Evidence Document

for Higher Learning Commission Reaccreditation

Document Title: Annual Financial Report

Office of Origin: Office of the Chancellor

Document Summary:

The university not only receives state funding; it must rely on tuition funds, research grants, gifts, and auxiliaries. Campaign Arkansas has helped generate private giving, which has funded our growing research programs. The university raised $116.5 million in private gift support in fiscal year 2015, surpassing the $100 million mark for the fifth consecutive year and marking the fourth-best year in the university's fundraising history.

UNIVERSITY OF
ARKANSAS

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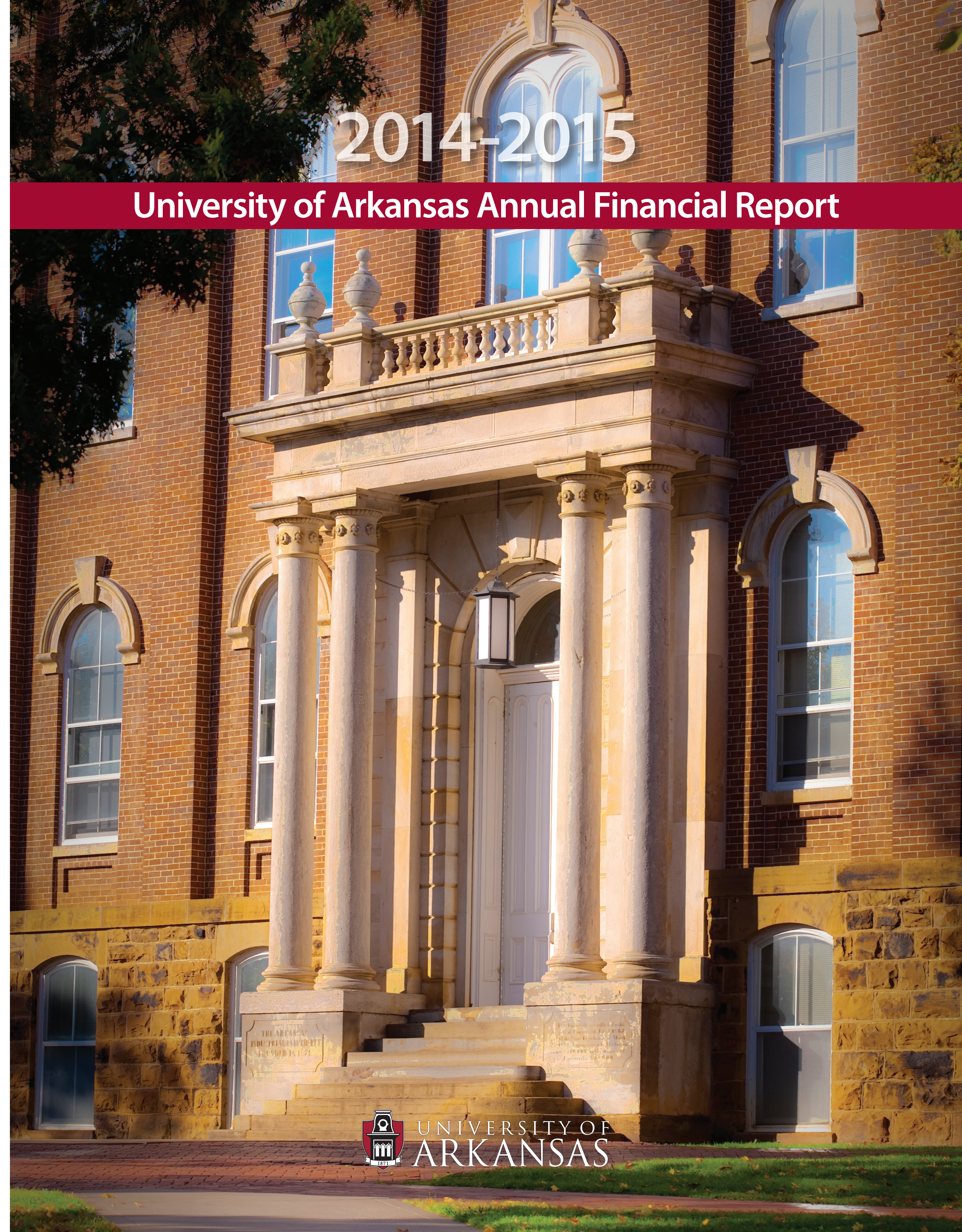
University of Arkansas Annual Financial Report

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UNIVERSITY OF
ARKANSAS

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The University of Arkansas

MESSAGE FROM THE CHANCELLOR

Thank you for your interest in our annual financial report. At the University of Arkansas, we strive to be good stewards of state resources, without which we could not fulfill our mission of teaching, research and outreach. State resources, however, are only one component of university finances. We also depend on tuition dollars, research grants, philanthropy, and our various auxiliaries, like housing and athletics. It's important that we can account for how every dollar is acquired and spent.

This financial report is an effort to be completely open in our financial accounting. However, it inevitably must represent the diversity and complexity of financing a major public research university. We tried to make this report as clear and straight forward as possible.

What I want you to know is that University finances are in great shape. Research expenditures and private giving, fueled by Campaign Arkansas, are robust. Rising enrollment has generated much needed additional revenue, which in turn have helped finance our Facility Renewal and Stewardship Plan. This plan has been so successful, in fact, that the University has reduced its backlog of deferred maintenance from $215 million in 2008 to $150 million in 2014—something we believe is a unique accomplishment across the nation.

Our athletics department is self-sustaining and is helping to support the University's academic mission. One critical way the department is doing this is by paying the lion's share of the estimated $26.5 million construction cost of our newest general lab and class building, Champions Hall.

All of this is to say your University is in great 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.

Dan Ferritor
Chancellor
1987-1998, 2015

PROGRESS AND MAJOR INITIATIVES

Private Gift Support • Capital Projects • Research Funding & Expenditures

Private Gift Support Impacts the Institution

Fundraising at the University of Arkansas has been very successful over the last several years, as the university prepares to go public with a new capital campaign in 2016.

The university raised $116.5 million in private gift support in fiscal year 2015, surpassing the $100 million mark for the fifth consecutive year and marking the fourth-best year in the university's fundraising history.

The amount raised surpassed the university's goal of $112 million and included gifts of cash, gifts-in-kind, planned gifts and new pledges to the U of A received from July 1, 2014, through June 30, 2015.

Approximately $20.8 million of the total amount raised, or nearly 18 percent, was allocated for endowed funds and will add to the university's overall endowment total. Cash receipts, which include pledge payments, outright gifts and estate and planned gift distributions, reached nearly $98 million in fiscal year 2015.

Of the $116.5 million raised during the 2015 fiscal year, 30 percent came from individuals such as alumni, friends, parents, faculty and staff. Another 33 percent came from corporations, while 27 percent came from foundations and 10 percent came from other organizations, including trusts and estates. All gifts are designated and allocated for specific purposes set forth by each donor and used solely for those purposes.

Students and programs were supported with 40 percent of the money raised, while 40 percent supported capital improvements, 10 percent supported faculty and staff and 10 percent supported other initiatives. The campus brought in a record-setting 91,728 outright gifts and new pledges from 49,570 benefactors during the fiscal year.

Fundraising totals reached $121.3 million in 2011, $108.1 million in 2012, $108.4 million in 2013 and $113.3 million in 2014.

Private gift support continues to be a critical component to the university's success, as it adds to the academic opportunities available to faculty, staff and students on campus. These contributions enhance all aspects of the student experience, including academic and need-based scholarships, technology enhancements, new and renovated facilities, undergraduate, graduate and faculty research, study abroad opportunities and innovative programs.

The university makes every effort to align donors' giving interests with campus priorities. The following gifts of $1 million or more were announced publicly during fiscal year 2015.

Jerry and Gene Jones Family – Former Razorback football student-athlete and member of Arkansas' 1964 national championship football team, Jerry Jones, and his wife, Gene, made a gift of $10.65 million to Razorback Athletics. The gift will help support the Jerry and Gene Jones Family Student-Athlete Success Center, which was dedicated in September 2015; a *Wild Band of Razorbacks* monument to establish a permanent tribute to the Razorbacks' 1964 national championship football team; the football team locker room at the Fred W. Smith Football Center and the entrance lobby of the Student-Athlete Success Center. The Board of Trustees approved naming the locker room in honor of Jerry and Stephen Jones and naming the lobby in honor of Mr. and Mrs. John Chambers, Gene Jones' parents.

Tyson Family and Tyson Foods Inc. – A $5 million gift from Tyson to the University of Arkansas System Division of Agriculture will significantly finance the new $16 million Don Tyson Center for Agricultural Sciences. The 60,000-square-foot building will feature high-tech agriculture research laboratories that will advance plant and animal sustainability, along with water quality research.

Palmer and Marie Hotz and the Walton Family Foundation – The College of Education and Health Professions created an endowed dean's chair thanks to a $1.5 million gift from Palmer and Marie Hotz of Foster City, California, and a $2 million grant from the Walton Family Foundation. The chair is the first of its kind in the college and was named in honor of Palmer and Hartman Hotz's father, Henry G. Hotz, who served nine years as the college's fourth dean.

Wallace and Jama Fowler – Wallace and Jama Fowler of Jonesboro pledged $2.93 million to fund the second construction phase of the Wallace W. and Jama M. Fowler House, the chancellor's residence on the University of Arkansas campus.

The second phase will include construction of the Fowler House Garden and Conservatory, a separate structure designed to hold large seated dinners and receptions, meetings and other events and will have a seated dinner capacity of 120 people, as well as a 300-square-foot catering kitchen.

Windgate Charitable Foundation – The university and J. William Fulbright College of Arts and Sciences will transform a former complex into a cutting-edge educational art facility thanks to a $500,000 gift from the Windgate Charitable Foundation in Siloam Springs. An additional $1.5 million from the foundation will be used for equipment and $64,000 was given to support student summer residency scholarships for the Department of Art.

Reagan sisters – University of Arkansas alumnae and sisters Agnes Lytton, Mary Sue and Betty Lynn Reagan designated an estate gift valued at over $1.2 million to the University Libraries. Born and raised in Northwest Arkansas, the sisters had deep connections to history, education and library science. Their gift will be utilized for the purchase of library materials, such as books, periodicals and digital resources.

Bob and Marilyn Bogle – The Bogles pledged $1 million to create the Bob and Marilyn Bogle Endowed Dean's Innovation Fund in the Dale Bumpers College of Agricultural, Food and Life Sciences. The endowed fund will provide Bumpers College with resources for teaching, research and meaningful project-based learning experiences, giving the dean the flexibility to enhance the college's national prestige, recognition and impact. Special emphasis will be given to the Horticulture Department to become one of the premier programs in the nation.

Dave and Jane Gearhart – The former chancellor and first lady pledged $1 million to the University of Arkansas' upcoming campaign efforts. The campaign, known as Campaign Arkansas, is still in the organizational phase and will become public in fall 2016.

Richard Greene – Alumnus Richard Greene of Lowell established the Camden E. and Dortha Sue Greene CARE Endowed Scholarship with a $1 million gift. The scholarship will benefit the Office of Diversity and Community and support academically accomplished and promising underrepresented Arkansas students who demonstrate financial need.

Capital Projects – Transforming the Campus

The university opened several new academic and athletics facilities over the course of the last year.

Champions Hall, a new 62,000-square-foot class and lab building made possible by a transfer of funds from the athletics department, opened just in time for the fall semester. This was the first general lab and class building to be built since Willard Walker Hall in 2007. Math and biology labs and general classrooms will be housed in Champions, which has large areas for collaboration and study nooks for smaller groups to congregate. Each floor will also showcase works of art selected by the Public Art Advisory Committee.

The 55,000-square-foot Jerry and Gene Jones Student-Athlete Success Center addresses the academic, personal, professional, and nutritional needs of the university's approximately 460 student athletes. The center was made possible by a gift from former Razorback and Dallas Cowboy's owner Jerry Jones and his family, and should help the university's efforts to recruit and graduate student-athletes.

The Jim and Joyce Faulkner Performing Arts Center provides the university with something it hasn't had before – a 585-seat, state-of-the-art performance venue where faculty and students can showcase their talents. The renovation of the Old Fieldhouse was made possible by a gift of $6 million from Jim and Joyce Faulkner, and should help the university's efforts to strengthen its performing arts programs.

The university also broke ground on the Fowler House Garden and Conservatory thanks to a gift of $2.93 million from Jama and Wallace Fowler. Since its completion, the house has held more than 800 events, with more than 17,000 guests in attendance. Despite frequent use, Fowler House was not able to accommodate larger dinners, which required that space be rented elsewhere.

The Garden and Conservatory will be a separate structure designed to hold large, seated dinners and receptions, meetings and other events and will have a seated dinner capacity of 120 people, as well as a 300-square-foot catering kitchen.

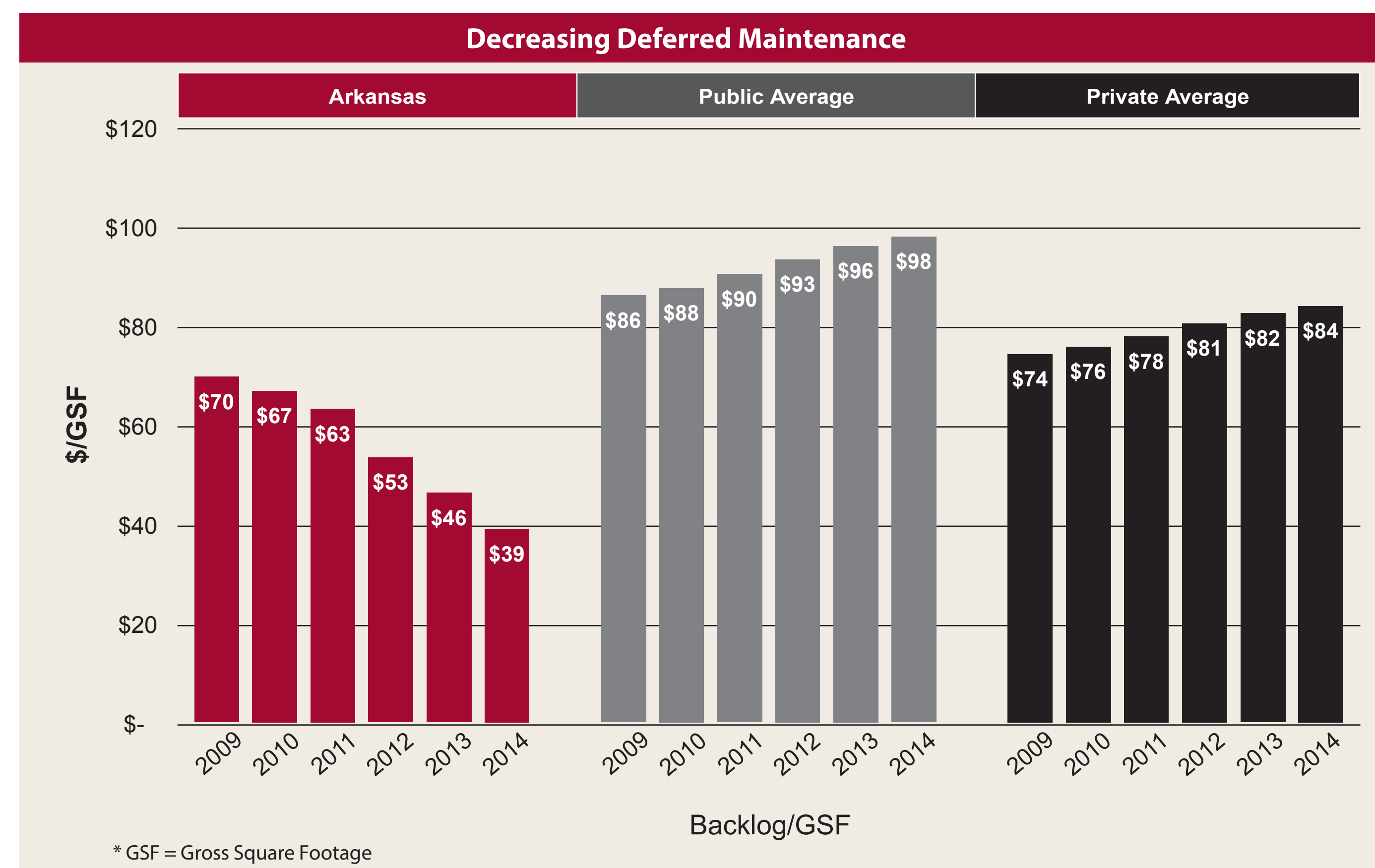
The Basketball Performance Center opened its doors for the fall 2015 semester. The $25 million Center will provide the University with a premier facility dedicated to the development of men's and women's basketball student-athletes on and off the court. The facility will help bolster the Razorback men's and women's basketball programs, which previously have competed in the Southeastern Conference as the only league school without an independent basketball practice facility.

Last fall, the university also dedicated the Fowler Family Baseball and Track Training Center, on the north side of the Randal Tyson Track Center. This 55,000-square-foot facility will serve more than 150 student-athletes annually, providing climate controlled practice space as well as a venue for championship meets.

Chi Omega recently rededicated the Greek Theatre after a comprehensive round of restoration work facilitated by a $100,000 gift from the Chi Omega Foundation. The Alpha Zeta chapter of Pi Kappa Alpha also dedicated a new house.

Thanks to forward planning from the Board of Trustees, which approved the facility renovation and refurbishment plan funded by student fees, the university has greatly reduced its backlog of deferred maintenance.

The university now has one of the lowest backlogs in the country, less than half the national average. In fact, the national trend has been toward an increasing backlog of deferred maintenance, while the U of A's backlog is steadily decreasing.



Awards Enable Cutting-Edge Research

It was another successful year for research at the University of Arkansas in terms of grants made by federal entities to support the university's research mission.

The Office of Research and Sponsored Programs received 592 awards – up 32 percent from fiscal 2014 – totaling $63.7 million, a 6 percent increase from FY14.

Including awards made to the Division of Agriculture, U of A external support for sponsored activities received in FY15 was close to $80 million.

The growth in research funding led to a rise in campus research expenditures, which surpassed $133 million in FY15.

Among the fiscal year's sponsored-research highlights:

Brent Thomas Williams, associate professor of rehabilitation education and research in the College of Education and Health Professions, received $7.1 million for Arkansas PROMISE – a $32.4 million, five-year research project funded by the U.S. Department of Education.

The PROMISE project is a joint initiative of four federal agencies: the departments of Education, Health and Human Services, Labor, and the Social Security Administration. Its underlying premise is that improved coordination between services can improve outcomes for youth and their families.

Alan Mantooth, Distinguished Professor of electrical engineering and holder of a Twenty-First Century Research Leadership Chair in the College of Engineering, was the lead investigator on 24 grants totaling $3.5 million.

Mantooth directs four centers at the university that research power electronics and power systems related to electric power transmission, the nation's electrical grid and energy research, including three centers sponsored by the National Science Foundation. He and his research team have designed electronics used on the International Space Station, in deep-well drilling and in electric cars.

The Maritime Transportation Research and Education Center, directed by Heather Nachtmann, professor of industrial engineering, was awarded a total of $2.3 million from the U.S. Department of Transportation. Researchers at the center focus on maritime and multimodal logistics, construction of resilient and sustainable multimodal infrastructure and the creation and promotion of livable coastal and river-valley communities with effective emergency management systems.

Jak Chakhalian, professor of physics in the J. William Fulbright College of Arts and Sciences, was awarded $1.8 million by the Gordon and Betty Moore Foundation to create and investigate novel quantum materials and the relationships at the interface between those materials on the nanoscale. Chakhalian is building a state-of-the-art facility to grow artificial quantum materials at the atomic scale, with the ultimate goal of controlling their properties.

Electrical engineering professors Hameed Naseem and Shui-Qing "Fisher" Yu are investigators on a $725,000 award to the U of A and the University of Arkansas at Pine Bluff to further develop a new material for advanced electronics devices. The material – a combination of silicon, germanium and tin grown on silicon substrates – will create a so-called silicon optoelectronics "superchip" by improving processing speed and reliability by combining photonic and silicon devices. The project, funded by the U.S. Air Force Office of Scientific Research, will improve lasers, detectors and cameras.

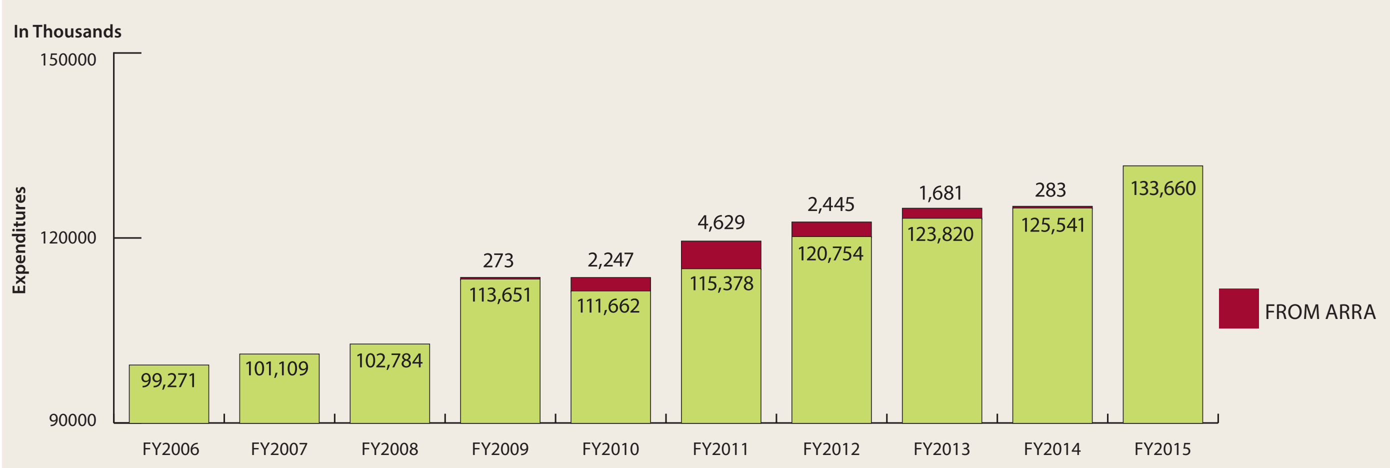
Rock Coffman, assistant professor of civil engineering, received $1.14 million to develop a decision support system for assessing areas at risk for mudslides or rock falls caused by the effects of wildfires. The funding includes a $570,000 grant from the U.S. Department of Transportation, $433,000 in matching funds from the university and $137,000 in matching funds from other institutions. The system, based on remote-sensing technologies, will help highway managers determine the threat of mudslides or rock falls to transportation infrastructure, develop plans to close routes and ensure public safety.

Assistant engineering professors Jing Yang and Kartik Balachandran each received $500,000 Faculty Early Career Development Program grants through the National Science Foundation. The grants, better known as CAREER awards, are one of the highest honors given by NSF to junior faculty members. Recipients are selected based on high-quality research and the integration of that research with education initiatives in the context of the university's mission.

Jeff Luckstead, an assistant professor in the department of agricultural economics and agribusiness in the Dale Bumpers College of Agricultural, Food and Life Sciences, will analyze the relationship between U.S. immigration policies and the nation's agricultural labor markets. His research is funded by a $400,000 grant from the U.S. Department of Agriculture's National Institute of Food and Agriculture.

Kartik Balachandran and Jeffrey Wolchok, assistant professor of biomedical engineering, received a $395,722 grant from the National Science Foundation to study how brain cells respond to traumatic injury. The researchers have developed a device that can mimic the physical impact that causes brain injuries.

ARKANSAS RESEARCH ON THE RISE



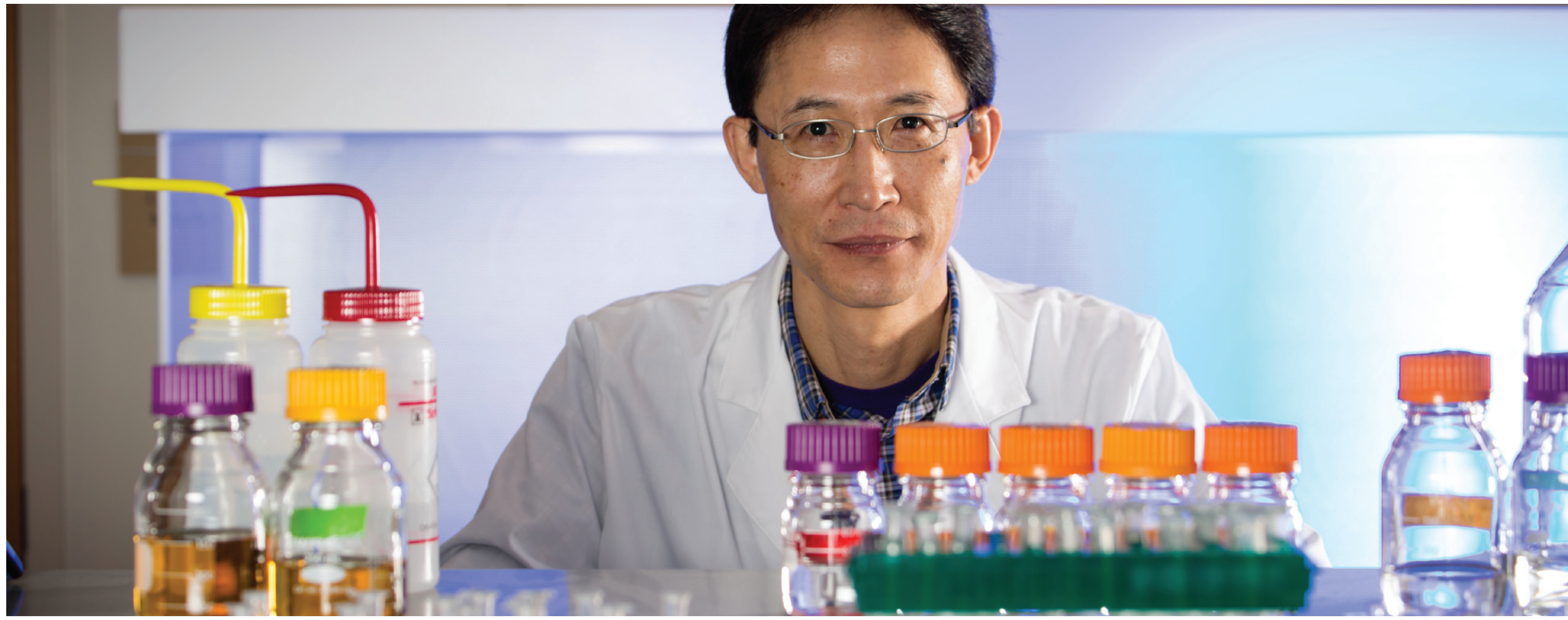
As reported in National Science Foundation Higher Education Research and Development survey.

The National Institute of Neurological Disorders and Stroke of the National Institutes of Health awarded $375,000 to researchers in Fulbright College who are investigating the interplay of two types of signaling in the brain. Woodrow Shew, assistant professor of physics, and Julie Stenken, professor of chemistry and biochemistry, are the co-principal investigators on the grant.

Jennifer Veilleux, assistant professor of psychological science in Fulbright College, was awarded $142,947 by Florida State University to lead a project that will examine how people think of their temptations. Veilleux will collaborate with Eric Funkhouser, associate professor of philosophy in Fulbright College. Their project is part of a $4.5 million grant from the John Templeton Foundation awarded to Florida State for an initiative called the Philosophy and Science of Self-Control.

The National Institutes of Health awarded Tricia Starks, associate professor of history, a $121,250 grant to complete the researching and writing of her book, *Cigarettes and Soviets: The Culture of Tobacco Use in Modern Russia*. The grant came through a program aimed at supporting scholarly works of value to U.S. health professionals, public health officials, biomedical researchers and historians of the health sciences.

In fiscal 2015, research expenditures jumped 9 percent to reach an all-time high of $133.66 million.



LETTER OF TRANSMITTAL

UNIVERSITY OF ARKANSAS

Vice Chancellor for Finance and Administration

November 9, 2015

Chancellor Ferritor,
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, 2015. 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 the 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, 2015, Arkansas Legislative Audit issued an unqualified 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
Interim Vice Chancellor for Finance and Administration

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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, 2015, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., which represent 100% of the assets and revenues of the aggregate discretely presented component units. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc., is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas Fayetteville Campus Foundation, Inc., the Razorback Foundation, Inc., and the Arkansas 4-H Foundation, Inc. were not audited in accordance with *Government Auditing Standards.*

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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www.arklegaudit.gov

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, 2015, and the respective changes in financial position, and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1 to the financial statements, the beginning net position of the University has been restated due to the adoption of Governmental Accounting Standards Board Statement no. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement no. 27.* Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 9, 2015
EDHE13515

MANAGEMENT'S DISCUSSION AND ANALYSIS

Introduction

The University of Arkansas (the University) is pleased to present its financial statements for fiscal year 2015. While audited financial statements for fiscal year 2014 are not presented with this report because of implementation of new GASB pronouncements, condensed operations and financial position data will be presented in this discussion and analysis in order to illustrate certain increases and decreases. However, the emphasis of discussions about these statements will be on the current year data. 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 "2015", "2014" 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.

Effective for the year ended June 30, 2015, the University adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68.* These statements established standards of accounting and financial reporting for defined benefit pension plans and defined contribution pension plans. As a result, the University reported deferred outflows of resources attributable to pension plans of $1.8 million, pension liabilities of $6.4 million and deferred inflows of resources attributable to pension plans of $2.7 million in the Statement of Net Position. Sufficient information was not available to restate the 2014 statements, and accordingly no comparative amounts for 2014 are presented. The beginning net position balance for 2015 was restated on the Statement of Revenues, Expenses and Changes in Net Position to recognize the effects of implementation of the GASB statements.

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

Note 16, "Other Entities" refers to the University of Arkansas Foundation, Inc., (the Foundation). The University is the beneficiary of only 51% of the net assets of the Foundation; therefore the Foundation does not meet the requirements of a component unit.

Statement of Net Position

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

Net Position is presented in four categories:
Net invested in capital assets – capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.

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

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

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

The following summarizes the University's assets, deferred outflows of resources, liabilities, deferred inflows of resources and net position as of June 30, 2015, and 2014:

Condensed Summary of Net Position

	2015	2014*
ASSETS		
Current Assets	$ 405,046,702	$ 344,180,136
Capital Assets, Net of Depreciation	1,186,589,373	1,135,648,519
Other Noncurrent Assets	101,943,352	169,442,303
Total Assets	$ 1,693,579,427	$ 1,649,270,958
Deferred Outflows of Resources	$ 11,831,017	$ 5,605,180
LIABILITIES		
Current Liabilities	$ 113,400,878	$ 107,410,960
Noncurrent Liabilities	710,328,839	727,154,380
Total Liabilities	$ 823,729,717	$ 834,565,340
Deferred Inflows of Resources	$ 2,709,951	$ 0
Net Position		
Net Invested in Capital Assets	$ 517,259,642	$ 506,674,608
Restricted – Nonexpendable	24,334,251	23,606,266
Restricted – Expendable	95,201,785	76,777,319
Unrestricted	242,175,098	213,252,605
Total Net Position	$ 878,970,776	$ 820,310,798

** Figures presented to illustrate increases and decreases and are not comparative*

Overall, the University's total assets increased $44.3 million. A review of the statement of net position reveals that there were several offsetting variances, but the increase was largely attributable to increases in cash and cash equivalents of $58 million, and capital assets of $50.9 million offset by reductions in deposits with trustees of $70.9 million.

The University continues to strengthen its liquidity position, with 68% of current assets comprised of cash and cash equivalents. For several years, the University's year-over-year cash balances have shown a steady increase. The rate and risk environment in the financial markets has not provided a significant premium over cash returns and cannot match the liquidity and low-risk benefits of cash and cash equivalents. Thus, the University has been intentional in maintaining a strong cash position to provide needed flexibility in deploying resources during a multi-year period of unprecedented growth in enrollment coupled with an aggressive reinvestment in campus facilities.

Deposits with bond trustees represent unspent bond proceeds and bond reserve funds. The decrease in 2015 reflects the continued spending of 2014 and earlier bond proceeds for ongoing construction projects. No bonds were issued for new construction during 2015.

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 $6.2 million. Deferred amounts on refinancing of debt increased $4.4 million as a result of increased deferred losses totaling $5.2 million related to two new refunding bond issues, offset by scheduled amortization. As discussed previously, deferred outflows related to pensions of $1.8 million were also reported as a result of implementation of new GASB statements.

Overall, liabilities decreased $10.8 million. The decrease was largely attributable to a $3.9 million increase in accounts payable and accrued liabilities and the addition of a $6.4 million pension liability offset by a $23 million net decrease in bonds, notes, capital leases and installment contracts (long-term debt). The increase in accounts payable and accrued liabilities is mostly a reflection of timing of invoicing for construction projects. The pension liability was established with implementation of new GASB statements as discussed earlier. Overall long term debt decreased because no new bonds were issued for construction projects in 2015 and debt was paid down with scheduled payments.

The University continued its investment in facilities renewal and replacement along with the addition of new facilities and improvements in 2015. 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 pension plans of $2.7 million were reported in 2015 as a result of implementation of new GASB statements. Additional information about the effects of the implementation of these statements can be found at Note 11 "Employee Benefits".

The increases in assets and deferred outflows of resources of $44.3 million and $6.2 million, respectively, combined with the decrease in liabilities of $10.8 million provides positive support to net position. This positive support is offset by the deferred inflows of resources of $2.7 million, resulting in a net increase of $58.6 million in net position.

The following summarizes the composition of unrestricted net position owned by the units of the University of Arkansas Fund as of June 30, 2015 and 2014:

Unrestricted Net Position

Unit	2015	2014*
Fayetteville Campus	$ 170,501,191	$ 142,786,608
Agricultural Experiment Station	43,992,878	42,495,318
Cooperative Extension Service	18,707,815	19,360,536
Arkansas Archeological Survey	758,653	542,413
Criminal Justice Institute	3,998,583	3,133,939
Clinton School of Public Service	1,098,504	1,271,004
AREON	3,117,474	3,662,787
Total Unrestricted Net Position	$ 242,175,098	$ 213,252,605

** Figures presented to illustrate increases and decreases and are not comparative*

Unrestricted net position for the Fayetteville Campus as of June 30, 2015 and 2014 is allocated as follows:

Unrestricted Net Position – Fayetteville Campus

Allocation	2015	2014*
Working Capital	$ 750,000	$ 750,000
E & G Department Uses	80,693,694	77,900,431
Service Operations	2,219,770	2,126,727
Auxiliaries	24,700,414	24,187,624
Plant Funds	48,725,397	24,376,617
Quasi-Endowment Funds	13,411,916	13,445,209
Total Fayetteville Campus Unrestricted Net Position	$ 170,501,191	$ 142,786,608

** Figures presented to illustrate increases and decreases and are not comparative*

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; reserves for student information system technologies and unrestricted quasi endowments. For 2015, the increase in reserves was primarily due to additional amounts reserved for capital projects, as denoted by the increase in 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 $274.3 million is of little significance, but does highlight the University's dependency on non-operating revenues to meet the costs of operations and provide funds for the acquisition of capital assets. The utilization of capital assets is reflected in the statement as depreciation, which amortizes the cost of an asset over its expected useful life.

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

The following summarizes the University's revenues, expenses and changes in net position for the years ended June 30, 2015 and 2014:

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

	2015	2014*
Operating Revenues	$ 467,876,899	$ 417,955,513
Operating Expenses	742,133,267	713,833,706
Operating loss	(274,256,368)	(295,878,193)
Net nonoperating revenues	305,827,428	319,832,100
Gain before other revenues and changes in net position	31,571,060	23,953,907
Other revenues and changes in net position	35,009,133	25,856,387
Increase in Net Position	$ 66,580,193	$ 49,810,294

** Figures presented to illustrate increases and decreases and are not comparative*

Operating revenue increased 11.9% or $49.9 million in 2015. Net student tuition and fees increased $22.8 million, a reflection of continued record enrollment growth and a 5% rate increase for the Fayetteville campus. Auxiliary enterprises revenue attributable to Athletics increased $19.6 million, due to increases in post-season and SEC conference distributions, an additional home football game and the reclassification of trademark licensing revenue to athletics. The remaining auxiliary enterprises realized a net increase totaling $3.3 million collectively, demonstrating the impact of enrollment growth. Grants and contracts collectively increased $9 million, primarily as a result of timing of certain awards and other cyclical changes. Operating revenue decreases include $1.3 million in federal appropriations, $1.4 million in sales and services of educational departments and $2.1 million in other operating revenues.

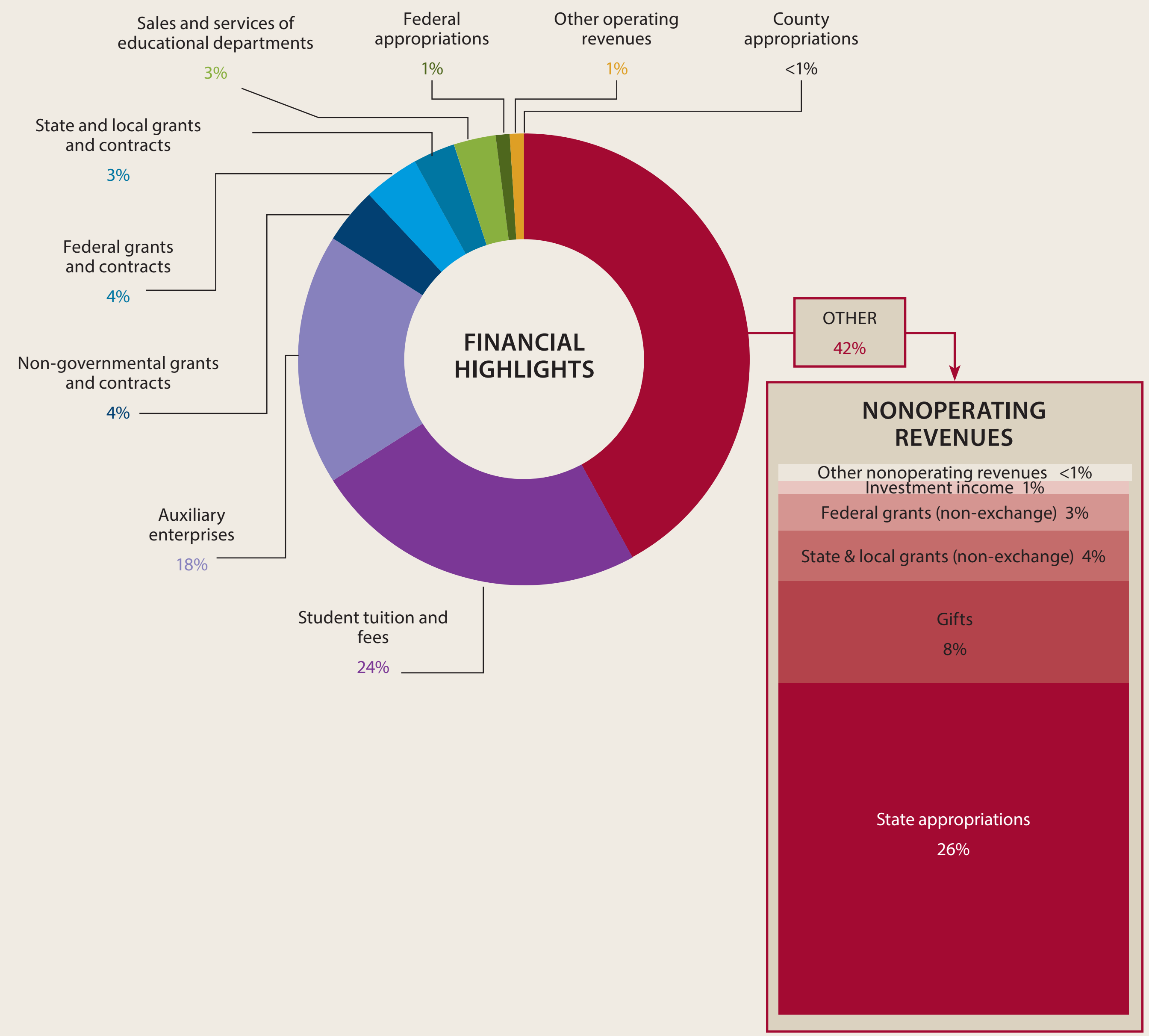
Operating expenses increased $28.3 million or 4% over 2014. Compensation and benefits costs grew $18.3 million, due in part to necessary increases in faculty to support enrollment growth, along with modest increases in salaries for faculty and staff. The implementation of GASB statements related to pensions also impacted compensation and benefits with increased pension expense. The University continues to focus on cost containment initiatives to control expenses.

Overall, net non-operating revenues decreased $14 million with nearly every non-operating category experiencing a decrease. The primary decrease was related to investment income, which decreased $10.3 million due to market performance. Gift revenue increased nearly $1 million, evidencing continued growth in private support.

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 16 "Other Entities".

Other Revenues and Changes in Net Position reflect changes in capital appropriations and capital gifts. Capital appropriations decreased nearly $4 million, reflecting one-time State General Improvement Funds received in 2014. Capital grants and gifts increased $12.4 million as a result of gifts supporting five separate capital building projects for educational and general and athletic facilities.

Fiscal Year Operating and Nonoperating Revenues

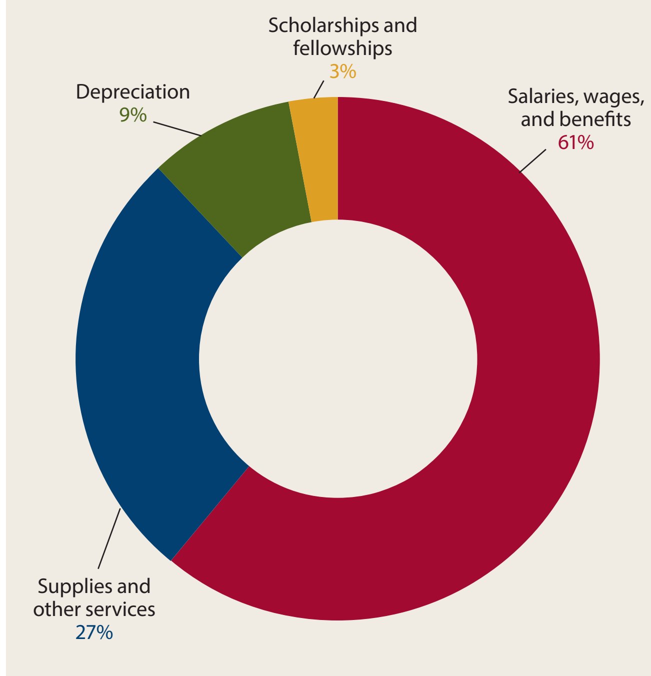


Financial Highlights

Operating Revenues	FY2015
Student tuition and fees	$189,315,846
Auxiliary enterprises	143,973,837
Non-governmental grants and contracts	32,831,792
Federal grants and contracts	31,709,977
State and local grants and contracts	23,668,832
Sales and services of educational departments	22,070,764
Federal appropriations	12,116,593
Other operating revenues	9,134,758
County appropriations	3,054,500
Total	**$467,876,899**

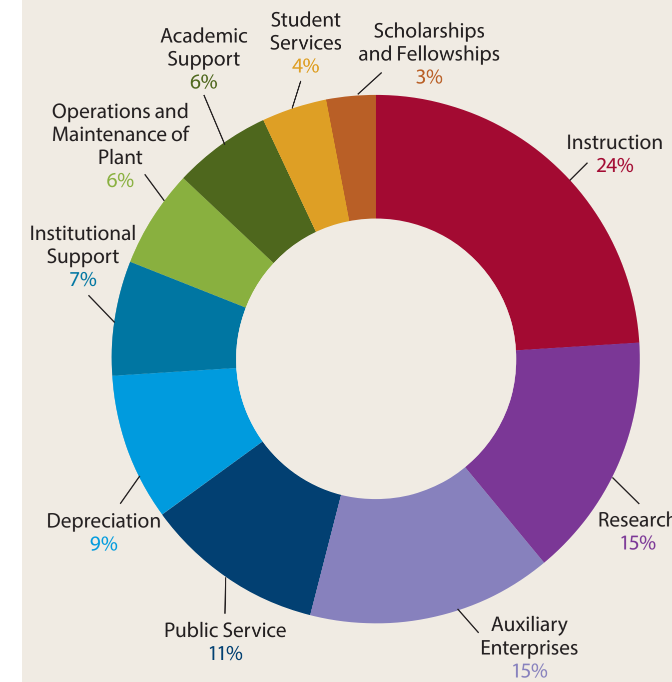
Nonoperating Revenues	FY2015
State appropriations	$205,745,146
Gifts	66,653,990
State & local grants (non-exchange)	28,644,847
Federal grants (non-exchange)	23,140,414
Investment income	4,338,885
Other nonoperating revenues	3,077,806
Total	**$331,601,088**

Fiscal Year 2015 Operating Expenses by Natural Classification



Operating Expenses by Natural Classification	FY2015
Salaries, wages, and benefits	$ 449,757,461
Supplies and other services	202,439,536
Depreciation	68,688,526
Scholarships and fellowships	21,247,744
Total operating expenses	**$ 742,133,267**

Fiscal Year 2015 Operating Expenses by Function



Operating Expenses by Function	FY2015
Instruction	179,937,325
Research	110,462,628
Auxiliary Enterprises	108,789,553
Public Service	83,567,516
Depreciation	68,688,526
Institutional Support	54,494,165
Operations and Maintenance of Plant	44,057,242
Academic Support	43,888,006
Student Services	26,697,500
Scholarships and Fellowships	21,550,806
Total	**742,133,267**

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, 2015 and 2014:

Condensed Summary of Cash Flows

	2015	2014*
Net Cash Used By Operating Activities	$ (199,759,210)	$ (220,243,075)
Net Cash Provided By Noncapital Financing Activities	323,624,325	324,100,302
Net Cash Provided By Operating And Noncapital Financing Activities	123,865,115	103,857,227
Net Cash Used By Capital And Related Financing Activities	(68,288,153)	(85,709,879)
Net Cash Provided By Investing Activities	2,475,163	5,378,806
Net Increase In Cash	$ 58,052,125	$ 23,526,154

** Figures presented to illustrate increases and decreases and are not comparative*

The University used $199.8 million of cash for operating activities in 2015 offset by cash provided by noncapital financing activities of $323.6 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 $123.9 million for 2015 indicates that these activities contributed to cash and liquidity for the year.

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

Significant Changes in Capital Assets and Long-Term Debt Activity

The University continued work on the multi-year Facilities Renewal and Stewardship Plan. This large-scale, long-range plan is intended to upgrade and add facilities in order to expand capacity and modernize the campus. A dedicated facilities fee, phased in over the time beginning in 2009, provides a revenue stream that is used to leverage bonded debt in order to fund a portion of this aggressive plan. The condition of the University's capital assets is an important measure of the University's overall financial health. Providing and maintaining facilities that create an attractive environment in which to learn and live is vital to attracting new students, as well as recruiting excellent faculty and staff. The University maintains a Facility Condition Index (FCI) to assist in assessment of the overall management of capital assets. The index trend is positive, demonstrating the positive effect of additions, renovations and the elimination of deferred maintenance to campus infrastructure and educational and general buildings as the Facilities Renewal and Stewardship Plan is implemented.

A summary of the 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, 2014	$ 506,674,608
Land Additions And Disposals (Net)	4,745,728
Buildings Additions And Disposals, Net Of Depreciation	(13,034,503)
Improvements/Infrastructure Additions, Net Of Depreciation	8,529,319
Equipment Additions And Disposals, Net Of Depreciation	1,512,255
Construction In Progress Additions Net Of Transfers To Buildings, Improvements/Infrastructure, And Intangible Assets	50,369,781
Livestock Additions/Deductions	509,766
Library Holdings Additions And Disposals, Net Of Depreciation	(1,248,456)
Intangible Assets, Net Of Amortization	(443,036)
Bond Debt Moved To Net Invested In Capital Assets	(152,247,707)
Bond Principal Paid In 2015	23,865,000
Bond Debt Refinanced	91,980,000
Deferred Loss On Refinanced Bond Issues, Amortized	4,375,352
Net Unamortized Bond Issue Premium	(11,165,892)
Capital Leases Assumed In 2015	(564,083)
Note, Capital Lease And Installment Contract Principal Paid In 2015	3,401,510
Net Invested In Capital Assets As Of June 30, 2015	$ 517,259,642

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 2015, 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 2015 include:

- Fowler Family Baseball and Track Indoor Training Facility – new construction of a climate-controlled multi-use space for student-athletes in the baseball, men's track and women's track programs. Total project cost was $9.2 million, funded by a mix of bond proceeds, athletic reserves and private support.
- Athletics Communication Center – a state-of-the-art facility for video productions and broadcast support including three video control rooms, a production studio and broadcast equipment. Total project cost was $5.4 million, funded by athletic reserves.
- Student Housing – renovation and expansion of student Greek housing operated by the University. Total project cost was $7.6 million, funded by $5.6 million bond proceeds with the remainder from private support.
- Utility Combined Heat and Power (CHP) Project – an upgrade to the existing Heating Plant production infrastructure that provides steam and hot water to the campus, providing capacity for future growth and the opportunity to use electrical power from CHP to provide uninterruptible power for the campus, especially to critical research buildings. Total project cost was $21 million, funded with a mix of bond proceeds and university reserves.
- Cato Springs Research Center – purchase of a building that was previously utilized by the University as leased space providing laboratory, support and office space for the Department of Biomedical Engineering and other Engineering departments. Total cost was $7.8 million funded by bond proceeds.

Projects begun in previous years that continued in 2015, with substantial completion expected in time for occupancy for the 2016 fall semester include:

- Champions Hall classroom and laboratory building – new construction of general use classrooms and teaching laboratories to meet the capacity demands of a growing enrollment. Total project cost is estimated at $26.5 million, funded with a mix of bond proceeds and university reserves. Athletic contributions will fund a portion of the debt payments.
- Jim & Joyce Faulkner Performing Arts Center – whole building conversion of the Fieldhouse building to a state-of-the-art performance venue. Total project cost is estimated at $22 million, funded with a mix of bond proceeds, university reserves and private support.
- Agricultural, Food and Life Science – renovate and repurpose an abandoned two-story creamery into general purpose classrooms, laboratories and office space. Total estimated cost is $2.8 million funded by bond proceeds.
- Jerry & Gene Jones Student Athlete Success Center – new construction of a facility to provide academic support space, auditorium and dining hall with full-service kitchen for student-athletes. Total project cost is estimated at $23 million, funded with a mix of bond proceeds, athletic reserves and private support.
- Basketball Performance Center – new construction of a facility that provides separate gymnasiums for men's and women's teams, along with locker rooms, weight rooms, training rooms and coaches suites and administrative space. Total project cost is estimated at $25 million, funded with a mix of bond proceeds, athletic reserves and private support.

Construction continuing and new projects begun in 2015 include:

- Art and Design District – project continues in 2015 to renovate, and equip a previously purchased warehouse and small office building to relocate the Department of Art sculpture labs, foundations studio course programs and research studios. Estimated project cost is $6.5 million funded by bond proceeds with expected completion in June, 2016.
- Fowler House Garden Conservatory – new project to construct an outdoor garden pavilion, catering kitchen, and formal lawn and garden gathering space at the Chancellor's residence. Estimated project cost is $3.3 million, funded by private support with expected completion in June, 2016.
- Student Housing – renovation and expansion of student Greek housing operated by the University. Estimated project cost is $6.5 million, funded by bond proceeds and private support with expected completion in December, 2016.
- Natural Gas Bypass Pipeline – new utility infrastructure improvement to construct a high pressure gas pipeline to support the Utility Combined Heat and Power facility. Estimated project cost is $6 million, funded with a mix of bond proceeds and university reserves with completion expected in August, 2015.
- The Division of Agriculture Eastern Arkansas Soil Testing and Research Laboratory located at the Lon Mann Cotton Research Station in Marianna, Arkansas – project continues to renovate the existing facility and construct a new Soil Testing Laboratory. Total project cost is estimated at $8.5 million with completion expected in December, 2015. The project is funded by Agriculture sales and reserves and Community Board grants.

- The Division of Agriculture Seed Plant Facility at the Rice Research and Extension Center Station located at Stuttgart, Arkansas -.project continues to construct a new facility to replace the current aging facility. Estimated project cost is $8.5 million, funded with state general improvement funds and Agricultural sales and reserves with expected completion in June, 2017.
- The Division of Agriculture Don Tyson Center for Agricultural Sciences located at Fayetteville, Arkansas – new project to construct a multipurpose laboratory, with two greenhouses and office complex. Estimated cost is $16 million, funded by a mix of private support, Agricultural sales and reserves with an expected completion of March, 2017.

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

Summary of Changes in Long-Term Debt

	Bonds	Notes	Installment Contracts and Leases
Balance As Of July 1, 2014	$ 676,730,728	$ 2,497,090	$ 31,360,976
Additions	98,665,701		564,083
Payments Of Principal	(23,865,000)	(579,837)	(2,821,673)
Refunded Principal And Premium	(92,822,914)		
Amortization Of Net Bond Premium	(2,116,895)		
Balance As Of June 30, 2015	$ 656,591,620	$ 1,917,253	$ 29,103,386

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

The University issued two refunding bond issues in 2015. The first issue refunded several various facility outstanding bonds and resulted in an economic gain of $7.6 million. The second issue refunded several athletic facilities outstanding bonds and resulted in an economic gain of $1.1 million.

Conditions and other factors having a significant effect

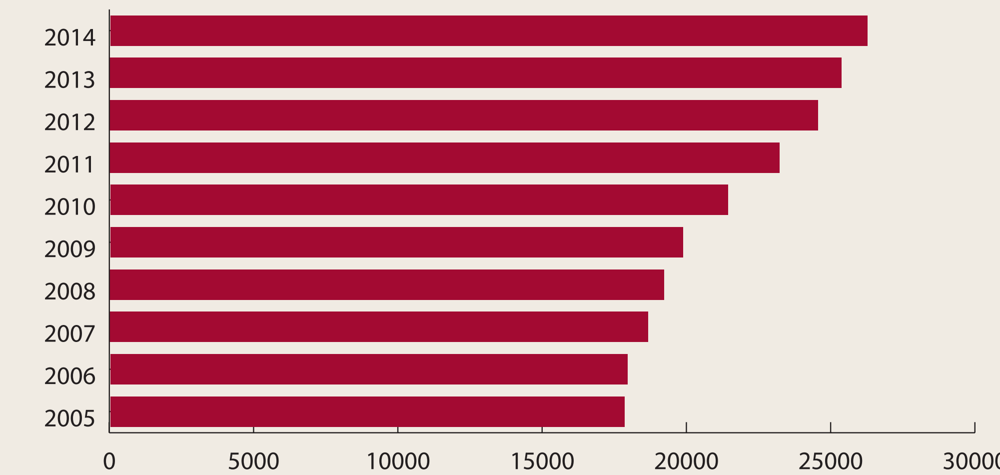
Financial and political support from state government remains a critical element to the continued financial health of the University. In 2015, the total general revenue distribution from the State increased nearly $1.5 million to $201.8 million. Estimates for 2016 indicate general revenue distributions from the State will remain flat, with no significant increase or decrease. Management will continue to institute both internal and external efforts to maximize the state resources available, while seeking ways to minimize the effect of state funding levels not keeping pace with growth.

We continue to seek ways to manage the cost of attendance so that it remains affordable while achieving revenue support necessary to offer a high quality university experience. Diverse revenue resources, including state appropriations, tuition and fees (net of scholarship allowance), private support and sponsored grants and contracts all contribute to support the mission of teaching, research and service. Tuition and mandatory fee increases totaling 5% were necessary in 2015 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.

Momentum is building for the next comprehensive fundraising campaign. Positive news continues with the University fundraising production totals for private gift support exceeding $100 million for five consecutive years. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2015, the University recognized $116.5 million of private gift support, surpassing its goal of $112 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.

Enrollment records continue to be broken, with preliminary figures for fall 2015 enrollment of 26,754. The preliminary numbers show an increase of 517 students. Since 2008, university enrollment has increased 39%, or more than 7,500 students.

Enrollment Trend over the last 10 Years

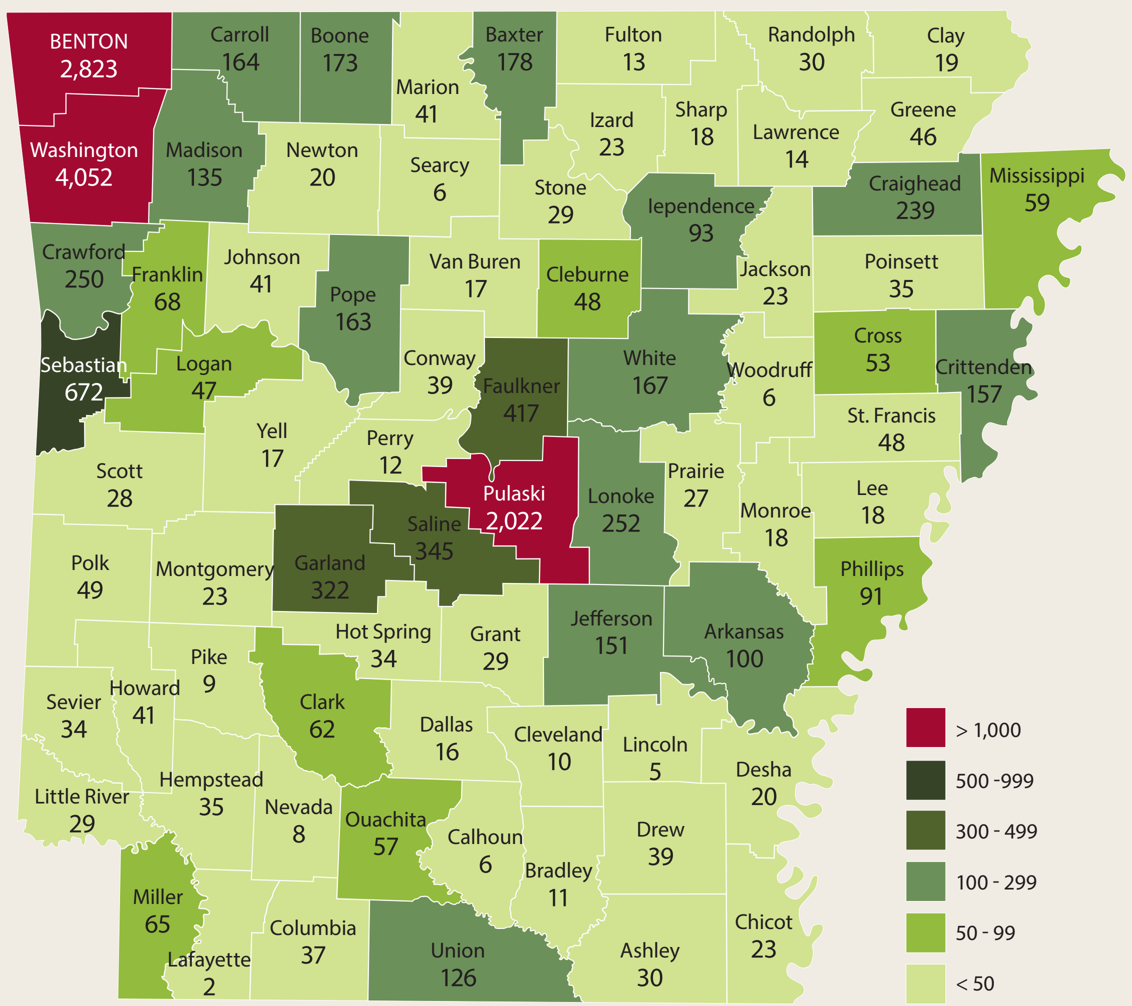


Fall Semester Enrollment

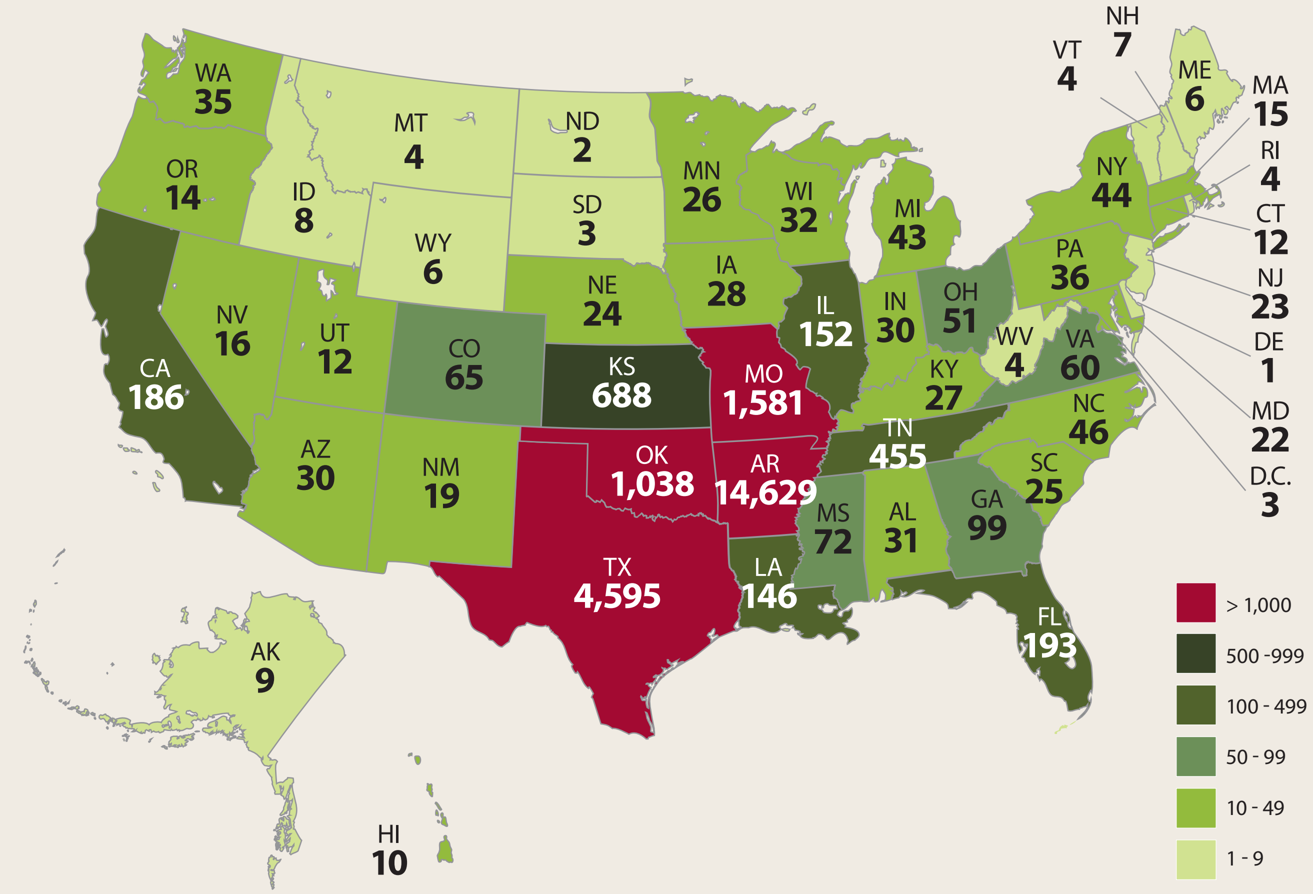
	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
TOTAL	17,926	18,648	19,194	19,849	21,405	23,199	24,537	25,341	26,237	26,754
UNDERGRADUATE	14,350	14,948	15,426	15,835	17,247	19,027	20,350	21,009	21,836	22,158
LAW	440	413	412	408	407	413	410	390	379	375
GRADUATE	3,136	3,287	3,356	3,606	3,751	3,759	3,777	3,942	4,022	4,221

Per the Office of Institutional Research and Assessment

In-State Enrollment by County of Origin

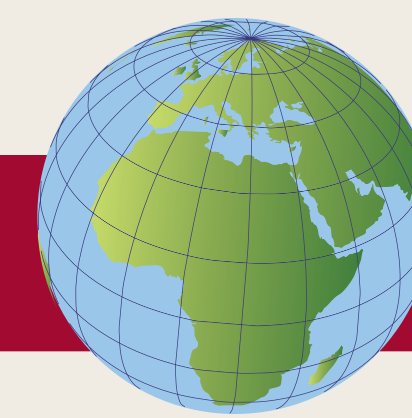


Enrollment by State



Foreign Countries

1,567



Statement of Net Position

	June 30, 2015
ASSETS	
Current assets	
Cash and cash equivalents	$ 273,555,167
Short-term investments	77,156,987
Accounts receivable, net	34,580,747
Accrued interest receivable	802,730
Pledges receivable	4,016,236
Inventories	5,505,385
Deposits with bond trustees	2,201,430
Notes receivable, net	3,399,741
Other assets	3,828,279
Total current assets	405,046,702
Noncurrent Assets	
Cash and cash equivalents	2,887,232
Endowment investments	73,415,511
Other long-term investments	1,530,358
Notes receivable, net	11,830,152
Deposits with bond trustees	11,744,948
Other assets	535,151
Capital assets, net	1,186,589,373
Total noncurrent assets	1,288,532,725
Total assets	**$ 1,693,579,427**
DEFERRED OUTFLOWS OF RESOURCES	
Deferred amount on refunding	9,980,532
Deferred outflows related to pensions	1,850,485
Total deferred outflows of resources	**$ 11,831,017**
LIABILITIES	
Current liabilities	
Accounts payable and accrued liabilities	$ 26,605,417
Accrued payroll liabilities	18,612,153
Accrued interest expense	5,492,628
Student overpayments	73,223
Funds held in trust for others	1,251,413
Advance receipts	29,608,169
Compensated absences payable - current portion	1,408,052
Bonds, notes, capital leases and installment contracts payable - current portion	30,349,823
Total current liabilities	113,400,878
Noncurrent Liabilities	
Refundable federal advance - perkins loans	14,185,613
Compensated absences payable	18,597,878
Liability for other post employment benefits	13,803,981
Pension liability	6,450,702
Bonds, notes capital leases and installment contracts payable	657,262,436
Other noncurrent liabilities	28,229
Total noncurrent liabilities	710,328,839
Total liabilities	**$ 823,729,717**

	June 30, 2015
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to pensions	$ 2,709,951
Total deferred inflows of resources	**$ 2,709,951**
NET POSITION	
Net invested in capital assets	$ 517,259,642
Restricted for	
Nonexpendable	
Scholarships and fellowships	8,365,759
Research	5,739,659
Instructional department uses	9,044,447
Loans	911,670
Other	272,716
Expendable	
Scholarships and fellowships	13,201,055
Research	27,033,953
Public service	7,467,633
Instructional department uses	14,649,562
Loans	2,990,821
Capital projects	24,666,137
Debt service	205,421
Other	4,987,203
Unrestricted	242,175,098
Total net position	**$ 878,970,776**

See Accompanying Notes To Financial Statement.

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

	Year Ended June 30, 2015
REVENUES	
Operating Revenues	
Student tuition and fees	
(net of scholarship allowances of $69,976,246 in fiscal year 2015)	$ 189,315,846
Federal appropriations	12,116,593
County appropriations	3,054,500
Federal grants and contracts	31,709,977
State and local grants and contracts	23,668,832
Nongovernmental grants and contracts	32,831,792
Sales and services of educational departments	22,070,764
Auxiliary enterprises	
Residence Life (net of scholarship allowances of $8,747,901 in fiscal year 2015)	32,673,491
Athletics	86,417,607
Bookstore (net of scholarship allowances of $144,356 in fiscal year 2015)	13,516,538
Student Health Services	2,881,754
Transit and Parking	7,892,613
Student Organizations/Activities	104,576
Other Auxiliary Enterprises	487,258
Other operating revenues	9,134,758
Total operating revenues	**467,876,899**
EXPENSES	
Operating Expenses	
Salaries, wages, and benefits	449,757,461
Scholarships and fellowships	21,247,744
Supplies and other services	202,439,536
Depreciation	68,688,526
Total operating expenses	**742,133,267**
Operating loss	**(274,256,368)**
NONOPERATING REVENUES (EXPENSES)	
State appropriations	205,745,146
Gifts	66,653,990
Investment income (net of investment expense of $337,098 in fiscal year 2015)	4,338,885
Interest on capital asset - related debt	(24,003,224)
Federal grants (nonexchange)	23,140,414
State and local grants (nonexchange)	28,644,847
Loss on disposal of assets	(1,047,765)
Other nonoperating revenues	3,077,806
Other nonoperating expenses	(722,671)
Net nonoperating revenues	**305,827,428**
Gain before other revenues and changes in net position	**31,571,060**

	Year Ended June 30, 2015
OTHER REVENUES AND CHANGES IN NET POSITION	
Capital appropriations	2,143,171
Capital grants and gifts	31,954,904
Other changes	911,058
Total other revenues and changes in net position	**35,009,133**
Increase in net position	**66,580,193**
NET POSITION	
Net position, beginning of year - as originally reported	820,310,798
Adjustment due to GASB 68, as amended	(7,920,215)
Net position, beginning of year - restated	812,390,583
Net position, end of year	**$ 878,970,776**

See Accompanying Notes To Financial Statement.

STATEMENT OF CASH FLOWS – DIRECT METHOD

		Year Ended June 30, 2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Student tuition and fees	$	188,413,009
Federal appropriations		13,314,541
County appropriations		3,054,500
Grants and contracts		87,117,812
Payments to suppliers		(200,824,858)
Payments to employees		(352,328,055)
Payments for benefits		(95,153,791)
Payments for scholarships and fellowships		(21,250,689)
Loans issued to students and employees		(2,447,198)
Collections of loans to students		2,530,074
Collections of interest on loans to students		481,656
Auxiliary enterprise charges		
Residence Life		31,991,043
Athletics		86,539,416
Bookstore		12,877,934
Student Health Services		2,846,801
Transit and Parking		7,916,682
Student Organizations/Activities		96,057
Other Auxiliary Enterprises		688,063
Sales and services of educational departments		22,396,907
Other receipts		11,980,886
Net cash used by operating activities		**(199,759,210)**
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
State appropriations		205,745,146
Gifts and grants for other than capital purposes		65,967,272
Federal grants (nonexchange)		23,140,415
State and local grants (nonexchange)		28,649,147
Nongovernmental grants (nonexchange)		(31,783)
Direct Lending, and private loan receipts		110,372,353
Direct Lending, and private loan payments		(110,368,343)
Net agency fund transactions		150,118
Net cash provided by noncapital financing activities		**323,624,325**
Net cash provided by operating activities and noncapital financing activities		**123,865,115**
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Realized proceeds related to capital debt transactions		70,774,651
Capital appropriations		2,143,171
Capital grants and gifts received		27,771,693
Purchases of capital assets		(111,959,308)
Principal paid on capital debt and leases		(27,087,062)
Interest paid on capital debt and leases		(29,931,298)
Net cash used by capital and related financing activities		(68,288,153)

		Year Ended June 30, 2015
CASH FLOWS FROM INVESTING ACTIVITIES		
Proceeds from sales and maturities of investments	$	2,604,789
Investment income		475,163
Purchase of investments		(604,789)
Net cash provided by investing activities		**2,475,163**
NET INCREASE IN CASH		58,052,125
Cash - beginning of year		218,390,274
Cash - end of year	$	276,442,399
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating loss	$	(274,256,368)
Adjustments to reconcile net loss to net cash used by operating activities:		
Depreciation expense		68,688,526
Other miscellaneous operating receipts		3,320,383
Changes in assets and liabilities		
Receivables (net)		(252,431)
Inventories		936,195
Prepaid expenses		(660,465)
Accounts payable and accrued liabilities		1,315,823
Accrued payroll liabilities (Employees)		17,980
Accrued payroll liabilities (Benefits)		1,172,454
Student overpayments		(13,333)
Advance receipts		(1,208,120)
Refundable federal advance		(139,821)
Deposits		4,900
Compensated absences		365,676
Retiree benefits		879,501
Loans to students and employees		69,890
Net cash used by operating activities	**$**	**(199,759,210)**
NONCASH TRANSACTIONS		
Donations of land, buildings, improvements, infrastructure and library holdings	$	140,104
Equipment donations		88,183
Payments to bond escrow directly from bond proceeds		97,937,124
Payment of bond proceeds directly into deposits with trustees		263,419
Payment of underwriter's discount directly from bond proceeds		465,157
Bond issuance costs paid directly from deposits with trustees		263,419
Interest on long-term debt paid directly from deposits with trustees		124,938
Payment of long-term debt directly from University of Arkansas Foundation, Inc. accounts		214,188
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments		492,553
Maintenance expense paid directly from proceeds of long-term debt instruments		71,530
Loss on disposal of assets		1,176,840

See Accompanying Notes To Financial Statement.

DISCRETELY PRESENTED COMPONENT UNITS
UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATMENTS OF FINANCIAL POSITION

June 30, 2015 and 2014

	2015	2014
Assets		
Investments	$ 515,236,233	$ 513,809,543
Liabilities and Net Assets		
Accounts payable	$ 476,827	$ 181,629
Net assets:		
Temporarily restricted	30,571,566	29,161,667
Permanently restricted	484,187,840	484,466,247
Total net assets	514,759,406	513,627,914
Total liabilities and net assets	$ 515,236,233	$ 513,809,543

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2015

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

THE UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

STATEMENT OF ACTIVITIES

Year ended June 30, 2014

	Unrestricted	Temporarily Restricted	Pennanently Restricted	Total
Revenue , gains and other support:				
Interest and dividends	$ -	$ 3,524,875	$ 16,527	$ 3,541,402
Net realized and unrealized gains on investments	-	14,277,677	49,589,184	63,866,861
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	19,691,816	(19,691,816)	-	-
Total revenue, gains and other support	19,691,816	(1,889,264)	49,605,711	67,408,263
Programs ervices:				
Construction	4,446,335	-	-	4,446,335
Research	1,341,235	-	-	1,341,235
Faculty/staff support	2,537,570	-	-	2,537,570
Scholarships and awards	9,457,971	-	-	9,457,971
Equipment and technology	1,400,591	-	-	1,400,591
Other	508,114	-	-	508,114
Total program services	19,691,816	-	-	19,691,816
Changes in net assets	-	(1,889,264)	49,605,711	47,7 16,447
Net assets, beginning of year	-	31,050,931	434,860,536	465,911,467
Netassets, end of year	$ -	$ 29,161,667	$ 484,466,247	$ 513,627,914

DISCRETELY PRESENTED COMPONENT UNITS

THE RAZORBACK FOUNDATION, INC.

THE RAZORBACK FOUNDATION, INC.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

June 30, 1015

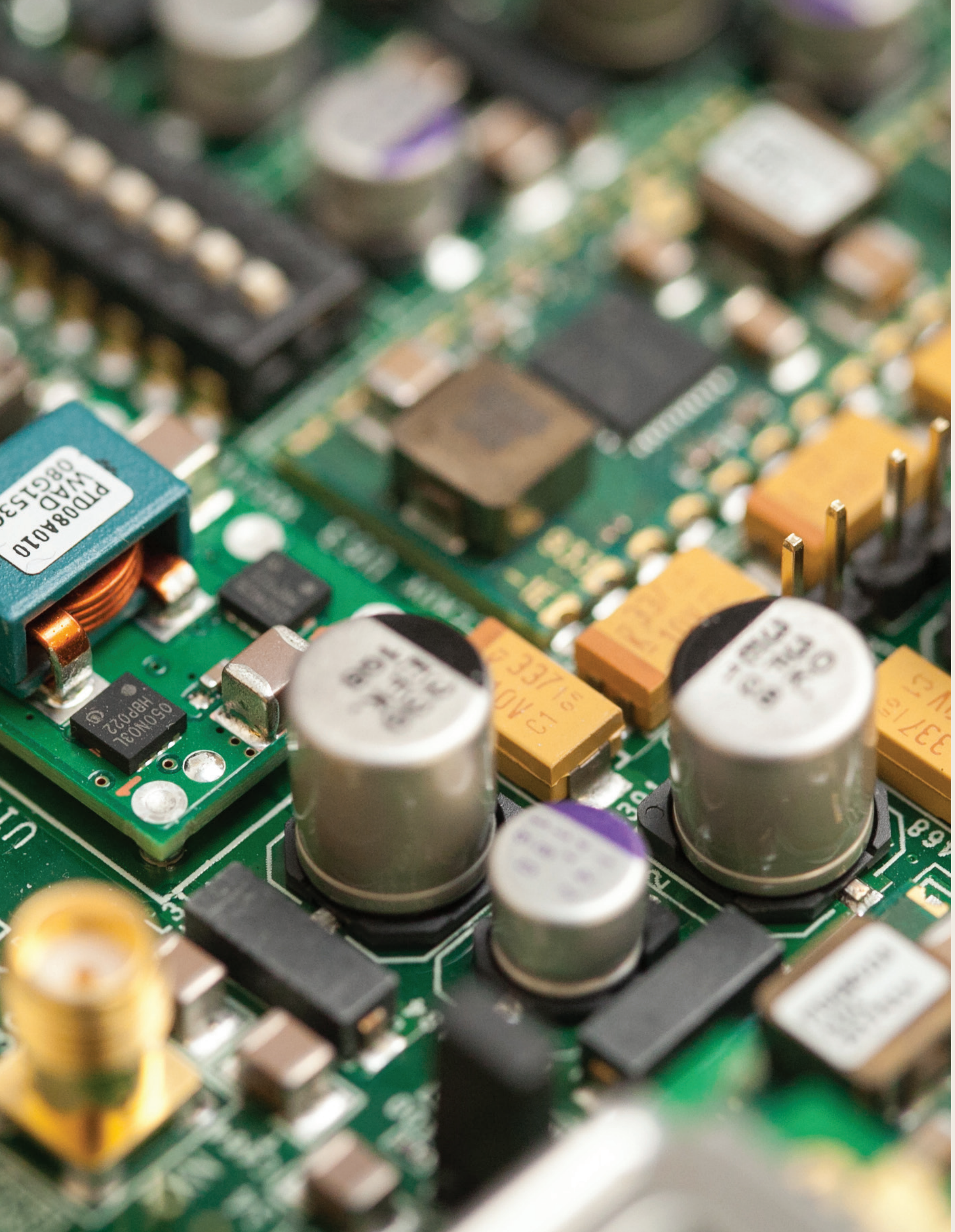
Assets	
Cash and cash equivalents	$ 10,573,235
Contributions receivable, net	12,916,263
Investments, at faviarlue	13,452,810
Prepaid rent	1,390,384
Other	2,209,860
Property and equipment, net	12,930,958
Total assets	$ 53,473,510
Liabilities and Net Assets	
Liabilities:	
Accounts payable and accrued liabilities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

THE RAZORBACK FOUNDATION , INC.

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2015

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



DISCRETELY PRESENTED COMPONENT UNITS
ARKANSAS 4H FOUNDATION, INC.

ARKANSAS 4-H FOUNDATION, INC.

STATEMENTS OF FINANCIAL POSITION, JUNE 30, 2015 AND 2014

ASSETS	2015	2014
UNRESTRICTED ASSETS:		
Cash and cash equivalents	$ 506,009	$ 522,682
Investments, at fair value	1,860,232	1,877,914
Due from affiliate	-	66,912
Other assets	25,259	22,261
Total unrestricted assets	2,391,500	2,489,769
RESTRICTED ASSETS:		
Cash and cash equivalents	36,284	1,588
Investments, at fair value	2,349,438	2,483,206
Total restricted assets	2,385,722	2,484,794
PROPERTY AND EQUIPMENT, NET	5,025,552	5,344,828
TOTAL ASSETS	$ 9,802,774	$ 10,319,391
LIABILITIES AND NET ASSETS		
CURRENT LIABILITIES:		
Accounts payable	$ 52,146	$ 82,334
Due to affiliate	7,761	-
Line of credit	-	-
Other liabilities	40,727	43,969
TOTAL LIABILITIES	100,634	126,303
NET ASSETS:		
Unrestricted	5,673,446	5,969,946
Temporarily restricted	3,289,001	3,485,281
Permanently restricted	739,693	737,861
Total net assets	9,702,140	10,193,088
TOTAL LIABILITIES AND NET ASSETS	$ 9,802,774	$ 10,319,391

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2015

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

ARKANSAS 4-H FOUNDATION, INC.

STATEMENT OF ACTIVITIES FOR THE YEAR ENDED JUNE 30, 2014

	UNRESTRICTED	TEMPORARILY RESTRICTED	PERMANENTLY RESTRICTED	TOTAL
SUPPORT AND REVENUES:				
Program service revenue	$ 1,233,739	$ -	$ -	$ 1,233,739
Grants and contributions	22,798	8,070	-	30,868
Interest and dividends	16,044	160,126	279	176,449
Net unrealized and realized appreciation on investments	48,391	482,977	842	532,210
Other revenues, net	9,070	-	-	9,070
Net assets released from restrictions	310,168	(310,168)	-	-
Total support and revenues	1,640,210	341,005	1,121	1,982,336
EXPENSES:				
Program	1,824,733	-	-	1,824,733
Management and general	65,922	-	-	65,922
Fundraising	2,082	-	-	2,082
Total expenses	1,892,737	-	-	1,892,737
CHANGE IN NET ASSETS	(252,527)	341,005	1,121	89,599
NET ASSETS, BEGINNING OF YEAR	6,222,473	3,144,276	736,740	10,103,489
NET ASSETS, END OF YEAR	$ 5,969,946	$ 3,485,281	$ 737,861	$ 10,193,088

TABLE OF CONTENTS: NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of the Organization

The University of Arkansas, Fayetteville ("the University") is a State-supported institution of higher education and the flagship of the University of Arkansas System. The University was established at Fayetteville in 1871 under the provisions of the Morrill Act as both a state university and the land-grant college of Arkansas, and is one of eleven campuses of the University of Arkansas System.

The University is granted an annual appropriation for operating purposes as authorized by the Arkansas General Assembly. The Appropriation Act authorizes expenditures from funds appropriated from the General Fund of the State and authorizes expenditures of total operating funds. An appropriation is construed to be available for the one year period following the legislative session in which it was approved. All appropriations lapse at the end of the year unless otherwise provided. The laws of the State and the policies and procedures specified by the State for state agencies and institutions are applicable to the activities of the University.

The University is tax exempt under Internal Revenue Service code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2015. 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.

Financial Reporting Entity

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

For purposes of financial reporting, the primary government of the University includes the academic units in Fayetteville, the Agricultural Experiment Station, the Cooperative Extension Service, the Arkansas Archeological Survey, the Criminal Justice Institute, the Clinton School of Public Service and the Arkansas Research Education Optical Network. The academic units in Fayetteville include ten colleges, schools and divisions: the Dale Bumpers College of Agricultural, Food, and Life Sciences, the Fay Jones School of Architecture, the J. William Fulbright College of Arts and Sciences, the Sam M. Walton College of Business, the College of Education and Health Professions, the College of Engineering, the School of Law, the Honors College, the Graduate School, and the Global Campus.

Discretely Presented Component Units

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

The University of Arkansas Fayetteville Campus Foundation, Inc. ("the Foundation") is a charitable organization described in Section 501 (c) (3) of the Internal Revenue Code of 1986, as amended, and was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The Foundation was established on March 11, 2003, and exists primarily to support the

Honors College, the Graduate School and the University's library. The Board of Trustees of the Foundation is made up of seven (7) members, including three (3) members who are also employees of the University.

The Foundation distributed $14,784,573 to the University during the fiscal year ended June 30, 2015 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 $25,636,493 to the University, and provided equipment, facilities, improvements and supplies in the amount of $951,403 during the fiscal year ended June 30, 2015. Complete financial statements for the Razorback Foundation can be obtained from the administrative office at 1295 S. Razorback Road, Fayetteville, AR 72701.

The Arkansas 4-H Foundation, Inc. ("the 4-H Foundation") was incorporated under the laws of the State of Arkansas in 1951. The purposes and objectives of the 4-H Foundation are exclusively educational. The 4-H Foundation was formed to encourage and support such educational purposes, as in the judgment of the 4-H Foundation, will best meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. The 4-H Foundation is organized into approximately 116 distinct funds that are used to account for various educational or administrative activities.

The majority of the distributions made by the 4-H Foundation directly to the University during the fiscal year ended June 30, 2015 was for reimbursement to the University for expenses incurred on their behalf. Other distributions made by 4-H Foundation directly to the University during the fiscal year ended June 30, 2015 included transfers of program balances of $3,444. Distributions made by the 4-H Foundation directly to the University for program support equaled $27,229 for the fiscal year ended June 30, 2015. Complete financial statements for the 4-H Foundation can be obtained from the administrative office at 2301 S. University Avenue, P.O. Box 391, Little Rock, AR 72203.

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).

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.

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.

Cash and Cash Equivalents

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

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.

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.

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.

Capital Assets

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

Buildings, improvements, and infrastructure additions are capitalized when the cost is $50,000 or more. Renovations to buildings, infrastructure and land improvements are also capitalized when they significantly increase the value or extend the useful life of the structure and the cost exceeds $50,000.

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

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

Library holdings are generally defined as collections of books and reference materials, and are valued using average prices for library acquisitions. A library book is a literary composition bound into a separate volume and identifiable as a separate copyrighted unit. Library reference materials are information sources other than books which include journals, periodicals, microforms, audio/visual media, computer-based information, manuscripts, maps, documents, and similar items.

Livestock is under the control of the Department of Animal Sciences and is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the Department. The inventory value placed on the animals is determined by department heads utilizing current market prices and breeding and research intangibles.

Depreciation is computed using the straight-line method over the estimated useful lives of the assets, generally 15 to 30 years for buildings, 15 to 20 years for infrastructure and land improvements, 3 to 10 years for equipment and 10 years for library holdings. Amortization of intangible assets, except for those determined to have indefinite useful lives, is computed using the straight-line method over the estimated useful lives of the assets, generally 5 years for purchased software; 10 years for internally developed software; 15 years for easements, land use rights, trademarks, and copyrights; and 20 years for patents.

Capitalization of Interest

The University capitalizes interest involving qualifying assets. 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 $30,001,505 and $4,691,442, respectively, for the fiscal year ended June 30, 2015.

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.

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 at June 30, 2015.

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.

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.

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.

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.

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.

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.

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.

New Accounting Pronouncements

The GASB issued the following three statements which became effective for the fiscal year ended June 30, 2015: Statement No. 68, *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Statement No. 69, *Government Combinations and Disposals of Government Operations*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*. Management has determined that Statement No. 69 does not affect the University. Statements No. 68 and No. 71 established standards of accounting and financial reporting for defined benefit pensions and defined contribution pensions. The effect of implementing these statements is discussed in detail at Note 11.

The GASB issued the following statements which become effective for the fiscal year ending June 30, 2016: Statement No. 72, *Fair Value Measurement and Application*, 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*, and Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The GASB also issued the following statements which become effective for the fiscal year ending June 30, 2017: Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, and one statement which becomes effective for the fiscal year ending June 30, 2018: Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. Management has not yet determined the effects of these statements on the University's financial statements.

Restatement of Prior Year

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

2. CASH, CASH EQUIVALENTS, AND INVESTMENTS

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

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 $3,761,723 at June 30, 2015.

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

Cash and Cash Equivalents

Cash and Cash Equivalents	Amount
Cash on deposit, carrying value	$ 276,839,056
Cash held at State Treasury	3,303,161
Imprest Funds, non-Bank	61,905
Less: System Administration Cash	($3,761,723)
Cash and Equivalents per Statement of Net Position	**$ 276,442,399**

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. Deposits are exposed to custodial risk if they are not insured by Federal Deposit Insurance Corporation (FDIC) and are uncollateralized, collateralized with securities held by the pledging institution or collateralized with securities held by the pledging institution's agent but not in the University's name. Board of Trustees policy requires that all cash deposits be either insured by the FDIC or collateralized by securities held at a third party financial institution (preferably the Federal Reserve Bank) in the University's name.

At June 30, 2015, none of the University's bank balances were exposed to custodial credit risk.

Investments

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

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

Investments

Investment Type	Fair Value
Mutual Treasury Funds	$ 13,952,761
Mutual Bond Funds	97,961
Corporate Bonds	75,448
External Investment Pool-University of Arkansas System	149,443,092
Other Investments	2,421,025
Total	**$ 165,990,287**

The Mutual Treasury Funds of $13,952,761 includes $13,946,378 reported as deposits with bond trustees on the Statement of Net Position. The above schedule does not include nonnegotiable certificates of deposit of $58,947 which are considered deposits for GASB Statement No. 40, *Deposit and Investment Risk Disclosures—an amendment of GASB Statement No. 3*.

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Disclosures related to the External Investment Pool are shown separately. No disclosures were required for Other Investments.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The University does not have a formal investment policy addressing interest rate risk. The University of Arkansas' investments subject to GASB Statement No. 40 interest rate risk disclosure are summarized below:

Interest Rate Risk

		Investment Maturities (in years)		
Investment Type	**Value**	**Less than 1**	**1 to 5**	**6 to 10**
Corporate Bonds	$ 75,448	$ 0	$ 75,448	$ 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. The University of Arkansas' investments subject to GASB Statement No. 40 credit risk disclosure are summarized below:

Credit Risk

Investment Type	Fair Value	Aaa-Aa3	A1-A3	Baa1-Baa3	Not Rated
Mutual Treasury Funds	$ 13,952,761	$ 13,946,377			$ 6,384
Mutual Bond Funds	97,961		$ 21,218		76,743
Corporate Bonds	75,448		75,448		
Totals	**$ 14,126,170**	**$ 13,946,377**	**$ 96,666**	**$ 0**	**$ 83,127**

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

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. During 1998, the Walton Arts Foundation joined the pool and during 2003, the Fayetteville Campus Foundation joined the pool. During 2007, the University of Arkansas Community College at Hope Foundation joined the pool. The Razorback Foundation, Inc. joined the pool during 2012.

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

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

The following tables contain information on the risk disclosure of the Pool, which includes the Total Return Pool and the Intermediate Pool. The University of Arkansas, Fayetteville owns 8.51% of the Pool's net assets.

Statement of Invested Assets

June 30, 2015

Investment Type	Fair Value*
Equities	**$ 511,167,043**
Common Stock	198,753,100
Funds - Common Stock	286,584,388
Preferred Stock	16,167
Rights/Warrants	12
Funds - Equities ETF	25,813,376
Fixed Income	**$ 429,136,814**
Government Bonds	71,154,303
Funds - Government Bonds	35,789,348
Corporate Bonds	95,454
Funds - Corporate Bond	37,703,409
Government Mortgage Backed Securities	86
Non-Government Backed C.M.O.s	1
Funds - Other Fixed Income	253,145,879
Funds - Fixed Income ETF	31,248,334
Venture Capital and Partnerships	**$ 594,280,382**
Partnerships	594,280,382
Commodities	**$ 24,551,528**
Funds - Commodity Linked	24,551,528
Hedge Fund	**$ 172,468,960**
Hedge Equity	139,944,236
Hedge Event Driven	32,524,724
All Other	**$ 204,899**
Recoverable Taxes	204,899
Cash/Cash Equivalents	**$ 23,609,445**
Funds - Short Term Investment	18,302,204
Cash	2,488,878
Invested Cash	2,818,363
Total	**$ 1,755,419,071**

*Includes accrued income

Credit Risk - S&P Quality Ratings

June 30, 2015

		Credit Risk		
Investment Type	**Fair Value***	**BB**	**NR**	**US GOVN GUAR**
Corporate Bonds	$ 95,454		$ 95,454	
Funds – Corporate Bond	37,533,442		37,533,442	
Funds – Fixed Income ETF	31,248,334		31,248,334	
Funds – Government Bond	35,637,866		35,637,866	
Funds – Other Fixed Income	253,145,879		253,145,879	
Funds – Short Term Investment	18,301,712		18,301,712	
Government Bonds	71,151,054	$ 6,604		$ 71,144,450
Govn Mortgage Backed Securities	86			86
Hedge Event Driven	32,524,724		32,524,724	
Non-Govn Backed C.M.O.s	1		1	
Totals	**$ 479,638,552**	**$ 6,604**	**$ 408,487,412**	**$ 71,144,536**

*Does not include accrued income

Years to Maturity

June 30, 2015

		Investment Maturities (in years)			
Investment Type(1)	**Fair Value***	**Less than 1**	**1 to 5**	**6 to 10**	**More than 10**
Corporate Bonds	$ 95,454	$ 4			$ 95,450
Funds – Corporate Bond	37,533,442				
Funds – Fixed Income ETF	31,248,334				
Funds – Government Bond	35,637,866				
Funds – Other Fixed Income	253,145,879				
Funds – Short Term Investment	18,301,712				
Government Bonds	71,151,054		$ 71,144,450		6,604
Govn Mortgage Backed Securities	86				86
Hedge Event Driven	32,524,724				
Non-Govn Backed C.M.O.s	1				
Totals	**$ 479,638,552**	**$ 4**	**$ 71,144,450**	**$ 0**	**$ 102,140**

*Does not include accrued income

(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only.

Interest Rate Sensitivity - Effective Duration

June 30, 2015

Investment Type(1)	Fair Value*	Effective Duration
Corporate Bonds	$ 95,454	
Funds – Corporate Bond	37,533,442	
Funds – Fixed Income ETF	31,248,334	
Funds – Government Bond	35,637,866	
Funds – Other Fixed Income	253,145,879	
Funds – Short Term Investment	18,301,712	
Government Bonds	71,151,054	4.78
Govn Mortgage Backed Securities	86	2.98
Hedge Event Driven	32,524,724	
Non-Govn Backed C.M.O.s	1	
Total	**$ 479,638,552**	

*Does not include accrued income

(1)Pooled and Mutual Fund/Commingled Fund values displayed for Fair Value Totals only

Foreign Currency Risk By Investment Type

June 30, 2015

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
Australian Dollar	$ 4,686,886	$ 7,024,560	
Canadian Dollar	(1,590,159)	2,253,088	$ 1,607
Swiss Franc	(1,067,179)	9,950,371	57,614
Danish Krone	934,590	605,810	647
Euro	(3,787,483)	45,949,523	113,963
British Pound Sterling	1,926,019	19,442,559	
Hong Kong Dollar	57,011	6,592,595	
New Israeli Shekel	285	573,884	
Japanese Yen	3,493,702	23,737,751	16,273
Norwegian Krone	152,557	228,075	
New Zealand Dollar	4	437,619	
Polish Zloty			5,837
Swedish Krona	572,153	5,766,794	
Singapore Dollar	733,417	339,240	
Totals	**$ 6,111,803**	**$ 122,901,869**	**$ 195,941**

*Includes accrued income

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

	Amount
Endowment Investments	$ 73,415,511
Pooled Investment Elimination Entry	(37,296)
Accrued Interest Receivable	3
Funds treated as Endowment	(13,411,916)
Non-expendable portion of Endowment	(23,805,173)
Available for Expenditure	**$ 36,161,129**

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

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

3. RECEIVABLES

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, 2015, are as follows:

Accounts Receivable

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

Notes Receivable

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

The resources for loans to students include federal funds, funds from other external sources, and University funds. New student loans totaling $2,286,850 were issued under the Student Loan Programs for the year ended June 30, 2015. 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 11.82% for the year ended June 30, 2015. Notes receivable totaling $8,808 were written off during the fiscal year ended June 30, 2015.

The following summarizes the balance of notes receivable at June 30, 2015:

Notes Receivable

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

Pledges Receivable

Pledges receivable consists of gifts pledged for capital projects.

The University had two pledges that were receivable at June 30, 2015; for the Jim and Joyce Faulkner Performing Art Center and the Wallace W. and Jama M. Fowler House totaling $4,016,236. All of the amount is expected to be collected in the next fiscal year, 2016.

The following summarized the balance of pledges receivable at June 30, 2015:

Pledges Receivable

Project	Total Pledge	Received	Outstanding	Current Portion
Wallace W. and Jama M. Fowler House	$ 2,934,400	$ 2,926,243	$ 8,157	$ 8,157
Jim and Joyce Faulkner Performing Arts Center	6,000,000	1,991,921	4,008,079	4,008,079
Totals	**$ 8,934,400**	**$ 4,918,164**	**$ 4,016,236**	**$ 4,016,236**

4. CAPITAL ASSETS

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

Capital Assets

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

Note 1: land of $415,652 and buildings of $4,824,755 related to the joint endevor between the University of Arkansas and the City of Fayetteville are included in the above amounts. See note 15.

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	Amount
Payable to Outside Vendors	$ 21,237,191
Retainage on Construction Contracts	5,120,551
Property Taxes Payable	247,675
Total	**$ 26,605,417**

Accrued payroll liabilities are summarized as follows:

Accrued Payroll Liabilities

Type	Amount
Net Salaries and Wages Payable	$ 2,930,325
Employee Withholdings Payable	8,540,047
Employer Payroll Taxes and Benefits Matching Payable	7,141,781
Total	**$ 18,612,153**

6. SHORT-TERM BORROWING

GASB Statement No. 38, *Certain Financial Statement Note Disclosures*, states that governments should provide details about short-term debt activity during the year, even if no short-term debt is outstanding at year-end. The University had no short-term debt activity during the fiscal year, nor is there any outstanding balance of short-term debt as of June 30, 2015.

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, 2015 are as follows:

Compensated Absences

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

8. LONG-TERM DEBT

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

Schedule of Long-Term Debt

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

Long-Term Debt

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized & Issued	Debt Outstanding at June 30, 2015	Maturities and Refinanced Amounts to June 30, 2015
10/15/1997	11/01/2022	3.95% to 5.25%	$ 21,445,000	$ 1,045,000	$ 20,400,000
03/01/2005	11/01/2025	3.00% to 4.50%	81,020,000	45,945,000	35,075,000
10/01/2007	11/01/2037	4.00% to 5.00%	45,010,000	39,195,000	5,815,000
08/01/2008	11/01/2038	4.00% to 5.00%	36,750,000	35,830,000	920,000
08/01/2008	11/01/2028	4.10% to 6.375%	15,210,000	13,915,000	1,295,000
12/15/2009	11/01/2039	3.00% to 5.00%	52,430,000	48,260,000	4,170,000
06/30/2010	09/15/2020	1.00% to 4.82%	23,965,000	14,360,000	9,605,000
06/29/2011	11/01/2040	2.00% to 5.00%	101,225,000	94,670,000	6,555,000
06/29/2011	11/01/2022	3.00% to 5.00%	8,895,000	7,790,000	1,105,000
06/29/2011	09/15/2021	2.00% to 4.895%	23,575,000	5,500,000	18,075,000
04/17/2012	11/01/2032	1.00% to 5.00%	56,965,000	50,455,000	6,510,000
09/13/2012	11/01/2042	2.00% to 5.00%	60,540,000	59,140,000	1,400,000
05/16/2013	11/01/2042	1.00% to 5.00%	54,450,000	52,175,000	2,275,000
05/16/2013	09/15/2027	1.00% to 5.00%	30,355,000	27,780,000	2,575,000
06/30/2014	11/01/2043	2.00% to 5.00%	24,730,000	24,595,000	135,000
06/30/2014	11/01/2043	0.85% to 4.50%	5,020,000	4,985,000	35,000
02/12/2015	11/01/2036	2.00% to 5.00%	70,360,000	70,360,000	
02/12/2015	09/15/2022	2.00% to 5.00%	14,180,000	14,180,000	
11/30/1991	05/01/2022	5.50%	3,000,000	1,179,668	1,820,332
11/29/1995	11/01/2034	2.00% to 5.00%	2,071,140	737,585	1,333,555
11/30/2007	07/01/2023	4.69%	6,950,000	5,159,908	1,790,092
12/19/2008	08/19/2023	4.581%	23,842,000	16,647,887	7,194,113
04/08/2010	01/08/2023	4.80%	9,694,713	6,873,975	2,820,738
Various	Various	Various	577,126	421,616	155,510
Net unamortized premium			52,781,911	46,411,620	6,370,291
Totals			**$ 825,041,890**	**$ 687,612,259**	**$ 137,429,631**

Schedule of Changes in Long-Term Debt

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

Changes In Long-Term Debt

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

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

Future Principal and Interest Payments

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

Future Long-Term Payments

Year(s)	Principal	Interest	Total
2016	$ 27,788,940	$ 29,075,916	$ 56,864,856
2017	29,486,084	28,024,553	57,510,637
2018	29,542,142	26,940,614	56,482,756
2019	30,697,283	25,748,071	56,445,354
2020	32,137,251	24,371,222	56,508,473
2021-2025	139,356,397	100,207,132	239,563,529
2026-2030	109,119,439	71,280,772	180,400,211
2031-2035	112,318,103	44,839,932	157,158,035
2036-2040	101,625,000	17,924,885	119,549,885
2041-2044	29,130,000	1,885,281	31,015,281
Total Future Payments	**$ 641,200,639**	**$ 370,298,378**	**$ 1,011,499,017**
Plus Net unamortized premiums	**46,411,620**		
Total Outstanding Debt	**$ 687,612,259**		

Capital Leases

The University has acquired certain equipment under various lease-purchase contracts. The cost of equipment held under capital leases totaled $536,873 at June 30, 2015. 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, 2015
Color Digital Copier	$ 14,419	$ 14,419	$
Farm Equipment	33,683	3,368	30,315
Mainframe Computer	488,771	97,754	391,017
Total	**$ 536,873**	**$ 115,541**	**$ 421,332**
Total Minimum Lease Payments			$ 446,244
Less: Amount Representing Interest			24,628
Total Present Value of Net Minimum Lease Payments			**$ 421,616**

Pledged Revenues

For purposes of extinguishing the University's long-term debt issues, certain revenues have been pledged as security.

The following is a summary of the gross revenues collected during the fiscal year ended June 30, 2015 that are pledged:

Pledged Revenues

Bond Series	Revenue Source	2015
Series 1997 Various Facilities	Student Tuition and Fees	$258,604,292
Series 2005B Various Facilities	Sales and Services	8,674,631
Series 2007 Various Facilities	Residential Life	41,421,392
Series 2008A&B Various Facilities	Bookstore[1]	17,685,978
Series 2009A Various Facilities	Student Health Services	2,881,754
Series 2011A&B Various Facilities	Transit and Parking	7,892,613
Series 2012A Various Facilities	Other Auxiliaries	591,834
Series 2012B Various Facilities		
Series 2013 Various Facilities		
Series 2014A&B Various Facilities		
Series 2015A Various Facilities		
Total Various Facilities Pledge		**$337,752,494**
Series 2010 Athletic Refunding	Men's Athletic Revenue	$78,048,953
Series 2011 Athletic Facilities	(less game guarantees)	(3,186,843)
Series 2013 Athletic Facilities		
Series 2015 Athletic Facilities		
Total Athletics Pledge		**$74,862,110**

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

The Various Facility revenue pledge is used to repay eleven 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, 2022 through November, 2043. Annual principal and interest payments on the bonds are expected to require approximately 12.64% of gross revenues. The total principal and interest remaining to be paid on the bonds is $896,449,537. Principal and interest paid for the current year and gross revenues were $42,699,578 and $337,752,494, respectively.

The Athletics revenue pledge is used to repay four athletic facilities revenue bond issues as detailed in the schedule above. Proceeds from the bonds provided financing for the construction and renovation of various athletic facilities as well as the refunding of existing debt issues. The maturity date on the issues range from September, 2021 to September, 2027. Annual principal and interest payments on the bonds are expected to require approximately 12.86% of net revenues pledged. The total principal and interest remaining to be paid on the bonds is $76,892,847. Principal and interest paid for the current year and gross revenues were $9,624,475 and $74,862,110, respectively.

Refundings

On February 12, 2015, the University issued $70,360,000 in Various Facility Revenue Refunding Bonds, Series 2015A. The bonds, with interest rates of 2.0% to 5.0% were issued to refund $2,750,000 of outstanding bonds dated October 1, 2004 with interest rates of 2.0% to 4.375%, $13,510,000 of outstanding bonds dated March 1, 2005 with interest rates of 3.0% to 4.5%, and $60,475,000 of outstanding bonds dated June 1, 2006 with interest rates of $4.0% to 5.0%. Net bond proceeds and premiums of $81,714,224 and cash from the univerity of $1,009,170 were deposited into an escrow account to retire the bonds. The refunding of the bonds dated March 1, 2005 and June 1, 2006 was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5,083,047. This difference, reported in the accompanying financial statements as Deferred Outflows of Resources, will be amortized through the fiscal year 2037 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by $8,513,389 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7,563,242. The escrow balance as of June 30, 2015 was $78,232,602. The refunding of the bonds dated October 1, 2004 was a current refunding and the bonds were called on March 15, 2015. The bonds dated March 1, 2005 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2015, at which time the remaining balance will be refunded. The bonds dated June 1, 2006 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2016, at which time the remaining balance will be refunded. The remaining balance of the defeased bonds at June 30, 2015 was $73,985,000.

On February 12, 2015, the University issued $14,180,000 in Athletic Facilities Revenue Refunding Bonds, Series 2015. The bonds, with interest rates of 2.0% to 5.0% were issued to refund $4,770,000 of outstanding bonds dated June 1, 2006 with interest rates of 4.0% to 4.375%, and $10,475,000 of outstanding bonds dated June 29, 2011 with interest rates of 2.0% to 4.895%. Net bond proceeds and premiums of $16,222,900 and cash from the University of $265,723 were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $134,986. This difference, reported in the accompanying financial statements as Deferred Outflows of Resources, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eight years by $1,413,277 and to obtain an economic gain of $1,084,087. The escrow balance as of June 30, 2015 was $16,155,588. The bonds dated June 1, 2006 will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of September 15, 2016. The bonds dated June 29, 2011 were not advance refunded in total. As of June 30, 2015, there was a balance of $5,500,000 outstanding that was not refunded. These bonds will continue to be paid normally through September 15, 2016. The refunded bonds dated June 29, 2011 will continue to have regularly scheduled interest payments made from the escrow account until the bond call date of September 15, 2016 at which date the principal will be refunded. The remaining balance of the defeased bonds at June 30, 2015 was $15,245,000.

9. 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, 2015:

Operating Expenses

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

10. 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, 2015, were $6,241,495. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Future Operating Lease Payments

Year(s)	Amount
2016	$ 1,622,734
2017	1,309,754
2018	1,125,657
2019	580,516
2020	535,894
2021-2025	1,174,226
Total	**$ 6,348,781**

11. EMPLOYEE BENEFITS

Retirement Plans

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

Optional Retirement Program

Plan Description

The ORP is a defined contribution plan, offering both a 403(b) program and a 457(b) program, as defined by the Internal Revenue Service Code of 1986, as amended. The authority under which the Plan's benefit provisions are established or amended is the President of the University or his designee. Contributions to Fidelity Investments shall be applied either to individual annuities issued under a Metropolitan Life Guaranteed Account and/or one or more mutual fund custodian accounts managed by Fidelity Investments. Contributions to TIAA-CREF can be allocated among their various annuity accounts. Arkansas law authorizes participation in the plan.

Contributions

Participants in the University's plan can choose to be contributory or non-contributory. The University automatically contributes 5% of an employee's regular salary to TIAA-CREF and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, up to a maximum University contribution of 10% of regular salary up to the Internal Revenue Service (IRS) match limit, which at June 30, 2015 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 January 1, 2014, and after, will be vested at the end of 12 consecutive months of employment, upon death or attainment of age 65, or should they become disabled as determined by the Social Security Administration or the university's long-term disability insurance provider. Faculty and non-classified employees hired prior to January 1, 2014, will be 100% vested immediately. Classified staff hired prior to January 1, 2014, will be given the more generous of the previous vesting schedule or the new vesting schedule. The University's and participants' TIAA-CREF contributions for the year ending June 30, 2015, were $16,253,446 and $16,532,949, respectively. The University's and participants' Fidelity Investments contributions for the year ending June 30, 2015, were $6,967,827 and $7,180,222, respectively.

Arkansas Public Employees Retirment 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 exofficio 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 previsions are set forth in Arkansas Code Annotated, Title 24, Chapters 5 & 6 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, on or after 7/1/2005	2.03%
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,
- at age 60 with 20 years of actual service if under the old contributory plan (prior to July 1, 2005)

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005 are not required to make contributions to APERS. Members who began service on or after July 1, 2005 are required to contribute 5% of their salary. 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 14.76% of applicable compensation for the fiscal year ended June 30, 2015. The University's and member's contributions for the year ending June 30, 2015, were $1,081,804 and $297,166, respectively.

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

At June 30, 2015, the University reported a liability of $4,833,430 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2015, the university's proportion was 0.2949 percent for Fayetteville and 0.0506 percent for Cooperative Extension Service, for a total proportion of 0.3455 percent.

For the year ended June 30, 2015, the University recognized pension expense of $520,958. At June 30, 2015, 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		$ (61,407)
Changes of assumptions	$ 572,536	
Net difference between projected and actual earnings on pension plan investments		(1,900,936)
University contributions subsequent to the measurement date	1,081,804	
Totals	**$1,654,340**	**$(1,962,343)**

$1,081,804 reported as deferred outflows of resources 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, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense in the financial statements as follows:

Amortization of Other Deferred Inflows and Outflows

Year ended June 30:	Amount
2015	$ (333,143)
2016	(333,143)
2017	(333,143)
2018	(390,378)
2019	0
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2014 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	23 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.75%
Salary Increases	3.75 – 10.35% including inflation
Wage Inflation	3.75%
Post-Retirement Cost-of-Living Increases	3% Annual Compounded Increase
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.5972

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (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 arithmetic real rates of return for each major asset class included in the System's target asset allocation as of June 30, 2015 are summarized below:

Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed Income	28%	1.3%
Domestic Equity	31	5.4
International Equity	21	5.6
Real Estate	10	5.0
Private Equity	7	7.4
Commodities	1	2.3
Cash	2	0.0
Total	**100%**	

Assumption Changes: Economic assumptions were updated in the June 30, 2014 valuation to a 7.75% investment return assumption and a 3.75% wage inflation assumption.

Discount Rate

A single discount rate of 7.75% 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 7.75%. 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 7.75%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75%) or 1-percentage-point higher (8.75%) than the current rate:

Sensitivity of Discount Rate

1% Decrease (6.75%)	Discount Rate (7.75%)	1% Increase (8.75%)
$8,672,181	**$4,833,431**	**$1,635,068**

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 $31,526 at June 30, 2015.

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 previsions 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, 2015. The University's and member's contributions for the year ending June 30, 2015, were $196,145 and $56,661, respectively.

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

At June 30, 2015, the University reported a liability of $1,617,272 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2014, 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, 2015, the university's proportion was 0.0498 percent for Fayetteville and 0.0118 percent for Cooperative Extension Service, for a total proportion of 0.0616 percent.

For the year ended June 30, 2015, the University recognized pension expense of $117,131. At June 30, 2015, 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		$ (52,292)
Changes of assumptions	$ 0	
Net difference between projected and actual earnings on pension plan investments		(695,316)
University contributions subsequent to the measurement date	196,145	
Totals	**$196,145**	**$(747,608)**

$196,145 reported as deferred outflows of resources 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, 2016. 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
2015	$ (185,007)
2016	(185,007)
2017	(185,007)
2018	(185,007)
2019	(7,580)
Thereafter	0

Actuarial Assumptions

The total pension liability in the June 30, 2014 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	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%
Post-Retirement Cost-of-Living Increases	3% Simple
Mortality Table	Based on RP-2000 Mortality table for males and females, projected 25 years using Projection 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, 2015 are summarized below:

Expected Rate of Return

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic Equity	20%	4.7%
Global Equity	30	5.0
Fixed Income	20	2.0
Alternatives	5	5.0
Real Assets	15	4.6
Private Equity	10	6.6
Cash Equivalents	0	1.2
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%)
$2,893,450	$1,617,273	$543,578

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 $1,368 at June 30, 2015.

Other Plans

Cooperative Extension Service employees who hold accepted appointments with the U.S. Department of Agriculture are covered by one of the above plans depending on when employment began. Employees employed prior to January 1, 1984, are on the Civil Service Retirement System. This system requires an employee contribution of 7% and the University contributes 8.51%. Employees hired between January 1, 1984, and July 31, 1987, are either on the Civil Service Offset or the Federal Employees Retirement System, depending on their length of prior federal service. Both systems require an employee contribution of 0.80%. The Civil Service Offset requires matching of 8.51% and the Federal Employees Retirement system requires agency matching of 10.7%. Employees on Civil Service participate in TIAA-CREF and Fidelity. The Thrift Savings Plan is another retirement savings and investment plan for Federal employees at the UA Cooperative Extension Service. It is a defined contribution plan and its purpose is to provide retirement income for Federal employees similar to that provided employees covered under the Civil Service Retirement System but without employer matching. Employees covered under the Federal Employees Retirement System receive a mandatory 1% employer contribution. The University's and participants' contributions to both the Civil Service Retirement System and the Thrift Savings Plan for the year ended June 30, 2015, were $364,174 and $250,366, respectively.

Self-Insurance Plans

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

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

For the year ending June 30, 2015, a total of 4,637 active employees, former employees, and retirees were participants in the health plan. The University pays 76.764% for the Point of Service Plan and 83.693% for the Classic Plan for Fayetteville, the Criminal Justice Institute and the Arkansas Archeological Survey. The University pays 77.446% for the Point of Service Plan and 82.590% for the Classic Plan for the Division of Agriculture. The University pays 70% of the health plan for federal employees.

Life Insurance Plan

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

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

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. The amount of liability established for these type of agreements was $105,488 at June 30, 2015.

12. OTHER POSTEMPLOYMENT BENEFITS

Other Postemployment Benefits (OPEB)

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

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. The calculation reflects expected future medical costs. It includes an accrual for all active employees valuing the benefits they are anticipated to receive in retirement based on the likelihood that they will stay employed until eligible for postretirement benefits. As a result of the implementation of this statement, the University accrued $13,803,981 in retiree healthcare liability as of June 30, 2015.

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

- Participation: Employees who retire with a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan are eligible to participate. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Retirees can continue coverage past Medicare eligibility age (age 65 or disabled) with the University plan paying secondary to Medicare.
- Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.
- Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Summary of Key Actuarial Methods and Assumptions

Actuarial Assumptions for the University Self-Funded Plan

University Self-Funded Plan

Valuation date	July 1, 2014
Valuation year	Census data was collected as of January 1, 2015
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Immediate rate of 6%, with a 1% increase in year 2 followed by 0.25% decrease starting in year 4 to an ultimate rate of 4.50

Mortality

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

Disability Rates

Various rates based on age. Selected rates are:

	Rate per 1,000	
Age	**Male**	**Female**
25	0.0003	0.0003
30	0.0003	0.0004
40	0.0008	0.0013
50	0.0033	0.004
55	0.0069	0.0064
60	0.0115	0.009

Withdrawal Rates

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

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

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

Retirement Rates

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

Future Retiree Coverage

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

Future Dependent Coverage

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

Spouse Age Differential

Males are assumed to be 4 years older than females.

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

The mortality table assumption changed from the RP-2000 Fully Generational Combined Healthy Mortality Table projected using scale AA for healthy and disabled lives to the RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using the projection scale MP-2014 for healthy lives and the RP-2014 Fully Generational Mortality Table for disabled retirees using the projection scale MP-2014 for disabled lives. This change decreased the Actuarial Accrued Liability by $2,422,013 as of July 1, 2014.

The health care trend rates were updated to reflect future expectations. Also, the medical and pharmacy administrative expense was previously included in the claims cost. This assumption was separated from claims cost in order to better reflect expectations of future costs. These changes increased the Actuarial Accrued Liability by $7,872,199 as of July 1, 2014.

The life insurance administrative expenses were lowered from 19.6% to 15.0%. This change decreased the Actuarial Accrued Liability by $858,088 as of July 1, 2014.

Medical Coverage – Retirees not Eligible for Medicare

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

Medical Coverage – Retirees Eligible for Medicare

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

Dental Coverage

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

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/14	$ 23,394,775
Annual Required Contribution (ARC)	
Normal cost	$ 1,263,566
Amortization of the unfunded actuarial accrued liability over 30 years	835,268
Interest	94,448
Annual Required Contribution for FY15	2,193,282
Interest on Net OPEB Obligation	552,602
ARC Amortization Adjustment	(458,167)
Annual OPEB Cost for FY15	$ 2,287,717
Net OPEB Obligation, 7/1/14	$ 12,314,432
Annual OPEB Cost for FY15	2,287,717
Less: Expected Employer Contributions	(798,168)
Net OPEB Obligation, 6/30/15	$ 13,803,981

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/13	$ 1,782,714	$ 891,605	50.01%	$ 11,430,713
6/30/14	1,549,194	665,475	42.96	12,314,432
6/30/15	2,287,717	798,168	34.89	13,803,981

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
6/30/15	$ 0	$ 23,394,775	$ 23,394,775	0%	$ 278,146,096	8.41%

13. POLLUTION REMEDIATION

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

14. RISK MANAGEMENT

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

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

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

The University of Arkansas does have an insurance policy covering the Razorback Foundation, Inc. and Board of Trustees of the University of Arkansas for the owned aircraft, which provides coverage liability losses up to $25,000,000 per occurrence, medical coverage of $25,000 per person and involuntary settlement of $250,000 per passenger.

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

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

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

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

15. WALTON ARTS CENTER

The University of Arkansas and the City of Fayetteville engaged in a joint endeavor to operate the Walton Arts Center. Funds were pooled from each entity to provide for the construction and operation of the center. To administer this project and its funds, the University and the City of Fayetteville established a nonprofit organization called the University of Arkansas/City of Fayetteville Arts Foundation, Inc., now called the Walton Arts Center Foundation, Inc., which was incorporated on January 19, 1987. There are nine directors, three are appointed by the University, three by the City of Fayetteville, and three are recommended by the Foundation that must be approved by the mayor and chancellor.

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

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. Upon return of the funds to the City and the use of University provided funds for construction, the Walton Arts Center Foundation, Inc. is no longer an agent for the City of Fayetteville or the University of Arkansas. The City and the University no longer 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.

16. OTHER ENTITIES

University of Arkansas Foundation, Inc. - The Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. The Board of Trustees of the Foundation includes one (1) member who is also a member of the University's Board of Trustees. The audited financial statements of the Foundation, as of and for the year ended June 30, 2015, which have been audited by an independent certified public accountant, are presented below in summary form. The University of Arkansas, Fayetteville is the beneficiary of 51.0% of the net assets of the Foundation. The remaining 49.0% benefits other University of Arkansas campuses. Complete financial statements for the Foundation can be obtained from the administrative office at 700 Research Center Boulevard, Fayetteville, AR 72701.

Arkansas Alumni Association, Inc. – The Arkansas Alumni Association, Inc., was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. Audited financial statements for the year ended June 30, 2015 are presented below in summary form. Complete financial statements for the Arkansas Alumni Association, Inc. can be obtained from the administrative office at 491 N. Razorback Road, Fayetteville AR 72701.

Condensed Statement of Financial Position
University of Arkansas Foundation, Inc.

	2015
Assets	
Investments	$ 884,394,655
Contributions Receivable, less Allowance	30,132,446
Other Receivables	2,814,863
Fixed Assets, Net of Depreciation	800,025
Other Assets	1,196,556
Total Assets	**$ 919,338,545**
Liabilities and Net Assets	
Liabilities	$ 17,412,395
Net Assets	
Unrestricted	102,610,251
Restricted	799,315,899
Net Assets	901,926,150
Total Liabilities and Net Assets	**$ 919,338,545**

Condensed Statement of Activities
University of Arkansas Foundation, Inc.

	2015
Contributions	$ 73,167,513
Other Revenues, Additions and Gains/(Losses)	31,051,681
Total Income and Other Additions/(Losses)	**$ 104,219,194**
Total Expenditures and Other Deductions	**$ 63,955,982**
Increase/(Decrease) in Net Assets	**$ 40,263,212**

Condensed Statement of Financial Position
Arkansas Alumni Association, Inc.

	2015
Assets	
Cash and investments	$ 1,997,650
Other Assets	7,826,748
Total Assets	**$ 9,824,398**
Liabilities and Net Assets	
Liabilities	$ 1,187,598
Net Assets	8,636,800
Total Liabilities and Net Assets	**$ 9,824,398**

Condensed Statement of Activities
Arkansas Alumni Association, Inc.

	2015
Income and Other Additions	$ 4,092,819
Expenditures and Other Deductions	3,134,429
Increase/(Decrease) in Net Assets	**$ 958,390**

University of Arkansas Technology Development Foundation – The Foundation was incorporated in May, 2003, and is considered a supporting organization of the Fayetteville campus. The Foundation's mission is to stimulate a knowledge-based economy through partnerships that lead to new opportunities for learning and discovery, that build and retain a knowledge-based workforce and that spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2015 are presented below in summary form. Complete financial statements for the Foundation can be obtained from the administrative office at 535 W. Research Center Boulevard, Fayetteville, AR 72701

Condensed Statement of Financial Position
University of Arkansas Technology Development Foundation

Assets	**2015**
Cash and investments	$ 1,313,285
Other Assets	13,373
Total Assets	**$ 1,326,658**
Liabilities and Net Assets	
Liabilities	$ 88,823
Net Assets	1,237,835
Total Liabilities and Net Assets	**$ 1,326,658**

Condensed Statement of Activities
University of Arkansas Technology Development Foundation.

	2015
Income and Other Additions	$ 1,637,089
Expenditures and Other Deductions	1,520,611
Increase/(Decrease) in Net Assets	**$ 116,478**

17. RELATED PARTIES

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

A member of the Board of Trustees is the Bank Chairman of the privately-held First Security Bancorp based in Searcy, Arkansas. At June 30, 2015, bank balances held at First Security Bank totaled $25,199,160 (book balances shown on the Statement of Net Position were $25,205,140). 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 FY15, Crews was co-underwriter for two bond issues for the Fayetteville campus in the amount of $84,540,000.

The former Provost and Vice Chancellor for Academic Affairs who served during the fiscal year was a member of the Board of Directors of Simmons First National Corporation (NASDAQ – SFNC) based in Pine Bluff, Arkansas. At June 30, 2015, bank balances held at Simmons First National Bank totaled $13,361,065 (book balances shown on the Statement of Net Position were $13,361,065). Simmons First National Bank has served as trustee for bond proceeds for several years, and amounts on deposit represent funds held in that capacity, primarily for two bond issues.

The Vice Chancellor and Director of Athletics is a member of the Board of Directors of Arvest Bank Fayetteville, one of 16 autonomous community-oriented banks which comprise Arvest Bank Group, Inc., based in Bentonville, Arkansas. At June 30, 2015, bank balances held at Arvest Bank Group, Inc. banks total $10,834,967 (book balances shown on the Statement of Net Position were $10,380,045).

18. COMMITMENTS AND CONTINGENCIES

Construction and Other Commitments

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

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.

19. SUBSEQUENT EVENTS

On July 31, 2015, the University refinanced three existing installment contract agreements. All three financing arrangements facilitated the University's energy savings projects. The refinancing of these three agreements will result in total overall savings to the University of $3,003,289 over the next nine years.

On August 27, 2015, the University issued Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 2015B in the amount of $7,510,000 and Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Refunding Series 2015C in the amount of $36,675,000.

The Series 2015B bonds provides resources for three separate construction and renovation projects on the University campus. These projects include two residence facilities occupied by campus Greek organizations and construction of a high pressure pipeline to supply natural gas to the campus. This issue is taxable.

The proceeds from Series 2015C bonds were used along with a cash contribution from the University of $7,022,265 to fund an escrow account set up to pay the principal due November 1, 2015 of the Various Facility Revenue Bonds (Fayetteville Campus), Refunding Series 2005B, and to redeem the Series 2005B bonds maturing thereafter in whole on November 1, 2015. The refinancing of these bonds will result in total savings of $10,474,138 to the University.

REQUIRED SUPPLEMENTAL INFORMATION

Employee Benefits

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

	2015*
University's proportion of net pension liability	0.3455%
University's proportionate share of net pension liability	$ 4,833,430
University's covered payroll	$ 5,914,094
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	81.73%
Plan fiduciary net position as a percentage of the total pension liability	84.15%

* The amounts presented were determined as of 6/30/14

Schedule of University Contributions
Arkansas Public Employees Retirement System

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

Changes in Assumptions

Amounts reported in 2015 reflect a change in economic assumptions used in the valuation. The investment return assumption used was 7.75% and the wage rate assumption used was 3.75%.

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

	2015*
University's proportion of net pension liability	0.0616%
University's proportionate share of net pension liability	$ 1,617,272
University's covered payroll	$ 1,703,007
University's proportionate share of the net pension liability as a percentage of its covered-employee payroll	94.97%
Plan fiduciary net position as a percentage of the total pension liability	84.98%

* The amounts presented were determined as of 6/30/14

Schedule of University Contributions
Arkansas Teacher Retirement System

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

Other Postemployment Benefits

Determination of End of Year Accrual

Unfunded actuarial accrued liability at 7/1/14	$ 23,394,775
Annual Required Contribution (ARC)	
Normal cost	$ 1,263,566
Amortization of the unfunded actuarial accrued liability over 30 years	835,268
Interest	94,448
Annual Required Contribution for FY15	2,193,282
Interest on Net OPEB Obligation	552,602
ARC Amortization Adjustment	(458,167)
Annual OPEB Cost for FY15	$ 2,287,717
Net OPEB Obligation, 7/1/14	$ 12,314,432
Annual OPEB Cost for FY15	2,287,717
Less: Expected Employer Contributions	(798,168)
Net OPEB Obligation, 6/30/15	$ 13,803,981

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year End
6/30/13	$ 1,782,714	$ 891,605	50.01%	$ 11,430,713
6/30/14	1,549,194	665,475	42.96	12,314,432
6/30/15	2,287,717	798,168	34.89	13,803,981

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
6/30/13	$ 0	$ 19,691,029	$ 19,691,029	0%	$ 257,844,616	7.64%
6/30/14	0	17,588,820	17,588,820	0	269,869,374	6.52
6/30/15	0	23,394,775	23,394,775	0	278,146,096	8.41

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

The mortality table assumption changed from the RP-2000 Fully Generational Combined Healthy Mortality Table projected using scale AA for healthy and disabled lives to the RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using the projection scale MP-2014 for healthy lives and the RP-2014 Fully Generational Mortality Table for disabled retirees using the projection scale MP-2014 for disabled lives. This change decreased the Actuarial Accrued Liability by $2,422,013 as of July 1, 2014.

The health care trend rates were updated to reflect future expectations. Also, the medical and pharmacy administrative expense was previously included in the claims cost. This assumption was separated from claims cost in order to better reflect expectations of future costs. These changes increased the Actuarial Accrued Liability by $7,872,199 as of July 1, 2014.

The life insurance administrative expenses were lowered from 19.6% to 15.0%. This change decreased the Actuarial Accrued Liability by $858,088 as of July 1, 2014.

Medical Coverage – Retirees not Eligible for Medicare

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

Medical Coverage – Retirees Eligible for Medicare

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

Dental Coverage

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

BOARD OF TRUSTEES, UNIVERSITY OFFICIALS

Ben Hyneman, chair

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

Reynie Rutledge, vice chair

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

David Pryor, secretary

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.

Morrill Harriman, assistant secretary

Morril Harriman of Little Rock has served as Governor Mike Beebe's chief of staff since Beebe took office in 2007. Prior to that, Harriman served 16 years in the Arkansas Senate. He earned both his bachelor and law degrees from the University of Arkansas. His term expires in 2024.

Jane Rogers

Jane Rogers of Little Rock is a freelance organizational consultant. She has served as executive director of Riverfest Inc. and the Department of Arkansas Heritage. A 1968 graduate of the University of Arkansas, Rogers is past president of the Chi Omega Foundation Board of Directors. Her term expires in 2016.

Mark Waldrip

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.

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. His term expires in 2021.

Stephen Broughton

Dr. Stephen Broughton 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, Ark. The former president of the Monticello Economic Development Commission, Gibson attended the University of Arkansas at Monticello and earned his Juris Doctor at the UALR Bowen School of Law. His term expires in 2023.

Jim von Gremp

Jim von Gremp of Rogers is a real estate investor, communications consultant and former Wal-Mart executive. Previously, he served as chair of the Arkansas Public Service Commission and executive director of governmental relations for former Arkansas Gov. Mike Huckabee. His term expires in 2025.

Senior Management

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