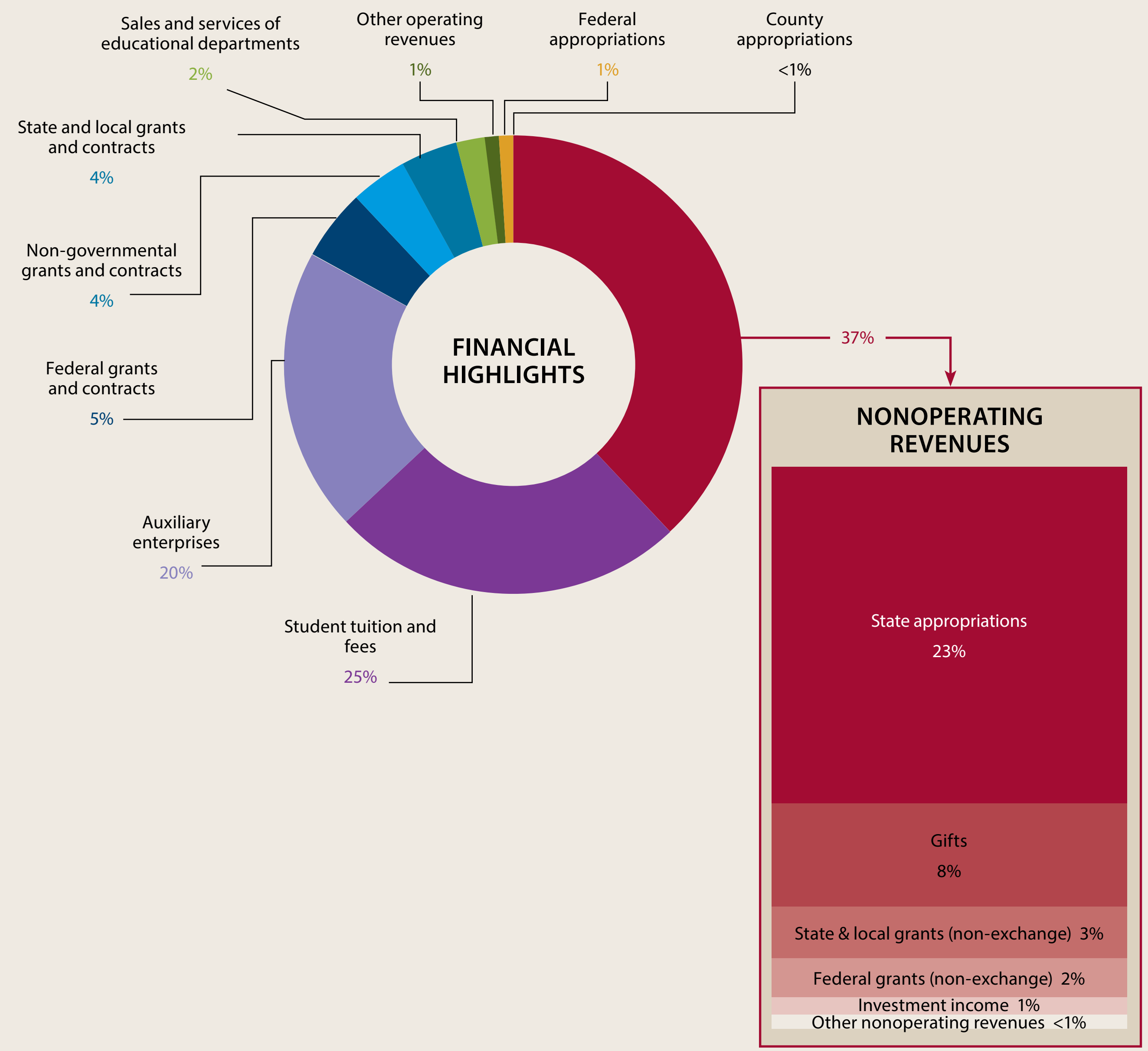
Operating expenses increased $25.6 million or 3.2% over 2016. Compensation and benefits costs increased nearly $19 million, or 4.1% over 2016, due in part to necessary increases in faculty to support enrollment growth, along with modest increases in salaries for faculty and staff. Supplies and other services grew $4.7 million or 1.9%. The University continues to focus on cost containment initiatives to control expenses.

Overall, net non-operating revenues increased a modest $1.8 million. There were several offsetting variances, with most less than 4%. Investment income was the most significant change with an increase of $8.9 million, indicating stronger performance in the financial markets. State appropriations decreased $3.7 million, reflecting an additional appropriation received by the Division of Agriculture in 2016. Loss on disposal of assets (expense) increased nearly $3 million because of demolition of a structure as part of the stadium expansion project. Gift revenue increased $1.9 million, evidencing continued growth in private support, and Grants (nonexchange) decreased $1.7 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. The overall increase of $5.3 million is primarily due to a $14.4 million increase in Capital grants and gifts offset by additional extraordinary expenses totaling $9.6 million for voluntary pollution remediation. The increase in capital gifts is primarily funds received to support capital building projects for athletic facilities and various other capital building projects. Additional information regarding the voluntary pollution remediation project is found at Note 14 "Pollution Remediation".

Fiscal Year Operating and Nonoperating Revenues

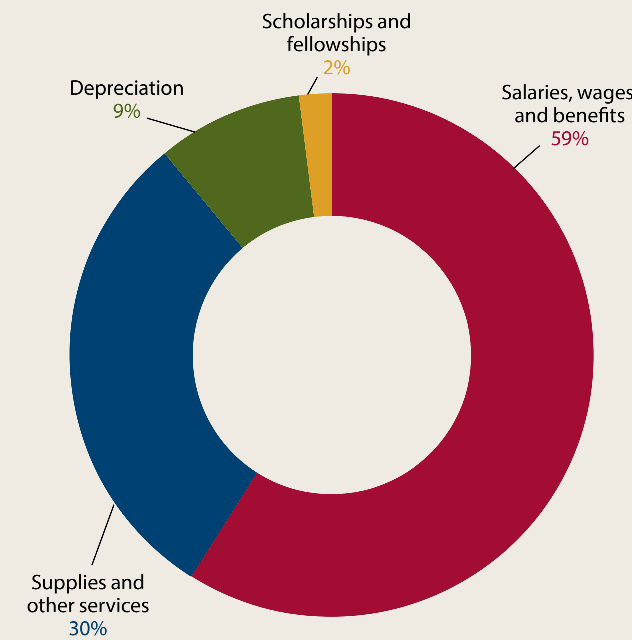


Financial Highlights

Operating Revenues	FY2017
Student tuition and fees	$ 227,456,739
Auxiliary enterprises	179,830,934
Federal grants and contracts	43,241,546
Nongovernmental grants and contracts	39,224,018
State and local grants and contracts	32,460,684
Sales and services of educational departments	22,454,703
Other operating revenues	13,271,938
Federal appropriations	11,924,289
County appropriations	4,144,630
Total	**$ 574,009,481**

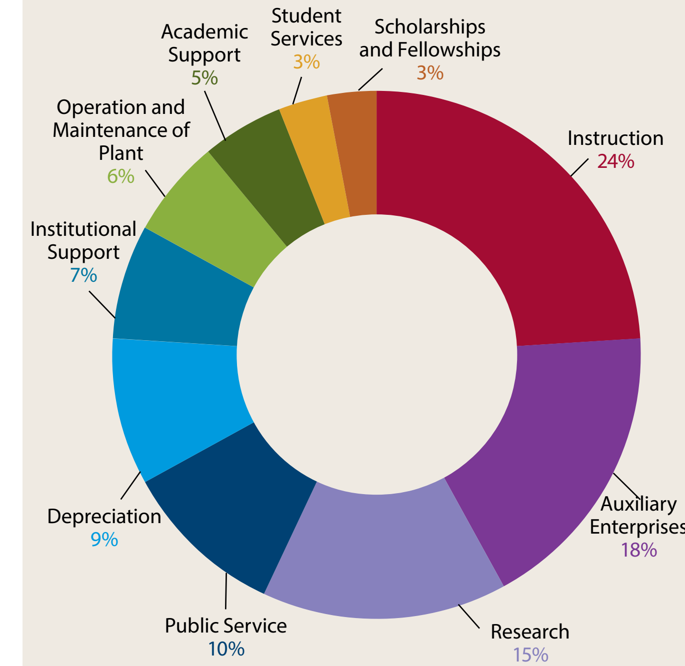
Nonoperating Revenues	FY2017
State appropriations	$ 206,764,617
Gifts	72,257,662
State & local grants (nonexchange)	27,016,602
Federal grants (nonexchange)	21,631,421
Investment income	11,951,939
Other nonoperating revenues	2,733,202
Total	**$ 342,355,443**

Fiscal Year 2017 Operating Expenses by Natural Classification



Operating Expenses by Natural Classification	FY2017
Salaries, wages, and benefits	$ 487,572,321
Supplies and other services	248,768,835
Depreciation	75,527,340
Scholarships and fellowships	20,764,570
Total operating expenses	**$ 832,633,066**

Fiscal Year 2017 Operating Expenses by Function



Operating Expenses by Function	FY2017
Instruction	$ 196,811,022
Auxiliary Enterprises	147,471,518
Research	124,565,481
Public Service	80,386,173
Depreciation	75,527,340
Institutional Support	59,846,365
Operation and Maintenance of Plant	52,650,919
Academic Support	45,509,008
Student Services	28,852,758
Scholarships and Fellowships	21,012,482
Total operating expenses	**$ 832,633,066**

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, 2017 and 2016:

Condensed Summary of Cash Flows

	2017	2016
Net cash used by operating activities	$ (186,860,611)	$ (204,242,356)
Net cash provided by noncapital financing activities	324,378,866	329,682,190
Net cash provided by operating and noncapital financing activities	137,518,255	125,439,834
Net cash used by capital and related financing activities	(100,428,300)	(116,995,238)
Net cash provided(used) by investing activities	(184,491,706)	2,433,128
Net increase (decrease) in cash	**$ (147,401,751)**	**$ 10,877,724**

The University used $186.9 million of cash for operating activities in 2017 offset by cash provided by noncapital financing activities of $324.4 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 $137.5 million for 2017 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 used by investing activities illustrates the implementation of the operating investments policy.

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 change 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, 2016	$ 537,504,192
Land Additions and Disposals (net)	2,695,947
Buildings Additions and Disposals, net of depreciation	(14,800,531)
Improvements/Infrastructure Additions, net of depreciation	7,168,902
Equipment Additions and Disposals, net of depreciation	977,927
Construction In Progress Additions net of transfers to buildings, improvements/infrastructure, and intangible assets	36,929,837
Livestock Additions/deductions	16,848
Library Holdings Additions and Disposals, net of depreciation	3,309,479
Intangible Assets, net of amortization	(60,799)
Bond debt moved to Net invested in capital assets	(49,307,105)
Bond Principal Paid in 2017	25,400,000
Deferred loss on refinanced bond issues, amortized	(1,511,195)
Net unamortized bond issue premium	(1,195,788)
Capital Leases Assumed in 2017	(248,207)
Note, Capital Lease and Installment Contract Principal Paid in 2017	3,693,876
Net Invested in Capital Assets as of June 30, 2017	**$ 550,573,383**

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 2017, 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 2017 include:

- 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. Total project cost was $6.5 million funded by bond proceeds.
- Student Housing – renovation and expansion of student Greek housing operated by the University. Total project cost was $6.7 million, funded by bond proceeds and private support.
- Natural Gas Pipeline – utility infrastructure improvement to construct a high pressure gas pipeline to support the Utility Combined Heat and Power facility. Total project cost was $3.7 million, funded with a mix of bond proceeds and university reserves.
- Parking Lots – parking lot construction at two separate locations on campus. The first lot, located on Razorback Road, provided 723 paved spaces, along with curbing, lighting and extension to street for exit. Total cost for this lot was $5.2 million, funded by athletic department and university reserves. The second lot, located on Martin Luther King Blvd., provided 82 spaces that are a mix of gravel and pavement. Total project cost for this lot was $1.1 million funded by transit and parking and university reserves.
- Fowler House Garden Conservatory – construction of an outdoor garden pavilion, catering kitchen, and formal lawn and garden gathering space at the Chancellor's residence. Total project cost was $3.1 million, funded by private support.
- The Division of Agriculture Eastern Arkansas Soil Testing and Research Laboratory located at the Lon Mann Cotton Research Station in Marianna, Arkansas – renovation of the existing facility and construction of a new Soil Testing Laboratory. Total project cost was $2.6 million, 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 - construction of a new facility to replace the current aging facility. Total project cost was $8 million, funded with state general improvement funds and Agricultural sales and reserves.

Construction continuing and new projects begun in 2017 include:

- Donald W. Reynolds Razorback Stadium North End Zone – Project continues 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 – Project continues 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. Phase 1, totaling $1.6 million was completed in 2017. Completion of Phase 2 will be coordinated with other construction projects in the work area.
- Kimpel Hall Renovation – Project continues 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 is $15.1 million and will be managed in phases. Initial funding in 2016, considered Phase 1, was comprised of $3 million in bonds and $1 million in gifts. An additional $6.4 million, funded by $6 million in bonds and the remainder from university reserves was added in 2017. Estimated project completion is November, 2018.
- Off-Site Library Storage – Project continues 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 $14.6 million and will be managed in phases. Initial funding in 2016, considered Phase 1, was $3 million in bonds. An additional $9 million in bonds was added in 2017, with the remainder of the project funded by university reserves. Estimated project completion in July, 2018.
- Pat Walker Health Center Addition – Project continues 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 $15.4 million, funded by $12.7 million in bonds and the remainder from student health reserves. Estimated project completion in July, 2018.
- Student Housing – Project continues for renovation and expansion of student Greek housing operated by the University. Total estimated project cost is $8 million funded by $5.3 million in bonds and the remainder from gifts. Estimated project completion in December, 2017.
- University Recreation Intramural Fields – Project continues to construct new University playing fields that will supplement the Mitchell Fields multi-purpose fields located on campus. Land located near the campus has been designed for two projects, the Cato Springs Softball/Soccer Fields Complex and the Indian Trails Tennis Complex/Mountain Biking Trails. The Cato Springs project will provide space for an additional 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 Indian Trails project will provide tennis courts, biking trails and parking. During 2017, renovation began at Mitchell Fields to improve drainage, install LED lighting and install sports turf. Total estimated project cost for the Mitchell Fields project is $4.9 million. Only the design phase has been completed for the other projects, with construction beginning when funding is in place. The overall project will be funded in phases with initial funding in 2016 of $4 million in bonds. An additional $3 million, in bonds was added in 2017. Estimated project completion for Mitchell Fields in October, 2017.
- Civil Engineering Research & Education Center – Project continues to construct a research and education facility for the civil engineering department. Project design, which included planning and programming, site options/selections at the Arkansas Research and Technology Park, early schematic design and fundraising support images, was completed in 2017. Total estimated project cost is $10.7 million and will be managed in phases. Initial funding of $2.7 million in 2016 was comprised of $2 million in bonds and the balance with gifts. An additional $2 million in bonds was added to project funding in 2017. Remaining funding will be raised through gifts. Construction phases will continue when all funding is in place. Estimated project completion in April, 2019.
- 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 September, 2017.

- Stadium Drive Residence Halls – New project to construct a 700 bed residence hall to include multi-use meeting rooms, advising and administrative offices, laundry, vending, kitchen and front desk communal areas. This project is envisioned as part of a larger residential district to be developed in the Athletic Valley area of campus. Estimated project cost is $78.1 million, funded by $74 million in bonds and the remainder from housing reserves. Estimated project completion in August, 2019.
- Global Campus Renovation – New project to renovate approximately 19,000 square feet on two floors of the Global Campus building to create workspaces for faculty to develop online course content and staff who manage and facilitate online courses; to provide studio and support space for the global campus media services team; to renovate the auditorium into a black box theatre with required equipment; and other interior renovations. Estimated project cost is $7.4 million, funded by $2 million in bonds, $4.7 million from global campus reserves and the remainder from university reserves. Estimated project completion in February, 2018.
- National Center for Reliable Electric Power Transmission (NCREPT) Addition – New project to construct a 4,000 square foot addition to increase the capacity of the test facility. The addition will include high bay research space, graduate student offices, and approximately 50 additional parking spaces. Estimated project cost is $3.1 million, funded by university reserves. Estimated project completion in January, 2018.
- South Campus Steam Improvements – New project to replace and upgrade a portion of the steam and condensation infrastructure that provides building heat and domestic hot water to the campus. The upgraded system will provide additional capacity for future development of the Athletic Valley district on campus. Estimated project cost is $3 million, funded by $2.7 million in bonds and the remainder from utility reserves. Estimated project completion in August, 2018.
- Mullins Library Renovation – New project to fully reorganize and renovate the interior to create a collaborative and interdisciplinary learning space focused on student and faculty engagement. The project is currently in the design phase, with no estimate for project cost or timeline for completion. The design phase is funded by $1 million in bonds.
- Student Success Center – New project to construct a student success center that will create a dedicated space for student and faculty interaction outside of the classroom, for personal mentoring, tutoring, and guidance. The success center will also serve as a welcoming home base for students to study and collaborate beyond their regular course schedules. The project will soon begin the design phase, with no estimate for project cost or timeline for completion. The design phase is funded by $1 million in bonds.
- Greek Housing Projects – Four separate Greek organizations have been granted the ability to either construct new residence facilities, or renovate existing residence facilities on university-owned property under a long-term lease. These projects are the responsibility of the Greek organizations, and will be funded by arrangements made by the organizations. See Note 19, "Commitments and Contingencies" for additional information about these projects.

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, 2016	$ 667,319,805	$ 1,754,858	$ 26,477,396
Additions	119,999,015		248,207
Retirement of principal	(25,400,000)	(170,813)	(3,523,063)
Amortization of net bond premium	(3,958,227)		
Balance as of June 30, 2017	**$ 757,960,593**	**$ 1,584,045**	**$ 23,202,540**

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

The University issued bonds during 2017 to provide funds to finance improvements and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects. Bonds totaling $114.8 million, were divided between a tax-exempt and taxable series.

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 2017, 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 $202.6 million. Estimates for 2018 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.

The Arkansas Legislature enacted Act 148 of 2017 which adopts a productivity-based funding model for state-supported higher education institutions. The Act provides that the Arkansas Department of Higher Education will develop and implement a productivity-based funding model that will contain measures for effectiveness, affordability and efficiency. This funding model, when implemented, will replace the current methodology for allocation of state funds to state-supported higher education institutions. It is expected that the model will be in place to determine funding recommendations for the 2018-19 academic year. The university does not anticipate any short-term reduction of support due to this new funding policy.

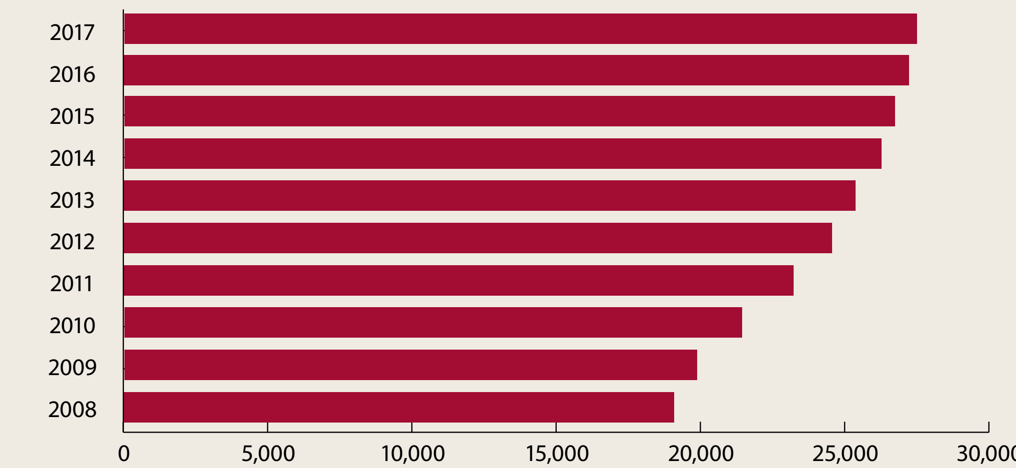
We continue to seek ways to manage the cost of attendance so that it remains affordable while achieving revenue support necessary to offer a high quality university experience. Diverse revenue resources, including state appropriations, tuition and fees (net of scholarship allowance), private support and sponsored grants and contracts all contribute to support the mission of teaching, research and service. Tuition and mandatory fee increases totaling 3.50% for resident and 6.15% for nonresident students, respectively, were necessary in 2017 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 is an eight-year comprehensive fundraising effort focused on advancing academic opportunity at the university. The goal of the campaign is to raise $1 billion by 2020. 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. Campaign Arkansas had raised $657.1 million at the close of 2017. In September, 2017, the campaign received a major boost with a $120 million dollar gift to fund the School of Art.

Positive news continues with the University fundraising production totals for private gift support for 2017 being the third-best year in university history. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2017, the University recognized $134.2 million of private gift support, surpassing its goal of $125 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 27,558 students for the fall 2017 semester, another record enrollment. As the following charts indicate, university enrollment has increased 43.6%, or more than 8,300 students over the past ten years. This marks the nineteenth consecutive year for enrollment growth. Although the growth trend continues, the rate of growth is becoming more controlled, with a 1.6% rate in fall 2016 and 1.3% rate in fall 2017. This more sustainable rate of growth is welcomed as the university assesses future goals and the optimum number of students.

Enrollment Trend Over the Last 10 Years

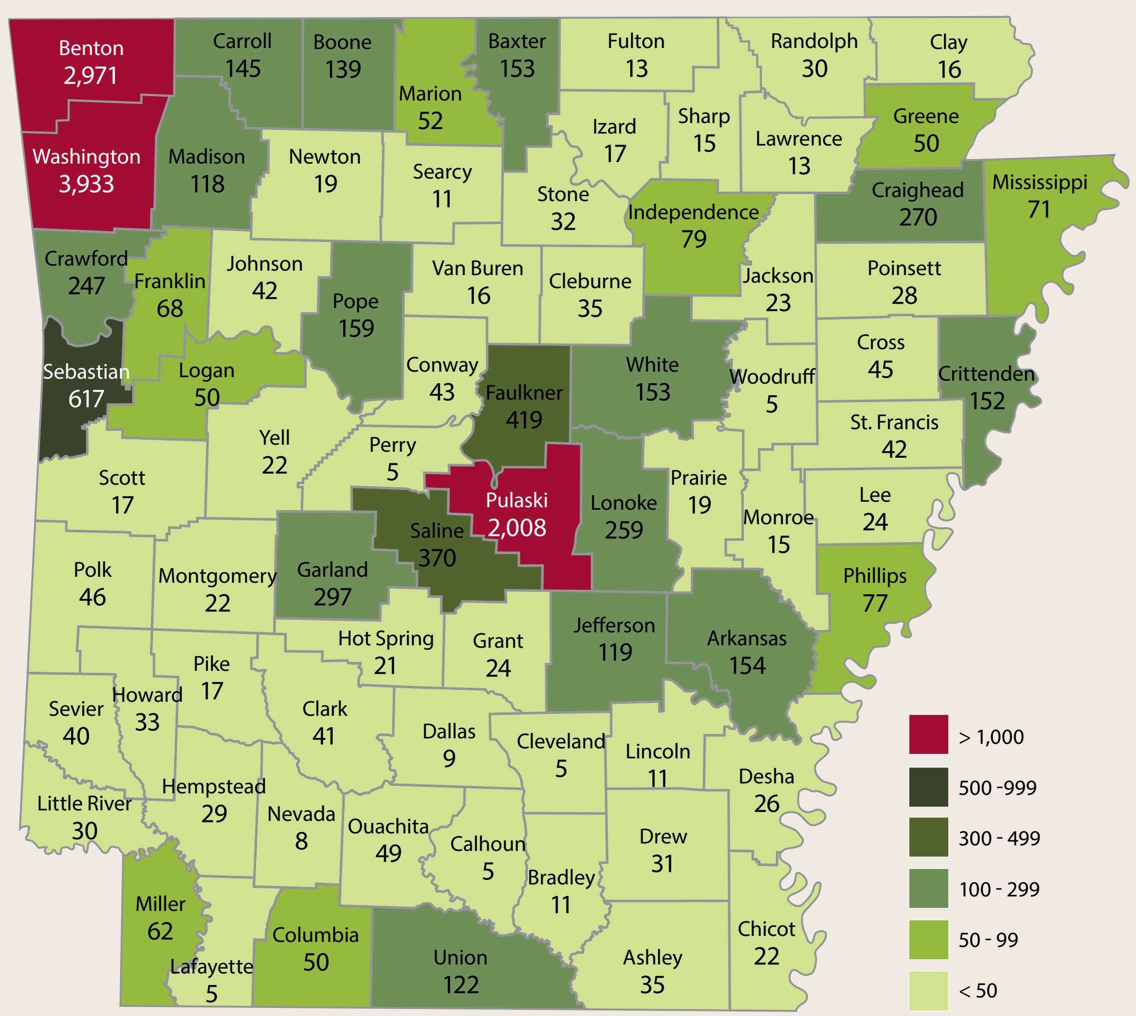


Fall Semester Enrollment

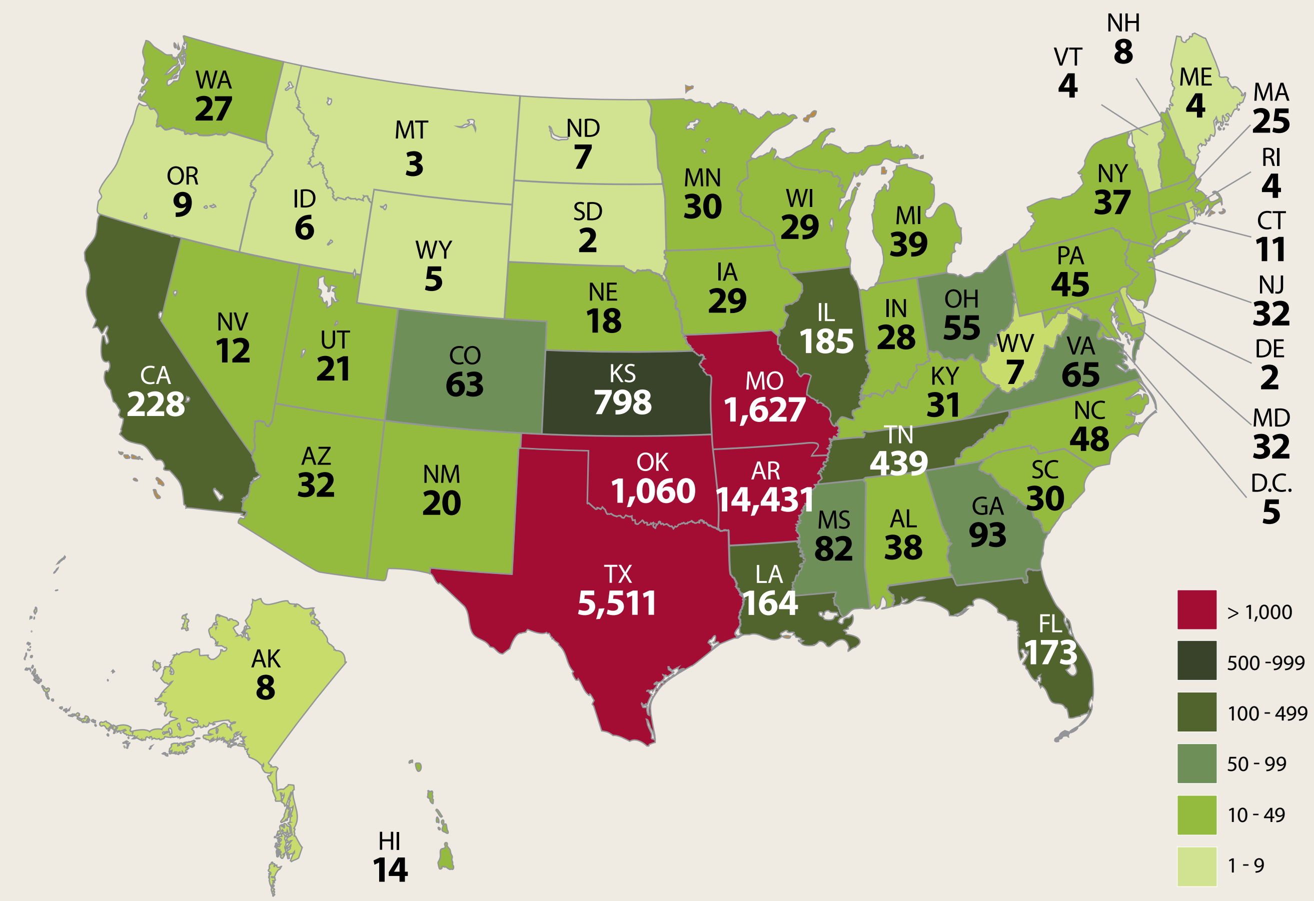
	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
Total	19,194	19,849	21,405	23,199	24,537	25,341	26,237	26,754	27,194	27,558
Undergraduate	15,426	15,835	17,247	19,027	20,350	21,009	21,836	22,158	22,548	23,044
Law	412	408	407	413	410	390	379	375	371	353
Graduate	3,356	3,606	3,751	3,759	3,777	3,942	4,022	4,221	4,275	4,161
New Freshmen	3,233	3,046	3,873	4,462	4,591	4,357	4,590	4,927	4,998	5,092

Per the Office of Institutional Research and Assessment

In-State Enrollment by County of Origin



Enrollment by State



Foreign Countries

1,518

STATEMENT OF NET POSITION

June 30, 2017
With Comparative Figures at June 30, 2016

	June 30 2017	June 30 2016
ASSETS		
Current Assets		
Cash and cash equivalents	$ 139,680,728	$ 284,637,152
Short-term investments	270,139,692	82,150,434
Accounts receivable, net	42,120,822	39,205,979
Accrued interest receivable	1,143,622	897,292
Pledges receivable	775,013	4,508,078
Inventories, net	5,383,272	5,647,819
Deposits with bond trustees	3,830,137	2,222,482
Notes receivable, net	4,084,523	3,837,146
Other assets	5,012,922	4,424,800
Total current assets	472,170,731	427,531,182
Noncurrent Assets		
Cash and cash equivalents	237,644	2,682,971
Endowment investments	78,661,949	70,576,791
Other long-term investments	3,001	3,001
Notes receivable, net	13,373,010	12,255,251
Pledges receivable	1,663,240	
Deposits with bond trustees	104,247,447	27,227,513
Other assets	760,359	559,394
Capital assets, net	1,228,555,428	1,192,317,818
Total noncurrent assets	1,427,502,078	1,305,622,739
Total assets	**$1,899,672,809**	**$ 1,733,153,921**
DEFERRED OUTFLOWS OF RESOURCES		
Deferred amount on refunding	$ 15,737,411	$ 17,248,606
Deferred outflows related to pensions	7,356,155	4,083,964
Total deferred outflows of resources	**$ 23,093,566**	**$ 21,332,570**
LIABILITIES		
Current Liabilities		
Accounts payable and accrued liabilities	$ 33,598,226	$ 25,627,849
Accrued payroll liabilities	20,060,084	20,275,413
Accrued interest expense	5,873,360	5,359,371
Student overpayments	122,042	109,795
Funds held in trust for others	410,353	1,313,857
Advance receipts	33,283,777	32,469,939
Compensated absences payable - current portion	1,535,013	1,685,575
Bonds, notes, capital leases and installment contracts payable - current portion	33,524,377	32,816,815
Total current liabilities	128,407,232	119,658,614

	June 30 2017	June 30 2016
Noncurrent Liabilities		
Refundable federal advance - Perkins loans	14,277,391	14,210,926
Compensated absences payable	19,701,601	18,519,150
Liability for other post employment benefits	16,327,494	15,386,270
Pension liability	14,261,174	9,296,127
Bonds, notes capital leases and installment contracts payable	749,222,801	662,735,244
Other noncurrent liabilities	32,197	28,229
Total noncurrent liabilities	813,822,658	720,175,946
Total liabilities	**$ 942,229,890**	**$ 839,834,560**
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pensions	$ 929,772	$ 1,756,044
Total deferred inflows of resources	**$ 929,772**	**$ 1,756,044**
NET POSITION		
Net invested in capital assets	$ 550,573,383	$ 537,504,192
Restricted for		
Nonexpendable		
Scholarships and fellowships	8,453,547	8,366,072
Research	6,274,656	5,739,659
Instructional department uses	10,544,889	10,535,480
Loans	996,211	672,843
Other	272,716	272,716
Expendable		
Scholarships and fellowships	15,386,670	13,043,792
Research	35,722,118	28,077,855
Public service	9,260,752	8,997,390
Instructional department uses	13,078,691	10,580,121
Loans	3,278,662	3,294,116
Capital projects	26,332,397	10,191,897
Debt service	206,535	363,562
Other	8,182,648	6,055,168
Unrestricted	291,042,838	269,201,024
Total net position	**$ 979,606,713**	**$ 912,895,887**

See Accompanying Notes To Financial Statements

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Fiscal 2017 Total	Fiscal 2016 Total
REVENUES		
Operating Revenues		
Student tuition and fees (net of scholarship allowances of $69,472,370 in fiscal year 2017, and $67,806,160 in fiscal year 2016)	$ 227,456,739	$ 209,808,704
Federal appropriations	11,924,289	11,138,807
County appropriations	4,144,630	3,449,528
Federal grants and contracts	43,241,546	33,598,011
State and local grants and contracts	32,460,684	25,347,076
Nongovernmental grants and contracts	39,224,018	32,821,266
Sales and services of educational departments	22,454,703	23,093,648
Auxiliary enterprises		
Residence Life (net of scholarship allowances of $13,789,937 in fiscal year 2017, and $14,134,806 in fiscal year 2016)	51,932,574	50,297,859
Athletics	103,488,566	98,143,466
Bookstore (net of scholarship allowances of $133,721 in fiscal year 2017, and $122,981 in fiscal year 2016)	12,278,306	12,635,880
Student Health Services	2,406,462	2,310,530
Transit and Parking	9,438,067	8,874,690
Student Organizations/Activities	52,295	92,917
Other Auxiliary Enterprises	234,664	289,940
Other operating revenues	13,271,938	10,810,896
Total operating revenues	**574,009,481**	**522,713,218**
EXPENSES		
Operating Expenses		
Salaries, wages, and benefits	487,572,321	468,599,991
Scholarships and fellowships	20,764,570	20,923,680
Supplies and other services	248,768,835	244,098,964
Depreciation	75,527,340	73,379,367
Total operating expenses	**832,633,066**	**807,002,002**
Operating loss	**(258,623,585)**	**(284,288,784)**
NONOPERATING REVENUES (EXPENSES)		
State appropriations	206,764,617	210,455,158
Gifts	72,257,662	70,317,049
Investment income (net of investment expense of $391,544 in fiscal year 2017, and $329,408 in fiscal year 2016)	11,951,939	3,078,937
Interest on capital asset - related debt	(24,585,099)	(24,013,039)
Federal grants (nonexchange)	21,631,421	22,309,930
State and local grants (nonexchange)	27,016,602	28,055,324
Loss on disposal of assets	(3,171,268)	(188,529)
Other nonoperating revenues	2,733,202	3,134,598
Other nonoperating expenses	(564,980)	(955,818)
Net nonoperating revenues	**314,034,096**	**312,193,610**
Gain before other revenues and changes in net position	**55,410,511**	**27,904,826**

	Fiscal 2017 Total	Fiscal 2016 Total
OTHER REVENUES AND CHANGES IN NET POSITION		
Capital appropriations	350,000	1,000,000
Capital grants and gifts	20,437,460	6,036,286
Other changes	161,097	(1,016,001)
Extraordinary item - pollution remediation	(9,648,242)	
Total other revenues and changes in net position	**11,300,315**	**6,020,285**
Increase in net position	**66,710,826**	**33,925,111**
NET POSITION		
Net position, beginning of year	912,895,887	878,970,776
Net position, end of year	**$ 979,606,713**	**$ 912,895,887**

See Accompanying Notes To Financial Statements.

STATEMENT OF CASH FLOWS – DIRECT METHOD

For the Year Ended June 30, 2017
With Comparative Figures for 2016

	Fiscal 2017 Total	Fiscal 2016 Total
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$ 227,146,153	$ 210,213,171
Federal appropriations	11,900,582	10,769,584
County appropriations	4,144,629	3,449,528
Grants and contracts	114,374,801	86,996,530
Payments to suppliers	(248,258,374)	(239,220,014)
Payments to employees	(379,558,964)	(364,205,785)
Payments for benefits	(105,426,231)	(101,341,579)
Payments for scholarships and fellowships	(20,730,599)	(20,926,486)
Loans issued to students and employees	(2,626,711)	(2,833,076)
Collections of loans to students	2,298,842	3,032,272
Collections of interest on loans to students	397,760	415,478
Auxiliary enterprise charges		
Residence Life	52,015,522	50,319,468
Athletics	103,323,543	97,241,435
Bookstore	12,270,412	12,822,226
Student Health Services	2,406,462	2,330,738
Transit and Parking	9,428,963	8,809,215
Student Organizations/Activities	57,722	95,476
Other Auxiliary Enterprises	426,534	381,157
Sales and services of educational departments	21,082,480	23,878,712
Other receipts	15,742,242	13,529,594
Extraordinary item - pollution remediation	(7,276,379)	
Net cash used by operating activities	**(186,860,611)**	**(204,242,356)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations	206,764,617	210,455,158
Gifts and grants for other than capital purposes	70,475,993	70,319,734
Federal grants (nonexchange)	21,631,421	22,309,931
State and local grants (nonexchange)	27,503,445	27,569,480
Nongovernmental grants (nonexchange)	37,573	25,326
Direct Lending, and private loan receipts	120,749,237	114,825,895
Direct Lending, and private loan payments	(121,795,309)	(114,807,219)
Net agency fund transactions	179,020	151,016
Interfund loan	(1,167,131)	(1,167,131)
Net cash provided by noncapital financing activities	**324,378,866**	**329,682,190**
Net cash provided by operating activities and noncapital financing activities	**137,518,255**	**125,439,834**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions	40,920,765	20,427,123
Capital appropriations	350,000	1,000,000
Capital grants and gifts received	17,653,202	1,230,625
Purchases of capital assets	(100,613,126)	(77,320,029)
Principal paid on capital debt and leases	(29,257,903)	(28,114,345)
Interest paid on capital debt and leases	(29,481,238)	(27,196,348)
Payments for bond refunding and related costs		(7,022,264)
Net cash used by capital and related financing activities	**(100,428,300)**	**(116,995,238)**

	Fiscal 2017 Total	Fiscal 2016 Total
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	4,607,529	1,615,837
Investment income	900,790	832,866
Purchase of investments	(190,000,025)	(15,575)
Net cash provided (used) by investing activities	**(184,491,706)**	**2,433,128**
NET INCREASE (DECREASE) IN CASH	(147,401,751)	10,877,724
Cash - beginning of year	287,320,123	276,442,399
Cash - end of year	**$ 139,918,372**	**$ 287,320,123**
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$ (258,623,585)	$ (284,288,784)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense	75,527,340	73,379,367
Other miscellaneous operating receipts	2,891,500	3,226,814
Extraordinary item - pollution remediation	(7,276,379)	
Changes in assets and liabilities		
Receivables (net)	(3,050,259)	(4,143,433)
Inventories	264,547	(142,436)
Prepaid expenses	(472,002)	(610,762)
Accounts payable and accrued liabilities	685,410	2,260,609
Accrued payroll liabilities (Employees)	(720,568)	441,890
Accrued payroll liabilities (Benefits)	468,009	1,085,036
Student overpayments	12,247	38,572
Advance receipts	829,495	2,846,113
Refundable federal advance	66,467	25,313
Deposits	3,968	
Compensated absences	1,031,887	198,795
Retiree benefits	1,807,808	1,240,329
Loans to students and employees	(306,496)	200,221
Net cash used by operating activities	**$ (186,860,611)**	**$ (204,242,356)**
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$ 5,509,776	$ 1,257,486
Fair market value of network infrastructure obtained through noncash swap	785,000	
Book value of network infrastructure traded though noncash swap	268,418	
Equipment donations	670,870	2,920,254
Payment of bond escrow directly from bond proceeds		134,624,725
Payment of bond proceeds directly into deposits with trustees	119,759,469	36,567,554
Payment of underwriter's discounts paid directly from bond proceeds	239,546	656,831
Bond issuance costs paid directly from bond proceeds	325,708	459,533
Interest on long-term debt paid directly from deposits with trustees	159,415	188,610
Investment income paid on and deposited directly into deposits with trustees	417,694	
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments	315,658	
Net loss on disposal of assets	3,576,949	412,595
Value of goods received from sponsorship agreements with vendors	3,389,056	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, 2017 and 2016

	2017	2016
Assets		
Investments	$ 534,656,411	$ 486,777,148
Liabilities and Net Assets		
Accounts payable	$ 931,047	$ 287,102
Net assets:		
Temporarily restricted	36,403,141	33,875,459
Permanently restricted	497,322,223	452,614,587
Total net assets	533,725,364	486,490,046
Total liabilities and net assets	$ 534,656,411	$ 486,777,148

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenue, gains and other support:				
Interest and dividends (see Note 6)	$ -	$ 3,597,973	$ 2,245	$ 3,600,218
Net realized and unrealized gains on investments (see Note 6)	-	15,846,520	44,705,391	60,551,911
Net asset reclassifications, including released from restrictions	16,916,811	(16,916,811)	-	-
Total revenue, gains and other support	16,916,811	2,527,682	44,707,636	64,152,129
Program services:				
Research	912,263	-	-	912,263
Faculty/staff support	3,100,700	-	-	3,100,700
Scholarships and awards	11,397,251	-	-	11,397,251
Equipment and technology	1,107,626	-	-	1,107,626
Other	398,971	-	-	398,971
Total program services	16,916,811	-	-	16,916,811
Changes in net assets	-	2,527,682	44,707,636	47,235,318
Net assets, beginning of year	-	33,875,459	452,614,587	486,490,046
Net assets, end of year	$ -	$ 36,403,141	$ 497,322,223	$ 533,725,364

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	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

DISCRETELY PRESENTED COMPONENT UNITS

THE RAZORBACK FOUNDATION, INC.

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 2017

Assets	
Cash and cash equivalents	$ 11,104,482
Contributions receivable, net	32,475,120
Investments, at fair value	18,117,224
Prepaid rent	1,350,234
Other	1,641,035
Property and equipment, net	14,973,848
Total assets	$ 79,661,943
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities	$ 655,251
Deferred compensation	17,000
Total liabilities	672,251
Net assets:	
Stockholder's equity in for-profit subsidiary	100
Unrestricted net assets of nonprofit parent	42,445,465
Total unrestricted net assets	42,445,565
Temporarily restricted net assets	33,168,917
Permanently restricted net assets	3,375,210
Total net assets	78,989,692
Total liabilities and net assets	$ 79,661,943

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2017

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 17,342,964	$ 19,998,979	$ 112,664	$ 37,454,607
Interest and dividends	224,934	58,551	-	283,485
Net realized and unrealized gains on investments	1,493,631	501,746	-	1,995,377
Other	102,074	-	-	102,074
Net assets released from restrictions	34,454,737	(34,454,737)	-	-
Total revenues, gains and other support	53,618,340	(13,895,461)	112,664	39,835,543
Expenses and losses:				
Program services:				
Athletic department expenses	14,329,310	-	-	14,329,310
Construction and capital projects	14,963,679	-	-	14,963,679
Total program services	29,292,989	-	-	29,292,989
Supporting services:				
Management and general	2,381,028	-	-	2,381,028
Fundraising	3,153,856	-	-	3,153,856
Change in cash surrender value of life insurance policies	(52,792)	-	-	(52,792)
Provision for loss on uncollectible contributions	429,946	-	-	429,946
Total supporting services	5,912,038	-	-	5,912,038
Total expenses and losses	35,205,027	-	-	35,205,027
Change in net assets	18,413,313	(13,895,461)	112,664	4,630,516
Net assets, beginning of year	24,032,252	47,064,378	3,262,546	74,359,176
Net assets, end of year	$ 42,445,565	$ 33,168,917	$ 3,375,210	$ 78,989,692

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

TABLE OF CONTENTS: NOTES TO THE FINANCIAL STATEMENTS

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 thirteen 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, 2017. 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 International Education, and the Global Campus.

1C Discretely Presented Component Units

Under the provisions of the GASB statements discussed above, the University has identified two 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., and the Razorback 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 International Education 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 $16,961,198 and $16,536,124 to the University during the fiscal years ended June 30, 2017 and June 30, 2016, 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 $25,017,684 to the University, and provided equipment, facilities, improvements and supplies in the amount of $547,864 during the fiscal year ended June 30, 2017. During the fiscal year ended June 30, 2016, the Razorback Foundation distributed $13,644,674 to the University, and provided equipment, facilities, improvements and supplies in the amount of $2,860,668. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 1295 S. Razorback Road, Fayetteville, AR 72701.

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, and cash on deposit with the State Treasurer.

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.

An allowance of $179,419 was computed based on estimated obsolete inventory values as of June 30, 2017

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 $30,080,021 and $3,063,756, respectively, for the fiscal year ended June 30, 2017. 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.

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 six statements with requirements that became effective for the fiscal year ended June 30, 2017. 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 and defined contribution pension plans that are not administered through trusts or equivalent arrangements, and thus fall outside the scope of Statement No. 68. No pension plans were identified that were impacted by this statement. Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, addresses financial reporting requirements for defined benefit or defined contribution OPEB plans administered through trusts. No trusts have been established for university OPEB plans, so this statement has no effect on current reporting or disclosures. Statement No. 77, Tax Abatement Disclosures, establishes reporting standards for tax abatement agreements. The university does not levy taxes nor is the recipient of taxes levied by another government, thus this statement has no effect on current reporting and disclosures. Statement No. 78, Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans, establishes accounting and financial reporting standards for cost-sharing multiple-employer defined benefit pension plans that meet the criteria provided in Statement 68, but are not a state or local government plan, are used to provide defined benefit pensions to both employees of a state or local government and to employees of employers that are not a state or local government and have no predominant state or local government employer. No pension plans were identified that were impacted by this statement. Statement No. 80, Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14, establishes additional blending requirements for component units organized as not-for-profit corporations in which the primary government is the sole corporate member. Management did not identify any component units organized in the manner, so this statement has no effect on current reporting and disclosures. Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No.68, and No. 73 addresses practice issues raised with respect to the other pension statements. Only requirements related to selection of assumptions are applicable to the year ended June 30, 2017. Management has determined that the requirements do not affect current reporting or disclosures.

The GASB issued the following statements with requirements that become effective for the fiscal year ending June 30, 2018: Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, Statement No. 81, Irrevocable Split-Interest Agreements, Statement No. 82, Pension Issues – an amendment of GASB Statements No. 67, No.68, and No. 73, Statement No. 85, Omnibus, 2017 and Statement No. 86, Certain Debt Extinguishment Issues . The GASB also issued Statement No. 83, Certain Asset Retirement Obligations which will become effective for the fiscal year ending June 30, 2019. Statement No. 84, Fiduciary Activities, will become effective for the fiscal year ending June 30, 2020 and Statement No. 87, Leases will become effective for the fiscal year ending June 20, 2021. Management has not yet determined the effects of these statements on the University's financial statements.

1W Restatement of Prior Year

The Statement of Revenues, Expenses and Changes in Net Position has been restated for the year ended June 30, 2016 to reflect a change in how certain revenues and expenses relating to Residence Life are reported. Residence Life revenues were increased $1,958,017 to capture room and board revenue from students who serve as Resident Assistants. Overall scholarship program expenses, comprised of scholarship allowance netted against revenue and scholarship expense were also restated, with the overall scholarship allowance increased by $1,638,191 and scholarship and fellowship expense increased by $319,826.

The University also reevaluated how general student meal plan revenue and expenses are recognized. In past years, the funds collected from students for meal plans were passed through to the University's third party provider of campus dining services, with no revenue or expense recognized in the University's financial statements. Management has determined that revenue received from students for meal plans and the related expense to the third party provider should be reported. As a result, the Residence Life revenue has been increased for the year ended June 30, 2016 by $18,868,980. Supplies and other services expense has been increased by the same amount.

These restatements also affect the allocation of the Scholarship allowance, and adjust the amount netted against Student tuition and fees revenue, Residence Life revenue, and Bookstore revenue.

Neither of the restatements discussed above had any effect on the Statement of Net Position. The Statement of Cash Flows was also restated to reflect the changes.

A summary of the restated revenues, expenses and scholarship allowances is as follows:

Effect of Restatement

Revenue	FY2016 Prior to Restatement	Restatement: Resident Assistants	Restatement: Scholarship Program Expense	Restatement: Meal Plan Revenue	Restatement: Payment to Service Provider[1]	FY2016 After Restatement
Student tuition and fees, gross	$ 277,614,864					$ 277,614,864
Scholarship allowances	(71,476,290)		$ 3,670,130			(67,806,160)
Student tuition and fees, net	$ 206,138,574 *		$ 3,670,130			$ 209,808,704 **
Residence Life, gross	$ 43,605,668	$ 1,958,017		$ 18,868,980		$ 64,432,665
Scholarship allowances	(8,819,828)		$ (5,314,978)			(14,134,806)
Residence Life, net	$ 34,785,840 *	$ 1,958,017	$ (5,314,978)	$ 18,868,980		$ 50,297,859 **
Bookstore, gross	$ 12,758,861					$ 12,758,861
Scholarship allowances	(129,638)		$ 6,657			(122,981)
Bookstore, net	$ 12,629,223 *		$ 6,657			$ 12,635,880 **
Overall scholarship allowance increase			$ (1,638,191)			
Expense						
Scholarships and fellowships	$ (20,603,854) *		$ (319,826)			$ (20,923,680) **
Supplies and other services	(225,229,984) *				$ (18,868,980)	(244,098,964) **
Subtotal		**$ 1,958,017**	**$ (1,958,017)**	**$ 18,868,980**	**$ (18,868,980)**	

* As originally reported on the 2015-2016 Annual Financial Report, "Statement of Revenues, Expenses, and Changes in Net Position" column "Fiscal 2016 Total"
** As reported on the 2016-2017 Annual Financial Report, "Statement of Revenues, Expenses, and Changes in Net Position" column "Fiscal 2016 Total"
[1] Included in Supplies and other services in "Statement of Revenues, Expenses, and Changes in Net Position" column "Fiscal 2016 Total"

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 $4,544,920 at June 30, 2017 and $4,212,534 at June 30, 2016.

The following schedule reconciles the amount of deposits to the Statement of Net Position at June 30, 2017 and June 30, 2016:

Cash and Cash Equivalents

Cash and Cash Equivalents	June 30, 2017	June 30, 2016
Cash on deposit, carrying value	$ 142,672,933	$ 287,313,407
Cash held at State Treasury	1,723,334	4,158,325
Imprest Funds, non-Bank	67,025	60,925
Less: System Administration Cash	(4,544,920)	(4,212,534)
Totals	**$ 139,918,372**	**$ 287,320,123**

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, 2017, 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, 2017 and June 30, 2016:

Investments

Investment Type	Fair Value at June 30, 2017	Fair Value at June 30, 2016
Mutual Treasury MM Funds	$ 14,553,326	$ 29,455,653
U.S. Treasuries	112,515,132	
Federal Agencies	44,596,853	
Commercial Paper	81,534,052	
Mutual Bond Funds	148,839	82,941
Corporate Notes/Bonds	25,760,954	75,058
Negotiable CDs	19,454,908	
External Investment Pool	157,704,772	150,005,854
Other Investments	554,403	2,501,522
Totals	**$ 456,823,239**	**$ 182,121,028**

At June 30, 2017, total investments of $456,823,239 includes $108,077,584 reported as deposits with bond trustees on the Statement of Net Position; at June 30, 2016, total investments of $182,121,028 includes $29,449,995 reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $58,987 at June 30, 2017 and $59,193 at June 30, 2016 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. In accordance with its Operating Funds Investment Policy, the University limits its exposure to fair value losses arising from rising interest rates by limiting investment maturities as follows:

Investment Maturities

Investment Type (Sector)	Maximum Maturity
U.S. Treasury	10 Years
Federal Agency/Government Sponsored Enterprise	10 Years
Corporate Notes	10 Years
Commercial Paper	270 Days
Negotiable Certificates of Deposit	5 Years

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

Interest Rate Risk

June 30, 2017

		Investment Maturities (in years)			
Investment Type	Value	Less than 1	1 to 5	6 to 10	More than 10
U.S Treasury	$ 112,515,132	$ 61,394,378	$ 45,492,665	$ 5,628,089	$ 0
Federal Agencies	44,596,853	21,296,724	23,300,129		
Commercial Paper	81,534,052	81,534,052			
Corporate Notes/Bonds	25,760,954	6,127,067	18,552,204	1,081,683	
Negotiable CDs	19,454,908	11,993,040	7,461,868		
Totals	**$ 283,861,899**	**$ 182,345,261**	**$ 94,806,866**	**$ 6,709,772**	**$ 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. In accordance with its Operating Funds Investment Policy, the University applies the "prudent investor" standard which states that, "In making investments, the fiduciaries shall exercise the judgement and care, under the circumstances then prevailing, which an institutional investor of ordinary prudence, discretion, and intelligence exercises in the management of large investments entrusted to it, not in regard to speculation, considering probable safety of capital as well as probable income." The University manages its exposure to fair value losses arising from credit risks as follows:

Investment Ratings

Investment Type (Sector)	Minimum Ratings Requirement
U.S. Treasury	N/A
Federal Agency/Government Sponsored Enterprise	Highest short-term or one of the two highest long-term rating categories (A-1/P-1,AA-/Aa3 or equivalent)
Corporate Notes	Highest short-term or one of the three highest long-term rating categories (A-1/P-1, A-/A3 or equivalent)
Commercial Paper	Highest short-term rating category (A-1/P-1, or equivalent)
Negotiable Certificates of Deposit	Highest short-term or one of the three highest long-term rating categories (A-1/P-1, A-/A3 or equivalent)
Money Market Funds	AAAm
Fixed-Income Mutual Funds & ETFs	N/A

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

Credit Risk

June 30, 2017

Investment Type	Value	Aaa-Aa3	A1-A3	Not Rated
Mutual Treasury MM Funds	$ 14,553,326	$ 14,547,644		$ 5,682
U.S. Treasury	112,515,132	112,515,132		
Federal Agencies	44,596,853	44,596,853		
Commercial Paper	81,534,052	81,534,052		
Mutual Bond Funds	148,839			148,839
Corporate Notes/Bonds	25,760,954	7,745,270	$ 18,015,684	
Negotiable CDs	19,454,908	16,555,940	2,898,968	
Totals	**$ 298,564,064**	**$ 277,494,891**	**$ 20,914,652**	**$ 154,521**

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

2C External Investment Pool-University of Arkansas System

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

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

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

The implementation of GASB Statement No. 72, Fair Value Measurement and Application, 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, 2017	5.05%	19.71%	3.50%	8.39%
June 30, 2016	5.07%	21.36%	3.79%	8.87%

University of Arkansas External Investment Pool

Statement of Invested Assets

Investment Type	Fair Value* June 30, 2017	Fair Value* June 30, 2016
Equities	**$ 529,355,249**	**$ 475,819,049**
Common Stock	243,790,593	200,276,780
Funds - Common Stock	259,232,645	237,495,225
Stapled Securities		1,168,734
Rights/Warrants	78,107	4,478
Funds - Equities ETF	26,253,904	36,873,832
Fixed Income	**$ 435,256,959**	**$ 378,383,254**
Government Bonds	109,856,684	88,091,606
Funds - Government Bonds		29,457,668
Corporate Bonds	34,926,706	41,665,211
Funds - Corporate Bond		15,291,094
Government Mortgage Backed Securities	25,289,255	6,219,773
Commercial Mortgage-Backed	2,778,176	522,965
Asset Backed Securities	13,067,624	6,274,704
Non-Government Backed C.M.O.s	1	1
Funds - Other Fixed Income		47,034,191
Funds - Fixed Income ETF	249,338,513	143,826,041
Venture Capital and Partnerships	**$ 635,535,299**	**$ 577,606,549**
Partnerships	635,535,299	577,606,549
Commodities	**$ 0**	**$ 0**
Funds – Commodity Linked		
Hedge Fund	**$ 243,195,051**	**$ 203,461,577**
Hedge Equity	207,324,244	174,593,501
Hedge Event Driven	35,870,807	28,868,076
All Other	**$ 529,239**	**$ 426,686**
Recoverable Taxes	529,239	426,686
Cash/Cash Equivalents	**$ 35,439,947**	**$ 55,684,307**
Funds - Short Term Investment	35,244,484	37,744,671
Cash	(3,783,549)	14,128,439
Invested Cash	3,979,012	3,811,197
Totals	**$ 1,879,311,744**	**$ 1,691,381,422**

*Includes accrued income

Credit Risk – S&P Quality Ratings

June 30, 2017

Investment Type & Fair Value*	Credit Risk AAA	AA	A	BBB	BB	NR	US GOVN. GUAR
Asset Backed Securities	$ 9,343,000					$ 3,710,161	
Commercial Mortgage-Backed	1,019,254					1,752,024	
Corporate Bonds	387,669	$ 3,887,845	$ 17,095,920	$ 13,185,837		90,854	
Funds - Fixed Income ETF						249,338,513	
Funds - Short Term Investment						35,224,573	
Government Bonds					$ 5,465		$ 109,496,036
Govn Mortgage Backed Securities							25,213,043
Hedge Event Driven						35,870,807	
Non-Govn Backed C.M.O.s						1	
Totals	**$ 10,749,923**	**$ 3,887,845**	**$ 17,095,920**	**$ 13,185,837**	**$ 5,465**	**$ 325,986,933**	**$ 134,709,079**

*Does not include accrued income

Years to Maturity

June 30, 2017

Investment Type	Fair Value*	Investment Maturities (in years) Less than 1	1+ to 6	6+ to 10	10+	Maturity Not Determined
Asset Backed Securities	$ 13,053,161		$ 13,053,161			
Commercial Mortgage-Backed	2,771,278				$ 2,771,278	
Corporate Bonds	34,648,125	$ 163,585	17,239,473	$ 11,462,252	5,782,815	
Funds - Fixed Income ETF	249,338,513					$ 249,338,513
Funds - Short Term Investment	35,224,573					35,224,573
Government Bonds	109,501,501		15,188,477	91,499,111	2,813,913	
Govn Mortgage Backed Securities	25,213,043				25,213,043	
Hedge Event Driven	35,870,807					35,870,807
Non-Government Backed C.M.O's	1					1
Totals	**$ 505,621,002**	**$ 163,585**	**$ 45,481,111**	**$ 102,961,363**	**$ 36,581,049**	**$ 320,433,894**

*Does not include accrued income

Interest Rate Sensitivity - Effective Duration

June 30, 2017

Investment Type	Fair Value*	Effective Duration
Asset Backed Securities	$ 13,053,161	1.80
Commercial Mortgage-Backed	2,771,278	1.49
Corporate Bonds	34,557,271	6.51
Corporate Bonds	90,854	N/A
Funds - Fixed Income ETF	249,338,513	N/A
Funds - Short Term Investment	35,224,573	N/A
Government Bonds	109,501,501	8.18
Govn Mortgage Backed Securities	25,213,043	4.37
Hedge Event Driven	35,870,807	N/A
Non-Govn Backed C.M.O.s	1	N/A
Total	**$ 505,621,002**	

*Does not include accrued income

Foreign Currency Risk By Investment Type

June 30, 2017

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	$ 4,278,385	$ 5,335,408	
CANADIAN DOLLAR	(1,021,434)	1,339,906	$ 25,822
SWISS FRANC	23,041	7,692,780	147,246
HK OFFSHORE CHINESE YUAN RENMINBI	(888,450)		
CHINESE YUAN RENMINBI	(3,434,686)		
DANISH KRONE	(43)	2,596,919	8,289
EURO	(3,744,527)	41,768,950	281,094
BRITISH POUND STERLING	5,390,749	14,119,604	
HONG KONG DOLLAR	63,817	8,953,151	
NEW ISRAELI SHEKEL	612	594,564	
JAPANESE YEN	3,486,581	24,348,743	52,065
SOUTH KOREAN WON		2,628,988	
NORWEGIAN KRONE	401,941	1,078,645	
NEW ZEALAND DOLLAR	5	515,523	
POLISH ZLOTY	1,787		
SWEDISH KRONA	1,656,360	4,675,519	
SINGAPORE DOLLAR	554,732	1,148,698	
Totals	**$ 6,768,870**	**$ 116,797,398**	**$ 514,516**

*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, 2017	June 30, 2016
Endowment Investments	$ 78,661,949	$ 70,576,791
Operating Investment Sweep	125,464	597,161
Amounts Receivable	823	2
Funds treated as Endowment	(13,892,057)	(12,605,613)
Non-expendable portion of Endowment	(25,393,403)	(25,296,519)
Totals	**$ 39,502,776**	**$ 33,271,822**

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 FY2017, the total takedown percentage of 5.293% includes .6% for administrative costs plus other external fees. For FY2016, the total takedown percentage was 5.306%

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, 2017, are as follows:

Accounts Receivable

June 30, 2017

Type	Gross	Allowance	Net
Student Accounts Receivable	$ 15,483,736	$ (5,114,812)	$ 10,368,924
Non-student Accounts Receivable	17,195,795	(217,505)	16,978,290
Unreimbursed Research Contract Expenses	14,773,608		14,773,608
Totals	**$ 47,453,139**	**$ (5,332,317)**	**$ 42,120,822**

A summary of accounts receivable balances at June 30, 2016, 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**

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, and an interfund loan between the University and the University of Arkansas System eVersity to help fund its initial startup.

The resources for loans to students include federal funds, funds from other external sources, and University funds. New student loans totaling $2,343,920 and $1,956,028 were issued under the Student Loan Programs for the years ended June 30, 2017 and June 30, 2016, 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 15.81% and 14.04%, for the years ended June 30, 2017 and June 30, 2016, respectively. Notes receivable totaling $33,213 and $17,464 were written off during the fiscal years ended June 30, 2017 and June 30, 2016, respectively.

A summary of notes receivable balances at June 30, 2017, are as follows:

Notes Receivable

June 30, 2017

Type	Gross Balance	Allowance	Net Balance	Current Portion
Student loans	$ 15,731,168	$ (840,156)	$ 14,891,012	$ 3,932,792
Loans to Greek organizations	232,259		232,259	151,731
Lease termination	36,552	(36,552)		
Interfund loan	2,334,262		2,334,262	
Totals	**$18,334,241**	**$ (876,708)**	**$17,457,533**	**$ 4,084,523**

A summary of notes receivable balances at June 30, 2016, 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**

3C Pledges Receivable

Pledges receivable consists of gifts pledged for capital projects, endowments and other purposes.

A summary of pledges receivable balances at June 30, 2017, are as follows:

Pledges Receivable

June 30, 2017

Category	Total Gift Pledge	Received as of June 30, 2017	Pledge Outstanding as of June 30, 2017	Current Portion
Capital projects	$ 3,427,552	$ 1,070,219	$ 2,357,333	$ 754,093
Endowments	960	140	820	820
Other	100,120	20,020	80,100	20,100
Totals	**$ 3,528,632**	**$ 1,090,379**	**$ 2,438,253**	**$ 775,013**

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

Pledges Receivable

June 30, 2016

Category	Total Gift Pledge	Received as of June 30, 2016	Pledge Outstanding as of June 30, 2016	Current Portion
Capital projects	$ 7,000,000	$ 2,491,922	$ 4,508,078	$ 4,508,078
Totals	**$ 7,000,000**	**$ 2,491,922**	**$ 4,508,078**	**$ 4,508,078**

4. CAPITAL ASSETS

The following presents a summary of changes in capital assets for the year ended June 30, 2017:

Capital Assets

June 30, 2017

	Beginning Balance	Additions	Retirements	Adjustments	Ending Balance
Nondepreciable Capital Assets					
Land	$ 57,256,870	$ 2,695,947			$ 59,952,817
Construction in progress	46,588,144	85,953,098		$ (49,023,261)	83,517,981
Other assets	2,191,472	16,848			2,208,320
Total Nondepreciable Capital Assets	**106,036,486**	**88,665,893**		**(49,023,261)**	**145,679,118**
Depreciable Capital Assets					
Buildings	1,564,243,119	1,879,905	$ (10,507,948)	37,145,183	1,592,760,259
Equipment	241,551,426	17,001,307	(9,390,387)	119,362	249,281,708
Improvements	36,001,529	1,163,918		8,211,634	45,377,081
Infrastructure	111,438,863	860,000	(383,455)	3,666,721	115,582,129
Intangible assets	79,476,189		(2,052,575)		77,423,614
Library holdings	84,428,830	6,159,479	(67,049)		90,521,260
Total Depreciable Capital Assets	**2,117,139,956**	**27,064,609**	**(22,401,414)**	**49,142,900**	**2,170,946,051**
Less Accumulated Depreciation					
Buildings	(612,949,058)	(49,954,527)	6,636,856		(656,266,729)
Equipment	(197,524,167)	(16,199,135)	9,417,208	29,572	(204,276,522)
Improvements	(19,079,586)	(1,889,285)			(20,968,871)
Infrastructure	(48,733,716)	(4,575,667)	115,036		(53,194,347)
Intangible assets	(78,858,080)	(60,799)	2,052,575		(76,866,304)
Library holdings	(73,714,017)	(2,847,927)	64,976		(76,496,968)
Total Accumulated Depreciation	**(1,030,858,624)**	**(75,527,340)**	**18,286,651**	**29,572**	**(1,088,069,741)**
Total Depreciable Capital Assets	**1,086,281,332**	**(48,462,731)**	**(4,114,763)**	**49,172,472**	**1,082,876,310**
Total Capital Assets, Net of Accumulated Depreciation	**$1,192,317,818**	**$ 40,203,162**	**$ (4,114,763)**	**$ 149,211**	**$1,228,555,428**

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

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

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 building 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, 2017	June 30, 2016
Payable to Outside Vendors	$ 30,161,870	$ 22,337,594
Retainage on Construction Contracts	3,431,114	3,267,146
Property Taxes Payable	5,242	23,109
Totals	**$ 33,598,226**	**$ 25,627,849**

Accrued payroll liabilities are summarized as follows:

Accrued Payroll Liabilities

Type	June 30, 2017	June 30, 2016
Net Salaries and Wages Payable	$ 2,186,177	$ 3,544,350
Employee Withholdings Payable	9,612,322	9,286,148
Employer Payroll Taxes and Benefits Matching Payable	8,261,585	7,444,915
Totals	**$ 20,060,084**	**$ 20,275,413**

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, 2017.

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 year ended June 30, 2017 are as follows:

Compensated Absences

June 30, 2017

	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Compensated Absences	$ 20,204,725	$ 1,268,717	$ 236,828	$ 21,236,614	$ 1,535,013

Changes in compensated absences for the year ended June 30, 2016 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

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, 2017, is as follows:

Long-Term Debt

June 30, 2017

Date of Issue	Date of Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2017	Maturities & Refinanced Amounts June 30, 2017
12/15/2009	11/01/2039	3.00% to 5.00%	$ 52,430,000	$ 45,980,000	$ 6,450,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	9,980,000	13,985,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	90,530,000	10,695,000
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		23,575,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	48,385,000	8,580,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	56,915,000	3,625,000
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	49,930,000	4,520,000
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	24,435,000	5,920,000
06/30/2014	11/01/2043	2.00% to 5.00%	24,730,000	23,645,000	1,085,000
06/30/2014	11/01/2043	0.85% to 4.50%	5,020,000	4,765,000	255,000
02/12/2015	11/01/2036	2.00% to 5.00%	70,360,000	64,715,000	5,645,000
02/12/2015	09/15/2022	2.00% to 5.00%	14,180,000	13,200,000	980,000
08/27/2015	11/01/2045	1.02% to 4.40%	7,510,000	7,365,000	145,000
08/27/2015	11/01/2021	2.00% to 5.00%	36,675,000	25,995,000	10,680,000
04/05/2016	11/01/2046	3.00% to 5.00%	93,590,000	92,030,000	1,560,000
04/05/2016	11/01/2028	0.87% to 3.25%	15,280,000	14,255,000	1,025,000
10/19/2016	09/15/2036	5.00%	24,845,000	24,845,000	
10/19/2016	09/15/2034	1.192% to 3.388%	90,000,000	90,000,000	
11/30/1991	05/01/2022	5.50%	3,000,000	886,992	2,113,008
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	697,053	1,374,087
07/31/2015	07/01/2023	1.97%	4,935,766	4,352,431	583,335
07/31/2015	11/19/2023	1.99%	16,969,012	13,178,283	3,790,729
07/31/2015	01/08/2023	1.95%	6,844,590	5,329,324	1,515,266
Various	Various	Various	863,794	342,502	521,292
Net unamortized premium			76,730,036	63,200,593	13,529,443
Totals			**$ 906,004,338**	**$ 782,747,178**	**$ 123,257,160**

A summary of long-term debt at June 30, 2016, 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**

8B Schedule of Changes in Long-Term Debt

Changes in long-term debt for the year ended June 30, 2017, are as follows:

Changes in Long-Term Debt					
June 30, 2017					
	Beginning Balance	Additions	Reductions	Ending Balance	Current Portion
Bonds	$ 605,315,000	$ 114,845,000	$ 25,400,000	$ 694,760,000	$ 25,705,000
Net unamortized premium	62,004,805	5,154,015	3,958,227	63,200,593	3,954,973
Notes	1,754,858		170,813	1,584,045	179,811
Leases	285,805	248,207	191,510	342,502	220,657
Installment contracts	26,191,591		3,331,553	22,860,038	3,463,936
Totals	**$ 695,552,059**	**$ 120,247,222**	**$ 33,052,103**	**$ 782,747,178**	**$ 33,524,377**

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

Changes in long-term debt for the year ended June 30, 2016, 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.

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
2018	$ 29,569,404	$ 30,403,854	$ 59,973,258
2019	32,995,078	29,325,355	62,320,433
2020	34,281,402	28,061,548	62,342,950
2021	34,940,456	26,656,710	61,597,166
2022	33,610,465	25,234,053	58,844,518
2023-2027	148,647,917	106,974,559	255,622,476
2028-2032	147,410,973	75,940,589	223,351,562
2033-2037	160,705,890	42,445,764	203,151,654
2038-2042	79,670,000	12,127,731	91,797,731
2043-2047	17,715,000	1,320,240	19,035,240
Total Future Payments	**$ 719,546,585**	**$ 378,490,403**	**$1,098,036,988**
Plus Net Unamortized Premiums	**63,200,593**		
Total Outstanding Debt	**$ 782,747,178**		

8D Capital Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $838,112 at June 30, 2017. 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, 2017	Asset Balance June 30, 2016
Farm Equipment	$ 33,683	$ 10,105	$ 23,578	$ 26,946
Mainframe Computer	488,771	293,263	195,508	293,263
Research Equipment	254,095	72,599	181,496	
Research Equipment	61,563	8,795	52,768	
Totals	**$ 838,112**	**$ 384,762**	**$ 453,350**	**$ 320,209**
Total Minimum Lease Payments			$ 352,668	$ 298,749
Less: Amount Representing Interest			10,166	12,944
Total Present Value of Net Minimum Lease Payments			**$ 342,502**	**$ 285,805**

8E Nonmonetary Capital Lease

On June 7 2017, the Arkansas Research and Education Optical Network (AREON) entered into an agreement with E. Ritter Communications Holdings, Inc. (Ritter), for a cooperative exchange of facilities consisting of unused surplus dark fiber rather than the separate and distinct construction, ownership, and operating of two fiber optic systems. This agreement supersedes a previous capitalized long-term lease agreement between AREON and Ritter. This exchange is considered an equitable trade of similarly valued surplus dark fiber and both parties agreed that neither party shall pay a fee and that the initial term of this agreement shall be 20 years. As a result, this is a nonmonetary transaction. The fair market value of the dark fiber received from Ritter was determined to be $785,000. The book value of the dark fiber given by AREON was $268,418 thereby resulting in a noncash gain on disposal of assets of $516,582.

8F 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, 2017 and June 30, 2016 that are pledged:

Pledged Revenues

Bond Series	Revenue Source	2017	2016
Series 1997 Various Facilities	Student Tuition and Fees	$ 296,366,889	$ 277,010,264
Series 2005B Various Facilities	Sales and Services	8,685,226	8,610,798
Series 2007 Various Facilities	Residential Life[1]	65,722,511	64,432,665
Series 2008A&B Various Facilities	Bookstore[2]	15,425,386	16,612,951
Series 2009A Various Facilities	Student Health Services	2,406,462	2,310,530
Series 2011A&B Various Facilities	Transit and Parking	9,438,067	8,874,690
Series 2012A Various Facilities	Other Auxiliaries	286,959	382,857
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 Facilities Pledge		**$ 398,331,500**	**$ 378,234,755**
Series 2010 Athletic Refunding	Men's Athletic Revenue	98,456,238	$ 93,652,857
Series 2011 Athletic Facilities	(less game guarantees)	(3,410,450)	(3,474,792)
Series 2013 Athletic Facilities			
Series 2015 Athletic Facilities			
Series 2016A Athletic Facilities			
Series 2016B Athletic Facilities			
Total Athletics Pledge		**$ 95,045,788**	**$ 90,178,065**

[1]Residential Life revenue for the year ending June 30, 2016 has been restated by a total of $20,826,997. See Restatement of Prior Year in Note 1.
[2]For the purposes of calculating pledged revenues, Bookstore revenues shown include internally generated revenues from sales to the University campus of $3,013,359 for the year ending June 30, 2017 and $3,854,090 for the year ending June 30, 2016.

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 10.84% of gross revenues. The total principal and interest remaining to be paid on the bonds is $848,275,869. Principal and interest paid for the current year and gross revenues were $43,194,954 and $398,331,500, respectively.

The Athletics revenue pledge is used to repay six 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, 2020 to September, 2036. Annual principal and interest payments on the bonds are expected to require approximately 11.67% of net revenues pledged. The total principal and interest remaining to be paid on the bonds is $223,021,797. Principal and interest paid for the current year and net revenues were $11,094,054 and $95,045,788, respectively.

8G Fiscal Year 2017 Long-Term Debt Transactions

On October 19, 2016, the University issued $24,845,000 in Athletic Facilities Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2016A, with an interest rate of 5.0%; and $90,000,000 in Athletic Facilities Revenue Bonds, (Fayetteville Campus), Taxable Series 2016B, with interest rates of 1.192% to 3.388%. The bonds were issued to provide funds to finance the construction, reconstruction, enlarging and repairing additional facilities including particularly improvements to and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects.

On June 22, 2017, the University entered into a capital lease purchase financing agreement to acquire capital equipment totaling $61,563. The agreement is for a total of 36 months and has an interest rate of 3.52%.

During the fiscal year ended June 30, 2017, management became aware of a lease agreement relating to an X-Ray machine that was executed on July 7, 2015. The lease was originally determined to be an operating lease, however, upon further investigation, management has now determined the lease to qualify as a capital lease purchase since the present value of the minimum lease payments required under the lease is at least 90% of the fair value of the asset at the time of the inception of the lease. The value of the equipment subject to the lease was $238,148. The term of the lease is 48 months at an interest rate of 1.24%.

8H 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 the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next seven years by $4,154,417 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3,221,281. The escrow account was closed out when the refunded bonds were redeemed as of November 1, 2015 and therefore has no outstanding balance as of June 30, 2016.

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

Net bond proceeds and premiums from Series 2016A and Series 2016B of $94,689,148 along with $1,873,821 of cash from the University was deposited into an escrow account to retire the bonds. The refunding of the bonds dated October 2, 2007 and all of the bonds dated August 1, 2008 was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,764,322 for the Series 2016A bonds and $1,679,827 for the Series 2016B bonds. These differences, reported in the accompanying financial statements as Deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by $13,450,092 and to obtain an economic gain of $10,092,618. The escrow balance as of June 30, 2017 was $88,521,712. 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, 2017 was $37,165,000 for Series 2007, $34,665,000 for Series 2008A, and $13,010,000 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, 2017 of $4,352,431, $13,178,283, and $5,329,324 and have interest rates of 1.97%, 1.99%, and 1.95% respectively.

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, 2017:

Investment Instruments Measured at Fair Value

June 30, 2017

		Fair Value Measurements Using		
Investments by fair value level	**June 30, 2017**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
Equity Securities:				
US	$ 224,272	$ 224,272		
Fixed Income Securities:				
US Government Debt	157,111,986		$ 157,111,986	
Other Debt Securities	126,808,900	83,960	96,970,008	$ 29,754,932
Commingled Funds:				
US Equity	132,504	104,046	28,458	
International Equity	113,065	83,750	29,315	
US Government Bonds	14,601,603	12,793,536	1,808,067	
Corporate Bonds	172,305	136,525	35,780	
Non-marketable alternatives	3,016			3,016
Marketable alternatives	4,121	4,121		
Money markets and short-term investments	5,682	5,682		
Total investments by fair value level	**$ 299,177,454**	**$ 13,435,892**	**$ 255,983,614**	**$ 29,757,948**
Investments measured at the net asset value (NAV)				
External Investment Pools:				
Total Return Pool	$ 77,501,799			
Intermediate Pool	80,202,973			
Total investments measured at the NAV	157,704,772			
Total investments measured at fair value	**$ 456,882,226**			

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 the security custodian. Securities classified in Level 3 are valued using par value on the face of the investments or provided by the security custodian.

Investments Measured at the NAV

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
External Investment Pools:				
Total Return Pool[1]	$ 77,501,799	-	Daily	0 – 30 days
Intermediate Pool[2]	80,202,973	-	Daily	0 – 30 days
Total investments measured at the NAV	**$ 157,704,772**			

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, emerging markets 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 year ended June 30, 2017:

Operating Expenses

June 30, 2017

Functional Classifications	Natural Classifications: Salaries, Wages and Benefits	Scholarships and Fellowships	Supplies and Other Services	Depreciation	Total
Instruction	$ 169,243,301		$ 27,567,721		$ 196,811,022
Research	87,913,281		36,652,200		124,565,481
Public Service	57,579,545		22,806,628		80,386,173
Academic Support	31,287,078		14,221,930		45,509,008
Student Services	20,055,531		8,797,227		28,852,758
Institutional Support	45,782,451		14,063,914		59,846,365
Scholarships and Fellowships	141,187	$ 20,764,570	106,725		21,012,482
Operation and Maintenance of Plant	16,260,569		36,390,350		52,650,919
Auxiliary Enterprises	59,309,378		88,162,140		147,471,518
Depreciation				$ 75,527,340	75,527,340
Totals	**$ 487,572,321**	**$ 20,764,570**	**$ 248,768,835**	**$ 75,527,340**	**$ 832,633,066**

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 year ended June 30, 2016:

Operating Expenses

June 30, 2016

Functional Classifications	Natural 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	$ 20,923,680	223,675		21,309,682
Operation and Maintenance of Plant	17,297,553		38,387,243		55,684,796
Auxiliary Enterprises	55,586,204		81,311,612		136,897,816
Depreciation				$ 73,379,367	73,379,367
Totals	**$ 468,599,991**	**$ 20,923,680**	**$ 244,098,964**	**$ 73,379,367**	**$ 807,002,002**

As restated, see Note 1W

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, 2017, were $6,405,987. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Future Operating Lease Payments

Year ended June 30	Amount
2018	$ 1,602,010
2019	1,337,780
2020	1,137,844
2021	634,856
2022	654,079
2023-2027	2,794,710
Total	**$ 8,161,279**

12. EMPLOYEE BENEFITS

12A Retirement Plans

The University assists employees in planning for life beyond their working years with generous and flexible retirement benefits. University employees hired July 1, 2016, and after are required to participate in the University of Arkansas (UA) Retirement Plan, which includes Teachers Insurance Annuity Association (TIAA) and/or Fidelity Investments. Participation in the Arkansas Public Employees Retirement System (APERS) and the Arkansas Teachers Retirement System (ATRS) is available only to employees employed by the University that have a previous record with APERS or ATRS. New employees of the University and employees who transfer to or from another campus within the University of Arkansas System will be required to participate in the UA Retirement Plan.

University of Arkansas Retirement Plan

Plan Description

The University of Arkansas Retirement Plan 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

Effective July 1, 2016, all benefits-eligible employees of the University of Arkansas are required to contribute 1% of their regular salary to the TIAA and/or Fidelity Investments. The required contribution will increase by 1% each July 1 until July 1, 2020, when the required contribution reaches the maximum required employee contribution of 5%. 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) employer contribution limit, which at June 30, 2017 was $27,000. 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, 2016, and after, will be vested at the end of 24 consecutive months of employment, upon death or attainment of age 65 while actively employed, or should they become disabled while actively employed as determined by the Social Security Administration or the university's long-term disability insurance provider. The University's and participant's TIAA contributions for the year ending June 30, 2017, were $16,873,039 and $18,198,787, respectively. The University's and participants' Fidelity Investment contributions for the year ending June 30, 2017, were $8,447,094 and $8,934,850 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, prior to 7/1/2007	1.75%
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.

Effective July 1, 2016, new employees of the University are no longer eligible to participate in the Arkansas Public Employees Retirement System (APERS). Existing APERS participants are allowed to continue APERS participation.

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.50% of applicable compensation for the fiscal year ended June 30, 2017. The University's and members' contributions for the year ending June 30, 2017, were $1,435,567 and $425,419, respectively.

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

At June 30, 2017, the University reported a liability of $12,570,257 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017, the university's proportion was 0.4061% for Fayetteville and 0.1296% for Cooperative Extension Service, for a total proportion of 0.5357%; which was an increase of 0.1094 from its total proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the University recognized pension expense of $2,619,377. At June 30, 2017, 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 Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 11,869	$ 450,921
Changes of assumptions or other inputs	963,279	0
Net difference between projected and actual earnings on pension plan investments	2,194,668	0
Changes in the proportion and differences between the employer contributions and share of contributions	2,309,782	6,118
University contributions subsequent to the measurement date	1,435,567	0
Total	**$ 6,915,165**	**$ 457,039**

Deferred outflows of resources of $1,435,567 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, 2018. 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:	Amount
2017	$ 1,061,471
2018	898,320
2019	1,964,671
2020	1,098,097
2021	0
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2016 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	21 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	4.4487

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, 2016, 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	38%	6.82%
International Equity	24	6.88
Real Assets	16	3.07
Absolute Return	5	3.35
Domestic Fixed	17	0.83
Total	**100%**	

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

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 Rat

1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
$ 19,028,222	$ 12,570,257	$ 7,195,678

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 $139,211 at June 30, 2017.

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 14.00% of applicable compensation for the fiscal year ended June 30, 2017. The University's and member's contributions for the year ending June 30, 2017, were $151,184 and $37,039, respectively.

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

At June 30, 2017, the University reported a liability of $1,690,917 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2016, 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, 2017, the university's proportion was 0.0344% for Fayetteville and 0.0082% for Cooperative Extension Service, for a total proportion of 0.0426%, which was a decrease of 0.0055 from its total proportion measured as of June 30, 2016.

For the year ended June 30, 2017, the University recognized pension expense of $78,320. At June 30, 2017, 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	$ 30,669	$ 23,453
Changes of assumptions or other inputs	0	0
Net difference between projected and actual earnings on pension plan investments	259,137	0
Changes in the proportion and differences between the employer contributions and share of contributions	0	449,280
University contributions subsequent to the measurement date	151,184	0
Totals	**$ 440,990**	**$ 472,733**

Deferred outflows of resources of $151,184 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, 2018. 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:	
2017	$ (14,668)
2018	(14,668)
2019	(90,478)
2020	(63,537)
2021	424
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2016 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, 2017 are summarized below:

Expected Rate of Return		
Asset Class	**Target Allocation**	**Long-Term Expected Real Rate of Return**
Total Equity	50%	5.0%
Fixed Income	20	0.8
Alternatives	5	4.4
Real Assets	15	3.4
Private Equity	10	6.3
Cash Equivalents	0	-0.2
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 8.0%. 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%)**
$ 2,538,829	$ 1,690,917	$ 977,843

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 $11,174 at June 30, 2017.

Other Plans

Cooperative Extension Service employees who previously held appointments with the U.S. Department of Agriculture are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on date of appointment. Both plans are single-employer defined benefit plans. The CSRS plan became effective in 1920, and established retirement benefits for certain federal employees. Congress created the FERS plan in 1986, becoming effective on January 1, 1987. Since that time new federal civilian employees who have retirement coverage are covered under the FERS plan. FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security and the Thrift Savings Plan. As of June 30, 2017, ten active employees were covered under the CSRS plan and thirteen active employees were covered under the FERS plan. Participants in the CSRS plan contribute 7% of salaries and employers are required to contribute 7%. Participants in the FERS plan are required to contribute 0.80% of salaries and employers are required to contribute 13.7% for the Basic Benefit and Social Security portions of the plan benefits. The University's and participants' CSRS and FERS contributions were $223,094 and $72,563 respectively for the fiscal year ended June 30, 2017.

The Thrift Savings Plan (TSP) is the third component of the FERS plan and is a supplement to the CSRS plan. It is a defined contribution plan designed to provide retirement income for Federal employees similar to a 401(k) plan. The TSP is administered by the Federal Retirement Thrift Investment Board. For FERS participants, employers are required to contribute an amount equal to 1% of salaries to a TSP account established for the participant. Employees may also contribute to their TSP account, with employer matching on the first 5% of employee contributions up to 4%. There is no employer matching for CSRS participants. All contributions are exempt from taxation. The University's and participants' TSP contributions were $56,273 and $99,315 respectively for the fiscal year ended June 30, 2017.

Additionally, employees covered by these plans may also participate in the University of Arkansas Retirement Plan which includes Teachers Insurance Annuity Association (TIAA) and Fidelity Investments, but are not eligible for any additional University contribution.

The University's participation in the Federal retirement system plans is not considered material by University management.

12B Self-Insurance Plans

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental plans for University of Arkansas System employees and their eligible dependents. All campuses in the University of Arkansas System participate in the health plan which is administered by the System Administration. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation. 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, 2017, a total of 4,832 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, 2017 or at June 30, 2016.

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., the Razorback Foundation, Inc., the University of Arkansas Technology Development Foundation, the Walton Arts Center, 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 $16,327,494 in retiree healthcare liability as of June 30, 2017.

Retirees qualify for postretirement benefits as follows:

- Participation: Employees who retire with a combination of age and years of service of at least 70 and if, immediately prior to retirement they have completed ten (10) or more consecutive years of continuous coverage under the plan. 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 premium directly to the insurance carrier. As a result, no liabilities for Medicare eligible retiree medical benefits are included in this valuation.

13B Summary of Key Actuarial Methods and Assumptions

Actuarial Assumptions

University Self-Funded Plan	
Valuation date	July 1, 2016
Valuation year	Census data was collected as of November 2016. New hires after July were set to a hire date of 7/1/16
Actuarial cost method	Projected unit credit
Amortization method	30 years rolling, level % of payroll
Asset valuation method	N/A
Discount rate	4.00%
Consumer price index increase	2.20%
Projected payroll growth rate	4.00%
Administrative expense increase	3.00%
Medical inflation rate	0.00%, 6.75% grading to 4.25% over 15 years
Pharmacy inflation rate	9.50% grading to 4.25% over 16 years
Rate of retiree contribution inflation	1.70%, 4.90% then 7.80% grading to 4.25% over 14 years

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

The claim costs and trends were updated to reflect changes in benefits and experience and the actuary's expectation of future costs.

The initial retiree contribution was adjusted to reflect current contribution rates.

13E Medical Coverage – Retirees not Eligible for Medicare

The claims costs were developed from the active premium rates for the period July 1, 2017 to June 30, 2018 loaded for 1% to reflect that premiums are set about 1% below expected costs. 70.3% of the premium was assumed to be for medical, 23.0% for pharmacy, and 6.8% for expenses. The claim and expense costs were trended back to the period July 1, 2016 to June 30, 2017 using an annual trend assumption of 0.0% for medical, 9.5% for pharmacy and 3% for expenses.

13F Dental Coverage

The dental rates are set to match 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:

Age	Rate per 1,000 Male	Female
25	0.0003	0.0003
30	0.0003	0.0004
40	0.0008	0.0013
50	0.0033	0.0040
55	0.0069	0.0064
60	0.0115	0.0090

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
<49	0%
50-59	5%
60-61	10%
62	15%
63-66	10%
67-69	50%
70+	100%

Future Retiree Coverage

- For medical and dental coverage
- 55% of employees are assumed to elect medical and dental 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 7/1/16	$ 18,184,820
Annual Required Contribution (ARC)	
Normal cost	$ 862,621
Amortization of the unfunded actuarial accrued liability over 30 years	606,161
Interest	58,751
Annual Required Contribution for FY17	1,527,533
Interest on Net OPEB Obligation	613,601
ARC Amortization Adjustment	(531,787)
Annual OPEB Cost for FY17	$ 1,609,347
Net OPEB Obligation, 7/1/16	$ 15,386,270
Annual OPEB Cost for FY17	1,609,347
Less: Expected Employer Contributions	(668,123)
Net OPEB Obligation, 6/30/17	$ 16,327,494

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/2015	$ 2,287,717	$ 798,168	34.89%	$ 13,803,981
6/30/2016	2,414,931	832,642	34.48	15,386,270
6/30/2017	1,609,347	668,123	41.52	16,327,494

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
6/30/2017	$ 0	$ 18,184,820	$ 18,184,820	0%	$ 300,458,921	6.05%

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 completed a study in 2012, funded by a $1,889,647 award from the United States Department of Energy (DOE), to develop a plan for remediation of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. This study developed an estimate for future remediation costs and assessed the university's obligation for remediation at the site. The cost estimate was $26.1 million to complete remediation of the site. Although the study concluded that the University was under no obligation to begin remediation work at that time, the study was considered Phase 1 of the voluntary remediation of the SEFOR site. During 2014, DOE appropriated an additional $1 million to review estimated remediation costs. Of that award, $968,500 was made available to the university in the 2017 funding obligation.

During fiscal year 2017, the university received an additional DOE award totaling $9,500,000. This award, combined with the residual left from the 2014 appropriation, brought total funds available for remediation costs to $10,468,500. The university began Phase 2 of the voluntary remediation by entering into a contract with EnergySolutions, LLC on November 7, 2016 to provide technical services for deconstruction and green fielding of the site. Total estimated cost of the Phase 2 voluntary remediation project was $9,648,242. Expenses incurred during fiscal year 2017 totaled $7,276,379. The remaining project costs to complete Phase 2, totaling $2,371,863, were accrued and are included in the accounts payable reported on the Statement of Net Position. All project costs were funded by the DOE award on a cost reimbursement basis. Drawdowns during fiscal year 2017 totaled $6,276,599. A receivable of $3,371,643, reflecting amounts that have not yet been invoiced to the DOE award, was also established, and is included in the accounts receivable reported on the Statement of Net Position.

The university expects to continue remediation of the SEFOR site on a voluntary basis in Phases as funding becomes available. The university received notice in July 2017 that an additional $5.5 million was authorized by the DOE to continue remediation of the SEFOR site. The entire award has been obligated with funding available for spending. The university entered into a Phase 3 voluntary remediation project with a Firm-Fixed Price not to exceed $4,800,000 on September 20,2017.

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 Administration is to analyze and recommend insurance coverage but it is ultimately up to each campus to inform the System Administration regarding their specific coverage requirements.

All campuses are currently covered under the property and auto coverage provided through the System Administration. 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 Administration 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, 2017 and June 30, 2016, 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 50.8% and 50.6% of the net assets of the Foundation for the years ended June 30, 2017 and June 30, 2016, respectively. The remaining 49.2% and 49.4% benefits other University of Arkansas campuses for the years ended June 30, 2017 and June 30, 2016, 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

	2017	2016
Assets		
Investments, at fair value	$ 964,470,191	$ 873,266,684
Contributions Receivable, net	25,633,932	33,424,389
Other Receivables	2,480,640	2,021,882
Fixed Assets, Net of Depreciation	552,025	668,025
Other Assets	1,379,370	1,248,856
Total Assets	**$ 994,516,158**	**$ 910,629,836**
Liabilities and Net Assets		
Liabilities	$ 21,215,117	$ 20,384,061
Net Assets		
Unrestricted	105,674,264	106,811,150
Restricted	867,626,777	783,434,625
Net Assets	973,301,041	890,245,775
Total Liabilities and Net Assets	**$ 994,516,158**	**$ 910,629,836**

Condensed Statement of Activities
University of Arkansas Foundation, Inc

	2017	2016
Contributions	$ 49,752,363	$ 61,084,273
Other Revenues, Additions and Gains/(Losses)	101,215,482	(2,634,862)
Total Income and Other Additions/(Losses)	**$150,967,845**	**$ 58,449,411**
Total Expenditures and Other Deductions	**$ 67,912,579**	**$ 70,129,786**
Increase/(Decrease) in Net Assets	**$ 83,055,266**	**$(11,680,375)**

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, 2017 and June 30, 2016 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.

	2017	2016
Assets		
Cash and investments	$ 2,679,465	$ 2,537,795
Other Assets	8,766,417	7,699,288
Total Assets	**$ 11,445,882**	**$ 10,237,083**
Liabilities and Net Assets		
Liabilities	$ 1,286,991	$ 1,318,321
Net Assets	10,158,891	8,918,762
Total Liabilities and Net Assets	**$ 11,445,882**	**$ 10,237,083**

Condensed Statement of Activities
Arkansas Alumni Association, Inc.

	2017	2016
Income and Other Additions	$ 5,530,352	$ 4,158,356
Expenditures and Other Deductions	4,290,223	3,876,394
Increase in Net Assets	**$ 1,240,129**	**$ 281,962**

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, 2017 and June 30, 2016 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

	2017	2016
Assets		
Cash and investments	$ 1,620,806	$ 1,480,136
Other Assets	14,237	13,680
Total Assets	**$ 1,635,043**	**$ 1,493,816**
Liabilities and Net Assets		
Liabilities	$ 109,245	$ 110,054
Net Assets	1,525,798	1,383,762
Total Liabilities and Net Assets	**$ 1,635,043**	**$ 1,493,816**

Condensed Statement of Activities
University of Arkansas Technology Development Foundation

	2017	2016
Income and Other Additions	$ 1,744,460	$ 1,668,483
Expenditures and Other Deductions	1,602,424	1,522,556
Increase in Net Assets	**$ 142,036**	**$ 145,927**

Arkansas 4-H Foundation, Inc. – The 4-H Foundation was incorporated in 1951 and was formed to encourage and support such education purposes that will best meet the needs and advance the interest of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the years ended June 30, 2017 and June 30, 2016 are presented below in summary form. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, Little Rock, AR 72204.

Condensed Statement of Financial Position
Arkansas 4-H Foundation, Inc.

	2017	2016
Assets		
Cash and cash equivalents	$ 388,586	$ 693,119
Certificates of deposits	257,689	50,205
Investments, at fair value	4,138,463	3,641,669
Property and equipment, net	5,151,064	5,311,991
Other assets	51,810	130,600
Total Assets	**$ 9,987,612**	**$ 9,827,584**
Liabilities and Net Assets		
Liabilities	$ 229,629	$ 177,620
Net Assets		
Unrestricted	6,089,298	6,014,018
Restricted	3,668,685	3,635,946
Net Assets	9,757,983	9,649,964
Total Liabilities and Net Assets	**$ 9,987,612**	**$ 9,827,584**

Condensed Statement of Activities
Arkansas 4-H Foundation, Inc.

	2017	2016
Income and Other Additions	$ 2,437,536	$ 2,044,511
Expenditures and Other Deductions	2,329,517	2,096,687
Increase/(Decrease) in Net Assets	**$ 108,019**	**$ (52,176)**

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 (whose term expired during the 2017 fiscal year) is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2017, bank balances held at First Security Bank totaled \$25,504,164 (book balances included on the Statement of Net Position were \$25,589,874). 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 the fiscal year ended June 30, 2017, Crews was co-underwriter for two bond issues for the Fayetteville campus totaling \$114,845,000.

- The Vice Chancellor and Director of Athletics and the Dean of the School of Law are members 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, 2017, bank balances held at Arvest Bank Group, Inc. banks total \$58,133,337 (book balances included on the Statement of Net Position were \$57,688,323).

19. COMMITMENTS AND CONTINGENCIES

Construction

The University has contracted for the construction and renovation of several facilities. At June 30, 2017, the estimated remaining cost to complete the construction and renovation of these facilities is \$155,032,428, which is expected to be financed from bond proceeds, private gifts and other university funds. At June 30, 2016, the estimated remaining cost to complete the construction and renovation of these facilities is \$47,533,578.

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, 2017, the amount of this obligation was \$386,937. For the fiscal year ended June 30, 2016, the amount of this obligation was \$452,328.

The University has entered into lease agreements with four different Greek organizations (Lessees) that may create future commitments to the University. The lease agreements allow the Greek organizations to either construct new residence facilities, or renovate existing residence facilities on University owned property. The construction and/or renovation of these facilities is the responsibility of the organizations and shall be financed through a combination of gifts as well as financing from banks and/or national house corporations to be repaid through each chapter's generated revenue. The period of time in which the financing arrangements are being repaid is known as the Chapter House Amortization Period. As of June 30, 2017, three of the four organizations have entered into financing agreements for the construction or renovation of their residence facilities. The fourth will be financing their facility at a later date.

In the lease agreements, it is stipulated that if the University exercises its right to terminate the agreement for cause and extinguish the Lessee's leasehold estate for cause at any time during the Chapter House Amortization Period, the University shall pay the Lessee an amount equal to the sum of the value of the remaining unamortized value of the bank financing plus the value of the financing coming from the national organizations if any.

As of June 30, 2017, the University's total potential commitment resulting from these lease agreements totaled \$34,980,409.

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

Long-term Debt

On August 1, 2017, the University closed the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 2017 with a par amount of \$95,805,000. The bonds provide resources for the purpose of constructing, reconstructing, enlarging and repairing additional facilities including particularly improvements to and expansion of the Pat Walker Health Center, utility systems on the south side of campus, intramural sports fields and Kimpel Hall; and construction of an offsite library storage facility, student housing facilities, the Civil Engineering Research and Education Center and a black box theater. The bonds will also provide funds to conduct design studies for the renovation of Mullins Library and for construction of a student success center.

School of Art

On September 6, 2017, the University received a \$120 million gift from the Walton Family Charitable Support Foundation to establish the School of Art. The school, to be housed within the J. William Fulbright College of Arts and Sciences, will be the first and only accredited, collegiate school of art in Arkansas, and will focus on art education, art history, graphic design and studio art curriculum.

Athletic Concession Agreement

The University provided notice to Sodexo Operations, LLC (Sodexo) of its intent to terminate the Athletic Concessions and Catering Agreement as of June 30, 2017. The agreement, effective July 1, 2012, had a five year term for catering and a seven year term for concessions. In accordance with the terms of the agreement, Sodexo was to invest \$900,000 and \$250,000 for concessions and catering equipment, respectively. The investment was to be amortized over a seven year period for concessions and a ten year period for catering. The University was required to reimburse Sodexo for any unamortized balance if the agreement was terminated. Accordingly, the University will pay Sodexo \$454,048, which includes services provided by Sodexo during the November 15, 2016 through June 30, 2017 period. Additional terms required Sodexo to maintain an equipment replacement, repair and maintenance fund and a pest control fund, with any unused accrued funds returned to the university upon termination of the agreement. Accordingly, Sodexo will pay the University \$189,638, which includes the final commission for the period ended June 30, 2017. No accrual adjustments were prepared for this termination activity because the contract remained in effect through June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

Employee Benefits

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

Last Three Fiscal Years*

	2017	2016	2015
University's proportion of net pension liability	0.5357%	0.4263%	0.3455%
University's proportionate share of net pension liability	$ 12,570,257	$ 7,728,708	$ 4,833,430
University's covered payroll	$ 9,013,808	$ 7,329,295	$ 5,914,094
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	139.46%	105.45%	81.73%
Plan fiduciary net position as a percentage of the total pension liability	75.50%	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 Three Fiscal Years

	2017	2016	2015
Contractually required contribution	$ 1,435,567	$ 1,364,539	$ 1,081,804
Contributions in relation to the contractually required contribution	(1,435,567)	(1,364,539)	(1,081,804)
Contribution deficiency (excess)	**$ 0**	**$ 0**	**$ 0**
University's covered-employee payroll	$ 9,695,224	$ 9,013,808	$ 7,329,295
Contributions as a percentage of covered-employee payroll	14.81%	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, 2017

Changes of assumptions or other inputs:

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 Three Fiscal Years*

	2017	2016	2015
University's proportion of net pension liability	0.0426%	0.0481%	0.0616%
University's proportionate share of net pension liability	$ 1,690,916	$ 1,567,419	$ 1,617,272
University's covered payroll	$ 1,302,421	$ 1,401,043	$ 1,703,007
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	129.83%	111.88%	94.97%
Plan fiduciary net position as a percentage of the total pension liability	76.75%	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 Three Fiscal Years*

	2017	2016	2015
Contractually required contribution	$ 151,184	$ 175,617	$ 196,146
Contributions in relation to the contractually required contribution	(151,184)	(175,617)	(196,146)
Contribution deficiency (excess)	**$ 0**	**$ 0**	**$ 0**
University's covered-employee payroll	$ 1,054,878	$ 1,302,421	$ 1,401,043
Contributions as a percentage of covered-employee payroll	14.33%	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

Unfundeded actuarial accrued liability at 7/1/16	$ 18,184,820
Annual Required Contribution (ARC)	
Normal cost	$ 862,621
Amortization of the unfunded actuarial accrued liabilty over 30 years	606,161
Interest	58,751
Annual Required Contribution for FY17	1,527,533
Interest on Net OPEB Obligation	613,601
ARC Amortization Adjustment	(531,787)
Annual OPEB Cost for FY17	**$ 1,609,347**
Net OPEB Obligation, 7/1/16	$ 15,386,270
Annual OPEB Cost for FY17	1,609,347
Less: Expected Employer Contributions	(668,123)
Net OPEB Obligation, 6/30/17	**$ 16,327,494**

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/2015	$ 2,287,717	$ 798,168	34.89%	$ 13,803,981
6/30/2016	2,414,931	832,642	34.48	15,386,270
6/30/2017	1,609,347	668,123	41.52	16,327,494

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
6/30/2015	$ 0	$ 23,394,775	$ 23,394,775	0%	$ 278,146,096	8.41%
6/30/2016	0	24,968,044	24,968,044	0	288,264,333	8.66
6/30/2017	0	18,184,820	18,184,820	0	300,458,921	6.05

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

The claim costs and trends were updated to reflect changes in benefits and experience and the actuary's expectation of future costs.

The initial retiree contribution was adjusted to reflect current contribution rates.

Medical Coverage – Retirees not Eligible for Medicare

The claims costs were developed from the active premium rates for the period July 1, 2017 to June 30, 2018 loaded for 1% to reflect that premiums are set about 1% below expected costs. 70.3% of the premium was assumed to be for medical, 23.0% for pharmacy, and 6.8% for expenses. The claim and expense costs were trended back to the period July 1, 2016 to June 30, 2017 using an annual trend assumption of 0.0% for medical, 9.5% for pharmacy and 3% for expenses.

BOARD OF TRUSTEES, UNIVERSITY OFFICIALS

Ben Hyneman, Chairman

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.

Mark Waldrip, Vice Chairman

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.

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.

Kelly Eichler, Assistant Secretary

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

David H. Pryor

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.

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.

Tommy Boyer

Tommy Boyer, of Fayetteville, graduated from the University of Arkansas, Fayetteville in 1964, where he was also an All-American basketball player. He retired from the Eastman Kodak Company in 1989, and founded Micro Images in Amarillo, Texas. Within two years, Micro Images had become the largest Kodak document imaging systems broker and reseller in the United States. Boyer was inducted into the Arkansas Business Hall of Fame in 2013 and the Arkansas Sports Hall of Fame in 2000. His term expires in 2027.

Senior Management

President, University of Arkansas – Donald Bobbitt
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

University of Arkansas Financial Officers

Vice Chancellor for Finance and Administrations – Timothy J. O'Donnell
Associate Vice Chancellor for Finance and Administration – Jean E. Schook
Controller – Larrie Stolfi
Associate Controller – Michael White
Director of Research Accounting – Stephen Turner
Director of Student Accounts – JoAnn Pepper
Director of Budget – Christopher E. Frala
Director of Information Technology – Kyle Smith
Director of Cash Management – Susan V. Slinkard
Director of Financial Affairs Compliance – Charles D. Ramseyer
Director of Property Accounting – Janice Harrison