



**UNIVERSITY OF
ARKANSAS SYSTEM**
Consolidated Financial
Statements **2018**

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December 14, 2018

Board of Trustees and
President Donald R. Bobbitt:

It is my pleasure to transmit to you the Audited Financial Statements of the University of Arkansas System for the fiscal year ended June 30, 2018. The data presented, including the Management's Discussion and Analysis, Statement of Net Position, Statement of Revenues, Expenses, and Changes in Net Position, and Statement of Cash Flows, are presented on a consolidated basis and include all components of the System: UAF (University of Arkansas, Fayetteville, including the Division of Agriculture, Arkansas Archeological Survey, Criminal Justice Institute, and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), UAPTC (University of Arkansas Pulaski Technical College), UACCRM (University of Arkansas Community College at Rich Mountain), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System *e*Versity).

These statements were prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The financial statements used to prepare the consolidated report, except for the Medical Sciences campus and the discretely presented component units, were audited by Arkansas Legislative Audit. The financial statements from the Medical Sciences campus were audited by KPMG LLP. The consolidated financial statements received an unmodified audit opinion.

A handwritten signature in black ink, reading "Gina T. Terry".

Gina T. Terry, CPA, CGMA
Chief Financial Officer



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Senate Chair
Sen. Lance Eads
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Mary Bentley
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT
INDEPENDENT AUDITOR'S REPORT

University of Arkansas System
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 System (University), an institution of higher education of the State of Arkansas, as of and for the year ended June 30, 2018, 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 for Medical Sciences, a unit of the System, whose statements reflect total assets and revenues constituting 28% and 50%, respectively, of the related combined totals. Additionally, we did not audit the financial statements of the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus 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 for Medical Sciences, University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus 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 Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. were not audited in accordance with *Government Auditing Standards*.

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities and the aggregate discretely presented component units of the University as of June 30, 2018, and the respective changes in financial position, and where applicable, cash flows thereof for the year ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1, 16, and 23 to the financial statements, the beginning net position, as reported on the Statement of Revenues, Expenses, and Changes in Net Position, was restated due to the implementation of Governmental Accounting Standards Board (GASB) Statement no. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Also, as discussed in Note 1 to the financial statements, the University implemented GASB Statement no. 81, *Irrevocable Split-Interest Agreements*, during the year ended June 30, 2018. No restatement of the University's beginning net position was required due to the adoption of this Statement. Additionally, as discussed in Note 23 to the financial statements, the University's beginning net position was restated for the correction of certain transactions occurring in the previous year. Our opinion is not modified with respect to these matters.

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 pensions, and certain information pertaining to postemployment benefits other than pensions be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and other auditors 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Statement of Net Position by Campus, the Statement of Revenues, Expenses, and Changes in Net Position by Campus, and the Statement of Cash Flows – Direct Method – by Campus are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 19, 2018 on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
November 19, 2018
EDHE14118

Introduction

The University of Arkansas System (“the University”) is pleased to present its financial statements for the fiscal year ended June 30, 2018, with comparative statements for the fiscal years ended June 30, 2017 and 2016, as originally reported. The financial information for 2016 does not include the two campuses who merged into the System, University of Arkansas Community College at Rich Mountain and University of Arkansas-Pulaski Technical College.

The University of Arkansas System (“the University”), which prior to 1969 consisted of the Fayetteville and the Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College) and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute and Great Rivers Technical Institute merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts, a residential high school, joined the University on January 1, 2004. On February 1, 2017, Pulaski Technical College and Rich Mountain Community College joined the

University becoming the University of Arkansas-Pulaski Technical College and the University of Arkansas at Rich Mountain Community College. In addition to these campuses, the University includes the System Administration, whose financial statements include eVersity, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Arkansas Archeological Survey, and Criminal Justice Institute.

All programs and activities of the University of Arkansas are governed by its ten member Board of Trustees who are appointed by the Governor for ten-year terms, which 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 Arkansas Archeological Survey, and the Director of the Arkansas School for Mathematics, Sciences and the Arts, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

Overview of the Financial Statements and Financial Analysis

The University's financial statements are prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statement presentation provides a comprehensive, entity-wide perspective of the University's assets, deferred outflows, liabilities, deferred inflows, net position, revenues, expenses, changes in

net position, and cash flows. The financial statements included are the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and the Statement of Cash Flows. This discussion has been prepared by management and should be read in conjunction with the financial statements and notes following this section.

The University has identified two legally separate foundations, the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc., that meet the criteria set forth for 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 the benefit of the University. Because these resources held by the foundations can only be used by, or for the benefit of, the University, and are deemed material, they are considered component units and are discretely presented in the financial statement report. Additional information about component units is provided in Note 1.

Statements 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 divided into three major categories. The first category, invested in capital assets, net of related debt, reflects the equity in property, plant and equipment owned by the University. The next category is restricted net position which is divided into two subcategories, expendable and nonexpendable. The expendable category is available for expenditure by the University, but must be spent for purposes as determined by donors and/or external entities that have placed time or purpose restrictions on the use of the assets. The corpus of nonexpendable restricted resources is only available for investment purposes. The final category is unrestricted net position which is available for any lawful purpose of the University.

UNIVERSITY OF ARKANSAS SYSTEM: Management's Discussion and Analysis

Condensed Statements of Net Position

	June 30, 2018	June 30, 2017	June 30, 2016
ASSETS			
Current assets	\$ 1,259,135,577	\$ 1,069,894,334	\$ 939,734,038
Capital assets, net	2,855,583,557	2,724,223,833	2,597,819,427
Other assets	387,896,241	486,050,598	364,904,664
Total Assets	4,502,615,375	4,280,168,765	3,902,458,129
DEFERRED OUTFLOWS OF RESOURCES	62,887,011	64,063,832	47,107,697
LIABILITIES			
Current liabilities	372,590,089	352,818,138	314,934,530
Noncurrent liabilities	1,703,724,196	1,651,150,138	1,426,606,316
Total Liabilities	2,076,314,285	2,003,968,276	1,741,540,846
DEFERRED INFLOWS OF RESOURCES	23,156,359	5,953,926	8,700,386
NET POSITION			
Net Investment in Capital Assets	1,440,744,532	1,408,755,133	1,370,245,568
Restricted			
Non-Expendable	76,561,144	74,648,862	68,562,622
Expendable	358,582,144	310,847,885	248,978,971
Unrestricted	590,143,922	540,058,515	511,537,433
Total Net Position	\$ 2,466,031,742	\$ 2,334,310,395	\$ 2,199,324,594

The University's total assets increased \$222.5 million, or 5.2%. Cash and cash equivalents increased \$13.7 million and investments increased by \$63.9 million. Cash and cash equivalents increased \$7.7 million at UAF and \$6 million at UAMS. UAF increased investments \$56.3 million, UAFS increased \$10 million and UAMS decreased \$5.5 million. Deposits held in trust decreased by \$17.9 million of which UAF comprised \$13.6 million of the decrease and UACCM \$6.5 million which were related to spending of bond proceeds on capital projects completed during 2018. Capital assets increased \$131.4 million net of accumulated depreciation. Fayetteville had an increase in capital asset additions of over \$200 million with depreciation of \$75 million. Included in capital assets is construction in progress which increased by \$171.5 million during 2018, including the new

dorms and the football stadium construction in Fayetteville.

Deferred outflows of resources consist of deferred amounts on refinancing of debt and deferred amounts related to pensions and other post-employment benefits (OPEB). Overall, deferred outflows decreased \$1.2 million, or (1.8%). Deferred outflows related to OPEBs were recorded due to the implementation of GASB 75 and totaled \$2 million as a result of actuarially determined amounts. The amortization of the debt refunding decreased the deferred outflows balance by \$2.7 million.

Total liabilities increased \$72.4 million, or 3.6%. Estimated third party payor settlements related to the Medicare and Medicaid programs at UAMS increased \$4.9 million from the prior year. The

liability for bonds, notes, capital leases and installment contracts increased \$64.3 million. Of that amount, UAF issued new bonds that totaled \$95.8 million and UALR's bonds totaled \$6.5 million. Most of the remainder of the increase is due to new debt for capital leases and notes payable at UAMS of \$21.6 million as well as the premiums on the new bonds. The additional debt is offset by a total of \$80.9 in repayments during fiscal 2018. The liability for future insurance claims increased by \$2.2 million and is due to the UA Health Plan experiencing an overall plan loss ratio of 95% compared to a loss ratio of 90% in the previous fiscal year (Note 14).

Deferred inflows of resources related to pension plans increased \$2.8 million, or 47.5%, as a result of actuarially determined amounts. In addition, the implementation of GASB 75 resulted in deferred inflows related to OPEBs of \$11.5 million and the implementation of GASB 81 of \$2.9 million related to split interest agreements.

The increase in net position was \$131.7 million, or 5.6%. The increase is the result of 2018 revenues, expenses and changes in net position, offset by the cumulative effect on beginning net position of implementation of GASB 75 of a decrease of \$7.1 million. Net investments in capital assets increased \$32 million with UAF comprising \$33.9 million of the increase offset by changes at the other campuses. Restricted net position, expendable and non-expendable, increased \$49.6 million with UAF increasing \$63 million offset by UALR's decrease of \$12.3 million. Unrestricted net position increased \$50 million with UAF adding \$28.4 million, System adding \$9.6 million, UAFS adding \$7.4 million, and UALR adding

\$6.4 million. These increases were offset by increases and decreases at the remaining campuses. 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 future capital projects, other academic or research priorities; working capital for self-supporting auxiliary enterprises; and reserves for the continued recognition of OPEB and pension obligations.

Statements of Revenues, Expenses and Changes in Net Position

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. 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.

UNIVERSITY OF ARKANSAS SYSTEM: Management's Discussion and Analysis

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

	Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Operating revenues			
Student tuition and fees	\$ 397,569,567	\$ 379,908,656	\$ 339,492,237
Net patient services	1,231,064,000	1,186,364,000	1,176,856,000
Grants and contracts	321,694,307	305,234,008	268,429,502
Auxiliary enterprises	223,709,121	221,654,753	214,263,905
Other	228,138,290	204,772,534	192,410,829
Total operating revenues	<u>2,402,175,285</u>	<u>2,297,933,951</u>	<u>2,191,452,473</u>
Operating expenses			
Compensation and benefits	1,740,124,575	1,668,589,914	1,555,156,358
Supplies and services	881,853,703	851,807,551	793,383,878
Other	432,839,698	416,088,162	403,526,825
Total operating expenses	<u>3,054,817,976</u>	<u>2,936,485,627</u>	<u>2,752,067,061</u>
Operating Loss	(652,642,691)	(638,551,676)	(560,614,588)
Non-operating revenues and expenses			
State appropriations	445,771,370	443,698,581	402,577,620
Grants	151,453,040	148,624,103	133,921,012
Gifts	103,867,343	98,609,383	103,423,775
Other revenue	46,412,860	53,366,271	14,546,338
Non-operating expenses	(47,742,113)	(50,842,024)	(43,334,902)
Non-operating income	<u>699,762,500</u>	<u>693,456,314</u>	<u>611,133,843</u>
Income (Loss) before other revenues and expenses	47,119,809	54,904,638	50,519,255
Other revenues and expenses			
Capital grants and gifts	104,375,914	40,864,347	13,369,683
Other, net	(12,267,688)	(7,104,726)	1,083,484
Other revenues and expenses	<u>92,108,226</u>	<u>33,759,621</u>	<u>14,453,167</u>
Increase in Net Position	139,228,035	88,664,259	64,972,422
Net Position, beginning of year	2,334,310,395	2,199,324,594	2,134,352,172
GASB 75 OPEB and Other	(7,506,688)	-	-
Mergers with UAPTC and UACCRM/(Pension effect)	-	46,321,542	-
Net Position, beginning of year, as restated	<u>2,326,803,707</u>	<u>2,245,646,136</u>	<u>2,134,352,172</u>
Net Position, end of year	<u>\$ 2,466,031,742</u>	<u>\$ 2,334,310,395</u>	<u>\$ 2,199,324,594</u>

The 2018 operating loss of \$652.6 million highlights the University's dependence on non-operating revenues, including state appropriations, to meet the costs of operations and provide funds for the acquisition of capital assets.

Operating revenues increased \$104.2 million, or 4.5%. Net student tuition and fees increased \$17.7 million, reflecting increases for UAF of \$13 million and the remainder spread through the rest of the campuses. Net patient services increased \$44.7 million or 3.8% at UAMS due to increases in inpatient and outpatient volumes. Grants and contracts increased \$16.5 million, of which UAF increased \$6.3 million and UAMS increased \$10.4 million. Other operating revenue

increased \$23.4 million, including \$4.8 million in insurance plan revenues due to increased premiums. UAMS had an increase of \$16.3 million from increased contractual pharmacy activity.

Total operating expenses increased \$118.3 million, or 4%. Compensation and benefits increased \$71.5 million, or 4.3% increase, over the previous year. The largest portion of this was at UAMS with \$56.3 million, or 5.7%, due to increased staffing for patient volume. UAF increased \$24.4 million due in part to support enrollment growth along with increases in salaries for faculty and staff. The cost of supplies and services increased \$30 million, of which \$12.8 million is attributable to UAMS, UAF

increased \$7.8 million, UALR increased \$4.8 million, UAPB increased \$2.1 million and the remainder spread among the other campuses. The increase at UAMS was due to increases in medical supplies, primarily for a higher surgery volume, and drugs and medicines for patient care. Scholarships and fellowships decreased \$3.8 million, and depreciation decreased \$.6 million. The changes were spread throughout the campuses. The insurance plan expenses increased \$21.2 million due to higher costs as previously noted.

Net non-operating revenues increased by \$6.3 million, or .9%. State appropriations increased \$2.1 million, state and local grants increased \$2.2 million, however, investment income decreased \$9.8 due to the market performance being off from the previous year. Gain/loss on disposal of assets increased \$3.4 million from a loss last year on demolition of UAF athletic facilities to a gain due to UAF's selling of long-held real estate by the Division of Agriculture.

Other changes in net position increased \$58.3 million, or 172.8%. Capital grants and gifts increased \$63.5 million due to the UAF increase in capital gifts of \$65.3 million for athletic facilities, and the Arts and Design District. The pollution remediation costs increased \$3.6 million at UAF during 2018.

The cumulative effect of the implementation of GASB 75 related to OPEBs decreased beginning net position by \$7.1 million. There were two other restatements that totaled \$.4 million for corrections of recording grants and contracts revenue and capitalization of interest expenses.

Gifts reported reflect only 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, whose financial information is presented in Note 1.

Statements 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 shows the net cash used by the operating activities of the institution. The second section reflects cash flows from non-capital financing activities. The third section deals with cash flows from capital and related activities, such as the acquisition and construction of capital assets and proceeds from, and payment of, debt. The fourth section reflects the cash flows from investing activities and shows the purchases, proceeds, and interest received from these activities. The fifth section, not shown in the condensed statement below, reconciles the net cash used by operating activities to the net operating income or loss reflected on the Statement of Revenues, Expenses and Changes in Net Position. This 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.

Similar to the operating loss on the Statement of Revenues, Expenses, and Changes in Net Position, net cash used in operating activities does not reflect all resources available to the University because generally accepted accounting principles require state appropriations, gifts and grants to be reported as nonoperating financing activities. The net cash provided by the combination of operating and noncapital financing activities is a better depiction of the results achieved for the year. The net cash

UNIVERSITY OF ARKANSAS SYSTEM: Management's Discussion and Analysis

for 2018 is \$240.4 million, a decrease of (\$39.1) million from the prior year. The changes are explained in the discussion in

relation to the Statements of Revenues, Expenses and Changes in Net Position.

Condensed Statements of Cash Flows

	Year Ended		
	June 30, 2018	June 30, 2017	June 30, 2016
Cash provided (used) by:			
Operating activities	\$ (471,338,658)	\$ (422,406,834)	\$ (420,035,775)
Noncapital financing activities	711,770,020	701,949,112	684,549,963
Net cash	240,431,362	279,542,278	264,514,188
Capital and related financing activities	(180,191,658)	(213,630,820)	(217,420,081)
Investing activities	(46,507,195)	(214,558,873)	48,395,650
Net change in cash	13,732,509	(148,647,415)	95,489,757
Cash, beginning of year	434,621,244	556,103,255	460,613,498
Mergers with UAPTC and UACCRM	-	27,165,404	-
Cash, beginning of the year, restated	434,621,244	583,268,659	460,613,498
Cash, end of year	\$ 448,353,753	\$ 434,621,244	\$ 556,103,255

Purchases of capital assets and repayments of long-term debt exceeded debt proceeds and capital grants and gifts during 2018 which was consistent with the previous year. Purchases of investments exceeds the proceeds from sales and maturities of investments in the current year which was also consistent with last year. The University shifted cash to investments during the year but not to the extent done in the prior year so the increase in cash was \$13.7 million.

Capital Assets and Long-Term Debt Activity

At June 30, 2018, the University had \$2.9 billion of capitalized assets, net of accumulated depreciation of \$2.6 billion. Capital additions in 2018 totaled \$321 million which was offset by depreciation of \$186.6 million, net of transfers and deletions, resulted in a net increase in capital assets of \$130.9 million.

New debt issued for bonds, notes, and capital leases offset by payments of principal was a net increase of \$64.3 million for 2018. The University issued a total of \$102.3 million in bonds, with 94% of that amount representing new issues for the Fayetteville campus. More detailed information about debt activity was discussed previously and is presented in Note 10.

Economic Outlook

The University's net position increased \$139.2 million for 2018. Moody's last reaffirmed the University's rating of Aa2 with a stable outlook on July 3, 2018. One of the University's greatest strengths is the diverse stream of revenue which funds its operations, including tuition, patient services revenue, state appropriations, investment income, grants and contracts, and support from individuals, foundations, and corporations. Because the Fayetteville

campus and the Medical Sciences campus account for 73.9% of total net position and 88.1% of operating revenues, discussion below is centered on these two campuses.

UAMS

UAMS closed fiscal year 2018 down \$15.6 million in net position, a much better outcome than the \$39.2 million deficit projected in the budget. UAMS was able to achieve this positive result through decreased spending in many of UAMS colleges and departments, a \$5 million state appropriation from the Governor's Rainy Day fund, reduced Medicaid match requirements, increases in investment income above budget and a workforce reduction initiated in January 2018, which produced a 600 FTE position reduction and annualized cost savings in excess of \$60 million. UAMS also completed a review and modification of revenue cycle procedures and practices over the course of the last year that have led to permanent revenue enhancements. UAMS is continuing to make improvements in revenue cycle operations in fiscal year 2019.

The fiscal year 2019 budget reflects a balance of projected revenues and expenditures based on conservative estimates of revenue gains in patient services, and includes new budget control measures related to position management and hiring practices for key clinical support staff. With modest budgetary goals to sustain continued support for UAMS' mission and maintenance of quality service to patients and students, to build back university reserves and to increase funding for capital improvements, deferred maintenance and infrastructure, UAMS expects to finish fiscal year 2019 with a slight increase in net position.

Despite extraordinary efforts this past year to reduce and control spending and increase revenues, UAMS expects continuing financial challenges in the near term. State appropriations will remain flat at best over the next several years. No significant downturn in state funding is anticipated.

There is continuing uncertainty as to how the changes in the Arkansas Works (Medicaid expansion program) will ultimately affect UAMS. The federal Department of Health and Human Services (DHHS) rejected the plan to lower the income limit. However, this is still in negotiation. DHHS did endorse the new work requirement and replacing Medicaid's 90-day retroactive eligibility program with a 30-day eligibility provision under the Arkansas program. The new work requirement went into effect June 2018, but is facing a legal challenge at the federal level, a lawsuit the state has joined. Although the changes are expected to have some negative effect on UAMS patient revenues, it is too early to measure the extent of any potential impact. Finally, UAMS anticipates continuing downward pressure on cost reimbursements. Arkansas Blue Cross and Blue Shield, for example, has announced plans to ratchet down payments closer to Medicare levels over time.

In summary, the economic outlook for UAMS is stable. However, it will require a continuing commitment to improve the performance and cost efficiency of operations, to manage within budget limits, and to carefully evaluate the financial opportunities and risks ahead.

UAF

Financial and political support from state government remains a critical element to the continued financial health of the

Fayetteville campus. In 2018, the total general revenue distribution from the State, which is a portion of the state appropriation revenue on the Statement of Revenues, Expenses and Changes in Net Position, remained virtually flat at \$202.9 million. Estimates for 2019 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.

In 2017, the Arkansas Legislature enacted Act 148 which adopted a productivity-based funding model for most state-supported higher education institutions. As provided in the Act, the Arkansas Department of Higher Education developed a productivity-based funding model with measures for effectiveness, affordability, and efficiency. That model was first used to determine funding recommendations for the 2018-19 academic year and resulted in a small increase in funding for the Fayetteville campus based on those measures. UAF does not anticipate material changes in its funding level over the short term based on the new funding policy.

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

2.74% for resident and 4.92% for nonresident students, respectively, were necessary in 2018 to maintain the facilities, faculty and other support needed to fulfill the mission. As record growth in enrollment continues, together with state funding levels not able to keep pace with formula calculations, it is expected that UAF must continue to look to increases in tuition rates for revenue support as well as grow other revenue streams.

Campaign Arkansas is an eight-year comprehensive fundraising effort focused on advancing academic opportunity at the Fayetteville campus. The goal of the campaign is to raise \$1.25 billion by 2020. All colleges and schools on the UAF campus, as well as many other units, will benefit from the fundraising effort. The campaign is critical to the UAF's future and efforts to keep tuition affordable while enhancing academic opportunities for faculty and students. Funds raised will support scholarships and fellowships, endowed chairs, capital projects, interdisciplinary academic programs and other priority areas that will advance UAF's goals and objectives. Campaign Arkansas had raised \$947.4 million at the close of 2018.

Positive news continues with the UAF fundraising production totals for private gift support for 2018 being the second-best year in the Fayetteville campus's history. Production amounts include gifts of cash, gifts-in-kind, planned gifts and new pledges. In 2018, UAF recognized \$292.7 million of private gift support, surpassing its goal of \$245 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 Fayetteville campus enhances all aspects

of the student experience, including academic and need-based scholarships; technology enhancements; new and renovated facilities; undergraduate, graduate and faculty research; study abroad opportunities and innovative programs.

Preliminary figures indicate that UAF enrolled 27,778 students for the fall 2018 semester, another record enrollment. UAF student enrollment has increased 39.9%, or 7,929 students over the past ten years. This marks the twentieth consecutive year for enrollment growth. Although the growth trend continues, the rate of growth is becoming more controlled, with a 1.3% rate in fall 2017 and 0.8% rate in fall 2018. This more sustainable rate of growth is welcomed as the Fayetteville campus assesses future goals and the optimum number of students.

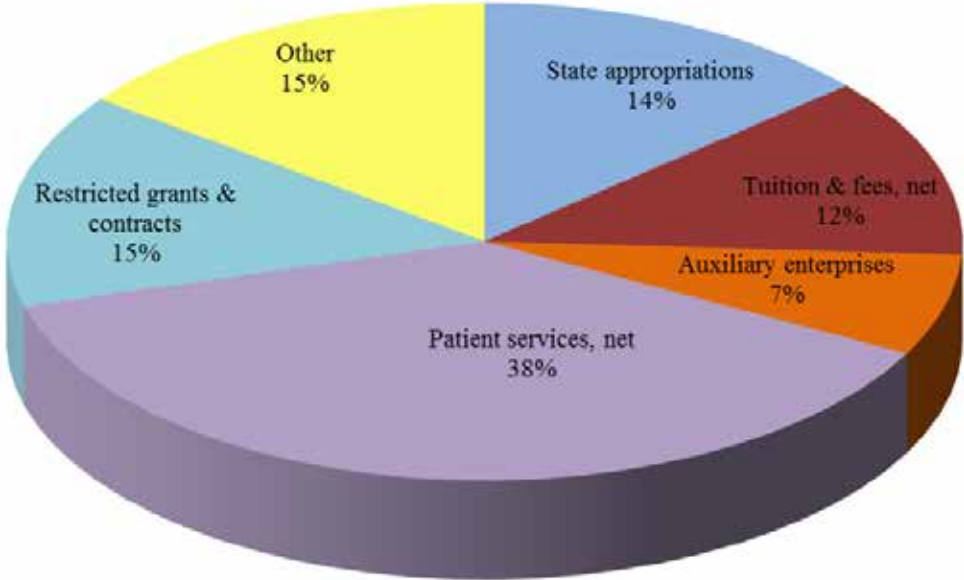
All Campuses

Financial support from state government for all campuses remains a critical element to the continued financial health of the University. Arkansas appears to have a healthy, growing economy as general revenue forecasts are positive and the state budget remains balanced. As the unemployment rate remains at record lows, enrollment in higher education may remain flat or decrease at most campuses, so management will continue to budget conservatively and to emphasize cost containment.

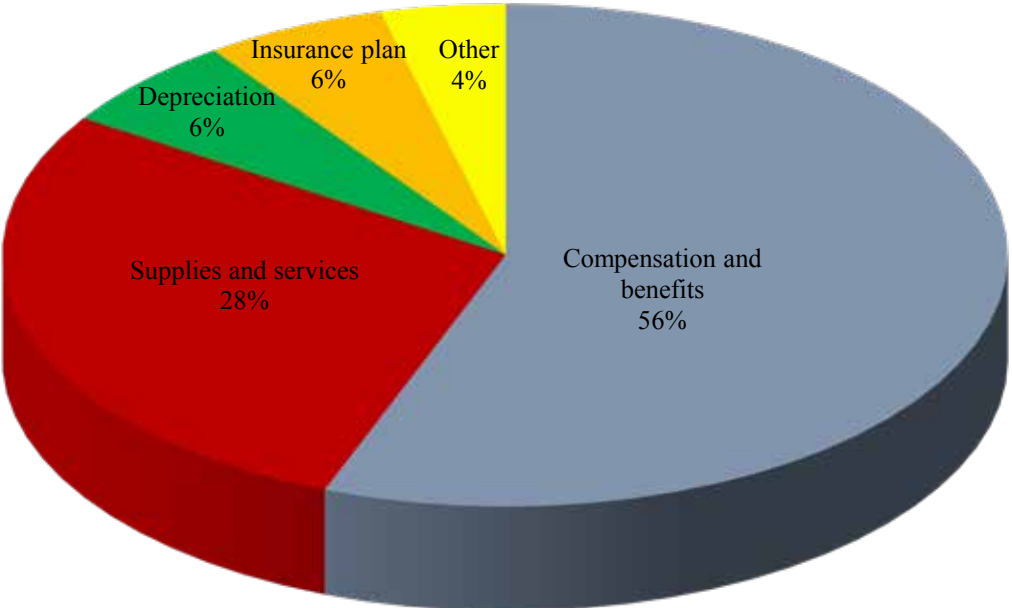
Preliminary data shows that the number of enrolled students (headcount) has decreased from the fall semester of 2017 to the fall semester of 2018, to 67,524. The number of full-time equivalent students has also decreased from 54,032 to 53,191.



**2018 Revenues
\$3.255 Billion**



**2018 Expenses
\$2.997 Billion**



FIVE YEAR SUMMARY OF KEY STUDENT DATA

Enrollment

Fall Semester	2018*	2017	2016	2015	2014
Undergraduate Students (Headcount)	58,307	60,283	53,797	53,295	52,990
Graduate Students (Headcount)	9,217	9,385	9,503	9,469	9,119
Total	67,524	69,668	63,300	62,764	62,109
Undergraduate Students (FTE)	46,898	47,700	43,358	43,085	42,949
Graduate Students (FTE)	6,293	6,332	7,340	6,554	6,361
Total	53,191	54,032	50,698	49,639	49,310

Degrees Awarded

Fiscal Year Ended June 30,	2018	2017	2016	2015	2014
Certificates	3,333	4,007	2,331	2,369	2,034
Associate	2,425	2,965	2,016	2,226	2,144
Baccalaureate	7,837	7,654	7,774	7,399	7,046
Post-Baccalaureate	292	168	85	144	128
Master's	2,029	2,097	2,074	2,023	1,912
Doctoral	282	249	273	263	246
First Professional	535	548	535	525	544
Total	16,733	17,688	15,088	14,949	14,054

*Preliminary Data Reported by Institutions



UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Net Position June 30, 2018

	June 30, 2018
ASSETS	
Current	
Cash and cash equivalents	\$ 426,739,043
Investments	498,540,405
Accounts receivable, net of allowances of \$24,509,008	124,776,537
Patient accounts receivable, net of allowances of \$319,668,000	130,932,000
Inventories	31,352,556
Deposits and funds held in trust by others	5,902,405
Notes receivable, net of allowances of \$391,541	6,522,941
Other assets	34,369,690
Total current assets	1,259,135,577
Non-Current	
Cash and cash equivalents	21,614,710
Investments	189,068,980
Notes receivable, net of allowance of \$3,605,489	21,097,350
Deposits and funds held in trust by others	127,381,631
Other non-current assets	28,733,570
Capital assets, net of depreciation of \$2,617,043,609	2,855,583,557
Total non-current assets	3,243,479,798
TOTAL ASSETS	\$ 4,502,615,375
DEFERRED OUTFLOWS OF RESOURCES	
Debt refunding	\$ 28,715,694
Other postemployment benefits	2,018,574
Pensions	32,152,743
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 62,887,011
LIABILITIES	
Current	
Accounts payable and other accrued liabilities	\$ 168,033,495
Unearned revenue	49,954,598
Funds held in trust for others	6,216,125
Liability for future insurance claims (Note 14)	17,401,400
Estimated third party payor settlements	34,404,000
Compensated absences payable - current portion (Note 9)	6,522,298
Liability for other postemployment benefits - current portion (Note 16)	2,018,574
Bonds, notes, capital leases and installment contracts payable - current portion (Note 10)	88,039,599
Total current liabilities	372,590,089
Non-Current	
Unearned revenues, deposits and other	805,925
Refundable federal advance - Perkins loans	16,687,013
Compensated absences payable (Note 9)	86,496,442
Liability for other postemployment benefits (Note 16)	66,786,365
Liability for pensions (Note 15)	79,495,883
Bonds, notes, capital leases and installment contracts payable (Note 10)	1,453,452,568
Total non-current liabilities	1,703,724,196
TOTAL LIABILITIES	\$ 2,076,314,285
DEFERRED INFLOWS OF RESOURCES	
Other postemployment benefits	\$ 11,459,571
Pensions	8,779,788
Other	2,917,000
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 23,156,359
NET POSITION	
Net Investment in Capital Assets	\$ 1,440,744,532
Restricted	
Non-Expendable	
Scholarships and fellowships	13,970,721
Research	6,209,524
Other	56,380,899
Expendable	
Scholarships and fellowships	46,032,609
Research	67,652,828
Public service	15,499,916
Capital projects	186,361,485
Other	43,035,306
Unrestricted	590,143,922
TOTAL NET POSITION	\$ 2,466,031,742

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Revenues, Expenses, and Changes in Net Position For The Year Ended June 30, 2018

	<u>Year Ended June 30, 2018</u>
Operating Revenues	
Student tuition & fees, net of scholarship allowances of \$175,276,652	\$ 397,569,567
Patient services, net of contractual allowances of \$1,870,735,000	1,231,064,000
Federal and county appropriations	15,175,997
Federal grants and contracts	177,305,664
State and local grants and contracts	88,505,683
Non-governmental grants and contracts	55,882,960
Sales and services of educational departments	62,706,446
Insurance plan	56,487,149
Auxiliary enterprises	
Athletics, net of scholarship allowances of \$2,740,053	112,806,383
Housing/food service, net of scholarship allowances of \$28,386,706	79,203,008
Bookstore, net of scholarship allowances of \$756,455	13,501,969
Other auxiliary enterprises, net of scholarship allowances of \$652,978	18,197,761
Other operating revenues	93,768,698
Total operating revenues	<u>2,402,175,285</u>
Operating Expenses	
Compensation and benefits	1,740,124,575
Supplies and services	881,853,703
Scholarships and fellowships	64,040,207
Insurance plan	182,157,005
Depreciation	186,642,486
Total operating expenses	<u>3,054,817,976</u>
Operating loss	<u>(652,642,691)</u>
Non-Operating Revenues (Expenses)	
State appropriations, net of Medicaid match payments of \$79,747,000	445,771,370
Property and sales tax	13,558,511
Federal grants	101,605,401
State and local grants	48,570,883
Non-governmental grants	1,276,756
Gifts	103,867,343
Investment income (net)	28,443,092
Interest and fees on capital asset-related debt	(47,995,602)
Gain/loss on disposal of assets	253,489
Other	4,411,257
Net non-operating revenues	<u>699,762,500</u>
Income before other revenues and expenses	<u>47,119,809</u>
Other Changes in Net Position	
Capital appropriations	979,056
Capital grants and gifts	104,375,914
Adjustments to prior year revenues and expenses	(100,241)
Extraordinary item-pollution remediation	(13,224,210)
Other	77,707
Total other revenues and expenses	<u>92,108,226</u>
Increase in net position	139,228,035
Net Position, beginning of year, as originally reported	2,334,310,395
Cumulative effect of GASB No. 75 adoption	(7,118,973)
Restatements	(387,715)
Net Position, beginning of year, restated	<u>2,326,803,707</u>
Net Position, end of year	<u>\$ 2,466,031,742</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Cash Flows - Direct Method For The Year Ended June 30, 2018

	Year Ended June 30, 2018
Cash Flows from Operating Activities	
Student tuition and fees (net of scholarships)	\$ 400,426,484
Patient and insurance payments	1,194,921,000
Federal and county appropriations	14,936,462
Grants and contracts	313,588,207
Collection of loans and interest	5,333,064
Insurance plan receipts	56,836,253
Auxiliary enterprise revenues:	
Athletics	111,250,830
Housing and food service	79,013,627
Bookstore	17,016,560
Other auxiliary enterprises	18,442,788
Payments to employees	(1,507,473,440)
Payments of employee benefits	(231,009,124)
Payments to suppliers	(886,634,643)
Loans issued to students	(4,711,636)
Scholarships and fellowships	(63,475,880)
Payments of insurance plan expenses	(179,892,581)
Other	190,093,371
Net cash used by operating activities	(471,338,658)
Cash Flows from Noncapital Financing Activities	
State appropriations	445,654,371
Property and sales tax	13,510,343
Gifts and grants for other than capital purposes	253,492,560
Repayment of loans	762,000
Direct Lending, Plus and FFEL loan receipts	304,189,961
Direct Lending, Plus and FFEL loan payments	(302,595,682)
Other agency funds - net	(3,243,533)
Net cash provided by noncapital financing activities	711,770,020
Cash Flows from Capital and Related Financing Activities	
Distributions from debt proceeds	154,522,954
Capital appropriations	1,008,736
Capital grants and gifts	53,250,872
Proceeds from sale of capital assets	128,677
Purchases of capital assets	(255,926,874)
Payment of capital related principal on debt	(75,388,448)
Payment of capital related interest and fees	(58,013,362)
Insurance proceeds	225,787
Net cash used by capital and related financing activities	(180,191,658)
Cash Flows from Investing Activities	
Proceeds from sales and maturities of investments	212,472,712
Investment income (net of fees)	3,623,512
Purchases of investments	(262,603,419)
Net cash used by investing activities	(46,507,195)
Net increase in cash	13,732,509
Cash, beginning of the year	434,621,244
Cash, end of year	\$ 448,353,753

UNIVERSITY OF ARKANSAS SYSTEM: Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Cash Flows - Direct Method - Continued For The Year Ended June 30, 2018

	Year Ended June 30, 2018
Reconciliation of net operating loss to net cash used by operating activities:	
Operating loss	\$ (652,642,691)
Adjustments to reconcile net operating loss to net cash used by operating activities:	
Depreciation expense	186,642,486
Other miscellaneous operating receipts	(219,070)
Adjustment to cash for amounts in transit within the system	(4,692)
Change in assets and liabilities:	
Receivables, net	(627,221)
Inventories	1,557,533
Prepaid expenses and other assets	(3,864,654)
Accounts payable and other accrued liabilities	(17,593,796)
Unearned revenue	177,711
Liability for future insurance claims	2,221,200
Loans to students and employees	562,055
Refundable federal advance	76,337
Compensated absences	777,467
OPEB liability	3,229,533
Pension related	2,470,997
Other	5,898,147
NET CASH USED BY OPERATING ACTIVITIES	<u>\$ (471,338,658)</u>
Non-Cash Transactions	
Capital Gifts	\$ 18,682,308
Fixed assets acquired by incurring capital lease obligations	13,187,351
Capital outlay & maintenance paid directly from proceeds of debt	1,336,435
Payment of bond proceeds/premium/accrued interest/debt service reserve directly into deposits with trustees/escrow	120,112,792
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	577,816
Payment of principal & interest on long-term debt from deposits with trustees	206,265
Interest earned on deposits with trustees	2,022,112
Loss on disposal of assets	2,477,829
Valuation adjustment to capital assets	1,363,690
Value of goods received from sponsorship agreements with vendors	3,507,595

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2018

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2018**

	<u>2018</u>
ASSETS	
Contributions receivable, net	\$ 27,274,658
Interest receivable	2,983,595
Investments, at fair value	1,164,638,882
Cash value of life insurance	1,492,384
Land	257,025
TOTAL ASSETS	<u>\$1,196,646,544</u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 2,405,368
Annuity obligations	15,457,664
TOTAL LIABILITIES	<u>17,863,032</u>
NET ASSETS	
Unrestricted	106,304,205
Temporarily restricted	178,339,914
Permanently restricted	894,139,393
TOTAL NET ASSETS	<u>1,178,783,512</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$1,196,646,544</u>

**UNIVERSITY OF ARKANSAS
FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Financial Position
June 30, 2018**

	<u>2018</u>
ASSETS	
Contribution receivable, net	\$ 7,862,099
Investments	565,080,692
TOTAL ASSETS	<u>\$ 572,942,791</u>
LIABILITIES AND NET ASSETS	
Accounts Payable	\$ 943,608
Net Assets:	
Temporarily restricted	46,640,068
Permanently restricted	525,359,115
Total Net Assets	<u>571,999,183</u>
TOTAL LIABILITIES & NET ASSETS	<u>\$ 572,942,791</u>

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2018

**UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Activities
Year Ended June 30, 2018**

	Year Ended June 30, 2018			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support:				
Contributions	\$ 16,299,843	\$ 41,104,309	\$ 130,957,194	\$ 188,361,346
Interest and dividends	4,103,381	6,162,214	462,539	10,728,134
Net realized and unrealized gains on investments	5,025,739	25,782,393	45,845,308	76,653,440
Net assets reclassifications, including released from or satisfaction of restrictions	45,394,437	(45,394,437)	-	-
Total revenues, gains and other support	70,823,400	27,654,479	177,265,041	275,742,920
Expenses and Losses:				
Program services:				
Construction	8,000,470	-	-	8,000,470
Research	12,463,183	-	-	12,463,183
Faculty/staff support	17,995,917	-	-	17,995,917
Scholarships and awards	13,775,331	-	-	13,775,331
Public/staff relations	1,788,150	-	-	1,788,150
Equipment	2,709,416	-	-	2,709,416
Sponsored programs	933,788	-	-	933,788
Other	8,968,000	-	-	8,968,000
Total program services	66,634,255	-	-	66,634,255
Supporting services:				
Management and general	944,028	-	-	944,028
Fundraising	2,275,867	-	-	2,275,867
Change in value of split-interest agreements	8,809	759	(432,572)	(423,004)
Provision for loss (recovery) on uncollectible contributions	330,500	423,293	75,510	829,303
Total supporting services	3,559,204	424,052	(357,062)	3,626,194
Total expenses and losses	70,193,459	424,052	(357,062)	70,260,449
Change in Net Assets	629,941	27,230,427	177,622,103	205,482,471
Net Assets, beginning of year	105,674,264	151,109,487	716,517,290	973,301,041
Net Assets, end of year	\$ 106,304,205	\$ 178,339,914	\$ 894,139,393	\$ 1,178,783,512

UNIVERSITY OF ARKANSAS SYSTEM: Discretely Presented Component Units FY2018

**UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Year Ended June 30, 2018**

	Year Ended June 30, 2018			TOTAL
	Unrestricted	Temporarily Restricted	Permanently Restricted	
Revenues, Gains and Other Support:				
Contribution	\$ -	\$ 9,891,099	\$ -	\$ 9,891,099
Interest and dividends		3,490,572	-	3,490,572
Net realized and unrealized gains on investments		16,169,912	28,036,892	44,206,804
Net assets released from restrictions	19,314,656	(19,314,656)	-	-
Total revenues, gains and other support	19,314,656	10,236,927	28,036,892	57,588,475
Expenses and Losses:				
Program services:				
Research	1,052,010	-	-	1,052,010
Faculty/staff support	3,071,105	-	-	3,071,105
Scholarships and awards	13,467,454	-	-	13,467,454
Equipment and technology	1,276,912	-	-	1,276,912
Other	447,175	-	-	447,175
Total program services	19,314,656	-	-	19,314,656
Change in Net Assets	-	10,236,927	28,036,892	38,273,819
Net Assets, beginning of year	-	36,403,141	497,322,223	533,725,364
Net Assets, end of year	\$ -	\$ 46,640,068	\$ 525,359,115	\$ 571,999,183



UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Net Position by Campus At June 30, 2018

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
ASSETS							
Current							
Cash and cash equivalents	\$ 147,582,098	\$ 10,971,079	\$ 9,617,914	\$ 106,310,000	\$ 7,660,027	\$ 25,343,374	\$ 57,361,598
Investments	321,814,198	4,039,440	48,292,133	109,460,000	-	-	-
Accounts receivable	55,424,687	4,404,371	6,918,574	37,783,000	4,791,139	8,257,302	16,666,939
Patient accounts receivable	-	-	-	130,932,000	-	-	-
Inventories	4,776,712	18,040	165,562	24,534,000	327,801	27,075	-
Deposits and funds held in trust by others	3,524,529	-	759,651	-	1,395,918	100,000	-
Notes receivable	4,165,979	8,784	-	2,357,000	17,684	-	-
Other assets	21,088,455	356,267	2,016,171	8,663,000	323,888	20,326	346,102
Total current assets	<u>558,376,658</u>	<u>19,797,981</u>	<u>67,770,005</u>	<u>420,039,000</u>	<u>14,516,457</u>	<u>33,748,077</u>	<u>74,374,639</u>
Non-Current							
Cash and cash equivalents	17,649	9,766,595	7,997	-	731,590	10,509,882	-
Investments	83,258,936	16,921,135	12,824,863	63,693,000	5,400,920	2,687,302	-
Notes receivable	12,561,633	140,674	386,750	12,433,000	452,497	467,576	-
Deposits and funds held in trust by others	90,952,626	346,408	6,133,933	21,098,000	2,689,489	-	-
Other non-current assets	28,733,570	-	-	-	-	-	300,000
Capital assets	1,352,861,276	141,749,020	237,433,114	745,618,000	52,379,893	108,530,545	2,576,233
Total non-current assets	<u>1,568,385,690</u>	<u>168,923,832</u>	<u>256,786,657</u>	<u>842,842,000</u>	<u>61,654,389</u>	<u>122,195,305</u>	<u>2,876,233</u>
TOTAL ASSETS	\$ 2,126,762,348	\$ 188,721,813	\$ 324,556,662	1,262,881,000	\$ 76,170,846	\$ 155,943,382	77,250,872
DEFERRED OUTFLOWS OF RESOURCES							
Debt refunding	14,327,274	3,285,119	3,732,604	4,852,000	528,796	243,610	-
Other postemployment benefits	590,970	46,971	178,341	702,000	66,853	59,176	12,266
Pensions	6,657,130	1,321,176	4,362,568	6,884,000	1,258,629	297,861	209,304
Other	-	-	-	-	-	-	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 21,575,374	\$ 4,653,266	\$ 8,273,513	\$ 12,438,000	\$ 1,854,278	\$ 600,647	\$ 221,570
LIABILITIES							
Current							
Accounts payable and other accrued liabilities	\$ 69,291,843	\$ 3,901,483	\$ 4,002,528	\$ 94,965,000	\$ 3,464,782	\$ 2,832,611	\$ 1,270,410
Unearned revenue, deposits and other	34,487,884	337,207	1,957,665	11,983,000	221,063	112,094	2,196
Funds held in trust for others	1,539,166	186,751	676,473	500,000	122,406	2,718,995	-
Liability for future insurance claims	-	-	-	-	-	-	17,401,400
Estimated third party payor settlements	-	-	-	34,404,000	-	-	-
Refundable federal advance - Perkins loans - current portion	-	-	-	-	-	-	-
Compensated absences payable - current portion	1,602,373	164,221	332,108	3,756,000	116,504	162,918	27,668
Liability for other postemployment benefits - current portion	590,970	46,971	178,341	702,000	66,853	59,176	12,266
Bonds, notes, capital leases and installment contracts payable - current portion	39,257,563	5,807,843	7,650,331	28,269,000	1,131,192	1,162,466	49,835
Total current liabilities	<u>146,769,799</u>	<u>10,444,476</u>	<u>14,797,446</u>	<u>174,579,000</u>	<u>5,122,800</u>	<u>7,048,260</u>	<u>18,763,775</u>
Non-Current							
Unearned revenues, deposits and other	32,054	-	247,971	358,000	-	93,585	-
Refundable federal advance - Perkins loans	14,380,834	-	-	1,911,000	395,179	-	-
Compensated absences payable	20,000,007	1,335,451	4,002,682	54,294,000	1,097,893	2,205,058	626,186
Liability for other post employment benefits	19,996,167	1,252,425	5,641,804	29,578,000	1,597,996	2,665,762	396,968
Liability for pensions	15,144,874	3,449,808	10,200,416	16,315,000	3,379,525	737,280	500,622
Bonds, notes, capital leases, installment contracts payable	823,131,512	64,593,006	114,088,593	272,671,000	28,594,721	31,847,329	5,276,815
Total non-current liabilities	<u>892,685,448</u>	<u>70,630,690</u>	<u>134,181,466</u>	<u>375,127,000</u>	<u>35,065,314</u>	<u>37,549,014</u>	<u>6,800,591</u>
TOTAL LIABILITIES	\$ 1,039,455,247	\$ 81,075,166	\$ 148,978,912	\$ 549,706,000	\$ 40,188,114	\$ 44,597,274	\$ 25,564,366
DEFERRED INFLOWS OF RESOURCES							
Other postemployment benefits	\$ 3,122,698	\$ 139,499	\$ 1,095,664	\$ 4,952,000	\$ 273,483	\$ 306,983	\$ 60,291
Pensions	876,455	559,114	835,567	409,000	527,428	168,150	89,648
Other	-	-	-	2,917,000	-	-	-
TOTAL DEFERRED INFLOWS OF RESOURCES	\$ 3,999,153	\$ 698,613	\$ 1,931,231	\$ 8,278,000	\$ 800,911	\$ 475,133	\$ 149,939
NET POSITION							
Net Investment in Capital Assets	\$ 584,452,193	\$ 74,633,290	\$ 119,362,726	464,948,000	\$ 25,872,266	\$ 75,823,144	2,403,056
Restricted							
Non-Expendable							
Scholarships and fellowships	8,653,550	295,644	3,716,771	394,000	56,017	-	-
Research	5,739,659	-	148,306	-	321,559	-	-
Other	11,132,184	8,368	5,597,604	35,659,000	44,642	3,939,101	-
Expendable							
Scholarships and fellowships	16,455,616	167,015	597,206	26,503,000	322,551	1,299,038	-
Research	36,195,322	-	529,725	28,328,000	1,893,260	706,521	-
Public service	8,525,109	48,344	6,639,644	-	-	286,819	-
Capital projects	89,811,179	496,580	308,009	88,467,000	697,870	3,205,668	-
Other	24,470,375	3,829,115	3,254,128	-	688,507	2,449,267	-
Unrestricted	319,448,135	32,122,944	41,765,913	73,036,000	7,139,427	23,762,064	49,355,081
TOTAL NET POSITION	\$ 1,104,883,322	\$ 111,601,300	\$ 181,920,032	\$ 717,335,000	\$ 37,036,099	\$ 111,471,622	\$ 51,758,137

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Revenues, Expenses, and Changes in Net Position by Campus For the Year Ended June 30, 2018

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Operating Revenues							
Student tuition & fees, net of scholarship allowances	\$ 240,489,120	\$ 17,815,463	\$ 45,434,242	\$ 48,034,000	\$ 12,016,302	\$ 10,221,616	\$ 835,421
Net patient services				1,231,064,000			-
Federal and county appropriations	14,982,997		-	193,000			-
Federal grants and contracts	55,333,386	1,240,740	16,782,598	77,949,000	1,445,877	14,289,947	-
State and local grants and contracts	32,129,524	3,104,198	8,624,222	30,911,000	2,160,676	2,733,155	-
Non-governmental grants and contracts	33,718,319	2,897,699	1,822,928	14,995,000	773,751	335,430	250,000
Sales and services of educational departments	24,051,001	231,222	1,855,564	34,643,000	222,128	256,633	4,760,910
Insurance plan							192,028,316
Auxiliary enterprises, net of scholarship allowances							-
Athletics	104,833,597	267,174	4,754,505	-	760,282	2,190,825	-
Housing and food service	54,020,198	3,243,942	5,669,521	8,545,000	2,304,810	5,341,924	-
Bookstore	11,302,662	363,152	195,792	-	402,300	150,735	-
Other auxiliary enterprises	12,046,419	409,406	1,619,054	2,890,000	670,877	300,480	-
Other operating revenues	12,513,954	567,084	1,831,190	72,279,000	529,516	5,338,581	-
Total operating revenues	595,421,177	30,140,080	88,589,616	1,521,503,000	21,286,519	41,159,326	197,874,647
Operating Expenses							
Compensation and benefits	511,934,706	41,910,473	117,242,852	1,044,269,000	27,418,137	43,478,791	8,192,172
Supplies and services	256,530,026	18,613,222	48,130,817	490,499,000	11,271,703	25,109,012	2,294,539
Scholarships and fellowships	22,755,152	3,383,655	9,177,823	824,000	6,726,287	4,951,097	-
Insurance plan							182,157,005
Depreciation	75,620,509	7,635,266	16,783,347	65,200,000	3,521,250	6,155,877	424,883
Total operating expenses	866,840,393	71,542,616	191,334,839	1,600,792,000	48,937,377	79,694,777	193,068,599
Operating gain (loss)	(271,419,216)	(41,402,536)	(102,745,223)	(79,289,000)	(27,650,858)	(38,535,451)	4,806,048
Non-Operating Revenues (Expenses)							
State appropriations, net of Medicaid match payments	207,202,611	24,080,995	68,134,066	33,275,000	18,814,756	27,454,716	4,207,425
Property and sales tax		6,089,618	-	-	-	-	-
Federal grants	22,972,561	13,626,848	16,088,788	-	7,966,825	9,185,193	-
State and local grants	30,016,898	6,113,324	7,029,533	-	2,316,432	1,654,422	-
Non-governmental grants	-	45,000	1,231,756	-	-	-	-
Gifts	77,059,113	-	4,514,343	19,908,000	25,910	1,305,784	-
Investment income, net	10,163,270	74,861	1,142,844	16,120,000	296,218	96,754	105,704
Interest & fees on capital asset-related debt	(23,799,689)	(2,623,627)	(4,112,814)	(10,299,000)	(1,151,673)	(576,536)	(882)
Gain (Loss) on disposal of assets	1,915,937	(10,664)	(94,037)	(145,000)	-	(20,361)	(3,666)
Other	4,369,302	1,847	(104,176)	-	(86,043)	(41)	130,788
Net non-operating revenues	329,900,003	47,398,202	93,830,303	58,859,000	28,182,425	39,099,931	4,439,369
Income (loss) before other revenues and expenses	58,480,787	5,995,666	(8,914,920)	(20,430,000)	531,567	564,480	9,245,417
Other Changes in Net Position							
Capital appropriations	510,000	234,056		-			
Capital grants and gifts	85,782,493	136,995	593,122	4,669,000	42,060	2,800,000	
Adjustments to prior year revenues and expenses					(100,241)		
Extraordinary item-pollution remediation	(13,224,210)						
Other	115,882	(277,987)		198,000	27,105		
Total other revenues and expenses	73,184,165	93,064	593,122	4,867,000	(31,076)	2,800,000	-
Increase (decrease) in net position	131,664,952	6,088,730	(8,321,798)	(15,563,000)	500,491	3,364,480	9,245,417
Net Position, beginning of year	979,606,713	105,314,747	191,913,153	729,859,000	36,872,362	108,371,187	42,702,124
Cumulative effect of GASB No. 75 adoption	(6,388,343)	197,823	(795,107)	3,039,000	(336,754)	(264,045)	(189,404)
Adjustments			(876,216)				
Net Position, beginning of year, restated	973,218,370	105,512,570	190,241,830	732,898,000	36,535,608	108,107,142	42,512,720
Net Position, end of year	\$ 1,104,883,322	\$ 111,601,300	\$ 181,920,032	\$ 717,335,000	\$ 37,036,099	\$ 111,471,622	\$ 51,758,137

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Eliminations	TOTAL
\$ 2,065,255	\$ 855,375	\$ 1,006,930	\$ 1,693,403	\$ 3,376,222	\$ 13,176,172	\$ 550,046			\$ 397,569,567
									1,231,064,000
									15,175,997
401,206	2,563,993	737,413	1,193,496	951,889	2,345,883	2,062,936	\$ 7,300		177,305,664
1,260,037	1,085,224	626,373	1,393,191	1,741,589	1,484,737	655,128	596,629		88,505,683
152,415	468,886	152,877		33,755		162,196	119,704		55,882,960
130,748	49,617	41,930	182,846	130,750	302,021	32,950	42,960	\$ (4,227,834)	62,706,446
								(135,541,167)	56,487,149
									112,806,383
77,613									79,203,008
171,260	52,361	197,924	452,622			213,161			13,501,969
	77,574	106,415	30,163			47,373			18,197,761
67,504	167,214	56,106	11,433	145,786	536,215	82,969	208,547	(566,401)	93,768,698
4,326,038	5,320,244	2,925,968	4,957,154	6,379,991	17,845,028	3,806,759	975,140	(140,335,402)	2,402,175,285
8,321,538	12,317,337	7,425,349	8,516,022	10,283,491	24,427,150	5,403,380	4,525,344	(135,541,167)	1,740,124,575
2,833,103	5,076,354	2,818,971	3,511,159	3,448,045	10,848,077	2,273,107	3,390,803	(4,794,235)	881,853,703
1,124,845	1,782,156	1,199,260	3,133,191	2,605,729	5,434,455	942,557			64,040,207
									182,157,005
950,200	1,396,847	777,154	895,060	974,885	4,655,903	1,221,452	429,853		186,642,486
13,229,686	20,572,694	12,220,734	16,055,432	17,312,150	45,365,585	9,840,496	8,346,000	(140,335,402)	3,054,817,976
(8,903,648)	(15,252,450)	(9,294,766)	(11,098,278)	(10,932,159)	(27,520,557)	(6,033,737)	(7,370,860)	-	(652,642,691)
4,729,248	10,392,224	4,986,926	6,426,320	6,297,111	17,382,628	3,425,317	8,962,027		445,771,370
1,339,492	2,036,061	1,435,527	1,476,156	747,084		434,573			13,558,511
2,492,370	2,863,105	2,936,432	3,775,008	4,483,375	13,411,276	1,803,620			101,605,401
321,586		298,246			820,442	-			48,570,883
					-	-			1,276,756
139,047				106,170	768,653	3,745	36,578		103,867,343
18,920	15,584	62,199	14,612	74,496	315,979	22,365	5,989	(86,703)	28,443,092
(151,755)	(385,327)	(27,869)	(120,188)	(422,664)	(4,106,528)	(217,050)			(47,995,602)
	(17,101)	4,700		2,122	(1,378,441)	-			253,489
			(33,776)		46,653	-		86,703	4,411,257
8,888,908	14,904,546	9,696,161	11,538,132	11,287,694	27,260,662	5,472,570	9,004,594		699,762,500
(14,740)	(347,904)	401,395	439,854	355,535	(259,895)	(561,167)	1,633,734	-	47,119,809
185,000						50,000			979,056
88,150	429,111		8,762,345	165,378	30,107	25,000	852,153		104,375,914
									(100,241)
		14,707							(13,224,210)
									77,707
273,150	429,111	14,707	8,762,345	165,378	30,107	75,000	852,153	-	92,108,226
258,410	81,207	416,102	9,202,199	520,913	(229,788)	(486,167)	2,485,887		139,228,035
10,547,195	18,286,223	14,559,132	15,820,388	15,237,816	38,711,176	6,884,076	19,625,103		2,334,310,395
(317,611)	(982,973)	95,915	(537,059)	(446,568)	(15,127)	(351,015)	172,416	(121)	(7,118,973)
				488,380				121	(387,715)
10,229,584	17,303,250	14,655,047	15,283,329	15,279,628	38,696,049	6,533,061	19,797,519		2,326,803,707
\$ 10,487,994	\$ 17,384,457	\$ 15,071,149	\$ 24,485,528	\$ 15,800,541	\$ 38,466,261	\$ 6,046,894	\$ 22,283,406	\$ -	\$ 2,466,031,742

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2018

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Cash Flows from Operating Activities							
Student tuition and fees (net of scholarships)	\$ 241,486,311	\$ 16,929,437	\$ 47,126,143	\$ 50,744,000	\$ 11,781,276	\$ 10,110,793	\$ 723,015
Patient and insurance payments				1,194,921,000			-
Federal and county appropriations	14,936,462		-				-
Grants and contracts	113,461,308	7,235,482	27,813,204	124,316,000	3,976,926	16,630,614	250,000
Collection of loans and interest	2,828,832		-	2,442,000	62,232		-
Insurance plan receipts							190,929,881
Auxiliary enterprise revenues:							
Athletics	103,380,997	267,174	4,668,145		803,415	2,131,099	-
Housing and food service	54,748,044	3,163,193	4,612,972	8,604,000	2,465,607	5,342,198	-
Bookstore	14,824,038	362,561	195,793		406,016	150,597	-
Other auxiliary enterprises	12,068,981	393,702	1,622,321	3,163,000	632,779	300,480	-
Payments to employees	(399,689,622)	(33,619,691)	(92,938,365)	(856,628,000)	(21,167,088)	(35,276,952)	(6,124,959)
Payment of employee benefits	(115,352,720)	(8,279,019)	(23,189,144)	(183,112,000)	(6,198,803)	(8,290,452)	(1,882,914)
Payments to suppliers	(263,458,805)	(18,071,779)	(49,952,316)	(488,306,000)	(11,172,340)	(23,889,453)	(2,363,677)
Loans issued to students	(1,742,636)	-	-	(2,969,000)			-
Scholarships and fellowships	(22,188,305)	(3,383,655)	(9,177,823)	(824,000)	(6,726,287)	(4,951,097)	-
Payments of insurance plan expenses							(179,892,581)
Other receipts and payments	35,058,533	769,291	4,295,104	141,399,000	767,465	5,615,160	4,978,400
Net cash used by operating activities	(209,638,582)	(34,233,304)	(84,923,966)	(6,250,000)	(24,368,802)	(32,127,013)	6,617,165
Cash Flows from Noncapital Financing Activities							
State appropriations	207,202,611	24,080,995	68,134,066	33,158,000	18,814,757	27,454,716	4,207,425
Property and sales tax		6,074,057	-				-
Gifts and grants for other than capital purposes	128,497,726	19,635,434	28,864,420	19,908,000	10,231,654	12,145,399	-
Repayment of loans				762,000			-
Direct Lending, Plus and FFEL loan receipts	125,974,482	16,474,400	55,659,058	58,845,000	15,178,712	14,302,328	-
Direct Lending, Plus and FFEL loan payments	(124,887,805)	(16,390,744)	(55,721,615)	(58,759,000)	(15,242,318)	(13,838,817)	-
Other agency funds - net	(3,176,236)	(95,858)	217,357	(30,000)	(27,648)	(130,242)	-
Payment of principal on debt							-
Payment of interest on debt							(86,703)
Inter-fund loan receipts							150,000
Inter-fund loan payments							-
Refunds to grantors							-
Net cash provided (used) by noncapital financing activities	333,610,778	49,778,284	97,153,286	53,884,000	28,955,157	39,933,384	4,270,722
Cash Flows from Capital and Related Financing Activities							
Distributions from debt proceeds	127,663,389	330,530	2,001,073	17,793,000			
Capital appropriations	510,000	263,736					
Capital grants and gifts	44,456,312	27,629	391,065	4,669,000		2,800,000	
Property taxes - capital allocation							
Proceeds from sale of capital assets				99,000	8,168		
Purchases of capital assets	(179,335,765)	(1,869,360)	(15,074,212)	(35,869,000)	(1,404,484)	(8,490,987)	(38,566)
Payment of capital related principal on debt	(29,722,598)	(5,286,223)	(5,713,238)	(28,459,000)	(1,036,918)	(805,000)	(49,725)
Payments of capital related interest and fees	(34,005,653)	(2,658,539)	(3,989,459)	(10,367,000)	(1,225,565)	(612,208)	(882)
Insurance proceeds		179,134					
Payments for bond refunding and related costs							
Payments to/from trustee for reserve							
Net cash provided (used) by capital & related financing activities	(70,434,315)	(9,013,093)	(22,384,771)	(52,134,000)	(3,658,799)	(7,108,195)	(89,173)
Cash Flows from Investing Activities							
Proceeds from sales and maturities of investments	22,751,345	8,140,960	113,748	178,584,000	61,104	621,555	
Investment income (net of fees)	1,392,174	150,569	986,698	526,000	10,121	48,725	105,704
Purchases of investments	(70,000,025)	(18,240,966)	(593,990)	(168,567,000)	(113,509)	(459,952)	
Net cash provided (used) by investing activities	(45,856,506)	(9,949,437)	506,456	10,543,000	(42,284)	210,328	105,704
Net increase in cash	7,681,375	(3,417,550)	(9,648,995)	6,043,000	885,272	908,504	10,904,418
Cash, beginning of year	139,918,372	24,155,224	19,274,906	100,267,000	7,506,345	34,944,752	46,457,180
Cash, end of year	\$ 147,599,747	\$ 20,737,674	\$ 9,625,911	\$ 106,310,000	\$ 8,391,617	\$ 35,853,256	\$ 57,361,598

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Eliminations	TOTAL
\$ 2,000,038	\$ 819,355	\$ 1,009,090	\$ 1,570,375	\$ 3,427,435	\$ 12,166,782	\$ 532,434			\$ 400,426,484
									1,194,921,000
									14,936,462
1,875,745	4,007,937	1,540,841	2,569,812	2,549,023	3,905,124	2,770,409	\$ 685,782		313,588,207
									5,333,064
								\$ (134,093,628)	56,836,253
									111,250,830
77,613									79,013,627
171,260	49,284	190,903	452,622			213,486			17,016,560
	77,574	106,415	30,163			47,373			18,442,788
(6,448,853)	(9,240,519)	(5,534,130)	(6,288,678)	(7,914,177)	(19,083,524)	(3,933,971)	(3,584,911)		(1,507,473,440)
(1,771,732)	(3,112,731)	(1,835,131)	(1,944,319)	(2,351,993)	(5,387,943)	(1,425,721)	(1,142,651)	134,268,149	(231,009,124)
(2,832,937)	(4,831,575)	(2,798,202)	(3,802,714)	(3,438,238)	(10,847,478)	(2,210,791)	(3,452,574)	4,794,236	(886,634,643)
									(4,711,636)
(1,124,845)	(1,778,217)	(1,198,222)	(3,140,297)	(2,606,120)	(5,434,455)	(942,557)			(63,475,880)
									(179,892,581)
186,381	216,831	88,607	162,187	280,494	813,623	168,715	267,029	(4,973,449)	190,093,371
(7,867,330)	(13,792,061)	(8,429,829)	(10,390,849)	(10,053,576)	(23,867,871)	(4,780,623)	(7,227,325)	(4,692)	(471,338,658)
4,729,248	10,392,224	4,986,926	6,426,320	6,297,111	17,382,628	3,425,317	8,962,027		445,654,371
1,305,309	1,994,878	1,423,613	1,478,231	799,136		435,119			13,510,343
2,935,969	2,859,863	3,205,229	3,775,008	4,589,545	15,000,371	1,807,365	36,577		253,492,560
									762,000
		1,394,008		2,377,506	13,984,467	-			304,189,961
		(1,393,410)		(2,377,506)	(13,984,467)	-			(302,595,682)
3,183	(1,793)	(1,507)	(12,924)	(406)	14,288	(7,287)	5,540		(3,243,533)
									-
								86,703	-
								(150,000)	-
							(150,000)	150,000	-
8,973,709	15,245,172	9,614,859	11,666,635	11,685,386	32,397,287	5,660,514	8,854,144	86,703	711,770,020
				6,327,189		407,773			154,522,954
185,000						50,000			1,008,736
-	686,381			165,378	30,107	25,000			53,250,872
									-
				21,509		-			128,677
(333,960)	(1,485,409)	(338,630)	(226,323)	(8,099,209)	(397,559)	(692,975)	(2,270,435)		(255,926,874)
(276,204)	(373,753)	(570,076)	(675,108)	(255,605)	(2,000,000)	(165,000)			(75,388,448)
(153,896)	(354,566)	(28,990)	(102,980)	(447,708)	(3,853,003)	(212,913)			(58,013,362)
					46,653				225,787
									-
(579,060)	(1,527,347)	(937,696)	(1,004,411)	(2,288,446)	(6,173,802)	(588,115)	(2,270,435)	-	(180,191,658)
		2,200,000							212,472,712
7,395	11,130	61,357	1,481	61,319	319,443	20,453	7,646	(86,703)	3,623,512
		(2,700,000)			(897,966)	(1,030,011)			(262,603,419)
7,395	11,130	(438,643)	1,481	61,319	(578,523)	(1,009,558)	7,646	(86,703)	(46,507,195)
534,714	(63,106)	(191,309)	272,856	(595,317)	1,777,091	(717,782)	(635,970)	(4,692)	13,732,509
2,036,890	8,698,207	5,406,250	3,771,272	3,471,327	27,949,408	3,831,458	6,738,939	193,714	434,621,244
\$ 2,571,604	\$ 8,635,101	\$ 5,214,941	\$ 4,044,128	\$ 2,876,010	\$ 29,726,499	\$ 3,113,676	\$ 6,102,969	\$ 189,022	\$ 448,353,753

UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2018

	UAF	UAFS	UALR	UAMS	UAM	UAPB	SYSTEM
Reconciliation of net operating revenue (loss) to net cash provided (used) by operating activities:							
Operating revenue (loss)	\$ (271,419,216)	\$ (41,402,536)	\$ (102,745,223)	\$ (79,289,000)	\$ (27,650,858)	\$ (38,535,451)	\$ 4,806,048
Adjustments to reconcile net revenue (loss) to net cash provided (used) by operating activities:							
Depreciation expense	75,620,509	7,635,266	16,783,347	65,200,000	3,521,250	6,155,877	424,883
Other miscellaneous operating receipts	(436,561)		-				217,491
Adjustment to cash for amounts in transit within the system							-
Change in assets and liabilities:							
Receivables, net	(8,526,781)	(728,700)	931,908	11,483,000	(455,774)	(807,807)	(1,210,652)
Inventories	606,560	1,498	6,561	1,064,000	71,489	12,953	-
Prepaid expenses and other assets	(2,203,287)	64,191	(1,332,110)	(96,000)	(65,209)	(11,583)	(171,986)
Accounts payable and other accrued liabilities	(7,447,470)	220,844	(839,423)	(11,868,000)	(31,637)	1,072,628	146,071
Unearned revenue	1,204,107	(75,498)	984,943	(1,738,000)	94,872	(102,000)	(189)
Liability for future insurance claims			-				2,221,200
Loans to students and employees	562,055	-	-				-
Refundable federal advance	103,443				(27,106)		-
Compensated absences	365,766	(189,637)	25,509	351,000	124,656	(33,547)	86,332
OPEB liability	403,028	117,364	174,577	2,338,000	37,491	98,551	7,098
Pension related	1,529,408	123,904	1,085,945	231,000	12,024	2,561	90,869
Other	(143)			6,074,000		20,805	-
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	\$ (209,638,582)	\$ (34,233,304)	\$ (84,923,966)	\$ (6,250,000)	\$ (24,368,802)	\$ (32,127,013)	\$ 6,617,165
Non-Cash Transactions							
Capital Gifts	\$ 4,037,693	\$ 117,000	\$ 202,057	\$ 4,669,000	\$ 42,060		
Fixed assets acquired by incurring capital lease obligations				4,606,000		8,581,351	
Capital outlay & maintenance paid directly from proceeds of debt	1,336,435						
Payment of bond proceeds/premium/accrued interest/debt svc reserve directly into deposits with trustees/escrow	112,501,540		7,611,252				
Payment of bond issuance costs and underwriter's discounts directly from bond proceeds and/or debt service reserve	473,640		104,176				
Payment of principal & interest on long-term debt from deposits with trustees	6,403		933				
Interest earned on deposits with trustees	1,858,646	8,470	62,945	4,000	62,794		
Payment on long-term debt directly from University of Arkansas Foundation, Inc. and Razorback Foundation, Inc.							
Loss on disposal of assets	817,047	2,176	94,037	145,000		20,361	\$ 3,666
Valuation adjustment to capital assets		(316,017)		1,665,000			
Value of goods received from sponsorship agreements with vendors	3,507,595						
Fixed assets transferred to another state agency							

See accompanying notes.



UNIVERSITY OF ARKANSAS SYSTEM: Campus Financial Statements FY2018

CCCUA	PCCUA	UACCB	UACCH	UACCM	UAPTC	UACCRM	ASMSA	Eliminations	TOTAL
\$ (8,903,648)	\$ (15,252,450)	\$ (9,294,766)	\$ (11,098,278)	\$ (10,932,159)	\$ (27,520,557)	\$ (6,033,737)	\$ (7,370,860)	-	\$ (652,642,691)
950,200	1,396,847	777,154	895,060	974,885	4,655,903	1,221,452	429,853	(4,692)	186,642,486 (219,070) (4,692)
(27,353)	(116,288)	(37,942)	(171,996)	(90,869)	(892,302)	57,327	(32,992)		(627,221)
(26,080)	5,560	15,361	(161,304)	(4,373)		(34,692)			1,557,533
(19,833)	(24,843)	12,344		(39,837)	599	41,558	(18,658)		(3,864,654)
212,833	343,390	1,989	27,931	272,306	318,231	75,550	(99,039)		(17,593,796)
12,765	(32,975)	36,650		(18,763)	(67,197)	(131,669)	10,665		177,711
						-			2,221,200
						-			562,055
						-			76,337
(4,765)	(13,862)	(12,301)	(25,717)	84,294	(3,350)	13,949	9,140		777,467
47,112	(94,085)	20,630	43,004	16,815	(45,105)	49,692	15,361		3,229,533
(108,561)	(3,355)	51,052	100,451	(118,470)	(314,093)	(40,943)	(170,795)		2,470,997
				(197,405)		890			5,898,147
\$ (7,867,330)	\$ (13,792,061)	\$ (8,429,829)	\$ (10,390,849)	\$ (10,053,576)	\$ (23,867,871)	\$ (4,780,623)	\$ (7,227,325)	\$ (4,692)	\$ (471,338,658)
			\$ 8,762,345				\$ 852,153		\$ 18,682,308 13,187,351 1,336,435
									120,112,792
									577,816
\$ 29	\$ 1,374		\$ 966	\$ 198,900					206,265
				22,917					2,022,112
	17,101	14,707			\$ 1,378,441				-
									2,477,829
									1,363,690
									3,507,595
									-



Note 1: Summary of Significant Accounting Policies

The financial statements for the University of Arkansas (“the University”) have been prepared in accordance with generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board (GASB). The accompanying notes to the financial statements are an integral part of the financial statements.

The following acronyms are used for the various campuses and divisions of the University as reported in the financial statements: UAF (University of Arkansas Fayetteville, including Agricultural Experiment Station, Cooperative Extension Service, Arkansas Archeological Survey (AAS), Criminal Justice Institute (CJI), and Clinton School of Public Service), UAFS (University of Arkansas at Fort Smith), UALR (University of Arkansas at Little Rock), UAMS (University of Arkansas for Medical Sciences), UAM (University of Arkansas at Monticello), UAPB (University of Arkansas at Pine Bluff), CCCUA (Cossatot Community College of the University of Arkansas), PCCUA (Phillips Community College of the University of Arkansas), UACCB (University of Arkansas Community College at Batesville), UACCH (University of Arkansas Community College at Hope), UACCM (University of Arkansas Community College at Morrilton), University of Arkansas-Pulaski Technical College (UAPTC), University of Arkansas Community College at Rich Mountain (UACCRM), ASMSA (Arkansas School for Mathematics, Sciences and the Arts), and SYSTEM (University of Arkansas System Administration, including University of Arkansas System eVersity).

Basis of Presentation and Measurement Focus

For financial reporting purposes, the University is considered a special-purpose government engaged in business-type activities. Accordingly, the University’s financial statements have been presented 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 affecting the financial statements include the determination of allowances for uncollectible accounts, patient services related contractual adjustments and third-party payor settlements, and various investment risks and fair market valuations. Actual results could differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include short-term, highly liquid investments that are readily convertible to cash and have a maturity at acquisition of three months or less.

Investments

Investments and funds held in trust by others of marketable securities are reported at fair value as established by major securities markets. The fair value of venture capital and other investments is

based on the most current information reported to the University by the respective investment managers. 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

Receivables that represent charges due the University from various student fees, room and board, student fines, patient care services, and other charges are stated at estimated net realizable values; that is, the gross amount of the receivable is reduced by allowances for estimated uncollectible accounts and contractual allowances (related to patient care revenue). Receivables can also include unreimbursed expenses relating to research contracts with federal, state, and private agencies.

Patient Accounts Receivable

Patient accounts receivable are shown net of contractual allowances and an allowance for doubtful accounts. Credit balances representing refunds due are reported as accounts payable. The amount of the allowance for doubtful accounts is based upon management's assessment of historical and expected net collections, business and economic conditions, trends in federal and state governmental care coverage and other collection indicators.

Inventories

Inventories are valued at the lower of cost or market, with cost generally being determined on a first-in, first-out (FIFO) or average-cost basis.

Capital Assets

Capital assets consisting of land, buildings, improvements, furniture, equipment, intangible assets, and construction in progress, are stated at cost or acquisition value at date of gift. Library holdings are generally valued using average prices for library acquisitions. If material, interest on borrowings to finance facilities is capitalized during construction, net of any investment income earned through the temporary investment of project borrowings. 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.

Livestock is maintained primarily for research purposes with any other benefits derived from the operations considered as incidental to the primary mission of the University. The inventory value placed on the animals is determined by 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 15-30 years for buildings, 15-20 years for infrastructure and land improvements, 3-10 years for equipment, 10 years for library holdings, and the applicable term for capital leases.

UAMS bases its estimated useful lives on guidelines established by the American Hospital Association (AHA) which may differ slightly from those shown above for the other campuses.

Capitalization of Interest

The University capitalizes interest involving qualifying assets. The amount of interest cost to be capitalized is netted against any interest earned on temporary investments of the proceeds of those borrowings from the initial date of borrowing until the specified qualifying assets acquired with that debt are ready for their intended use. The total amount of interest cost incurred (gross of amortizations of premiums and discounts) and the net amount that has been capitalized was \$60,383,441 and \$7,903,996, respectively, for the fiscal year ended June 30, 2018.

Deferred Outflows of Resources

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

Compensated Absences

Vested or accumulated vacation and sick leave of University employees are recorded as an expense and liability as the benefits are earned. Amounts recorded include salary expense as well as salary-related payments (e.g., FICA taxes, retirement, etc.). No liability is recorded for nonvested accumulated rights to receive sick leave benefits. The current portion of compensated absences is determined using the average balance paid annually in the prior two-year period.

Unearned Revenue

Unearned revenue consists primarily of student tuition and fees and athletic ticket sales related to future fiscal years, and amounts received from grant and contract sponsors that have not yet been earned under the terms of the agreements.

Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. Therefore, these items will not be recognized as 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 investment in capital assets* - Capital assets, net of accumulated depreciation and outstanding principal balances of debt obligations related to those capital assets. However, unexpended debt proceeds at year-end are reported as net position restricted for capital projects.

- *Restricted:*
 - Non-expendable – 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 is used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net position that may be available.
- *Unrestricted* – Portion that is not subject to externally imposed stipulations. This portion may be designated for specific purposes by management or the Board of Trustees or may be otherwise limited by contractual agreements with outside parties.

Classification of Revenues

The University has classified its revenues as either operating or non-operating according to the following criteria:

- *Operating Revenue* – includes activities that have the characteristics of exchange transactions, such as student tuition and fees (net of scholarship discounts and allowances), patient services (net of contractual agreements), most federal, state, and local grants and contracts, revenues associated with auxiliary enterprises (net of scholarship discounts and allowances), interest on institutional student loans, and the University’s self-funded insurance plans.
- *Non-Operating Revenue* – includes activities that have the characteristics of non-exchange transactions, such as gifts and contributions, state appropriations, interest on debt, 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. Scholarship discounts and allowances are the differences 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, such as Pell grants, and other federal, state, or nongovernmental programs, are recorded as either operating or non-operating 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.

Net Patient Services Revenue

Patient care revenue is reported at the estimated net realizable amounts from patients, third-party payors, and others for services rendered. Retroactive adjustments arising under reimbursement agreements with third-party payors are accrued on an estimated basis in the period in which the related services are rendered and adjusted as final settlements are determined.

Charity Care

UAMS provides care to patients who meet certain criteria under its charity care policy without charge or at amounts less than its established rates. Because UAMS does not pursue collection of

amounts determined to qualify as charity care, these amounts are accounted for as a reduction of patient services revenue at the time the services are rendered.

Grants and Contracts

The University has been awarded grants and contracts for operations for which the moneys have not been received or expended. These awards have not been reflected in the financial statements but represent commitments of sponsors to provide funds for specific research and training projects.

Federal research grants and contracts normally provide for the recovery of direct and indirect costs, subject to adjustment based upon review by the granting agencies. The University recognizes revenue associated with direct costs as the related costs are incurred. The recovery of indirect costs is recorded at predetermined rates negotiated with the federal government.

State Appropriations

State appropriations are reported in the Statement of Revenues, Expenses, and Changes in Net Position as non-operating revenue, net of the Medicaid match payments required under various contracts between UAMS and the Arkansas Department of Human Services. The match payments were \$79,747,000 for the fiscal year ended June 30, 2018.

Component Units

In fiscal year 2018, there were two qualifying foundations determined to be component units under GASB Statement No. 39 for the University of Arkansas: The University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. Although the University does not control the timing or amount of receipts from either 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 the 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 by management, these two foundations are considered component units and are discretely presented in the University's financial statements.

The University of Arkansas Foundation, Inc. is a separate not-for-profit organization, which operates for charitable educational purposes, including the administration and investment of gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors has twenty-two members, four of which are current or previous members of the Board of Trustees of the University of Arkansas. During the year ended June 30, 2018, the Foundation distributed \$67,569,344 to or on behalf of the University. Complete financial statements for the Foundation can be obtained from the administrative office at *535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701*.

The University of Arkansas Fayetteville Campus Foundation, Inc. is a not-for-profit charitable organization which 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 members, including three members who are also employees of the University. During the year ended June 30, 2018, the Foundation distributed \$19,314,656 to or on behalf of the University.

Complete financial statements for the Foundation can be obtained from the administrative office at 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

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 statements, which became effective for the fiscal year ended June 30, 2018:

- Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*,
- Statement No. 81, *Irrevocable Split-Interest Agreements*,
- Statement No. 85, *Omnibus 2017*,
- Statement No. 86, *Certain Debt Extinguishment Issues*

Management has determined that Statements No. 85 and 86 did not materially impact the University.

The primary objective of Statement No. 75 is to improve accounting and financial reporting by state and local governments for other post-employment benefits. The effect of implementing Statement No. 75 is discussed in detail at Note 16.

The objective of Statement No. 81 is to improve accounting and financial reporting for split-interest agreements by providing recognition and measurement guidance for situations in which a government is a beneficiary of such agreements. The effect of implementing Statement No. 81 was an increase in investments and deferred inflows of resources by \$2,885,000, and, therefore, had no effect on net position.

Additionally, the GASB issued the following statements, which become effective for the future fiscal years noted below:

For the year ending June 30, 2019

- Statement No. 83, *Certain Asset Retirement Obligations*
- Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*

For the year ending June 30, 2020

- Statement No. 84, *Fiduciary Activities*
- Statement No. 90, *Majority Equity Interests – an amendment of GASB Statements No. 14 and No. 61*

For the year ending June 30, 2021

- Statement No. 87, *Leases*
- Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*

Management has not yet determined the effects of these statements on the University's financial statements.

Note 2: Reporting Entity

The University of Arkansas System, which prior to 1969 consisted of the Fayetteville and Medical Sciences campuses, was expanded in 1969 to include the Little Rock campus (formerly Little Rock University), in 1971 to include the Monticello campus (formerly Arkansas A&M College), in 1972 to include the Pine Bluff campus (formerly Arkansas AM&N College), in 1996 to include the Phillips campus (formerly Phillips County Community College), and the Hope campus (formerly Red River Technical College), and in 1998 to include the Batesville campus (formerly Gateway Technical College). On July 1, 2001, the University was expanded to include campuses in Morrilton (formerly Petit Jean College) and DeQueen (formerly Cossatot Community College). The Fort Smith campus (formerly Westark College) joined the University on January 1, 2002. Forest Echoes Technical Institute in Crossett and Great Rivers Technical Institute in McGehee merged with the Monticello campus on July 1, 2003. The Arkansas School for Mathematics, Sciences and the Arts, a residential high school, joined the University on January 1, 2004. On February 1, 2017, Pulaski Technical College and Rich Mountain Community College became the sixth and seventh two-year colleges to join the UA System. In addition to these campuses, the University includes the System Administration, whose financial statements include *eVersity*, and the following units that are included in the financial statements of the Fayetteville campus: Clinton School of Public Service, Division of Agriculture (Agricultural Experiment Station and the Cooperative Extension Service), Arkansas Archeological Survey, and the Criminal Justice Institute.

All programs and activities of the University of Arkansas System are governed by its 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 CJI, the Director of AAS, and the Director of ASMSA, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

The financial reporting entity consists of (a) the primary government; (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Under the provisions of this statement, the University is an institution of higher education of the State of Arkansas (primary government).

Note 3: Net Patient Services Revenue and Charity Care

Patient care operations are included in the accompanying financial statements under accounting principles generally followed by governmental colleges and universities. Patient accounts receivable at June 30, 2018 is recorded net of an allowance for doubtful accounts of \$319,668,000.

Net patient services revenue for the year ended June 30, 2018, is as follows:

<u>GROSS PATIENT REVENUE</u>	<u>2018</u>
Gross patient revenue	\$ 3,152,259,000
Less: patient services contractual allowances	(1,870,735,000)
Less: provision for bad debt	(50,460,000)
TOTAL	<u>\$ 1,231,064,000</u>

UAMS provided approximately \$59,210,000 in charity care, based on established rates, during the year ended June 30, 2018. Because UAMS does not pursue collection of amounts determined to qualify as charity care, they are not included in gross patient revenue above. Net patient services revenue for the year ended June 30, 2018, includes approximately \$62,274,000, from the Medicaid program representing payments relating to Upper Payment Limit and Disproportionate Share reimbursements. These payments are available to state-operated teaching hospitals under Medicaid regulations. Net patient services revenue for the year ended June 30, 2018, includes approximately \$38,286,000, of net revenue from the Supplemental Medicaid program.

The Hospital, Faculty Group Practice (FGP), and Area Health Education Centers (AHECs) have agreements with governmental and other third-party payors that provide for reimbursement at amounts different from their established rates. Contractual adjustments under third-party reimbursement programs represent the difference between the billings at established rates for services and amounts reimbursed by third-party payors. A summary of the basis of reimbursement with significant third-party payors is as follows:

Hospital:

Medicare – Inpatient acute care services rendered to program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic, and other factors. Some transplantation services are paid based upon a cost reimbursement methodology. Outpatient services are paid based on a prospective payment system where services are classified into groups called Ambulatory Payment Classifications (APC). Services in each APC are similar clinically and in terms of the resources they require. The Hospital is paid for cost-reimbursable items at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audit by the Medicare fiscal intermediary. As of June 30, 2018, the Hospital’s Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2016.

Medicaid – Inpatient and outpatient services rendered to Medicaid program beneficiaries are reimbursed based upon a cost reimbursement methodology. The Hospital is paid at a tentative rate with final settlement determined after submission of an annual cost report by the Hospital and audits by the Medicaid audit contractor. The Hospital is required to pay the federal match for the difference in reimbursement between the Tax Equity and Fiscal Responsibility Act inpatient rate and full cost. For outpatient services, the Hospital is required to pay the federal match for the

difference reimbursed between the outpatient prospective rates and full cost. As of June 30, 2018, the Hospital’s Medicaid cost reports have been audited by the Medicaid audit contractor through June 30, 2013.

FGP and AHECs:

Services rendered to both Medicare and Medicaid program beneficiaries are reimbursed on prospectively determined rates per unit of service.

Laws and regulations governing the Medicare and Medicaid programs are complex and subject to interpretation. As a result, there is at least a reasonable possibility that recorded estimates will change by a material amount in the near term. The net adjustments to estimated settlements resulted in no change to net patient services revenue for the year ended June 30, 2018. Management believes that UAMS is in compliance with all applicable laws and regulations and is not aware of any pending or threatened investigations involving allegations of potential wrongdoing. While no such regulatory inquiries have been made, compliance with such laws and regulations can be subject to future government review and interpretation, as well as significant regulatory action including fines, penalties, and exclusion from the Medicare and Medicaid programs.

The Hospital, FGP, and AHECs have agreements with certain commercial insurance carriers and preferred provider organizations, which include prospectively determined rates per discharge, discounts from established charges, and prospectively determined per diem rates.

Additionally, UAMS has agreements to provide healthcare professionals to independent healthcare providers at contractually determined rates. These providers are responsible for billing and collecting from patients and third party payors, as applicable, for the services provided by UAMS staff supplied by these contracts.

Note 4: 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 their cash funds which are not currently needed for operating purposes.

Cash and Cash Equivalents

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the statement of net position at June 30, 2018:

Cash and Cash Equivalents	
Cash deposits at year end	\$ 446,697,160
cash held on deposit in state treasury	4,276,108
cash equivalents	11,679,117
cash on hand	188,400
Less: cash/cash equiv shown as deposits held in trust on SNP	(14,676,054)
adjustment for deposits in transit within the system	189,022
other	-
TOTAL	<u>\$ 448,353,753</u>

Deposits are exposed to custodial risk if they are not covered by depository insurance (FDIC) and are uncollateralized. At June 30, 2018, none of the University’s bank balances were exposed to custodial credit risk.

Investments

Investments are reported at fair value, which, for reporting purposes, is market value. The following is a summary of the University’s investments held at June 30, 2018:

<u>Investment Type</u>	<u>Fair Value</u>
Mutual & Money Market Funds	\$ 34,730,463
Corporate & Municipal Bonds	36,479,265
External Investment Pool	389,257,077
Certificate of Deposits	47,501,533
U.S. Treasury & Government Sponsored Agencies	234,484,323
Commercial Paper	63,068,644
Other	5,384,292
Sub-Total	810,905,597
-shown as cash/cash equiv on Stmt of Net Position	(4,688,230)
-shown as deposits held in trust on Stmt of Net Position	(118,607,982)
Investments as reported on Stmt of Net Position	<u>\$ 687,609,385</u>

The University is required under GASB Statement No. 40 to provide investment risk disclosures for all invested funds. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The following tables show these risks for the University’s funds outside the external investment pool.

Investment Type	Fair Value	Interest Rate Risk			
		Investment Maturities (in years)			
		Less than 1	1 to 5	over 5	More than 10
Commercial Paper	\$ 63,068,644	\$ 63,068,644	\$ -	\$ -	\$ -
Bonds	36,325,362	6,247,438	28,900,164	1,177,760	-
U.S. Treasury & Gov't Agencies	234,830,731	143,992,401	83,256,003	7,567,437	14,890
Totals	<u>\$ 334,224,737</u>	<u>\$ 213,308,483</u>	<u>\$ 112,156,167</u>	<u>\$ 8,745,197</u>	<u>\$ 14,890</u>

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$ 8,105,705	\$ 6,587,886	\$ 37,235	\$ 670,441	\$ 27,789	\$ 782,354
Commercial Paper	63,068,644	63,068,644	-	-	-	-
Bonds	35,835,624	-	7,473,870	24,716,002	125,124	3,520,628
Totals	<u>\$ 107,009,973</u>	<u>\$ 69,656,530</u>	<u>\$ 7,511,105</u>	<u>\$ 25,386,443</u>	<u>\$ 152,913</u>	<u>\$ 4,302,982</u>

External Investment Pool

In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants’ behalf, in an investment portfolio.

Subsequent to its establishment, other entities have joined including the Walton Arts Foundation in 1998, the Fayetteville Campus Foundation in 2003, the University of Arkansas Community College at Hope Foundation in 2007, the Razorback Foundation in 2012, and the University of Arkansas Technology Development Foundation in 2016.

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

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

The implementation of GASB 72 during the fiscal year ended June 30, 2016, caused management to reassess the University of Arkansas Board of Trustees' sponsorship role. Based on the UA Foundation's fiduciary responsibilities outlined in the January 2010 agreement, management concluded that the UA Foundation acts as sole sponsor of this investment pool.

At June 30, 2018, seven campuses (UAF, UALR, UAMS, UAM, UAPB, PCCUA and UACCM) and six foundations participated in the Pool, whose net assets totaled \$2,094,132,248. The Pool was combined with 18.58% of the net assets owned by the University of Arkansas and external portions as follows: 53.38% by the University of Arkansas Foundation, 26.27% by the Fayetteville Campus Foundation, 0.71% by the Walton Arts Foundation, 0.12% by the University of Arkansas Community College at Hope Foundation, 0.03% by the University of Arkansas Technical Development Foundation, and 0.92% by the Razorback Foundation. The following tables contain information on the risk disclosure of the Pool.



UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Statement of Invested Assets
June 30, 2018

Investment Type	Fair Value*
Equities	\$ 493,662,841
Common Stock	217,897,695
Funds - Common Stock	274,652,577
Funds - Equities ETF	1,112,569
Fixed Income	463,526,876
Government Bonds	127,441,525
Corporate Bonds	9,036,931
Government Mortgage Backed Securities	16,169,866
Commercial Mortgage-Backed	2,309,016
Asset Backed Securities	11,806,602
Funds - Fixed Income ETF	296,762,936
Venture Capital and Partnerships	703,142,468
Partnerships	703,142,468
Hedge Fund	267,736,560
Hedge Equity	236,628,726
Hedge Event Driven	31,107,834
All Other	492,602
Recoverable Taxes	492,602
Cash/Cash Equivalents	165,570,901
Short Term Bills and Notes	10,350,281
Funds - Short Term Investment	146,924,214
Cash	2,254,069
Invested Cash	6,042,337
TOTAL	\$ 2,094,132,248

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Credit Risk - S&P Quality Ratings
June 30, 2018

Investment Type & Fair Value*	AAA	AA	A	BBB	NR	US GOVN. GUAR
Asset Backed Securities	\$ 8,400,440				\$ 3,392,353	
Commerical Mortgage-Backed	979,431				1,323,753	
Corporate Bonds		\$ 574,606	\$ 4,160,962	\$ 4,150,101	82,805	
Funds - Fixed Income ETF					296,762,936	
Funds - Short Term Investment					146,706,283	
Government Bonds						\$ 127,144,500
Govn Mortgage Backed Securities						16,119,847
Hedge Event Driven					31,107,834	
Short Term Bills and Notes						10,350,281
Total	\$ 9,379,871	\$ 574,606	\$ 4,160,962	\$ 4,150,101	\$ 479,375,964	\$ 153,614,628

*Does not include accrued income

UNIVERSITY OF ARKANSAS SYSTEM – Notes to Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Years to Maturity
June 30, 2018

Investment Type	Fair Value*	Less than 1	1+ to 6	6+ to 10	10+	Maturity not Determined
Asset Backed Securities	\$ 11,792,793	\$ -	\$ 11,792,793	\$ -	\$ -	\$ -
Commercial Mortgage-Backed	2,303,184				2,303,184	
Corporate Bonds	8,968,474	1,221,509	7,444,242	219,918	82,805	
Funds - Fixed Income ETF	296,762,936					296,762,936
Funds - Short Term Investment	146,706,283					146,706,283
Government Bonds	127,144,500	4,212,139	122,932,361			
Govn Mortgage Backed Securities	16,119,847				16,119,847	
Hedge Event Driven	31,107,834					31,107,834
Short Term Bills and Notes	10,350,281	10,350,281				
Total	\$ 651,256,132	\$ 15,783,929	\$ 142,169,396	\$ 219,918	\$ 18,505,836	\$ 474,577,053

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Interest Rate Sensitivity - Effective Duration

June 30, 2018

Investment Type	Fair Value*	Effective Duration
Asset Backed Securities	\$ 11,792,793	0.93
Commercial Mortgage-Backed	2,303,184	0.69
Corporate Bonds	8,885,669	2.19
Corporate Bonds	82,805	N/A
Funds - Fixed Income ETF	296,762,936	N/A
Funds - Short Term Investment	146,706,283	N/A
Government Bonds	127,144,500	3.63
Govn Mortgage Backed Securities	16,119,847	4.80
Hedge Event Driven	31,107,834	N/A
Short Term Bills and Notes	10,350,281	0.66
Total	\$ 651,256,132	

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Foreign Currency Risk By Investment Type

June 30, 2018

Currency By Investment and Fair Value*	Cash	Equity	Other Assets
AUSTRALIAN DOLLAR	\$ 5,789,200	\$ 1,683,880	\$ -
CANADIAN DOLLAR	(1,136,374)	1,827,566	10,533
SWISS FRANC	10,523	8,110,306	146,702
CHINESE YUAN RENMINBI	(6,129,167)	-	-
DANISH KRONE	(46)	-	9,015
EURO	(2,105,037)	33,399,368	271,666
BRITISH POUND STERLING	7,249,878	10,589,282	-
HONG KONG DOLLAR	86,930	6,100,331	-
JAPANESE YEN	5,705,398	17,223,428	52,814
SOUTH KOREAN WON	-	1,499,924	-
NORWEGIAN KRONE	577,290	869,700	-
POLISH ZLOTY	1,770	-	-
SWEDISH KRONA	2,235,281	165,794	-
SINGAPORE DOLLAR	938,100	647,304	-
Total	\$ 13,223,746	\$ 82,116,883	\$ 490,730

*Includes accrued income

Endowment Funds

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

The University does not have a uniform policy addressing the authorization and spending of investment income. Such policies have been established at the applicable campuses and include spending rates averaged over a specified period and compliance with donor restrictions. The computation of net appreciation on investments of donor-restricted endowments that were available for expenditure at June 30, 2018, is as follows:

Total Endowment	\$ 173,123,979
Less: Funds treated as endowment	(51,612,966)
Less: Non-expendable portion of endowment	<u>(75,283,028)</u>
Available for Expenditure	<u><u>\$ 46,227,985</u></u>

Note 5: Fair Value Measurement

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

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

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

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

Level 2: Inputs other than quoted prices that are observable for the asset or liability, either directly or indirectly. Observable inputs are those that reflect the assumptions market participants would use in pricing the asset developed based on market data obtained

from independent sources. These types of sources would include quoted prices for similar assets in active markets, quoted prices for identical or similar assets in inactive markets, models or other valuation methodologies. Level 2 investments include U.S. and international government debt securities valued at market corroborated prices and certain equity and fixed income investments in commingled investment vehicles reported at net asset value derived from the market prices of security holdings.

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

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

The following table sets forth, by level within the valuation hierarchy, University invested funds, including amounts reported as deposits with bond trustees on the Statement of Net Position, at June 30, 2018:



Summary of Investments by Fair Value Level				
Investment by fair value level	Level 1	Level 2	Level 3	Total
Equity Securities:				
US	\$ 6,478,792	\$ 345,677	\$ -	\$ 6,824,469
International	47,377	193,580	-	240,957
Fixed Income Securities:				
US Government Debt	72,437,601	150,943,986	-	223,381,587
Other Debt Securities	10,167,283	121,067,923	-	131,235,206
Commingled Funds:				
US Equity	89,927	59,251	-	149,178
International Equity	25,828	25,987	-	51,815
US Government Bonds	5,689,222	289,277	-	5,978,499
Non-US Government Bonds	-	-	-	-
Corporate Bonds	255,453	639,047	-	894,500
Exchange Traded Funds:				
Equity	620,000	-	-	620,000
Fixed Income	173,000	-	-	173,000
Other Partnerships:				
US (j)			379	379
International (k)				
Certificates of Deposit	23,658,913	1,712,399	-	25,371,312
Non-marketable alternatives	-	-	4,056,016	4,056,016
Marketable alternatives	20,149	-	380,000	400,149
Money markets and short-term investments	17,549,701	33,522	-	17,583,223
Total investments by fair value level	\$ 137,213,246	\$ 275,310,649	\$ 4,436,395	416,960,290
Investments measured at NAV (net asset value)				
External Investment Pool - Total Return Pool - UA Foundation				157,404,400
External Investment Pool - Intermediate Pool - UA Foundation				231,619,231
External Investment Pool - UAFS Foundation				233,446
Total investments by NAV				389,257,077
TOTAL INVESTMENTS				\$ 806,217,367

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

Investments Measured at the NAV at June 30, 2018:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
External Investment Pool - UA Foundation				
Total Return Pool (1)	\$ 157,404,400	\$ -	Daily	0 - 30 days
Intermediate Pool (2)	231,619,231	-	Daily	0 - 30 days
External Investment Pool - UAFS Foundation	233,446	-	Daily	0 days
Total Investments measured at the NAV	<u>\$ 389,257,077</u>	<u>\$ -</u>		

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

Note 6: Disaggregation of Accounts Receivable and Accounts Payable

Current accounts receivable balances, net of allowances, at June 30, 2018, as shown on the Statement of Net Position, consist of the following:

<u>ACCOUNTS RECEIVABLE</u>	<u>June 30, 2018</u>
Student accounts	\$ 15,008,544
Non-student accounts	70,275,493
Health care related services	-
Grants and contracts	35,979,006
Property and sales taxes	2,562,436
Insurance plan	381,861
Other	569,197
Total	<u>\$ 124,776,537</u>

Current accounts payable balances at June 30, 2018, as shown on the Statement of Net Position, consist of the following:

ACCOUNTS PAYABLE		June 30, 2018
Trade related		\$ 68,933,261
Payroll related		70,128,503
Interest		9,053,825
Insurance plan		975,424
Other		18,942,482
Total		\$ 168,033,495

Note 7: Capital Assets

The following table are changes in capital assets for the year ended June 30, 2018:

CAPITAL ASSETS	June 30, 2017				June 30, 2018	
	Balance	Additions	Transfers	Deletions	Balance	
Land	\$ 110,201,422	\$ 6,768,379	\$ -	\$ 1,257,513	\$ 115,712,288	
Library Holdings	145,942,593	2,999,380	-	936,219	148,005,754	
Construction in progress	128,719,239	227,281,154	(55,766,449)	127,754	300,106,190	
Improvements and infrastructure	332,494,636	1,537,383	6,055,522	1,056	340,086,485	
Buildings	3,584,057,194	37,005,334	48,309,235	1,885,684	3,667,486,079	
Equipment	660,537,994	42,186,917	12,000	24,135,663	678,601,248	
Intangibles - Software	167,497,711	35,276	1,406,902	-	168,939,889	
Intangibles - Software in developmen	155,000	1,200,115	(17,210)	-	1,337,905	
Intangibles - Leasehold improvemen	37,620,819	1,965,000	-	-	39,585,819	
Intagibles - Radio License	67,809	-	-	-	67,809	
Other	13,531,053	31,150	-	864,503	12,697,700	
Total Capital Assets	5,180,825,470	321,010,088	-	29,208,392	5,472,627,166	
Less accumulated depreciation:						
Library Holdings	121,348,781	4,669,747	-	933,268	125,085,260	
Improvements and infrastructure	154,243,842	14,732,092	-	(5,152)	168,981,086	
Buildings	1,516,604,236	114,198,772	-	601,737	1,630,201,271	
Equipment	534,450,156	39,264,993	-	23,504,280	550,210,869	
Intangibles - Software	107,172,543	8,876,704	-	-	116,049,247	
Intangibles - Leasehold improveme	19,321,509	4,478,797	-	1,000	23,799,306	
Intangibles - Radio License	-	-	-	-	-	
Other	2,972,189	421,381	-	677,000	2,716,570	
Total Accum Depreciation	2,456,113,256	186,642,486	-	25,712,133	2,617,043,609	
Capital Assets, Net	\$ 2,724,712,214	\$ 134,367,602	\$ -	\$ 3,496,259	\$ 2,855,583,557	

The balance at June 30, 2017 was restated in the amount of \$488,381. See Note 23.

Library holdings, including old and rare books, valued at \$1,109,000, held by the Medical Sciences Campus, are not included in the above chart or in the accompanying Statement of Net Position.

During the year ended June 30, 2018, UACCH recorded a capital gift of \$8,762,345 from Hempstead County. Hempstead County residents voted to approve the issuance of bonds by Hempstead County in a special election on March 11, 2008 to finance the cost of the construction of an auditorium and conference center to be located on the campus of UACCH. The bond proceeds were used to construct Hempstead Hall, a 64,000 square foot facility featuring a

conference center, a state-of-the-art theatrical stage, and outdoor amphitheater. Hempstead Hall cost \$10,478,721.31 to construct. Hempstead County and UACCH entered into a long-term ground lease in July 2008 for the land on which Hempstead Hall was constructed. The County and UACCH also entered into an operating agreement in July 2008 for UACCH to operate Hempstead Hall. On May 24, 2018, the Hempstead County Quorum Court terminated the ground lease and operating agreement effective June 30, 2018, thereby, returning exclusive control and operation of the property to UACCH. The bonds issued to fund construction of Hempstead Hall have been paid in full and retired. The carrying value of Hempstead Hall was determined to be \$8,762,345 at the time of transfer.

During the year ended June 30, 2018, ASMSA recorded a capital gift of \$852,153 from Delta Student Housing. This transaction is described in greater detail in Note 18. Delta Student Housing gifted the Student Center Building to ASMSA with net depreciated values for the building of \$11,787,195 and equipment of \$37,223 which were recorded as capital assets. A note receivable from Delta Student Housing totaling \$10,972,265 was reduced to zero noting satisfaction of the note.

Note 8: Short-Term Borrowing

The 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, 2018.

Note 9: Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. The University accrues the dollar value of leave benefits in accordance with generally accepted accounting principles which require accrual of salary-related payments directly and incrementally associated with compensated absences, such as employer's share of social security taxes, as well as applicable salary expenses. These leave benefits are payable upon retirement, termination, or death of employees, up to the maximum allowed.

Full-time, non-classified employees accrue annual leave at the rate of fifteen hours per month and full-time classified employees accrue at a variable rate (from eight to fifteen hours per month) depending upon the number of years of employment in state government. Employees who are less than full-time, but are at least 50% time, accrue annual leave at prorated amounts. Under the University's policy, an employee may carry accrued annual leave forward from one calendar year to another, up to a maximum of 240 hours (30 working days). 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 (A.C.A.) § 21-4-501. In accordance with A.C.A. § 21-4-505, two-year institutions may, at their discretion, provide to non-classified employees the same compensation for accumulated unused sick leave provided to classified employees. The Code also allows four-year institutions the same option. Three campuses have chosen to follow the policy for non-classified employees: CCCUA, UACCB and UACCM. Sick leave for those three campuses can be paid

upon termination in accordance with guidelines outlined in the law. In no event shall an employee receive a sick leave amount upon separation that exceeds \$7,500.

Changes in compensated absences are shown below:

COMPENSATED ABSENCES					
Campus	Balance 6/30/17	Additions	Reductions	Balance 6/30/18	Current Portion
UAF	\$ 21,236,614	\$ 835,051	\$ 469,285	\$ 21,602,380	\$ 1,602,373
UAFS	1,689,309	18,464	208,101	1,499,672	164,221
UALR	4,309,281	297,815	272,306	4,334,790	332,108
UAMS	57,699,000	4,573,000	4,222,000	58,050,000	3,756,000
UAM	1,089,741	974,567	849,911	1,214,397	116,504
UAPB	2,401,523	2,256,900	2,290,447	2,367,976	162,918
SYSTEM	567,522	590,684	504,352	653,854	27,668
CCCUA	369,434	354,844	359,609	364,669	18,233
PCCUA	513,857	416,829	430,691	499,995	28,447
UACCB	482,679	398,094	410,395	470,378	27,528
UACCH	380,695	380,408	406,125	354,978	37,725
UACCM	371,747	447,592	363,298	456,041	50,240
UAPTC	767,189	715,041	718,390	763,840	152,269
UACCRM	219,697	225,255	211,306	233,646	27,000
ASMSA	142,984	33,231	24,091	152,124	19,064
TOTAL	\$ 92,241,272	\$ 12,517,775	\$ 11,740,307	\$ 93,018,740	\$ 6,522,298

Note 10: Bonds, Notes, Capital Leases and Installment Contracts Payable

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. A summary of long-term debt by campus is shown below. Total debt of \$1,547,143,596 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,541,492,167 shown on the Statement of Net Position. This is due to an elimination entry of \$5,651,429 to account for two loans between UA campuses (see Note 19).



Schedule of Debt by Campus

UNIVERSITY OF ARKANSAS FAYETTEVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/15/2009	11/1/2039	3.00% to 5.00%	\$ 52,430,000	\$ 7,640,000	\$ 44,790,000
6/30/2010	9/15/2020	1.00% to 4.82%	23,965,000	16,310,000	7,655,000
6/29/2011	11/1/2040	2.00% to 5.00%	101,225,000	12,855,000	88,370,000
6/29/2011	11/1/2022	3.00% to 5.00%	8,895,000	1,105,000	7,790,000
4/17/2012	11/1/2032	1.00% to 5.00%	56,965,000	9,660,000	47,305,000
9/13/2012	11/1/2042	2.00% to 5.00%	60,540,000	4,795,000	55,745,000
5/16/2013	11/1/2042	1.00% to 5.00%	54,450,000	5,685,000	48,765,000
5/16/2013	9/15/2027	1.00% to 5.00%	30,355,000	7,650,000	22,705,000
6/30/2014	11/1/2043	2.00% to 5.00%	24,730,000	1,575,000	23,155,000
6/30/2014	11/1/2043	0.85% to 4.50%	5,020,000	365,000	4,655,000
2/12/2015	11/1/2036	2.00% to 5.00%	70,360,000	8,685,000	61,675,000
2/12/2015	9/15/2022	2.00% to 5.00%	14,180,000	3,270,000	10,910,000
8/27/2015	11/1/2045	1.02% to 4.40%	7,510,000	295,000	7,215,000
8/27/2015	11/1/2021	2.00% to 5.00%	36,675,000	16,245,000	20,430,000
4/5/2016	11/1/2046	3.00% to 5.00%	93,590,000	3,740,000	89,850,000
4/5/2016	11/1/2028	0.87% to 3.25%	15,280,000	2,085,000	13,195,000
10/19/2016	9/15/2036	5.00%	24,845,000	-	24,845,000
10/19/2016	9/15/2034	1.192% to 3.388%	90,000,000	-	90,000,000
8/1/2017	11/1/2047	2.00 to 5.00%	95,805,000	-	95,805,000
11/30/1991	5/1/2022	5.50%	3,000,000	2,271,697	728,303
11/29/1995	11/1/2034	2.00% to 5.00%	2,071,140	1,395,209	675,931
7/31/2015	7/1/2023	1.97%	4,935,766	1,244,306	3,691,460
7/31/2015	11/19/2023	1.99%	16,969,012	5,709,149	11,259,863
7/31/2015	1/8/2023	1.95%	6,844,590	2,399,812	4,444,778
Various	Various	Various	2,200,229	1,084,972	1,115,257
	Net unamortized premium/discount		91,957,282	16,343,799	75,613,483
	TOTALS		\$ 994,798,019	\$ 132,408,944	\$ 862,389,075

UNIVERSITY OF ARKANSAS AT FORT SMITH

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	12/1/2021	2%-4%	\$ 29,895,000	\$ 18,080,000	\$ 11,815,000
12/1/2010	12/1/2035	2%-4.75%	9,300,000	1,780,000	7,520,000
1/1/2012	12/1/2030	2%-4.25%	17,540,000	5,280,000	12,260,000
6/1/2014	12/1/2031	2%-3.5%	5,295,000	945,000	4,350,000
6/1/2014	6/1/2039	2%-5%	10,930,000	1,115,000	9,815,000
10/20/2016	12/1/2034	2%-5%	19,500,000	465,000	19,035,000
2/29/2012	1/1/2022	0%	2,166,500	1,299,900	866,600
5/12/2012	5/4/2027	4%	650,000	217,930	432,070
	Net unamortized premium/discount		5,882,032	1,574,853	4,307,179
	TOTALS		\$ 101,158,532	\$ 30,757,683	\$ 70,400,849

UNIVERSITY OF ARKANSAS SYSTEM – Notes to Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
4/1/2012	5/1/2037	2%-5%	\$ 14,880,000	\$ 2,320,000	\$ 12,560,000
9/19/2012	12/1/2029	1%-5%	13,850,000	3,705,000	10,145,000
4/24/2013	12/1/2024	1%-5%	10,770,000	3,915,000	6,855,000
4/24/2013	12/1/2024	.530%-2.884%	6,530,000	2,560,000	3,970,000
8/1/2013	10/1/2030	2%-5%	28,740,000	4,900,000	23,840,000
2/24/2016	10/1/2029	2%-5%	22,475,000	460,000	22,015,000
4/6/2016	10/1/2034	2%-5%	24,490,000	1,745,000	22,745,000
8/23/2011	12/1/2020	0.00%	1,732,620	1,333,333	399,287
1/11/2017	1/1/2027	0.00%	2,000,000	200,000	1,800,000
9/19/2017	10/1/2037	2%-5%	6,510,000	-	6,510,000
Various	Various	.0198-1.26%	3,936,193	3,889,600	46,593
	Net unamortized premium/discount		14,167,687	3,314,643	10,853,044
	TOTALS		\$ 150,081,500	\$ 28,342,576	\$ 121,738,924

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	7/1/2019	2.0% - 4.5%	\$ 7,605,000	\$ 5,665,000	\$ 1,940,000
12/21/2010	12/1/2030	2.00% - 5.00%	42,680,000	8,280,000	34,400,000
11/15/2011	7/1/2034	2.0% - 4.25%	8,985,000	2,000,000	6,985,000
5/14/2013	11/1/2034	1.0% - 5.0%	112,665,000	14,105,000	98,560,000
12/17/2014	3/1/2036	2.00% - 5.00%	86,035,000	4,780,000	81,255,000
Various	Various	Various	61,556,000	29,159,000	32,397,000
Various	Various	Various	35,288,000	14,974,000	20,314,000
	Net unamortized premium/discount		32,760,000	7,671,000	25,089,000
	TOTALS		\$ 387,574,000	\$ 86,634,000	\$ 300,940,000

UNIVERSITY OF ARKANSAS AT MONTICELLO

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2010	10/1/2018	2.0% - 2.35%	\$ 2,870,000	\$ 2,485,000	\$ 385,000
2/1/2012	12/1/2035	2.0% - 4.0%	8,745,000	1,710,000	7,035,000
12/1/2012	10/1/2037	1% - 4.0%	8,650,000	1,280,000	7,370,000
3/30/2017	12/1/2041	5.00%	11,270,000		11,270,000
3/30/2017	12/1/2023	1.94%-2.99%	1,765,000		1,765,000
1/27/2009	2/1/2019	0.53%	1,000,000	909,015	90,985
	Net unamortized premium/discount		1,999,713	189,785	1,809,928
	TOTALS		\$ 36,299,713	\$ 6,573,800	\$ 29,725,913

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/12/2005	12/1/2017	2.8% - 3.8%	\$ 3,330,000	\$ 3,330,000	\$ -
6/1/2014	6/30/2036	2% - 5.0%	15,160,000	675,000	14,485,000
6/1/2014	12/1/2018	1.875%	1,810,000	1,435,000	375,000
12/15/2016	1/1/2035	2.51%	17,245,359	-	17,245,359
	Net unamortized premium/discount		1,095,017	190,581	904,436
	TOTALS		\$ 38,640,376	\$ 5,630,581	\$ 33,009,795

UNIVERSITY OF ARKANSAS SYSTEM – Notes to Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS SYSTEM ADMINISTRATION

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
11/17/2014	11/17/2024	0.22%	\$ 500,000	\$ 148,848	\$ 351,152
4/1/2016	4/1/2026	1.75%	2,487,749		2,487,749
12/1/2016	12/1/2026	1.75%	2,487,749		2,487,749
			<u>\$ 5,475,498</u>	<u>\$ 148,848</u>	<u>\$ 5,326,650</u>

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/13/2013	5/1/2035	1.0% - 3.625%	\$ 3,930,000	\$ 605,000	\$ 3,325,000
1/25/2008	3/30/2023	2.91%	2,000,000	1,357,475	642,525
Various	Various	Various	13,451	13,451	-
Net unamortized premium/discount			141,059	32,304	108,755
TOTALS			<u>\$ 6,084,510</u>	<u>\$ 2,008,230</u>	<u>\$ 4,076,280</u>

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
4/22/2015	12/1/2038	2.0% - 4.0%	\$ 11,270,000	\$ 980,000	\$ 10,290,000
6/1/2013	6/1/2018	4.30%	219,026	219,026	-
Net unamortized premium/discount			272,074	36,405	235,669
TOTALS			<u>\$ 11,761,100</u>	<u>\$ 1,235,431</u>	<u>\$ 10,525,669</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/15/2010	12/1/2018	1.0% - 3.25%	\$ 2,295,000	\$ 2,010,000	\$ 285,000
2/2/2010	2/1/2020	0.45%	1,000,000	796,391	203,609
10/1/2016	10/1/2026	0.68%	2,000,000	193,956	1,806,044
Net unamortized premium/discount			4,032	3,832	200
TOTALS			<u>\$ 5,299,032</u>	<u>\$ 3,004,179</u>	<u>\$ 2,294,853</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2010	9/1/2020	1.00% - 4.00%	\$ 4,625,000	\$ 3,605,000	\$ 1,020,000
6/1/2013	10/1/2038	1.00% - 3.625%	2,590,000	360,000	2,230,000
3/27/2012	4/1/2022	0.20%	1,100,000	657,361	442,639
Net unamortized premium/discount			111,731	86,789	24,942
TOTALS			<u>\$ 8,426,731</u>	<u>\$ 4,709,150</u>	<u>\$ 3,717,581</u>

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/18/2005	11/1/2017	3.0% - 4.0%	\$ 2,095,000	\$ 2,095,000	\$ -
6/16/2010	5/1/2022	2.0% - 3.5%	2,030,000	1,280,000	750,000
2/23/2016	5/1/2046	3.5% - 5.0%	10,000,000		10,000,000
7/30/2010	8/1/2020	0.38%	800,000	597,144	202,856
Net unamortized premium/discount			975,148	78,553	896,595
TOTALS			<u>\$ 15,900,148</u>	<u>\$ 4,050,697</u>	<u>\$ 11,849,451</u>

UNIVERSITY OF ARKANSAS SYSTEM – Notes to Consolidated Financial Statements FY2018

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
9/29/2011	4/1/2041	2.0-5.0%	\$ 69,485,000	\$ 8,700,000	\$ 60,785,000
7/1/2015	6/30/2037	2.0-5.0%	25,875,000	2,535,000	23,340,000
	Net unamortized premium/discount		907,167	142,096	765,071
	TOTALS		\$ 96,267,167	\$ 11,377,096	\$ 84,890,071

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN

Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
8/15/2012	4/1/2042	1.0 - 4.15%	\$ 4,830,000	\$ 595,000	\$ 4,235,000
8/15/2012	4/1/2042	1.2 - 4.15%	1,870,000	245,000	1,625,000
12/6/2017	9/25/2022	2.00%	407,773	-	407,773
	Net unamortized premium/discount		(11,610)	(2,322)	(9,288)
	TOTALS		\$ 7,096,163	\$ 837,678	\$ 6,258,485

Schedule of Changes in Debt

BONDS

Campus	Balance 6-30-17	Additions	Reductions	Balance 6-30-18	Current Portion
UAF	\$ 694,760,000	\$ 95,805,000	\$ 25,705,000	\$ 764,860,000	\$ 30,655,000
Net unamortized prem/disc	63,200,593	16,879,358	4,466,468	75,613,483	4,517,387
UAFS	69,825,000		5,030,000	64,795,000	5,205,000
Net unamortized prem/disc	4,652,187		345,008	4,307,179	345,008
UALR	107,000,000	6,510,000	4,870,000	108,640,000	6,395,000
Net unamortized prem/disc	10,565,100	1,101,252	813,308	10,853,044	813,308
UAMS	230,345,000	-	7,205,000	223,140,000	8,175,000
Net unamortized prem/disc	26,669,000		1,580,000	25,089,000	-
UAM	28,760,000		935,000	27,825,000	960,000
Net unamortized prem/disc	1,892,544		82,616	1,809,928	80,207
UAPB	15,665,000		805,000	14,860,000	580,000
Net unamortized prem/disc	953,642		49,206	904,436	49,206
CCCUA	3,455,000		130,000	3,325,000	140,000
Net unamortized prem/disc	115,216		6,461	108,755	6,461
PCCUA	10,620,000		330,000	10,290,000	345,000
Net unamortized prem/disc	247,166		11,497	235,669	11,496
UACCB	560,000		275,000	285,000	285,000
Net unamortized prem/disc	679		479	200	200
UACCH	3,815,000		565,000	3,250,000	595,000
Net unamortized prem/disc	35,819		10,877	24,942	10,877
UACCM	11,120,000		370,000	10,750,000	381,944
Net unamortized prem/disc	929,100		32,505	896,595	32,505
UAPTC	86,125,000		2,000,000	84,125,000	2,090,000
Net unamortized prem/disc	803,791		38,720	765,071	38,720
UACCRM	6,025,000		165,000	5,860,000	165,000
Net unamortized prem/disc	(9,675)		(387)	(9,288)	(387)
TOTAL	\$ 1,378,130,162	\$ 120,295,610	\$ 55,821,758	\$ 1,442,604,014	\$ 61,876,932

NOTES

Campus	Balance 6-30-17	Additions	Reductions	Balance 6-30-18	Current Portion
UAF	\$ 1,584,045		\$ 179,811	\$ 1,404,234	\$ 194,042
UAFS	1,083,250		216,650	866,600	216,650
UALR	1,126,620	1,494,889	422,222	2,199,287	422,222
UAMS	27,259,000	17,786,000	12,648,000	32,397,000	13,325,000
UAM	192,903		101,918	90,985	90,985
SYSTEM	5,376,375		49,725	5,326,650	49,835
CCCUA	786,255		143,730	642,525	147,968
UACCB	2,304,729		295,076	2,009,653	296,851
UACCH	552,747		110,108	442,639	110,328
UACCM	283,461		80,605	202,856	80,912
UACCRM		407,773	-	407,773	-
TOTAL	\$ 40,549,385	\$ 19,688,662	\$ 14,247,845	\$ 45,990,202	\$ 14,934,793

CAPITAL LEASES

Campus	Balance 6-30-17	Additions	Reductions	Balance 6-30-18	Current Portion
UAF	\$ 342,502	\$ 1,336,435	\$ 563,680	\$ 1,115,257	\$ 358,242
UAFS	471,643		39,573	432,070	41,185
UALR	467,609	-	421,016	46,593	19,801
UAMS	22,727,000	3,848,000	6,261,000	20,314,000	6,769,000
UAPB	17,245,359	-	-	17,245,359	533,260
CCCUA	2,474		2,474	-	-
PCCUA	43,753		43,753	-	-
TOTAL	\$ 41,300,340	\$ 5,184,435	\$ 7,331,496	\$ 39,153,279	\$ 7,721,488

INSTALLMENT CONTRACTS

Campus	Balance 6-30-17	Additions	Reductions	Balance 6-30-18	Current Portion
UAF	\$ 22,860,038		\$ 3,463,937	\$ 19,396,101	\$ 3,532,892

The current portion shown above for bonds, notes, capital leases, and installment contracts differs from the statement of net position by \$26,506, which is the current portion of an elimination entry (see Note 19).

Future Principal and Interest Payments

Total long-term debt principal and interest payments are shown below. Interest payments for variable rate debt have been calculated using the rate in effect at the financial statement date, though actual rates will vary. Total debt of \$1,547,143,596 shown in these schedules, which is related to bonds, notes, capital leases and installment contracts, differs from the amount of \$1,541,492,167 shown on the Statement of Net Position. This is due to an elimination entry of \$5,651,429 to account for two loans between UA campuses (see Note 19).

FUTURE PRINCIPAL AND INTEREST PAYMENTS

Year Ended June 30,	Principal	Interest	Total
2019	\$ 82,159,173	\$ 60,168,346	\$ 142,327,519
2020	76,010,258	57,094,401	133,104,659
2021	74,030,707	54,316,132	128,346,839
2022	72,435,025	51,435,051	123,870,076
2023	68,570,994	48,576,870	117,147,864
2024-2028	316,027,930	202,289,708	518,317,638
2029-2033	321,895,018	131,828,502	453,723,520
2034-2038	263,940,477	64,645,763	328,586,240
2039-2043	113,880,000	21,108,813	134,988,813
2044-2048	37,595,000	4,405,410	42,000,410
Subtotal	1,426,544,582	695,868,995	2,122,413,577
+ Net unamortized premiums/discounts	120,599,014		120,599,014
GRAND TOTALS	\$ 1,547,143,596	\$ 695,868,995	\$ 2,243,012,591

Capitalization of Assets held under Capital Leases

The capitalized value of capital assets held under capital leases totaled \$59,650,350 at June 30, 2018. The present value of the net minimum lease payments is as follows:

	Cost	Accumulated Depreciation	Net
CIP	\$ 17,145,359	\$ -	\$ 17,145,359
Improvements/Infrastructure	4,600,660	4,120,975	479,685
Buildings	16,737,000	7,957,186	8,779,814
Equipment	46,590,259	30,316,051	16,274,208
Other	10,025,000	4,167,180	5,857,820
		TOTAL	\$ 48,536,886
Total Minimum Lease Payments			\$ 45,457,506
Less: Amount representing interest			6,304,227
Total Present Value of Net Minimum Lease Payments			\$ 39,153,279

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, 2018, that are pledged:

BOND SERIES	REVENUE SOURCE	FY18 REVENUE
UNIVERSITY OF ARKANSAS FAYETTEVILLE		
Series 2009A Various Facilities	Student Tuition and Fees	\$ 316,569,768
Series 2011A Various Facilities	Sales and Services	9,324,536
Series 2011B Various Facilities	Residential Life	68,982,596
Series 2012A Various Facilities	Bookstore	14,268,240
Series 2012B Various Facilities	Other Auxiliaries	12,046,419
Series 2013 Various Facilities		
Series 2014A Various Facilities		
Series 2014B Various Facilities		
Series 2015A Various Facilities		
Series 2015B Various Facilities		
Series 2015C Various Facilities		
Series 2016A Various Facilities		
Series 2016B Various Facilities		
Series 2017 Various Facilities		
		<u>\$ 421,191,559</u>
Maturity dates range from November, 2021 through November, 2047		
	FY18 Principal and Interest	\$ 47,006,330
	% of Revenues Pledged	11.16%
	Remaining Principal & Interest	\$ 989,575,704
Series 2010 Athletic Refunding	Men's Athletics	92,344,779
Series 2013 Athletic Facilities		
Series 2015 Athletic Facilities		
Series 2016A Athletic Facilities		
Series 2016B Athletic Facilities		
		<u>\$ 92,344,779</u>
Maturity dates range from September, 2020 through September, 2036		
	FY18 Principal and Interest	\$ 12,137,916
	% of Revenues Pledged	13.14%
	Remaining Principal & Interest	\$ 210,883,881

UNIVERSITY OF ARKANSAS AT FORT SMITH		
Series 2010 Student Fee Revenue	Student Fees	\$ 39,480,756
Series 2010B Student Fee Revenue		
Series 2012 Refunding		
Series 2014A Student Fee Revenue		
Series 2014B Student Fee Revenue		
Series 2016 Refunding		
		<u>\$ 39,480,756</u>
Maturity dates range from December, 2021 through June, 2039		
	FY18 Principal and Interest	\$ 7,670,393
	% of Revenue Pledge	19.43%
	Remaining Principal & Interest	\$ 86,214,554

UNIVERSITY OF ARKANSAS AT LITTLE ROCK		
Series 2013A Revenue Refunding	Student Fees	\$ 74,680,770
Series 2013 Student Fee Revenue Capital Improvements		
Series 2013B Taxable Revenue Refunding		
Series 2016, Student Fee Revenue		
Series 2017, Student Fee Revenue		<u>\$ 74,680,770</u>
Maturity dates range from December, 2024 through October, 2037		
	FY18 Principal and Interest	\$ 5,571,082
	% of Revenue Pledge	7.46%
	Remaining Principal & Interest	\$ 82,134,498
Series 2012A Student Housing Revenue	Auxiliaries	\$ 17,550,444
Series 2012B Student Housing Refunding		
Series 2016 Auxiliary Enterprises Revenue Refunding		
		<u>\$ 17,550,444</u>
Maturity dates range from December, 2029 through May, 2037		
	FY18 Principal and Interest	\$ 3,983,706
	% of Revenue Pledge	22.70%
	Remaining Principal & Interest	\$ 64,153,772

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES		
Series 2010 Various Facilities Refunding	Clinical Programs	\$ 868,208,980
Series 2013 Various Facilities		
Series 2014 Various Facilities		
		<u>\$ 868,208,980</u>
Maturity dates range from December, 2030 through March, 2036		
	FY18 Principal and Interest	\$ 16,180,000
	% of Revenue Pledge	1.86%
	Remaining Principal & Interest	\$ 310,468,000
Series 2010 Refunding Parking System	Parking Fees	\$ 4,740,838
Series 2011 Refunding Parking System		
		<u>\$ 4,740,838</u>
Maturity dates range from July, 2019 through July, 2034		
	FY18 Principal and Interest	\$ 1,601,000
	% of Revenue Pledge	33.77%
	Remaining Principal & Interest	\$ 11,406,000

UNIVERSITY OF ARKANSAS AT MONTICELLO		
Series 2012 Various Facilities Refunding	Student Fees	\$ 28,025,804
Series 2017B (Taxable) Various Facilities	Sales and Services	
Series 2017A (Tax-Exempt) Various Facilities		
		<u>\$ 28,025,804</u>
Maturity dates range from December, 2023 through December, 2041		
	FY18 Principal and Interest	\$ 1,244,826
	% of Revenue Pledge	4.44%
	Remaining Principal & Interest	\$ 31,956,220
Series 2010 Auxiliary Facilities Refunding	Auxiliary Enterprises	\$ 6,895,192
Series 2012 Auxiliary Facilities		
		<u>\$ 6,895,192</u>
Maturity dates range from October, 2018 through December, 2041		
	FY18 Principal and Interest	\$ 902,951
	% of Revenue Pledge	13.10%
	Remaining Principal & Interest	\$ 10,637,923

UNIVERSITY OF ARKANSAS AT PINE BLUFF		
Series 2005B Various Facilities Revenue	Unrestricted Funds	\$ 33,169,405
Series 2014A Various Facilities		
Series 2014B Various Facilities Refunding		
		<u>\$ 33,169,405</u>
Maturity dates range from December, 2017 through December, 2035		
	FY18 Principal and Interest	\$ 1,415,404
	% of Revenue Pledge	4.27%
	Remaining Principal & Interest	\$ 20,927,294

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS		
Series 2013	Student Fees	\$ 3,908,017
Maturity date is May, 2035		
	FY18 Principal and Interest	\$ 266,488
	% of Revenue Pledge	6.82%
	Remaining Principal & Interest	\$ 4,503,706

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS		
Series 2015 Refunding	Student Fees	\$ 2,834,467
Maturity date is December, 2038		
	FY18 Principal and Interest	\$ 677,206
	% of Revenue Pledge	23.89%
	Remaining Principal & Interest	\$ 14,307,459

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE		
Series 2010 Student Fee Refunding	Student Fees	\$ 3,277,192
Maturity date is December, 2018		
	FY18 Principal and Interest	\$ 288,019
	% of Revenue Pledge	8.79%
	Remaining Principal & Interest	\$ 289,275

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE		
Series 2010 Student Fee Revenue	Student Fees	\$ 3,320,272
Series 2013 Student Fee Refunding		
		\$ 3,320,272
Maturity dates are September, 2020 through October, 2038		
	FY18 Principal and Interest	\$ 684,113
	% of Revenue Pledge	20.60%
	Remaining Principal & Interest	\$ 4,191,144

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON		
Series 2005 Student Fee Refunding	Student Fees	\$ 6,573,957
Series 2010 Student Fee Refunding		
Series 2016 Student Fee		
		\$ 6,573,957
Maturity dates are November, 2017 through May, 2046		
	FY18 Principal and Interest	\$ 1,015,143
	% of Revenue Pledge	15.44%
	Remaining Principal & Interest	\$ 17,885,848

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE		
Series 2011 Student Tuition and Fee	Student Fees	\$ 24,017,644
Series 2015 Student Tuition and Fee Refunding		
		\$ 24,017,644
Maturity dates are June, 2037 through April, 2041		
	FY18 Principal and Interest	\$ 5,808,640
	% of Revenue Pledge	24.18%
	Remaining Principal & Interest	\$ 138,903,818

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN		
Series 2012 Student Fee & Tuition Revenue	Student Fees	\$ 2,275,516
Maturity date is April, 2042		
	FY18 Principal and Interest	\$ 104,372
	% of Revenue Pledge	4.59%
	Remaining Principal & Interest	\$ 2,523,917
<hr/>		
Series 2012 Refunding and Capital Improvement	Property Taxes	\$ 434,573
Maturity date is April, 2042		
	FY18 Principal and Interest	\$ 271,313
	% of Revenue Pledge	62.43%
	Remaining Principal & Interest	\$ 6,550,818

New Bonds Payable and Refundings

Fayetteville Campus:

On August 1, 2017, the University issued \$95,805,000 in Various Facility Revenue Bonds (Fayetteville Campus), Series 2017, with an interest rate ranging from 2.0% to 5.0%. The bonds were issued to provide funds to finance various construction and renovation projects on the University campus and were issued on a tax-exempt basis. Projects include construction of an addition to the Pat Walker Student Health Center, an off-site library storage facility, new student housing facilities, a new black box theater, upgrades to the campus utility system, renovation of Kimpel Hall, and preliminary design of various other facilities planned for the campus.

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

Net bond proceeds and premiums from Series 2016A and Series 2016B of \$94,689,148 along with \$1,873,821 of cash from the University was deposited into an escrow account to retire the bonds. The refunding of the bonds dated October 2, 2007, and all of the bonds dated August 1, 2008, was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$5,764,322 for the Series 2016A bonds and \$1,679,827 for the Series 2016B bonds. These differences, reported in the accompanying financial

statements as deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by \$13,450,092 and to obtain an economic gain of \$10,092,618. The escrow balance as of June 30, 2018, was \$47,179,270. The bonds will have regularly scheduled principal and interest payments made from the escrow account until the bond call dates of November 1, 2017, for Series 2007 and November 1, 2018, for Series 2008A and Series 2008B, at which times the remaining balances of each defeased bond issue will be refunded. On November 1, 2017, the remaining outstanding Series 2007 bonds were called in full. The remaining balance of the defeased bonds as of June 30, 2018, were \$33,745,000 for Series 2008A and \$12,460,000 for Series 2008B.

Little Rock Campus:

On September 19, 2017, the University issued the Board of Trustees of the University of Arkansas Student Fee Revenue Bonds (Little Rock Campus), Series 2017 with a par amount of \$6,510,000, with an interest rate ranging from 2.0% to 5.0%. The bonds provide resources for the purpose of constructing, renovating, equipping and furnishing the Physics Building, infrastructure upgrades, roof repairs to the Donaghey Student Center, and other critical maintenance needs.

On April 6, 2016, the University issued \$24,490,000 in Series 2016 Auxiliary Revenue Refunding Bonds, with interest rates of 2% to 5% to advance refund \$25,600,000 of the Series 2009 Auxiliary Revenue Bonds, with interest rates of 4% to 5%. Bond proceeds and premium of \$28,581,504 were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,543,643. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by \$1,736,111 over the next nineteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$1,152,088. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2018, was \$25,086,385, and the remaining balance of the defeased bonds was \$22,745,000.

Fort Smith Campus: On October 20, 2016, the University issued refunding bonds of \$19,500,000.00 with interest rates of 2% to 5% to advance refund \$21,435,000.00 of outstanding bonds dated May 1, 2009 with interest rates of 2% to 5%. Bond proceeds of \$22,002,809 and debt service reserve funds of \$857,507 and deposit with trustee funds of \$781,102 were deposited in the advance refunding fund to retire the 2009 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$2,206,417. The difference, reported in the accompanying financial statements as a deferred outflow, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eighteen years by \$1,874,533 and to obtain an economic gain (difference between the present values of the old and new debt) of \$1,709,148. The bonds will be fully paid by June 1, 2019. The escrow balance at June 30, 2018 was \$20,557,944, and the remaining balance of the defeased bonds was \$19,865,000.

Note 11: Commitments

The University has contracted for the construction and renovations of several facilities. At June 30, 2018, the estimated remaining costs to complete these facilities are shown below.

Campus	Contract Balance
UAF	\$ 192,544,687
UAFS	1,017,084
UALR	1,261,692
UAMS	1,268,617
UAM	1,622,583
UAPB	488,408
UACCB	157,318
UACCM	16,690
UACCRM	428,446
ASMSA	1,686,654
	<u>\$ 200,492,179</u>

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. Total operating leases paid in the fiscal year ended June 30, 2018, were \$16,839,095. Below are the scheduled payments for each of the five succeeding fiscal years and thereafter.

Operating Leases	
Year Ended June 30,	Amount
2019	\$ 7,954,649
2020	4,822,458
2021	3,302,379
2022	2,065,011
2023	1,656,037
2024-2028	4,934,435

Note 12: Income Taxes

The University is tax exempt under the Internal Revenue Code except for tax on unrelated business income. The University had no significant unrelated business income for the year ended June 30, 2018. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

Note 13: Risk Management

The University of Arkansas Risk Management Program provides insurance coverage for all campuses within the University of Arkansas System with the exception of the Fort Smith campus. 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.

Property coverage was insured through FM Global through August 31, 2018, with a \$100,000 deductible at the Fayetteville, Medical Sciences, and Little Rock campuses. The other covered

campuses have a \$50,000 deductible. The FM Global policy also contained earthquake/flood and domestic/foreign terrorism coverage. Additionally, the Fayetteville, Medical Sciences, Phillips, and Morrilton campuses had business interruption coverage with FM Global. On September 1, 2018, property insurance was switched to Travelers' Insurance Company.

Auto coverage, through Cypress Insurance Company, has a physical damage deductible of \$1,000 and provides coverage against liability losses up to \$1,000,000 per occurrence.

The Medical Sciences campus maintains malpractice insurance for certain employees under a claims-made policy. The Fort Smith campus carries its own property insurance through Lexington Insurance Company (\$25,000 deductible) and auto insurance through Cypress Insurance Company (\$5,000 deductible).

The University does not purchase general liability, errors or admissions, 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 for such losses are conducted before the State Claims Commission. In such cases where the University enters into a lease agreement to hold a function at a location not owned by the University or for special events off-campus, general liability coverage may be purchased for such functions.

The University maintains worker's compensation coverage through the State of Arkansas program. Premiums are paid through payroll and are based on a formula calculated by the Arkansas Department of Finance and Administration. 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 participates in the State of Arkansas Fidelity Bond Program for claims of employee dishonesty. This program has a limit of \$300,000 recovery per occurrence with a \$2,500 deductible. Premiums are paid annually via a fund transfer from state appropriations to the Arkansas 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.

Note 14: Employee Benefits

Insurance Plans

The Board of Trustees of the University of Arkansas System sponsors self-funded health (including prescription coverage) and dental benefit plans for University employees and their eligible dependents. All campuses participate in the health plan. All campuses, except CCCUA, PCCUA, UACCH, and UACCRM, participate in the dental plan. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation.

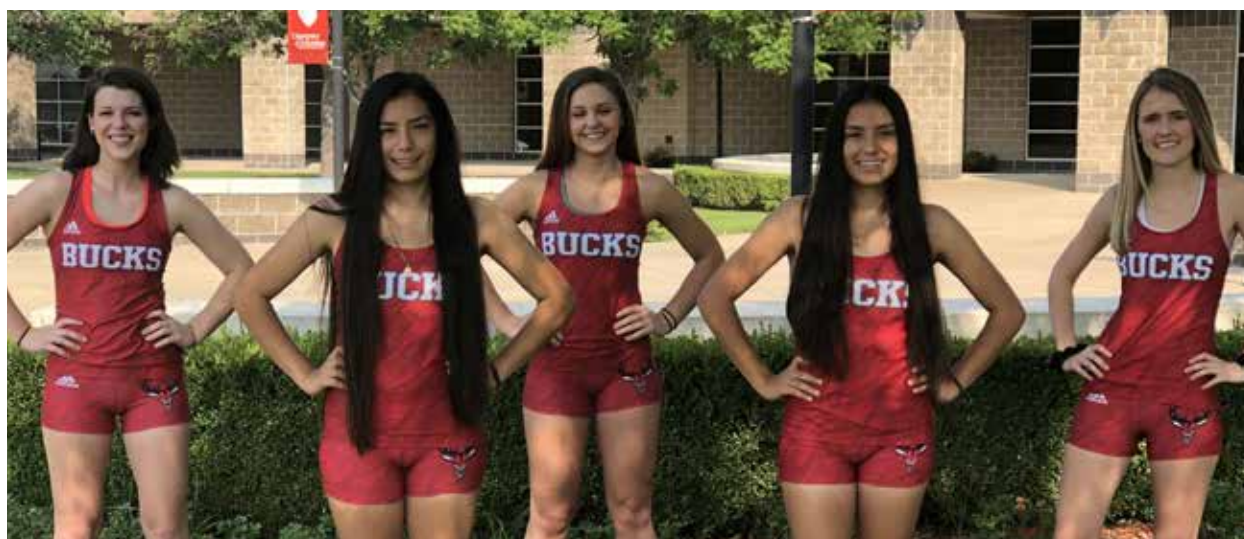
At June 30, 2018, a total of 17,582 active employees, former employees, and pre-65 retirees were participants in the health plan. As of June 30, 2018, three different health plans: the Classic Plan, the Premier Plan and the Health Savings Plan. Campuses pay anywhere from 39% to 90% of the Classic Plan premium, 41% to 76% of the Premier Plan premium, and 42% to 95% of the Health Savings Plan premium. Each campus makes its contribution determination based on budget considerations. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 18,413 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2018. The University pays 0% to 100% of the total premium for full-time active employees, while retirees and former employees, through COBRA, participate on a fully contributory basis.

Both plans are accounted for on the accrual basis. The System administration estimates the medical, pharmacy and dental claims liability to be \$17,401,400 at June 30, 2018. This liability is established for incurred but not paid (IBNP) claims, and includes a related accrual for claim adjustment expenses, which are expenses incurred in the ultimate settlement of the claim. The claims and claims adjustment accrual for health, pharmacy and dental is based on the calculation prepared by Sibson Consulting.

The System administration purchases specific reinsurance from United Healthcare-BP to reduce its exposure to large claims. In a fiscal year, after paying claims of more than \$1,125,000 for any one covered individual, the University pays an aggregating specific deductible of \$200,000, whether from one or more covered individuals also exceeding \$1,125,000 in paid claims, before being reimbursed from the reinsurance company. The plan has not purchased any annuity contracts on behalf of claimants. If needed, the University would make arrangements through its reinsurance carrier.

The funding levels for the Plan were established based upon anticipated year-end loss ratios of 95%. As of June 30, 2018, the loss ratio for the health plan was 94% and the loss ratio for the dental plan was 95%.

The System administration retains and accounts for all of the risk financing associated with the self-insurance plan's activities in accordance with GAAP.



Reconciliation of Changes in the Liability for Future Insurance Claims	
	FY18
Unpaid claims and claim adjustment expenses at beginning of year	\$ 15,180,200
Incurred claims and claim adjustment expenses:	
Provision for insured events of the current year	163,194,359
Adjustment in provision for insured events of prior years	(330,773)
Total incurred claims and claim adjustment expenses	162,863,586
Payments:	
Claims and claim adjustment expenses attributable to insured events of the current year	145,792,959
Claims and claim adjustment expenses attributable to insured events of prior years	14,849,427
Total Payments	160,642,386
Total unpaid claims and claim adjustment expenses at end of year	\$ 17,401,400

The liability for future insurance claims includes health, pharmacy and dental incurred but not paid (IBNP) claims/claim adjustment expenses only.

Retirement Plans

Approximately ninety-seven percent of all employees of the University participate in the University of Arkansas Retirement Program (URP). The URP is a defined contribution 403(b) and 457(b) program as defined by the Internal Revenue Service Code. The authority under which the URP's benefits provisions are established or amended is through the President of the University through the Board of Trustees. Arkansas Code Annotated authorizes participation in the plan. Active vendors to the URP include Teachers Insurance Annuity Association (TIAA) and Fidelity Investments.

The URP is a contributory plan with the required employee contribution and the University matching contribution, within IRS match limits, varying by campus. All four-year campuses are transitioning to a uniform contribution formula by July 2020. That contribution formula requires an employer base contribution of 5% of an employee's eligible salary to their TIAA and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice, with a required employee contribution of 5%. The University makes an equal contribution for employee contributions in excess of 5%, with a maximum total University contribution of 10% of eligible salary up to the IRS match limit, which at June 30, 2018, was \$27,500. The transition period began in July 2016 and provides for an annual increase of 1% in the employee required contribution percentage to reach 5% by July 2020. The most common formula in place at the community college campuses is a required employee contribution of 6% of eligible salary with a University contribution of 10% of eligible salary. Employee contributions in excess of 10% are allowed by the plans in accordance with Internal Revenue Service regulations, but the University does not match these additional contributions. All benefits attributable to plan contributions made by the participant are immediately vested in the participant, and contributions made by the University are cliff vested upon completion of two consecutive years of URP participation. The

University's TIAA and Fidelity contributions for the fiscal year 2018 were \$101,485,764. The participants' contributions for the fiscal year 2018 were \$116,965,688.

The majority of the remaining benefits eligible employees of the University participate in one of the two State-sponsored defined benefit retirement plans which are closed to new University participant enrollment. Current University employees who are participants in the Arkansas Public Employees Retirement System (APERS) or the Arkansas Teachers Retirement System (ATRS) continue in that participation. Current University employees who are current APERS or ATRS participants and who transfer without a break in service between University campuses may continue in APERS participation.

APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 14.75% in fiscal year 2018. Those employees hired after July 1, 2005, must be contributory unless they had prior service as a state employee. Employees hired before that date may be contributory. The University's contributions for the fiscal year 2018 were \$5,446,489. Participants' contributions for the fiscal year 2018 were \$1,513,576. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. APERS issues a publicly available financial report, which may be obtained by writing: APERS, One Union National Plaza, 124 W. Capitol, 5th Floor, Little Rock, AR 72201.

ATRS is a cost-sharing multi-employer defined benefit pension plan. The University contributes 14% of all covered employees' salaries. Under certain conditions, covered employees may voluntarily contribute 6% of their salary. The University's contributions for the fiscal year 2018 were \$1,899,208. Participants' contributions for the fiscal year 2018 were \$638,640. The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in Arkansas Code. ATRS issues a publicly available financial report, which may be obtained by writing: ATRS, 1400 W. 3rd Street, Little Rock, AR 72201.

Cooperative Extension Service employees who previously held appointments with the U.S. Department of Agriculture are covered by either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS), depending on date of appointment. Both plans are single-employer defined benefit plans. The CSRS plan became effective in 1920, and established retirement benefits for certain federal employees. Congress created the FERS plan in 1986, becoming effective on January 1, 1987. Since that time new federal civilian employees who have retirement coverage are covered under the FERS plan. FERS provides benefits from three different sources: a Basic Benefit Plan, Social Security and the Thrift Savings Plan. As of June 30, 2018, ten active employees were covered under the CSRS plan and thirteen active employees were covered under the FERS plan. Participants in the CSRS plan contribute 7% of salaries and employers are required to contribute 7%. Participants in the FERS plan are required to contribute 0.80% of salaries and employers are required to contribute 13.7% for the Basic Benefit and Social Security portions of the plan benefits. The University's and participants' CSRS and FERS contributions were \$208,799 and \$69,911, respectively for the fiscal year ended June 30, 2018.

The Thrift Savings Plan (TSP) is the third component of the FERS plan and is a supplement to the CSRS plan. It is a defined contribution plan designed to provide retirement income for Federal

employees similar to a 401(k) plan. The TSP is administered by the Federal Retirement Thrift Investment Board. For FERS participants, employers are required to contribute an amount equal to 1% of salaries to a TSP account established for the participant. Employees may also contribute to their TSP account, with employer matching on the first 5% of employee contributions up to 4%. There is no employer matching for CSRS participants. All contributions are exempt from taxation. The University's and participants' TSP contributions were \$50,442 and \$95,928, respectively for the fiscal year ended June 30, 2018.

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

The University has, from time to time, negotiated voluntary early retirement agreements with faculty and staff which may include the provision of a stipend and healthcare or other benefits for future periods. The amount of liability established for these type agreements was \$1,637,016 at June 30, 2018.

NOTE 15: Defined Benefit Pension Plans

Arkansas Public Employees Retirement System (APERS)

Plan Description

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

Benefits Provided

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

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

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

- at age 65 with 5 years of service,

- at any age with 28 years actual service.

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

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

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

Contributions

Contribution requirements are set forth in Arkansas Code Annotated, Title 24, Chapter 4. The contributions are expected to be sufficient to finance the costs of benefits earned by members during the year and make a level payment that, if paid annually over a reasonable period of future years, will fully cover the unfunded costs of benefit commitments for services previously rendered. Members who began service prior to July 1, 2005, who elected to remain in the non-contributory plan, are not required to make contributions to APERS. Members who began service on or after July 1, 2005, are required to participate in the contributory plan and contribute 5% of their salaries. Employers are required to contribute at a rate established by the Board of Trustees of APERS based on an actuary's determination of a rate required to fund the plan. The University contributed 14.75% of applicable compensation for the fiscal year ended June 30, 2018. The University's and members' contributions for the year ending June 30, 2018, were \$5,446,489 and \$1,513,576, respectively.

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

At June 30, 2018, the University reported a liability of \$56,807,517 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the university's proportion was 2.198%, which was a decrease of 0.004% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the University recognized pension expense of \$11,812,312. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,101,231	\$ (1,117,269)
Changes of assumptions or other inputs	9,140,165	
Net difference between projected and actual earnings on pension plan investments	2,380,385	
Changes in the proportion and differences between the employer contributions and share of contributions	5,690,990	(1,673,668)
University contributions subsequent to the measurement date	5,446,489	
Total	\$ 23,759,260	\$ (2,790,937)

Deferred outflows of resources of \$5,446,489, 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, 2019. 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:

Year ended June 30:	
2019	\$ 5,005,721
2020	7,053,289
2021	3,958,292
2022	(495,468)
2023	-
Thereafter	-

Actuarial Assumptions

The total pension liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	25 years
Asset Valuation Method	4-year smoothed market; 25% corridor
Investment Rate of Return	7.15%

Salary Increases	3.25% – 9.85% including inflation
Wage Inflation	3.25%
Post-Employment Cost-of-Living Increases	3.00% Annual Compounded Increase
Retirement Age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2013 valuation pursuant to an experience study for the period 2007-2012.
Mortality Table	Based on RP-2000 Combined Health mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females
Average Service Life of All Members	4.3774

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017 to 2026 were based upon capital market assumptions provided by plan’s investment consultant(s). For each major asset class that is included in the pension plan’s current asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Current Allocation	Long-Term Expected Real Rate of Return
Broad Domestic Equity	37%	5.97%
International Equity	24	6.54
Real Assets	16	4.59
Absolute Return	5	3.15
Domestic Fixed	18	0.83
Total	100%	

Assumption Changes: Economic assumptions were updated in the June 30, 2017 valuation to a 7.15% investment return assumption, a 3.25% price inflation assumption, and a 3.25% wage inflation assumption. These assumptions changed from the June 30, 2016 valuation.

Discount Rate

A single discount rate of 7.15% 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 7.15%. It incorporates a municipal bond rate of 3.56% based on the “Fidelity 20-Year Municipal GO AA Index” from the *Bond Buyer Index* of general obligation municipal bonds (based on the weekly rate closest to but not later than the measurement date).

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 7.15%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.15%) or 1-percentage-point higher (8.15%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (6.15%)	Discount Rate (7.15%)	1% Increase (8.15%)
\$86,509,796	\$56,807,517	\$32,143,477

Pension Plan Fiduciary Net Position

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

Arkansas Teacher Retirement System (ATRS)

Plan Description

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

Benefits Provided

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

- Contributory 2.15%
- Non-Contributory 1.39%

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

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

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

Members are eligible for disability benefits with five 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 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, 2018. The University's and member's contributions for the year ending June 30, 2018, were \$1,899,208 and \$638,640, respectively.

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

At June 30, 2018, the University reported a liability of \$22,688,366 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, 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, 2018, the University’s proportion was 0.540 percent, which was a decrease of 0.049 from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the University recognized pension expense credit of \$390,403. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 314,428	\$ (556,160)
Changes of assumptions or other inputs	6,062,474	-
Net difference between projected and actual earnings on pension plan investments	-	(1,602,557)
Changes in the proportion and differences between the employer contributions and share of contributions	117,373	(3,830,135)
University contributions subsequent to the measurement date	1,899,208	-
Total	\$ 8,393,483	\$(5,988,851)

Deferred outflows of resources related to pensions of \$1,899,208, 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, 2019. 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:

Year ended June 30:	
2019	\$(697,569)
2020	856,678
2021	417,609
2022	(509,184)
2023	437,890

Actuarial Assumptions

The total pension liability in the June 30, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percentage of Payroll, closed
Amortization Period	29 years
Asset Valuation Method	4-year closed period; 20% corridor
Wage Inflation	2.75%
Salary Increases	2.75 – 7.75% including inflation
Investment Rate of Return	7.50%
Post-Retirement Cost-of-Living Increases	3.00% Simple
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, 2010 – June 30, 2015.
Mortality Table	RP-2014 Healthy Annuitant, Disabled Annuitant, and Employee Mortality Tables. Mortality rates were adjusted using projection scale MP-2017 from 2006. (94% for men & 84% for women)

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, 2017, are summarized below:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	50%	5.0%
Fixed Income	20	1.2
Alternatives	5	4.8
Real Assets	15	3.7
Private Equity	10	6.5
Cash Equivalents	-	0.3
Total	100%	

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. It incorporates

a municipal bond rate of 3.56% taken from the “20-Year Municipal GO AA Index” as of June 30, 2017. 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 7.50%, as well as what the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50%) or 1-percentage-point higher (8.50%) than the current rate:

Sensitivity of Discount Rate		
1% Decrease (6.50%)	Discount Rate (7.50%)	1% Increase (8.50%)
\$36,341,255	\$22,688,366	\$11,370,079

Pension Plan Fiduciary Net Position

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

NOTE 16: Other Postemployment Benefits (OPEB)

As referenced in Note 1, GASB Statement No. 75 was implemented during the year ended June 30, 2018. The Statement required restatement of the Net Position at June 30, 2017 of a decrease of \$7,118,973. This is reflected on the Statement of Revenues, Expenses, and Changes in Net Position as a cumulative effect of the implementation. For the recognition of deferred outflows of resources and a related current liability for postemployment benefits other than pensions, \$2,018,574 was recorded on the Statement of Net Position. The long-term liability for other postemployment benefits other than pensions is also reflected on the Statement of Net Position and totaled \$66,786,365 as of June 30, 2018.

The University offers postemployment health (including prescription drugs) and dental benefits, along with life insurance (\$10,000 available coverage), to eligible retirees. Health and dental benefits are provided in the University’s self-funded plan sponsored by the Board of Trustees of the University of Arkansas System for current and pre-65 retired employees. The plan is considered a single-employer, defined benefit plan. The System Administration manages and administers the plan. Although benefits are also provided under the University’s plan for the employees of the University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the Walton Arts Center Foundation, Inc., the Razorback Foundation, Inc., and the University of Arkansas Technology Development Foundation, no postemployment benefit

is accrued by the University for these private entities. Financial activities of the plan are reported in the accompanying consolidated financial report. No assets are accumulated in a trust.

Retirees pay 100% of premiums for all campuses with the following exceptions:

UACCM, who will pay the premium for those employees retiring on or after age 62 with at least 20 years of service.

UACCRM, who will pay 83% of the active premium for single coverage, but none of the premium for a spouse or unmarried dependent.

UAPTC, who will pay the premium for single coverage, but none of the premium for a spouse or unmarried dependent. Employees who retire after December 31, 2017, will pay 100% of premiums for single and spouse coverage.

Employer costs are funded on a pay-as-you-go basis for all campuses. Retirees qualify for postemployment benefits as follows:

CCCUA: Employees must be at least age 60 and have at least 5 years of service.

UACCM: Employees must be at least age 60 and have at least 10 years of service.

UACCRM: Employees are eligible for retirement benefits if they are at least age 60 and if they have 12 years of service under the Plan or if they are at least age 55 and their age plus service equals 72 points (“Rule of 72”).

UAPTC: Employees are eligible for retirement benefits if they are at least age 55 and if they have 15 years of service under the Plan.

ALL OTHERS: Employees must have a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree’s death.

Retirees pay 100% of the fully insured premium directly to United Healthcare. As a result, no liabilities for Medicare eligible retiree benefits are included in this valuation.

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Employees covered by Benefit Terms	Medical	Life
Inactive employees or beneficiaries currently receiving benefit payments	337	2,206
Active employees	19,171	20,102
Total Employees covered by Benefit Terms	19,508	22,308

Total OPEB Liability

Total OPEB liability as of June 30, 2018 was \$68,804,939, determined by actuarial valuations as of July 1, 2017, rolled forward.

Summary of Key Actuarial Methods and Assumptions

Valuation date	July 1, 2017 valuation for the year ended June 30, 2018
Valuation year	Census data collected as of February 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years rolling
Asset valuation method	N/A
Actuarial assumptions:	
Investment rate of return	3.58%
Rate of salary increase for amortization	4.0%
Medical inflation rate	6.75% grading to 4% over 16 years
Pharmacy inflation rate	9% grading to 4% over 16 years
Retiree contribution inflation rate	4.9% then 7.8% grading to 4% over 15 years

The discount rate used to measure the Total OPEB Liability (TOL) as of July 1, 2017 was 3.58%, the unfunded rate determined as of June 29, 2017 was based on the Bond Buyer 20-Bond GO Index.

Mortality Rates:

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

General Overview of the Valuation Methodology

The Entry Age Actuarial Cost Method was used to value the Plan’s actuarial liabilities and to set the normal cost. Under this method, the normal cost rate is the percentage of pay contribution which would be sufficient to fund the Plan benefits if it were paid from each member’s entry into the Plan until termination or retirement. The unfunded liability is amortized over a rolling 30-year period. The amortization method is a level percentage of pay.

The claims costs were developed from the active premium rates for the period July 1, 2017 to June 30, 2018 loaded for 8.4% to reflect assumed premiums from prior year valuation. 70% of the premium was assumed to be for medical, 22% for pharmacy, and 8% for expenses. The claim and expense costs were trended back to the period July 1, 2017 to June 30, 2018 using an annual trend assumption of 6.75% for medical, 8.5% for pharmacy, and 3% for expenses.

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.

Changes in Actuarial Assumptions and Methods since the Prior Valuation

The claim costs and trends were updated to reflect changes in benefits and experience and our expectation for the future costs. The plan changed to only offering Classic plan to retirees. Claims were adjusted to utilize only the Classic premium rates. The initial retiree contribution was adjusted to reflect current contribution rates.

The funding method was changed from Project Unit Credit (PUC) to Entry Age Normal (EAN) and the discount rate was lowered from 4.0% to 3.58% to be in compliance with GASB 75. The Plan added two new campuses, UAPTC and UACCRM. These two campuses were added to the valuation with their appropriate assumptions, with the exception of discount rate, claim curves and spouse age difference.

The report does not reflect future changes in benefits, penalties, taxes (including future excise taxes), or administrative costs that may be required as a result of the Patient Protection and Affordable Care Act of 2010, related legislation, or regulations. It does reflect all ACA costs to date such as Patient-Center Outcomes Research Institute (PCORI) fees.

Changes in the Total OPEB Liability

The table below shows the changes in the total OPEB liability (TOL) during the measurement period ending on June 30, 2018.

Balances at 6/30/2016 (Reporting Date 6/30/2017)	\$ 77,908,602
Changes for the year:	
Service cost	4,589,055
Interest (includes interest on service cost)	2,320,787
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(13,904,426)
Benefit payments, including refunds of member contributions	(2,109,079)
Net changes in total OPEB liability	(9,103,663)
Balances at 6/30/2017 (Reporting Date 6/30/2018)	\$ 68,804,939

During the measurement year, the TOL decreased by approximately \$9.1 million. This was due to the increase in the discount rate from 2.85% to 3.58%. The service cost and interest cost increased the TOL by approximately \$6.9 million while contributions decreased the TOL by approximately \$2.1 million.

There were no changes in benefits during the year. There was a discount rate change between June 30, 2016 and June 30, 2017. This created an assumption gain of \$13.9 million, which will be amortized over the average expected remaining service life of all active and inactive members of the Plan.

Sensitivity of the Total OPEB Liability

Changes in the discount rate affect the measurement of the TOL. Lower discount rates produce a higher TOL and higher discount rates produce a lower TOL. The table below shows the sensitivity of the TOL to the discount rate.

Sensitivity of Net OPEB Liability to Changes in Discount Rate		
1% Decrease	Discount Rate	1% Increase
2.58%	3.58%	4.58%
\$77,960,081	\$68,804,939	\$61,269,436

A one percent decrease in the discount rate increases the TOL by approximately 13%. A one percent increase in the discount rate decreases the TOL by approximately 11%.

Changes in the healthcare trends affect the measurement of the TOL. Lower healthcare trends produce a lower TOL and higher healthcare trends produce a higher TOL. The table below shows the sensitivity of the TOL to the healthcare trends.

Sensitivity of Net OPEB Liability to Changes in Healthcare Cost Trend Rates		
1% Decrease	Healthcare Trend	1% Increase
\$63,959,695	\$68,804,939	\$74,445,398

A one percent decrease in the healthcare trends decreases the TOL by approximately 7%. A one percent increase in the healthcare trends increases the TOL by approximately 8%.

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2018, the University recognized OPEB expense of \$4,465,488. At June 30, 2018, the University reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources.

	Deferred	Deferred
	Outflows of	Inflows of
	Resources	Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	11,459,571
Contributions subsequent to the measurement date	2,018,574	-
Total	\$ 2,018,574	\$ 11,459,571

The \$2,018,574 reported as deferred outflows of resources resulting from the University’s contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense in the financial statements as follows:

Year ending June 30:	
2019	\$ (2,444,908)
2020	(2,444,908)
2021	(2,444,907)
2022	(2,398,410)
2023	(1,557,852)
Thereafter	(168,586)

Note 17: 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 fiscal year 2018.

Functional Classifications	Natural Classifications					
	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	TOTAL
Instruction	\$ 394,405,858	\$ 58,751,305	\$ -	\$ -	\$ -	\$ 453,157,163
Research	176,482,146	89,671,342	-	-	-	266,153,488
Public Service	86,248,379	48,905,103	-	-	-	135,153,482
Academic Support	91,104,699	36,434,472	-	-	-	127,539,171
Student Services	54,152,903	22,268,881	-	-	-	76,421,784
Institutional Support	181,442,554	43,181,666	1,782,156	-	-	226,406,376
Scholarships/Fellowship	120,475	95,373	59,321,479	-	-	59,537,327
Plant Operations	69,023,763	80,789,686	-	-	-	149,813,449
Auxiliary Enterprises	76,083,366	119,221,875	2,936,572	-	-	198,241,813
Depreciation	-	-	-	-	186,642,486	186,642,486
Patient Care	606,900,432	367,657,000	-	-	-	974,557,432
Other	4,160,000	14,877,000	-	-	-	19,037,000
Insurance expenses	-	-	-	182,157,005	-	182,157,005
TOTAL	\$ 1,740,124,575	\$ 881,853,703	\$ 64,040,207	\$ 182,157,005	\$ 186,642,486	\$ 3,054,817,976

Note 18: Other Organizations

There are several entities, in addition to those identified as component units in Note 1, which are related to the University. The purposes of these organizations are varied, but all were established to benefit the University, or its students, faculty and staff in some manner.

The Razorback Foundation, Inc. was incorporated on October 17, 1980, for the sole purpose of supporting intercollegiate athletics at the Fayetteville campus. Audited financial statements for the year ended June 30, 2018, are presented below in summary form and include the accounts of its wholly owned subsidiaries, Sports Shows, Inc., Cato Springs Road LLC, TSSD LLC, and Hog Wild Productions, LLC.

**THE RAZORBACK FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 28,272,388
Other assets	<u>38,418,223</u>
Total Assets	<u>\$ 66,690,611</u>
Liabilities and Net Assets	
Liabilities	\$ 10,469,089
Net Assets	<u>56,221,522</u>
Total Liabilities and Net Assets	<u>\$ 66,690,611</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 30,607,470
Expenditures and Other Deductions	<u>(53,375,640)</u>
Total Decrease in Net Assets	<u>\$ (22,768,170)</u>

Arkansas Alumni Association, Inc. was incorporated in 1960 for the purpose of providing various services to the members, consisting of graduates, former students and friends, in connection with the promotion and furtherance of the Fayetteville campus. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**ARKANSAS ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 3,156,024
Other assets	<u>10,252,872</u>
Total Assets	<u>\$ 13,408,896</u>
Liabilities and Net Assets	
Liabilities	\$ 1,498,291
Net Assets	<u>11,910,605</u>
Total Liabilities and Net Assets	<u>\$ 13,408,896</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 5,860,818
Expenditures and Other Deductions	<u>(4,109,104)</u>
Total Increase in Net Assets	<u>\$ 1,751,714</u>

Arkansas 4-H Foundation, Inc. was incorporated in 1951. The purposes and objectives of the Foundation are exclusively educational. The Foundation was formed to encourage and support such purposes that will meet the needs and advance the interests of 4-H youth programs throughout the State of Arkansas. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 4,837,712
Other assets	4,979,218
Total Assets	\$ 9,816,930
Liabilities and Net Assets	
Liabilities	\$ 246,638
Net Assets	9,570,292
Total Liabilities and Net Assets	\$ 9,816,930

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 2,313,035
Expenditures and Other Deductions	(2,500,726)
Total Decrease in Net Assets	\$ (187,691)

University of Arkansas Technology Development Foundation was incorporated in May 2003, and is considered a supporting organization of the Fayetteville campus. Its mission is to stimulate a knowledge-based economy in the state of Arkansas through partnerships that lead to new opportunities for learning and discovery, build and retain a knowledge-based workforce, and spawn the development of new technologies that enrich the economic base of Arkansas. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.



**UNIVERSITY OF ARKANSAS TECHNOLOGY
DEVELOPMENT FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 1,811,163
Other assets	13,347
Total Assets	<u>\$ 1,824,510</u>
Liabilities and Net Assets	
Liabilities	\$ 137,262
Net Assets	1,687,248
Total Liabilities and Net Assets	<u>\$ 1,824,510</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 1,755,067
Expenditures and Other Deductions	<u>(1,593,617)</u>
Total Increase in Net Assets	<u>\$ 161,450</u>

University of Arkansas Fort Smith Foundation, Inc. operates as a nonprofit corporation whose primary activity is providing support to the Fort Smith campus. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**UNIVERSITY OF ARKANSAS FORT SMITH
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 97,883,443
Other assets	349,196
Total Assets	<u>\$ 98,232,639</u>
Liabilities and Net Assets	
Liabilities	\$ 817,035
Net Assets	97,415,604
Total Liabilities and Net Assets	<u>\$ 98,232,639</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 15,585,567
Expenditures and Other Deductions	<u>(4,420,798)</u>
Total Increase in Net Assets	<u>\$ 11,164,769</u>

The University of Arkansas at Little Rock Alumni Association is utilized to receive and disburse funds obtained from gifts, activity fees and receipts from special projects. The Association

operates as a nonprofit benevolent corporation for charitable educational purposes. The assets of the Association are held by The University of Arkansas Foundation, Inc.

Trojan Athletic Foundation, Inc. is a non-profit entity established to support the athletic department at the Little Rock campus. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**TROJAN ATHLETIC FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash	\$ 268,981
Other Assets	89,117
Total Assets	\$ 358,098
Liabilities and Net Assets	
Liabilities	\$ 1,936
Net Assets	356,162
Total Liabilities and Net Assets	\$ 358,098

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 377,416
Expenditures and Other Deductions	(395,093)
Total Decrease in Net Assets	\$ (17,677)

University of Arkansas at Pine Bluff/AM&N Alumni Association, Inc. was organized to foster and promote the general welfare and growth of the University of Arkansas at Pine Bluff. Audited financial statements for the year ended December 31, 2017, are presented below in summary form.



**UAPB/AM&N ALUMNI ASSOCIATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2017**

Assets	
Cash & investments	\$ 314,087
Other assets	60,015
Total Assets	<u>\$ 374,102</u>
Liabilities and Net Assets	
Liabilities	\$ 39,670
Net Assets	334,432
Total Liabilities and Net Assets	<u>\$ 374,102</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2017**

Income and Other Additions	\$ 210,767
Expenditures and Other Deductions	<u>(116,234)</u>
Total Increase in Net Assets	<u>\$ 94,533</u>

University of Arkansas at Pine Bluff Scholarship Endowment Fund was created to provide scholarships to a culturally diverse student population at the University of Arkansas at Pine Bluff. Financial information include in the Form 990 for the year ended December 31, 2016, are presented below in summary form.

**UNIVERSITY OF ARKANSAS-PINE BLUFF
SCHOLARSHIP ENDOWMENT FUND
PER FORM 990
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2016**

Assets	
Cash & investments	<u>\$ 4,388,855</u>
Total Assets	<u>\$ 4,388,855</u>
Liabilities & Net Assets	
Liabilities	\$ -
Net Assets	4,388,855
Total Liabilities & Net Assets	<u>\$ 4,388,855</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2016**

Income and Other Additions	\$ 408,048
Expenditures and Other Deductions	<u>(220,411)</u>
Total Increase in Net Assets	<u>\$ 187,637</u>

Cossatot Community College of the University of Arkansas Foundation, Inc. assists in developing and improving the programs and facilities for their campuses. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**COSSATOT COMMUNITY COLLEGE OF THE
UNIVERSITY OF ARKANSAS FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 522,238
Other	633,700
Total Assets	<u>\$ 1,155,938</u>
Liabilities and Net Assets	
Liabilities	\$ 418
Net Assets	1,155,520
Total Liabilities and Net Assets	<u>\$ 1,155,938</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 732,573
Expenditures and Other Deductions	<u>(107,313)</u>
Total Increase in Net Assets	<u>\$ 625,260</u>

Phillips Community College Foundation is dedicated to raising funds to support the Phillips Community College campus and to provide scholarships for its students. Audited financial statements for the year ended December 31, 2017, are presented below in summary form.

**PHILLIPS COMMUNITY COLLEGE FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of December 31, 2017**

Assets	
Cash and investments	\$ 4,230,731
Other Assets	67,505
Total Assets	<u>\$ 4,298,236</u>
Liabilities and Net Assets	
Liabilities	\$ 604,921
Net Assets	3,693,315
Total Liabilities and Net Assets	<u>\$ 4,298,236</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended December 31, 2017**

Income and Other Additions	\$ 1,027,698
Expenditures and Other Deductions	<u>(673,956)</u>
Total Increase in Net Assets	<u>\$ 353,742</u>

University of Arkansas Community College at Hope Foundation, Inc. operates for the sole benefit of the Hope campus. Audited financial statements for the year ended June 30, 2017, are presented below in summary form.

**UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE
AT HOPE FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2017**

Assets	
Cash and investments	\$ 2,596,831
Other Assets	<u>34,782</u>
Total Assets	<u><u>\$ 2,631,613</u></u>
Liabilities and Net Assets	
Liabilities	\$ 44,500
Net Assets	<u>2,587,113</u>
Total Liabilities and Net Assets	<u><u>\$ 2,631,613</u></u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2017**

Income and Other Additions	\$ 1,084,413
Expenditures and Other Deductions	<u>(751,929)</u>
Total Increase in Net Assets	<u><u>\$ 332,484</u></u>

Rich Mountain Community College Foundation, Inc. operates for the sole benefit of the Rich Mountain campus. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**RICH MOUNTAIN COMMUNITY COLLEGE
FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 3,724,887
Other assets	<u>934,845</u>
Total Assets	<u><u>\$ 4,659,732</u></u>
Liabilities and Net Assets	
Liabilities	\$ 6,100
Net Assets	<u>4,653,632</u>
Total Liabilities and Net Assets	<u><u>\$ 4,659,732</u></u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 304,567
Expenditures and Other Deductions	<u>(280,090)</u>
Total Increase in Net Assets	<u><u>\$ 24,477</u></u>

University of Arkansas Winthrop Rockefeller Institute (prior to June 11, 2012, known as the University of Arkansas Winthrop Rockefeller Center d/b/a/ Winthrop Rockefeller Institute) is an educational conference center incorporated in January 2005. The Institute’s mission is to provide extended learning for youth and adults and conferences focused on enriching and informing Arkansas leaders. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**UNIVERSITY OF ARKANSAS WINTHROP
ROCKEFELLER CENTER, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash and investments	\$ 4,247,730
Grant Receivable	-
Other	253,382
Property and Equipment, Net	<u>14,416,928</u>
Total Assets	<u>\$ 18,918,040</u>
Liabilities and Net Assets	
Liabilities	\$ 416,729
Net Assets	<u>18,501,311</u>
Total Liabilities and Net Assets	<u>\$ 18,918,040</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 1,808,882
Expenditures and Other Deductions	<u>(6,528,598)</u>
Total Decrease in Net Assets	<u>\$ (4,719,716)</u>

Delta Student Housing, Inc. (Delta) is a nonprofit corporation organized in Arkansas. Delta was created for the purpose of facilitating the financing for construction of student housing facilities on the various campuses of the University. In the fiscal year ended June 30, 2010, the Arkansas School for Mathematics, Sciences and the Arts (ASMSA) received \$6,000,000 in American Recovery & Reinvestment Act funds through the State of Arkansas and \$1,000,000 from state general improvement funds to be used toward the construction of a new residence/student life facility. In addition, ASMSA had almost \$4,000,000 of reserve funds to be used for the project. By leveraging these available funds, a financing structure was developed using federal New Markets Tax Credits (NMTC) which made available almost \$15,000,000 to construct the facility. Construction of the facility was completed in the summer of 2012. The facility was owned and managed by Delta until the completion of the NMTC compliance period of seven years, at which time the transaction was unwound and the building transferred to ASMSA through the Board of Trustees of the University. Audited financial statements for the year ended June 30, 2018, are presented below in summary form.

**DELTA STUDENT HOUSING, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2018**

Assets	
Cash	\$ 323,678
Property and equipment	-
Total Assets	<u>\$ 323,678</u>
Liabilities and Net Assets	
Liabilities	\$ -
Net Assets	<u>323,678</u>
Total Liabilities and Net Assets	<u>\$ 323,678</u>

**CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2018**

Income and Other Additions	\$ 289,413
Expenditures and Other Deductions	<u>(324,640)</u>
Total Decrease in Net Assets	<u>\$ (35,227)</u>

Note 19: Elimination of Inter-Company Transactions

The consolidated financial statements were prepared from financial statements submitted by each campus and the System Administration of the University. The inclusion of inter-company transactions in the consolidated financial statements is not considered materially significant to distort the amounts presented in the consolidated financial statements with the following exceptions, which were eliminated.

FY18 - Statement of Net Position

An elimination entry was made to reduce accounts receivable by \$17,142,300, which represent amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered, amounts owed between campuses, and interest due from a System Administration loan for eVersity from the campuses. Accounts payable was reduced by \$17,103,278, representing these billed amounts adjusted by cash in-transit within the system. Cash was increased by \$189,022 to account for payments in-transit within the system.

Three loans between University entities were eliminated to reduce assets and liabilities: (1) \$450,000 (current portion \$150,000) to reflect a loan to ASMSA by the System Administration; and (2) \$675,931 (current portion \$26,506) to reflect a loan from UAMS to UAF, and (3) \$4,975,498 to reflect a loan from the campuses to eVersity.

FY18 - Statement of Revenues, Expenses, and Changes in Net Position

As explained in Note 14, the System Administration administers the self-funded insurance programs for the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues, and insurance claims paid are shown as insurance

expenditures on the System Administration's financial statements. The premiums expensed by the campuses are recorded as part of compensation and benefits. An elimination entry was made to reduce insurance revenue and compensation/benefits expenditures in the amount of \$135,541,167.

An elimination entry was made for billings by System Administration to the campuses for services rendered to reduce operating sales and services revenue and operating supplies/services expense in the amount of \$3,929,091. An elimination entry for services provided among campuses in the amount of \$865,145. These amounts decreased operating sales and services, other operating revenues and operating supplies/services.

An elimination entry for the System Administration's interest expense for a loan from the campuses was made to decrease other non-operating revenues (expenses) and investment income in the amount of \$86,703.

FY18 - Statement of Cash Flows

The effects of the elimination entries described above to the statement of net position and the statement of revenues, expenses and changes in net position are also reflected in the statement of cash flows.

Note 20: Joint Endeavor

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

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

On August 14, 2014, the governing documents establishing and defining the joint endeavor between the City of Fayetteville and the University of Arkansas to operate the Walton Arts Center were revised to ensure clarity and flexibility to allow the Walton Arts Center to meet the arts and entertainment needs of all residents of Northwest Arkansas with a multi-venue system, while at the same time confirming support of the original partnership. Revisions were made to the respective Articles of Incorporation of the Walton Arts Center Foundation, Inc. and the Walton Arts Center Council, Inc. to clarify the purpose of each entity to encompass multiple venues in the Northwest Arkansas region; to allow the Walton Family Foundation to appoint nine additional

directors to the Board of Directors of the Arts Center Council while ensuring that the City and University maintain their proportionate number of Directors on the Board; to return the City of Fayetteville's initial payment of \$1.5 million to the Foundation back to the City for the City's use in the construction of a parking facility adjacent to the Walton Arts Center or as otherwise determined by the Fayetteville City Council; and with consent by the University to expend the institution's initial payment of \$1.5 million to the Foundation to help defray the construction costs of the proposed enlargement and enhancement of the Walton Arts Center located in Fayetteville, Arkansas. To date, the University's funds placed in the endowment have not been spent. Accordingly, the relationship of the University and Walton Arts Center Foundation, Inc., remains unchanged. In the event the funds are expended, as provided in the revised agreement, the Walton Arts Center Foundation, Inc. would no longer be an agent for the University nor would the University have the right of appointment of Walton Arts Center Foundation, Inc. directors.

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

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

Note 21: Related Parties

The following are significant related party transactions other than those with component units discussed in Note 1.

The Vice Chancellor for Economic Development for the Fayetteville campus 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. During the fiscal year ended June 30, 2018, the former Vice Chancellor and Director of Athletics at the Fayetteville campus also served on this Board. At June 30, 2018, bank balances held at Arvest Bank Group, Inc. banks total \$68,029,912 (book balances included on the Statement of Net Position were \$67,476,975).

Note 22: Contingencies

The University has been named as defendant in several lawsuits. It is the opinion of management and its legal counsel that these matters will be resolved without material adverse effect on the future operations or financial position of the University.

Immunity provisions in Arkansas law prohibit suits naming the Board of Trustees of the University of Arkansas System as a defendant in Arkansas State courts. Employees of UAMS acting in good

faith in the course and scope of their employment may be sued in state courts, but only to the extent of maintained insurance coverage. UAMS maintains malpractice insurance for certain employees under a claims-made policy. Premiums are accrued based on estimated claims, with the final premium amount determined based on actual claims experience. The cost of this policy is included in supplies and other expenses. UAMS incurred costs of \$3,311,000 for this insurance during the year ended June 30, 2018. A party may bring an action against the University through the Arkansas State Claims Commission (the Claims Commission). The Claims Commission may award a claim of up to \$15,000 without further review or appropriation. Awards that the Claims Commission approves in excess of \$15,000 must be approved and appropriated by the Arkansas State Legislature. Appropriations of this type, if any, reduce appropriations from the state to UAMS in the period in which the claim is appropriated.

In the fiscal year ended June 30, 2006, the Arkansas Development Finance Authority (the Authority) issued \$36,775,000 in Tobacco Settlement Revenue Bonds. The Authority made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center, now known as the Winthrop P. Rockefeller Cancer Institute, on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10% and principal and accumulated interest are payable beginning in 2021 through 2031 for \$22,158,000 of serial bonds and beginning in 2036 through 2046 for \$14,617,000 of term bonds.

Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the debt service revenues are insufficient to make such payments. Management believes the debt service revenues will be sufficient to service the entire principal and interest due. The *Global Insights USA, Inc.* report, prepared in August 2006, on the *Forecast of U.S. Cigarette Consumption (2004-2046)* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received \$60,067,457 from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately \$27.6 million in 2046 with the first \$5 million dedicated to pay the debt service on this bond issue.

If debt service revenues had been considered insufficient at June 30, 2018, the University would have incurred a liability of \$66,369,000 related to the issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue. The revenues pledged by UAMS to secure the Loan Agreement consist of inpatient service fees and fees collected from other ancillary, therapeutic, and diagnostic services provided within the walls of the hospital but exclude physician-generated revenues, state appropriations, and revenues restricted for other purposes.

Note 23: Restatements

Statement of Revenues, Expenses, and Changes in Net Position

Beginning net position, as reported on the Statement of Revenues, Expenses and Changes in Net Position, was restated due to the implementation of GASB Statement 75, as amended. As a result, Net Position – beginning of the year was reduced by \$7,118,973 to reflect the net effect of recognizing the University’s total OPEB liability and deferred outflows of resources attributable to the year ended June 30, 2017.

Beginning net position, as reported on the Statement of Revenues, Expenses and Changes in Net Position, has also been restated for the year ended June 30, 2017 to reflect a change in the recognition of certain grants and contracts revenue in the amount of \$876,096 for UALR and the capitalization of interest expense of \$488,381 for UACCM. UACCM capitalized interest totaling \$488,381 on the new Workforce Building put into service in the fiscal year ended June 30, 2017.

The net effect of these restatements was a decrease to total net position of \$7,506,688. The Statement of Cash Flows was also restated to reflect the changes.

Statement of Net Position

A reclassification to increase Restricted Expendable Net Position-Scholarships and Fellowships by \$24,040,000 and to decrease Unrestricted Net Position by the same amount was made to beginning net position for UAMS. There was no effect on total net position.

Note 24: Pollution Remediation

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

During fiscal year 2018, the Fayetteville campus received another DOE award totaling \$7,904,718. In August of 2018, the Fayetteville campus received an additional DOE award totaling \$5,595,282. These awards, combined with the residual left from the 2014 appropriation, brought total funds available for remediation costs to \$23,968,500. The Fayetteville campus began Phase 3B of the voluntary remediation by entering into a contract with EnergySolutions, LLC on May 18, 2018 to provide technical services for deconstruction and green fielding of the site. Total estimated cost of the Phase 3B voluntary remediation project was \$9,457,585. Expenditures incurred during fiscal year 2018 totaled \$8,030,005. The remaining project costs to complete Phase 3B, totaling \$7,566,068, were accrued and are included in accounts payable reported on the Statement of Net

Position. All project costs were funded by the DOE award on a cost reimbursement basis. Drawdowns during fiscal year 2018 totaled \$7,852,519. A receivable of \$8,743,334, reflecting amounts that have not yet been invoiced to the DOE award, was also established, and is included in the accounts receivable reported on the Statement of Net Position. The project will be completed once Phase 3 has been finished.

Note 25: Subsequent Events

Long-Term Debt-Fayetteville Campus

On July 26, 2018, the Fayetteville campus closed the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2018A and Taxable Series 2018B with par amounts of \$20,385,000 and \$6,560,000, respectively. The bonds provide resources for the purpose the renovation and reorganization of the interior of Mullins Library; construction, equipping and furnishing of the Student Success Center, an offsite library storage buildings, the Civil Engineering Research and Education Center, and intramural sports facilities; construction of improvements to the south campus steam and utility systems; construction and improvement of a remote parking facility; and the acquisition, construction, improvement, renovation, equipping and/or furnishings of other qualifying capital projects.

Long-Term Debt-System

On October 26, 2018, the System closed on a 10-year loan with Regions Capital Advantage, Inc. for \$27,000,000. The proceeds of the borrowing are for the purpose of the costs of configuring and installing an enterprise resource planning system. The interest rate on the loan is 3% per annum. The loan is a closed-end line of credit, with interest paid quarterly, through the conversion date of November 1, 2020 when it will convert to a permanent loan with quarterly principal and interest payments.



**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2018
REQUIRED SUPPLEMENTARY INFORMATION**

Employee Benefits

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Public Employees Retirement System Last Four Fiscal Years*				
	2018	2017	2016	2015
University's proportion of net pension liability	2.198%	2.202%	1.659%	1.462%
University's proportionate share of net pension liability	\$ 56,807,517	\$ 52,660,632	\$ 30,550,726	\$ 20,737,110
University's covered payroll**	\$ 40,658,901	\$ 39,968,417	\$ 29,241,762	\$ 24,610,760
University's proportionate share of the net pension liability as a percentage of its covered payroll	139.72%	131.76%	104.48%	84.26%
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%	84.15%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.				
**Includes Pulaski Technical College and Rich Mountain Community College for fiscal years beginning 2017.				
The amounts presented for each fiscal year were determined as of June 30 of the previous year.				

Schedule of University Contributions Arkansas Public Employees Retirement System Last Four Fiscal Years*				
	2018	2017	2016	2015
Contractually required contribution	\$ 5,446,489	\$ 5,847,656	\$ 5,122,338	\$ 4,316,084
Contributions in relation to the contractually required contribution	(5,446,489)	(5,847,656)	(5,122,338)	(4,316,084)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered payroll	\$ 36,710,317	\$ 40,658,901	\$ 35,350,993	\$ 29,241,762
Contributions as a percentage of covered payroll	14.84%	14.38%	14.49%	14.76%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.				

Schedule of University's Proportional Share of the Net Pension Liability Arkansas Teacher Retirement System Last Four Fiscal Years*				
	2018	2017	2016	2015
University's proportion of net pension liability	0.540%	0.589%	0.395%	0.437%
University's proportionate share of net pension liability	\$ 22,688,366	\$ 26,000,421	\$ 12,850,498	\$ 11,467,444
University's covered payroll**	\$ 15,932,158	\$ 17,474,936	\$ 11,516,407	\$ 11,527,065
University's proportionate share of the net pension liability as a percentage of its covered payroll	142.41%	148.79%	111.58%	99.48%
Plan fiduciary net position as a percentage of the total pension liability	79.48%	76.75%	82.20%	84.98%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.				
**Includes Pulaski Technical College and Rich Mountain Community College for fiscal years beginning 2017.				
The amounts presented for each fiscal year were determined as of June 30 of the previous year.				

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2018
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of University Contributions Arkansas Teacher Retirement System Last Four Fiscal Years *				
	2018	2017	2016	2015
Contractually required contribution	\$ 1,899,208	\$ 2,210,329	\$ 1,448,084	\$ 1,612,297
Contributions in relation to the contractually required contribution	(1,899,208)	(2,210,329)	(1,448,084)	(1,612,297)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
University's covered payroll	13,540,283	15,932,158	10,392,131	11,516,407
Contributions as a percentage of covered payroll	14.03%	13.87%	13.93%	14.00%
*Information is presented for those years for which it is available until a full 10-year trend is compiled.				

Other Postemployment Benefits

Summary of Key Actuarial Methods and Assumptions

Valuation date	July 1, 2017 valuation for the year ended June 30, 2018
Valuation year	Census data collected as of February 2018
Actuarial cost method	Entry Age Normal
Amortization method	Level percent of payroll
Remaining amortization period	30 years rolling
Asset valuation method	N/A, since no assets are accumulated in a trust.
Actuarial assumptions:	
Investment rate of return	3.58%
Rate of salary increase for amortization	4.0%
Medical inflation rate	6.75% grading to 4% over 16 years
Pharmacy inflation rate	9% grading to 4% over 16 years
Retiree contribution inflation rate	4.9% then 7.8% grading to 4% over 15 years

The discount rate used to measure the Total OPEB Liability (TOL) as of July 1, 2017 was 3.58%, the unfunded rate determined as of June 29, 2017 was based on the Bond Buyer 20-Bond GO Index.

Mortality Rates:

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

**UNIVERSITY OF ARKANSAS SYSTEM CONSOLIDATED FINANCIAL STATEMENTS FY2018
REQUIRED SUPPLEMENTARY INFORMATION**

Schedule of Changes in Total OPEB Liability and Related Ratios

Total OPEB Liability	2018
Service cost	\$ 4,589,055
Interest (includes interest on service cost)	2,320,787
Changes of benefit terms	
Differences between expected and actual experience	
Changes of assumptions	(13,904,426)
Benefit payments, including refunds of member contributions	(2,109,079)
Net change in total OPEB liability	(9,103,663)
Total OPEB liability - beginning	77,908,602
Total OPEB liability - ending	\$ 68,804,939
Covered employee payroll	\$ 1,320,436,000

Total OPEB liability as a percentage of covered employee payroll	5.21%
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*Information is presented for those years for which it is available until a full 10-year trend is compiled.

Notes to Schedule:

No assets for the Plan are accumulated in a trust.

Change of Assumptions:

During the measurement year, the TOL decreased by approximately \$9.1 million. This was due to the increase in the discount rate from 2.85% to 3.58%. The service cost and interest cost increased the TOL by approximately \$6.9 million while contributions decreased the TOL by approximately \$2.1 million.

Change of Benefits:

There were no changes in benefits during the year. There was a discount rate change between June 30, 2016 and June 30, 2017. This created an assumption gain of \$13.9 million, which will be amortized over the average expected remaining service life of all active and inactive members of the Plan.

The University of Arkansas System is a comprehensive, publicly-supported higher education system composed of unique institutions, units and divisions that share the singular goal of serving Arkansas residents and others by developing and sharing knowledge to impact an ever changing world. The System provides access to academic and professional education, and develops intellectual growth and cultural awareness in its students, staff and faculty. The System further promotes an atmosphere of excellence that honors the heritage and diversity of our state and nation, and provides students, researchers and professionals with tools to promote responsible stewardship of human, natural and financial resources at home and abroad.

Enrollment listed by campus are the preliminary official 11th-day headcounts as provided in September 2018 to the Arkansas Department of Higher Education for Fall 2018.

UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Established: 1871
Enrollment: 27,778
www.uark.edu

Founded in 1871, the University of Arkansas, Fayetteville (UAF) is the flagship institution of the University of Arkansas System. UAF is the state's foremost partner, resource and catalyst for education and economic development and is a university for the integration of student engagement, scholarship, research and innovation that collectively transforms lives while advancing Arkansas and building a better world.

As Arkansas's first land-grant university, UAF has a mandate to teach, conduct research and perform outreach. The university offers baccalaureate, master's, doctoral, professional and specialist degree programs, including a Juris Doctor degree and an LL.M. in Agriculture and Food Law. The Carnegie Foundation for the Advancement of Teaching places UAF in its highest category for research activity, a classification shared by only two percent of universities nationwide. Research activity is a significant academic element at the university and an economic engine for the state.

UNIVERSITY OF ARKANSAS AT FORT SMITH

Established: 1928
Joined System: 2002
Enrollment: 6,569
www.uafs.edu

The University of Arkansas at Fort Smith (UAFS) was created in 1928 in response to the need to establish an institution of higher education to improve the local workforce. UAFS continues that tradition today as the premiere regional institution for western Arkansas, with a mission to connect education with careers and a focus on preparing students to succeed in an ever-changing global world while advancing economic development and quality of place.

As one of the leading workforce development universities in Arkansas, UAFS prides itself on crafting curricula that respond to the needs of local and regional business and industry, as well as healthcare, educational and social services organizations. Small class sizes, attentive professors, and hands-on learning opportunities produce graduates that are recognized throughout the region and the state for their job readiness in high-demand career fields.

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Established: 1927
Joined System: 1969
Enrollment: 10,525
www.ualr.edu

The University of Arkansas at Little Rock is a metropolitan research university that provides an accessible, quality education through flexible learning and unparalleled internship opportunities in central Arkansas. UA Little Rock prepares more than 10,500 traditional and nontraditional students to be innovators and responsible leaders in their fields. Committed to its metropolitan mission, UA Little Rock is a driving force in Little Rock's thriving business, nonprofit and cultural community. The university is a major component of the city and state's growing profile as a regional leader in research, technology transfer, economic development, and job creation. Students learn from quality, accomplished professors in classes that are as engaging as they are rigorous. Coursework blends critical thinking with real-world experience, providing a springboard for internships and later careers in such in-demand fields as nursing, engineering, data quality, criminal justice, and education.

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Established: 1879
Enrollment: 2,758
www.uams.edu and www.uamshealth.com

The University of Arkansas for Medical Sciences (UAMS) is the only health sciences university in Arkansas. It is the state's largest public employer with more than 10,000 employees in 73 of the state's 75 counties. Clinical affiliates include Arkansas Children's Hospital, the Central Arkansas Veterans Healthcare System and Baptist Health. It is the only adult Level 1 trauma center in the state.

With its combination of education, research and clinical programs, UAMS has a unique capacity to lead health care improvement in the state. The university includes colleges of Medicine, Nursing, Pharmacy, Health Professions and Public Health; a 514-bed UAMS Medical Center; eight Regional Campuses, (each with a Family Medical Center); a statewide network of Centers on Aging; the Translational Research Institute; the Winthrop P. Rockefeller Cancer Institute; the Jackson T. Stephens Spine & Neurosciences Institute; the Donald W. Reynolds Institute on Aging; the Harvey & Bernice Jones Eye Institute; and the Psychiatric Research Institute.

UNIVERSITY OF ARKANSAS AT MONTICELLO

Established: 1909
Joined System: 1971
Enrollment: 3,212
www.uamont.edu

Founded in 1909 as the Fourth District Agricultural School, the University of Arkansas at Monticello (UAM) is one of the region's few remaining open access universities. Serving southeast Arkansas, UAM offers 31 baccalaureate and seven master's degree programs. Additionally, the university offers eight two-year associate degrees, 17 technical certificates and 14 certificates of proficiency through its College of Technology in Crossett and McGehee.

UAM has established a reputation for academic excellence in areas such as forestry, nursing, teacher education, pre-medicine, health-related sciences, business and social sciences. The university is home to the Arkansas Forest Resources Center, which brings together interdisciplinary expertise from across the University System. In recent years, UAM has added new opportunities to its curriculum, including popular programs in social work and criminal justice, a fast-track master's degree program to place more teachers in the classroom, online master's degree programs in coaching, education, educational leadership and creative writing and a low residency master of music in jazz studies.

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Established: 1873
Joined System: 1972
Enrollment: 2,620
www.uapb.edu

An 1890 land-grant institution, the University of Arkansas at Pine Bluff (UAPB) is the second-oldest university and the only public historically black university in Arkansas. The institution's historic mission is to teach in areas related to agriculture and the mechanical arts, as well as scientific and classical studies and help solve economic, agricultural and other problems in the community, state and region.

UAPB offers 30 undergraduate programs, eight master's degrees, and a PhD program in Aquaculture/Fisheries, one of the country's leading programs that also supports Arkansas's \$165 million aquaculture and baitfish industry. The university's bachelor degree program in regulatory science is a designated Center of Excellence by the U.S. Department of Agriculture. Other areas of emphasis at UAPB include teacher education, business development and student leadership development and its NSF-funded Science, Technology, Engineering and Math (STEM) Academy.

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1975
Joined System: 2001
Enrollment: 1,475
www.cccua.edu

Cossatot Community College of the University of Arkansas (CCCUA) is located in De Queen with classroom sites in Nashville, Ashdown, Lockesburg, Dierks and Foreman. The college offers both technical certification and associate's degrees and collaborates with other colleges and universities to offer bachelor's and master's degrees. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, CCCUA is the only community college in the state supported by sales taxes in three separate counties and one city, and has the highest percentage of Hispanic students in Arkansas.

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Established: 1964
Joined System: 1996
Enrollment: 1,520
www.pccua.edu

The first community college established in Arkansas, Phillips Community College of the University of Arkansas (PCCUA) is a multi-campus, two-year college serving Eastern Arkansas in Helena-West Helena, DeWitt, and Stuttgart. PCCUA offers adult education, technical certification and associate's degrees in academic, occupational/technical and continuing education programs and partners with other colleges and universities to offer bachelor's and master's degrees. We are accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the National League for Nursing Accrediting Commission, the National Accrediting Agency for Clinical Library Sciences, and the Accreditation Council for Business Schools and Programs. PCCUA is committed to helping every student succeed providing quality, affordable, and accessible education.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Established: 1975
Joined System: 1997
Enrollment: 1,333
www.uaccb.edu

The University of Arkansas Community College at Batesville (UACCB) serves a multi-county area in north central Arkansas, offering associate degrees, technical certificates, certificates of proficiency, adult education (GED and ESL) and kids' college. Accredited by the Higher Learning Commission of the North Central Association of Colleges and Schools, the campus has expanded program offerings and student services in order to meet its student-focused mission. Supported by an Independence County sales tax, UACCB provides affordable access to technical education and

college transfer programs that meet the diverse higher education needs of the citizens of northeast Arkansas.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Year Established: 1965

Joined System: 1996

Enrollment: 1,563

www.uacch.edu

Serving Southwest Arkansas, the University of Arkansas Community College at Hope (UACCH) offers the first two years of a traditional college education transferable to a four-year university, as well as an array of certificate programs to prepare students for an ever-changing workforce. UACCH is an accredited, open-access institution that connects students and community partners to quality education and supports a culture of academic, occupational, personal growth and enrichment programs throughout Southwest Arkansas. UACCH is supported by a Hempstead County sales tax. UACCH opened the Texarkana Instructional Facility in 2012 becoming a regional contributor to the educational needs of Southwest Arkansas. The Texarkana facility has enabled the College to expand programs in both the technical and industrial areas, as well as the health professions.

UACCH welcomed 1,563 students, the largest enrollment in the 53-year history of the institution, to the Hope and Texarkana Campuses this semester. The college has experienced a steady rise in enrollment over the past five years with an increase of 15% from fall 2014. Additionally, the number of unduplicated graduates at UACCH has risen each year over the past five years, and the total number of graduates has increased by 69% from 2014. The total number of degrees and certificates awarded have also risen with a 52% increase from 2014.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Established: 1961

Joined System: 2001

Enrollment: 1,906

www.uaccm.edu

Originally established as a vocational-technical school and then a technical college, the University of Arkansas Community College at Morrilton (UACCM) is a two-year institution offering university-transfer and career-specific training programs, adult education, workforce education and community outreach programs. UACCM offers an associate of arts and an associate of science degrees designed for university transfer, as well as associate of applied science degrees, technical certificates and certificates of proficiency designed for immediate entry into the job market.

UACCM has transfer agreements with all state universities, and in collaboration with individual four-year colleges, has also developed 2+2 plans that ensure a smooth transfer to specific academic degree programs.

UACCM is supported by a Conway County sales tax. Construction was completed in the spring of 2018 on the 53,843-square-foot Workforce Training Center (WTC) and is considered one of the premier technical training facilities in the state.

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE

Established: 1945
Joined System: 2017
Enrollment: 5,451
www.pulaskitech.edu

The University of Arkansas-Pulaski Technical College (UAPTC) is a two-year technical college based in North Little Rock with a mission to serve its community's education needs through technical programs, university-based transfer programs and specialized programs for business and industry. Originally founded as a vocational-technical school, UAPTC has evolved through the years to meet the varying educational needs of the citizens of Central Arkansas. In addition to its main campus in North Little Rock, the college has locations across Pulaski and Saline Counties.

UAPTC has university partnerships to allow completion of bachelor's degrees with students taking most of their classes on the campus or online.

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN

Established: 1983
Joined System: 2017
Enrollment: 814
www.uarichmountain.edu

The University of Arkansas Community College at Rich Mountain (UACCRM), based in Mena, is a comprehensive, learning-centered community college providing a range of programs including transfer and technical degrees, workforce development and adult education, among others. Through its main campus and satellite locations in Mt. Ida and Waldron, UACCRM serves the Ouachita Mountain Region with exemplary educational and enrichment opportunities to improve quality of life and economic advancement.

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES AND THE ARTS

Established: 1993
Joined System: 2004
asmsa.org

The Arkansas School for Mathematics, Sciences and the Arts (ASMSA) is the state's premier high school focusing on excellence in mathematics, science and the arts. Located in Hot Springs, ASMSA is one of fifteen public residential high schools in the country specializing in the education of gifted and talented students who have an interest and aptitude for mathematics and science. All classes are taught at the college level, and the school offers nearly 60 concurrent courses. Through

the school's "college bridge" program, ASMSA graduates average 50 hours of college credit while finishing high school.

Beyond the residential experience, ASMSA's outreach programs provide Saturday enrichment opportunities for motivated middle and early high school students. Digital learning programs like Coding Arkansas' Future and STEM Pathways provides online instruction for students whose local school districts lack the resources for advanced instruction.

UNIVERSITY OF ARKANSAS CLINTON SCHOOL OF PUBLIC SERVICE

Established: 2004

www.clintonschool.uasys.edu

Located on the grounds of the William J. Clinton Presidential Center and Park in Little Rock, the University of Arkansas Clinton School of Public Service is the first graduate school in the nation to offer a Master of Public Service (MPS) degree, helping students further their careers in the areas of government, non-profit, volunteer and private sector service. As part of the school's unique curriculum, students complete hands-on public service projects, including local work in Arkansas communities and international projects across the world. The school also hosts a renowned public lecture series, featuring leaders in government, politics, foreign policy, journalism and philanthropy.

The model is unique in higher education because most of the school's financial investment is in scholarship and service and not in infrastructure and overhead. Little Rock's River Market serves as its student union. The Central Arkansas Main Library is the school library. When there is a need for auditorium space, the school accesses the Clinton Library, the Statehouse Convention Center or the Ron Robinson Theater--all of which are in walking distance.

The school's curriculum is enhanced with a national and international speaker series (www.clintonschoolspeakers.com) which brings in leaders and scholars from the arts, business, education, government, international development, nonprofits, philanthropy and public service and are free and open to the public. The speakers have included United States presidents and ambassadors, Pulitzer Prize recipients, and Nobel Prize winners.

DIVISION OF AGRICULTURE

Established: 1959

www.division.uaex.edu

The University of Arkansas Division of Agriculture is the statewide research and extension agency serving Arkansas agriculture, communities, families and youth. The mission of the division is to discover new knowledge, incorporate it into practical applications and assist Arkansans in its application. The division is comprised of two principal units: the Arkansas Agricultural Experiment Station and the Cooperative Extension Service. Division faculty and facilities are located on several university campuses, at regional research and extension centers, branch stations

and other locations. An extension office is located in each county in cooperation with county governments.

The Division of Agriculture has earned patents in a variety of research programs in food science, biological and agricultural engineering, poultry science, crop, soil, and environmental sciences, and the Rice Research and Extension Center. Volunteers are an extremely important component of delivering Extension programs, particularly in 4-H, Extension Homemakers and Master Gardeners.

ARKANSAS ARCHEOLOGICAL SURVEY

Established: 1967

www.uark.edu/campus-resources/archinfo/

The mission of the Arkansas Archeological Survey is to study and protect the 13,000-year archeological heritage of Arkansas, to preserve and manage information and collections from archeological sites, and to communicate what is learned to the people of the state. The survey has research stations across the state, each with a full-time Ph.D. archeologist associated with regional higher education institutions and state parks. The archeologists conduct research, assist other state and federal agencies to help promote the economic importance of the state's heritage resources, and are available to local officials, landowners, educators and students, and citizens in need of information about archeology or archeological sites.

Arkansas Archeological Survey databases contain information on more than 48,000 archeological sites and 8,000 projects, available to qualified professional archeologists at state and federal agencies, colleges and universities, and federally recognized tribes. The Survey's curation facility, managed jointly with the University of Arkansas Museum, provides a secure, state-of-the-art home for both Survey and University artifact collections. Students and teachers across Arkansas use the Survey's educational websites to learn about our state's prehistoric and historic cultural heritage.

CRIMINAL JUSTICE INSTITUTE

Established: 1988

www.cji.edu

The Criminal Justice Institute (CJI) is a campus of the University of Arkansas System that serves a unique population of non-traditional students—certified law enforcement professionals who are actively employed within the state's law enforcement organizations. The Institute is committed to making communities safer by supporting law enforcement professionals through training, education, resources and collaborative partnerships.

Utilizing both online learning opportunities and classroom-based instruction, CJI provides an educational experience designed to enhance the performance and professionalism of law enforcement in progressive areas of policing, including law enforcement leadership and management, forensic sciences, computer technologies and related crimes, traffic safety, illicit drug investigations and school safety. In addition, the Institute develops and delivers curriculum

in cyberterrorism and sexual assault management and investigation through the National Center for Rural Law Enforcement (NCRLE), a division of CJI committed to helping rural law enforcement agencies effectively combat crime in their communities.



UNIVERSITY OF ARKANSAS SYSTEM *e*VERSITY

Established: 2014

<http://eversity.uasys.edu>

The University of Arkansas System *e*Versity is an accredited, 100% online institution created by the UA Board of Trustees in March 2014 to serve students who are unable to access traditional higher education campuses. The core principles of the institution include providing high-quality courses, affordable tuition and workforce-relevant degree programs, along with promoting student success in programs. *e*Versity began offering classes in partnership with existing UA System institutions in the spring of 2016.

Faculty from across the UA System develop and deliver rigorous certificate and degree programs that utilize rich data analytics to enhance student success and achievement.

UNIVERSITY OF ARKANSAS SYSTEM

www.uasys.edu

The System administration carries out the governance and administration of the University of Arkansas System in accordance with policies of the Board and the President.

The System administration includes the activities that furthers efforts to meet the goals of the strategic plan for the UA System and to achieve the comprehensive mission of the UA System. In this capacity, the System Office provides the oversight and development of policies and procedures to assist the campuses and units; provides oversight of the preparation of annual operating budgets and financial reports to the Board; prepares the consolidated annual financial statements; administers a program of employee benefits and risk management; provides legal advice and representation; provides internal audits and risk assessments of the fiscal operations of the campuses and entities; and coordinates public relations, media and governmental relations activities on behalf of the System, campuses and entities. The System Office further provides administrative staff support for the Board and President. Academic Affairs provides leadership and guidance to assist campuses and entities to meet statewide goals in student retention and graduation.



UNIVERSITY OF ARKANSAS, FAYETTEVILLE

Joseph E. Steinmetz, *Chancellor*
Chris McCoy, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS AT FORT SMITH

Edward Serna, *Interim Chancellor*
Brad Sheriff, *Vice Chancellor for Finance*

UNIVERSITY OF ARKANSAS AT LITTLE ROCK

Andrew Rogerson, *Chancellor*
Steve McClellan, *Vice Chancellor of Finance and Administration*

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES

Cam Patterson, *Chancellor*
Amanda George and Jake Stover, *Co-Interim Chief Financial Officers*

UNIVERSITY OF ARKANSAS AT MONTICELLO

Karla Hughes, *Chancellor*
Alex Becker, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS AT PINE BLUFF

Laurence Alexander, *Chancellor*
Carla Martin, *Vice Chancellor for Finance and Administration*

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

Steve Cole, *Chancellor*
Charlotte Johnson, *Vice Chancellor for Business and Financial Services*

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS

E. Keith Pinchback, *Chancellor*
Stan Sullivant, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE

Deborah J. Frazier, *Chancellor*
Gayle Cooper, *Vice Chancellor for Finance and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE

Chris Thomason, *Chancellor*
Brian Berry, *Executive Vice Chancellor for Student Services and Administration*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON

Larry D. Davis, *Chancellor*
Lisa Gunderman-Willenberg, *Vice Chancellor for Finance and Operations*

UNIVERSITY OF ARKANSAS PULASKI TECHNICAL COLLEGE

Margaret Ellibee, *Chancellor*

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT RICH MOUNTAIN

Phillip Wilson, *Chancellor*
Morris Boydston, *Vice Chancellor of Administration*

ARKANSAS SCHOOL FOR MATHEMATICS, SCIENCES, & THE ARTS

Corey Alderdice, *Director*
Ashley Smith, *Director of Finance*

UNIVERSITY OF ARKANSAS SYSTEM eVersity

Michael Moore, *Chief Academic Officer*



THIS REPORT WAS PREPARED BY THE OFFICE OF FINANCE AND ADMINISTRATION
AND IS AVAILABLE ON THE UNIVERSITY OF ARKANSAS SYSTEM'S WEBSITE AT WWW.UASYS.EDU