University of Arkansas System

Consolidated Financial Statements

FY2008-09

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Cover Photo: A dusting of snow highlights the beauty of the Joy Manning Scott Full Moon Bridge at Garvan Woodland Gardens, an entity of the University of Arkansas. Opposite Page: More than 100,000 tulips provide a vibrant backdrop to a spring walk along the trails at the University of Arkansas' Garvan Woodland Gardens in Hot Springs.

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Letter of Transmittal

UNIVERSITY OF ARKANSAS SYSTEM

Office of the Vice President
for Finance and Administration

December 14, 2009

Board of Trustees
President B. Alan Sugg
Chancellors of the University of Arkansas System

It is my pleasure to transmit to you the Consolidated Financial Report of the University of Arkansas System for the fiscal year ended June 30, 2009. The data presented, including the Management Discussion and Analysis, Statement of Net Assets, Statement of Revenues, Expenses and Changes in Net Assets, and Statement of Cash Flows, is presented on a consolidated basis and includes all components of the UA System: the campuses at Fayetteville (whose statements include the Division of Agriculture, Arkansas Archeological Survey, Clinton School of Public Service and Criminal Justice Institute), Fort Smith, Little Rock, Monticello, Pine Bluff, DeQueen, Helena-West Helena, Batesville, Hope and Morrilton, the Medical Sciences campus, the Arkansas School for Mathematics, Sciences and the Arts, and System Administration.

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

Sincerely,

Barbara A Goswick

Barbara Goswick
Vice President for Finance & CFO

2404 North University Avenue / Little Rock, Arkansas 72207-3608 / 501-686-2920 / Fax 501-686-2939

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

University of Arkansas System
Legislative Joint Auditing Committee

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, 2009, which collectively comprise the University's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the University's management. 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, net assets, and revenues constituting 38 percent, 38 percent, and 50 percent, 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, net assets, and revenues of the aggregate discretely presented component units. Those financial statements were audited by other auditors whose reports thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the University of Arkansas for Medical Sciences, the University of Arkansas Foundation, Inc., and the University of Arkansas Fayetteville Campus Foundation, Inc., is based 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 of 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to previously 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 of Arkansas System as of June 30, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 22 to the financial statements, the University changed its methods of accounting for library holdings (capital assets) at the Fayetteville campus and the Federal Perkins Loan Program-Federal Capital Contributions for the fiscal year ended June 30, 2009.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2009 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 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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Opinion of Legislative Audit (Cont.)

The Management's Discussion and Analysis and certain information pertaining to postemployment benefits other than pensions are not a required part of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the University's basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1), the Statement of Net Assets by Campus (Schedule 2), the Statement of Revenues, Expenses and Changes in Net Assets by Campus (Schedule 3), and the Statement of Cash Flows - Direct Method - by Campus (Schedule 4) are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Selected Information for the Last Five Years (Schedule 1) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it. The Statement of Net Assets by Campus (Schedule 2), the Statement of Revenues, Expenses and Changes in Net Assets by Campus (Schedule 3), and the Statement of Cash Flows - Direct Method - by Campus (Schedule 4) have been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and, in our opinion, based on our audit and the report of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
November 10, 2009
EDHE14109

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Overview of the Financial Statements and Financial Analysis

The University of Arkansas ("the University") is pleased to present its financial statements for the fiscal year ended June 30, 2009, with the fiscal year 2008 prior year data presented for comparative purposes. The data presented includes the Statement of Net Assets, the Statement of Revenues, Expenses and Changes in Net Assets, and the Statement of Cash Flows.

The University, 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 System 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 System 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 joined the System on January 1, 2004. In addition to these campuses, the System includes the following units: Clinton School of Public Service, Division of Agriculture, Archeological Survey, Criminal Justice Institute, and the System Administration.

All programs and activities of the University of Arkansas are governed by its Board of Trustees, 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 and Vice President for Agriculture, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

The University's financial statements were prepared in accordance with standards issued by the Governmental Accounting Standards Board (GASB). The financial statement presentation required by GASB Statement No. 35, Basic Financial Statements-and Management's Discussion and Analysis-for Public Colleges and Universities, provides a comprehensive, entity-wide perspective of the University's assets, liabilities, net assets, revenues, expenses, changes in net assets and 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 foundations as component units subject to inclusion in the financial report: the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. As component units, their financial information is included in our financial report in accordance with GASB Statement No. 39, Determining Whether Certain Organizations Are Component Units." Additional information regarding these foundations is provided in Note 1 of the financial statements

Statement of Net Assets

The Statement of Net Assets presents the assets, liabilities and net assets of the University. The purpose of the statement is to present to the readers of the financial statements a fiscal snapshot of the University as of the end of the fiscal year. Current assets and liabilities are distinguished from non-current assets and liabilities. The statement provides a picture of net assets (assets minus liabilities) and their availability for expenditure by the University.

Net assets are divided into four major categories:

- Invested in capital assets, net of debt: capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction or improvement of those assets.
- Restricted net assets – non-expendable: net assets subject to externally-imposed stipulations that they be maintained permanently by the University.
- Restricted net assets – expendable: net assets whose use by the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- Unrestricted net assets: net assets that are not subject to externally imposed stipulations but can be used at the discretion of the governing board to meet current expenses for any purpose if not limited by contractual agreements with outside parties.

Condensed Statement of Net Assets

	June 30, 2009	June 30, 2008
ASSETS		
Current assets	$ 611,439,001	$ 639,419,503
Capital assets, net	2,015,582,833	1,855,899,813
Other assets	280,645,408	302,774,358
Total Assets	2,907,667,242	2,798,093,674
LIABILITIES		
Current liabilities	232,500,793	241,192,536
Noncurrent liabilities	981,976,003	876,017,904
Total Liabilities	1,214,476,796	1,117,210,440
NET ASSETS		
Invested in capital assets, net of related debt	1,169,406,597	1,051,693,500
Restricted		
Non-Expendable	53,094,876	78,569,934
Expendable	178,563,741	201,247,280
Unrestricted	292,125,232	349,372,520
Total Net Assets	1,693,190,446	1,680,883,234

The University's total assets increased $109.6 million. Significant decreases in cash and investments of $108.6 million were in part due to unrealized losses of approximately $38.5 million and the use of funds for major construction projects. An increase in patient accounts receivable of $12 million was partially due to increased patient admissions after the opening of the new patient tower on the medical sciences campus in January 2009. Approximately $11 million of the $14.4 million increase in accounts receivable was due to a timing difference in receiving state appropriations, with an additional increase of $3.3 million in grants receivable. The increase of $5.8 million in inventories was due to supplies bought at the medical sciences campus necessary to stock the new hospital and their use of an outside firm to count and value the inventory on hand. The University's capital additions, net of depreciation expense, totaled $159.7 million, mostly due to the construction and equipment costs on the medical sciences campus for the Winthrop P. Rockefeller Cancer Institute Tower, the patient bed tower, central power plant, and the Psychiatric Research Institute, along with various construction projects and equipment purchases on the Fayetteville campus, and an adjustment of $12.5 million for library holdings as discussed in Note 22. Deposits held in trust by others, which represents unspent bond proceeds and bond reserve funds, had a net increase of $27.2 million, composed of the sale of bonds of $91.6 million offset by the University's use of bond proceeds. More detail about capital assets is presented in Note 10 to the financial statements.

Total liabilities increased $97.3 million, consisting primarily of increases of $86.3 million in debt related to bonds, notes, capital leases and installment contracts (Note 7), $4.6 million in compensated absences (Note 4), $7.4 million in other post employment benefits (Note 13), and $18.0 million related to a refundable federal advance for federal Perkins loans (22), offset by decreases of $15.1 million in accounts payable and estimated third party payor settlements of $6.1 million.

The increase in assets of $109.6 million netted with an increase of $97.3 million in liabilities resulted in an increase of $12.3 million in total net assets for the University.

Cooper Fountain in the middle of the University of Arkansas at Little Rock campus is a focal point for the university.

Statement of Revenues, Expenses and Changes in Net Assets

The purpose of this statement is to present revenues received and expenses paid by the University, both operating and non-operating, and any other revenues, expenses, gains and losses. The operating income (loss) is of little significance for the University since the GASB requires a significant portion of revenues (state appropriations, gifts, and some grants and contracts) to be reported as non-operating.

Condensed Statement of Revenues, Expenses and Changes in Net Assets

	Year Ended	
	June 30, 2009	June 30, 2008
Operating revenues	$1,525,345,418	$ 1,469,672,065
Operating expenses	2,129,361,055	2,013,109,532
Operating Loss	(604,015,637)	(543,437,467)
Non-operating revenues & expenses	523,394,399	574,910,297
Income before other revenues & expenses	(80,621,238)	31,472,830
Other revenues and expenses	100,387,224	84,244,736
Increase in Net Assets	19,765,986	115,717,566
Net Assets, beginning of year - as originally reported	1,680,883,234	1,565,165,668
Restatement of prior year	(7,458,774)	
Net Assets, beginning of year - restated	1,673,424,460	1,565,165,668
Net Assets, end of year	1,693,190,446	1,680,883,234

Representing 43.6% of total increase of $55.7 million in operating revenue, student tuition and fees increased $24.3 million due to increases in the rates charged for tuition and fees along with an increase in FTE (full-time-equivalent) enrollment of 3.2%. Net patient services revenue increased $16.1 million and is mainly due to growth in patient volume from the opening of the patient bed tower and the Psychiatric Research Institute. Grants and contracts represent 23% of the total growth, or $12.8 million.

Increased compensation and benefit costs rose 5.4% over the previous year, and accounts for $63.4 million or a little over half of the total increase in operating expenses of $116.3 million. Of the increase in compensation and benefit expense, almost 79% or $50.0 million is related to the medical sciences campus, including $41.5 million due to necessary staffing to support increased patient volumes. Additionally, as a result of implementing GASB Statement No. 45 in FY08 as discussed in Note 13, the University accrued an additional $7.4 million in retiree healthcare expenses for fiscal year 2009. Supplies and services expense increased $26.3 million, including $7.8 million due to increased patient volume discussed above. Expenses related to the University's self-funded health and dental plans increased $2.6 million, which was a significant improvement compared to the increase of $14.6 million increase in FY08. As plan sponsor, the University responded to the

poor health plan experience in FY08 with the following initiatives: premium increases of 3% on 7-1-08, 4% on 9-1-08 and 6.5% on 1-1-09 on the employer portion only. In addition, a radiology pre-authorization program was implemented, along with pharmacy benefit formulary changes and increases in patient co-pays on certain drugs, and an increase in the deductible and maximum out-of-pocket co-insurance for employees. Depreciation expense accounted for almost 15% of the increase in operating expenses and is a result of an increase in capital assets acquired from bond proceeds and other sources of $264.5 million.

Net non-operating revenues decreased $51.5 million primarily due to a decrease of investment income of $47.6 million, which includes an unrealized loss of $38.5 million, and is a result of economic conditions in FY09. Gift revenue was down $4.6 million, and non-exchange grants and contracts increased $8.9 million. Interest paid on capital debt increased $8.1 million.

Other revenues netted against other expenses increased $16.1 million. Decreases in capital appropriations and capital grants and gifts were offset by bond proceeds from the State of Arkansas Higher Education General Obligation Bonds as explained in Note 7. A significant amount of gifts for the benefit of the University are made to the University of Arkansas Foundation, Inc. which is presented as a component unit in the financial statements. There was also a $30.2 million interagency disposition shown in FY08 which is explained in Note 20.

Statement of Cash Flows

The purpose of the Statement of Cash Flows is to provide information about the cash receipts and disbursements of the University for the year. This statement may aid 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. This statement is prepared using the "direct method" as required by the GASB.

Similar to operating income (loss) on the Statement of Revenues, Expenses, and Changes in Net Assets, net cash provided by operating activities is of little significance to the University because the GASB requires significant sources of cash to be reported as non-operating financing. The net cash provided by the combination of operating activities and non-capital financing activities is a much more meaningful number for the University. The positive amounts of $90.7 million and $184 million for fiscal years ending June 30, 2009 and June 30, 2008, respectively, indicate that these activities contributed cash and liquidity for the year.

Condensed Statement of Cash Flows

	Year Ended	
	June 30, 2009	June 30, 2008
Cash provided (used) by:		
Operating activities	$ (503,617,038)	$(405,359,191)
Noncapital financing activities	594,295,112	589,382,534
Capital & related financing activities	(193,595,952)	(206,431,635)
Investing activities	141,211,128	83,500,446
Net change in cash	38,293,250	61,092,154
Cash, beginning of year	190,850,638	129,758,484
Cash, end of year	$ 229,143,888	$ 190,850,638

Capital Assets and Long-Term Debt Activity

At June 30, 2009, the University had $2.0 billion of capitalized assets, net of accumulated depreciation of $1.3 billion. Capital additions in fiscal year 2009 totaled $264.5 million.

In fiscal year 2009, the University issued a total of $91.6 million in bonds for four campuses: $51,960,000 of Various Facilities Revenue Bonds, Series 2008A and B (Fayetteville campus) to finance the construction of the Garland Avenue parking garage, the KUAF campus radio station facility, a new bookstore building and other retail space, along with various land purchases; $25,000,000 of Student Fee Revenue Bonds, Series 2009 (Fort Smith campus) to finance the construction of a 400-bed student housing complex; $12,030,000 Student Fee Refunding and Construction Revenue Bonds, Series 2009 (Phillips campus) to finance the construction of the Grand Prairie Center Project on the Stuttgart campus and the current refunding of the University's Student Fee Revenue Bonds, Series 1997; and $2,624,390 Student Fee Revenue Bonds, Series 2008 (Hope campus) to finance the construction of a science and technology center. Bonds retired in fiscal year 2009 totaled $31.7 million. In addition, there was a net increase of $26.4 million in notes, capital leases and installment contracts payable. More detailed information about debt activity is presented in Note 7.

At the University of Arkansas, Fayetteville, twin cranes bring construction materials during erection of the Garland Center, a parking facility along Garland Avenue with retail space for the bookstore.

Economic Outlook

Although not as large an increase as experienced in FY08, the University's financial position remained strong in fiscal year 2009 with an increase of $12.3 million in net assets. Moody's Investment Service affirmed its rating of Aa3 of the University of Arkansas System in September 2009.

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.

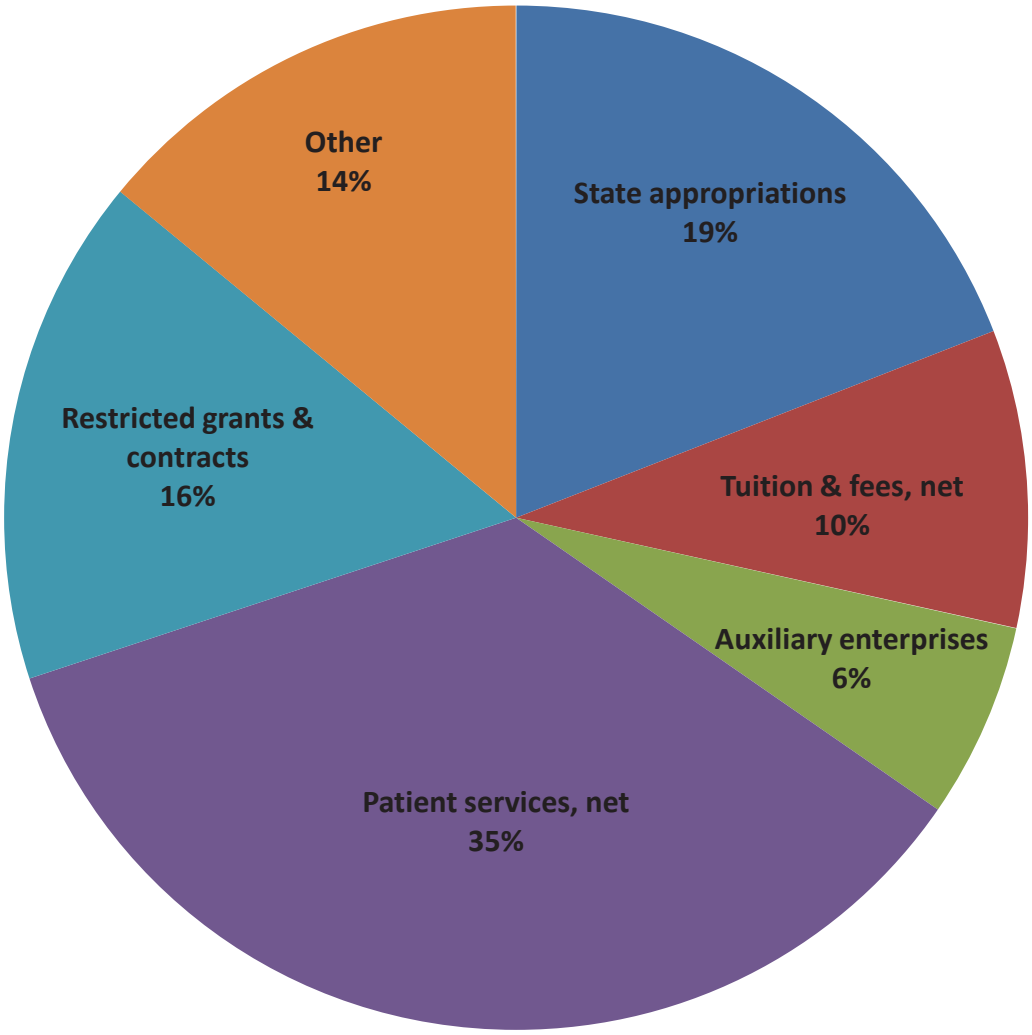
The state's official April 2009 forecast of revenue for fiscal year 2010 included full funding of "Category A" and 18% of "Category B" appropriated monies. On October 20, 2009, the FY10 forecast was reduced to 98% of "Category A" monies. This reduction totals $9.5 million for the University. The campuses had been instructed to set aside their portion of approximately $10 million in a contingency fund in their FY10 budgets. Management will continue to institute both internal and external efforts to minimize the effect of fluctuations in state funding.

UAMS' hospital and clinics are experiencing the same challenges as the general healthcare sector in the current economic environment, including potential reimbursement pressures from third-party payers, rising charity care, and softening volumes. To mitigate the unfavorable impact of the current economic environment, UAMS will be required to seek other revenue and growth opportunities, reduce costs, or some combination of both. Management recognizes the absolute necessity of cost control and has identified expense reduction targets for the upcoming year and is actively developing strategies for future years. UAMS is continuing significant investments in information technology in order to generate necessary productivity gains, more closely manage clinical practice and outcomes continue to increase patient safety, and to remain compliant with an ever-growing regulatory burden. In addition to these challenges, the impact of the current health care legislation being debated in Congress is unknown at this time.

On the positive side, American Recovery and Reinvestment Act (ARRA) stimulus money has been awarded to the University both for operating needs in the amount of $14.9 million and capital projects in the amount of $19 million. In addition, UAMS has been granted one of the highly sought after federal Center for Clinical and Translational Science awards to replace the long standing General Clinical Research Center to be funded from the stimulus money.

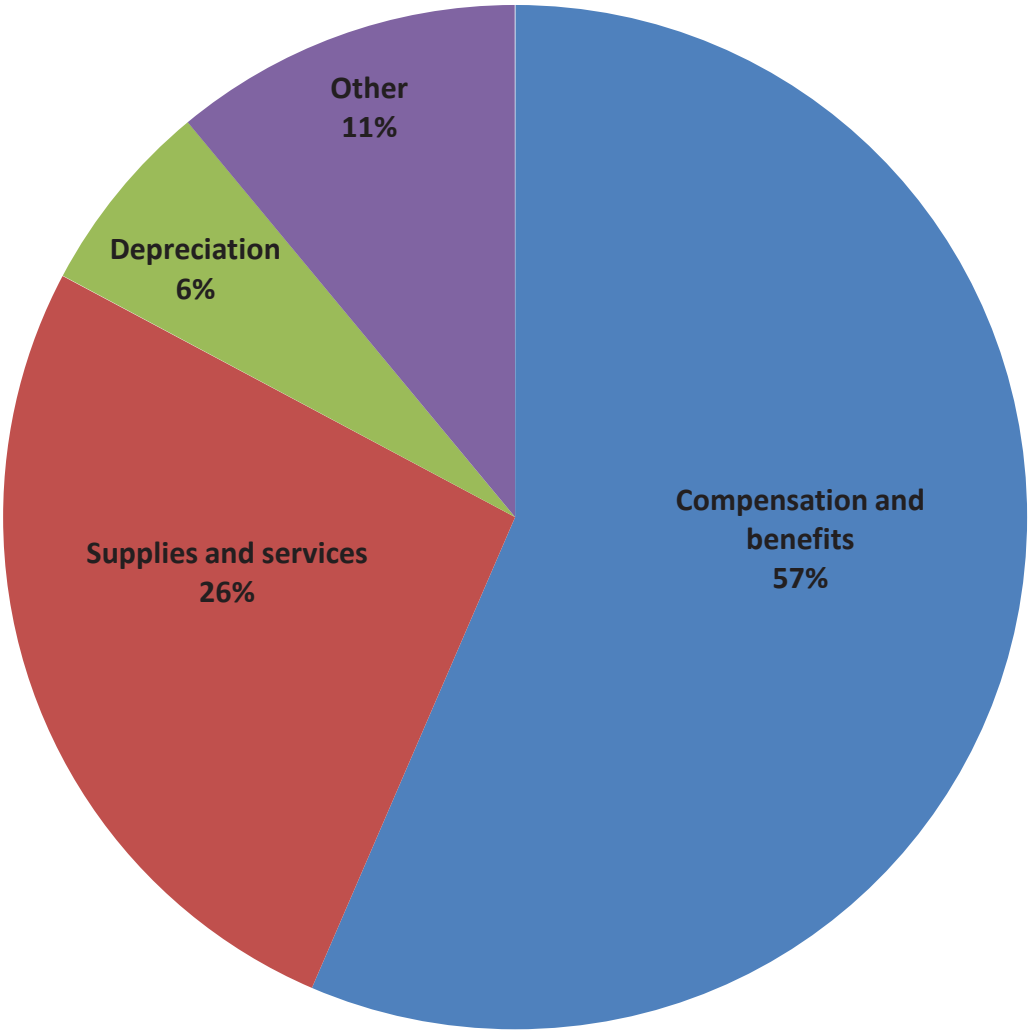
University of Arkansas Community College at Morrilton - recently completed library complex.

Total FY2009 University of Arkansas System Revenues



Total FY2009 Revenues: $2.215 billion

Total FY2009 University of Arkansas System Expenses



Total FY2009 Expenses: $2.195 billion

UNIVERSITY OF ARKANSAS

Statement of Net Assets

June 30, 2009 with comparative figures at June 30, 2008

	June 30, 2009	June 30, 2008
ASSETS		
Current		
Cash and cash equivalents	207,423,633	167,146,791
Investments	158,997,338	261,805,947
Accounts receivable, net of allowances of $15,528,000 & $14,047,624	105,661,291	91,301,915
Patient accounts receivable, net of allowances of $423,624,000 & $316,378,000	100,516,000	88,492,000
Inventories	22,030,435	16,230,893
Deposits and funds held in trust by others	2,561,822	272,044
Notes receivable, net of allowances of $739,916 & $852,807	6,277,282	6,829,527
Other assets	7,971,200	7,340,386
Total current assets	611,439,001	639,419,503
Non-Current		
Cash and cash equivalents	21,720,255	23,703,847
Investments	144,287,030	188,409,200
Notes receivable, net of allowance of $4,713,684 & $4,619,951	33,077,874	33,997,708
Deposits and funds held in trust by others	76,846,429	51,952,191
Other non-current assets	4,713,820	4,711,412
Capital assets, net of depreciation of $1,307,118,654 & $1,189,782,044	2,015,582,833	1,855,899,813
Total non-current assets	2,296,228,241	2,158,674,171
TOTAL ASSETS	$2,907,667,242	$2,798,093,674
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	126,026,082	141,112,155
Deferred revenue	29,216,314	29,142,140
Funds held in trust for others	6,120,534	4,071,468
Liability for future insurance claims (Note 12)	10,920,000	10,705,826
Estimated third party payor settlements	5,964,000	12,049,000
Compensated absences payable - current portion (Note 7)	3,835,629	3,863,942
Liability for other post employment benefits - current portion (Note 13)	0	2,203,870
Bonds, notes, capital leases & installment contracts payable - current portion (Note 7)	50,418,234	38,044,135
Total current liabilities	$232,500,793	$241,192,536
Non-Current		
Deferred revenues, deposits and other	807,212	988,801
Refundable federal advance - Perkins loans	18,014,623	0
Compensated absences payable (Note 7)	65,701,933	61,095,851
Liability for other post employment benefits (Note 13)	25,984,585	16,414,908
Bonds, notes, capital leases and installment contracts payable (Note 7)	871,467,650	797,518,344
Total non-current liabilities	$981,976,003	$876,017,904
TOTAL LIABILITIES	$1,214,476,796	$1,117,210,440
NET ASSETS		
Invested in capital assets, net of related debt	$1,169,406,597	$1,051,693,500
Restricted		
Non-Expendable	53,094,876	78,569,934
Expendable	178,563,741	201,247,280
Unrestricted	292,125,232	349,372,520
TOTAL NET ASSETS	$1,693,190,446	$1,680,883,234

See accompanying notes.

UNIVERSITY OF ARKANSAS

Statement of Revenues, Expenses and Changes in Net Assets

For The Year Ended June 30, 2009 with comparative figures for 2008

	Year Ended	
Operating Revenues	June 30, 2009	June 30, 2008
Student tuition & fees, net of scholarship allowances of $77,487,431 & $70,589,481	$208,176,798	$183,885,092
Patient services, net of contractual allowances of $820,134,000 & $767,059,000	781,472,000	765,358,000
Federal and county appropriations	17,428,250	15,932,245
Federal grants and contracts	152,420,327	140,892,160
State and local grants and contracts	47,921,909	52,057,838
Non-governmental grants and contracts	71,750,204	66,307,600
Sales and services of educational departments	54,379,606	52,800,882
Insurance plan	37,620,140	35,384,004
Auxiliary enterprises		
Athletics, net of scholarship allowances of $2,032,123 & $1,960,311	59,529,714	54,862,413
Housing/food service, net of scholarship allowances of $7,730,208 & $7,170,994	41,180,705	35,725,360
Bookstore, net of scholarship allowances of $2,534,112 & $2,516,354	19,204,503	20,209,148
Other auxiliary enterprises, net of scholarship allowances of $298,782 & $252,796	16,816,188	16,129,771
Other operating revenues	17,445,074	30,127,552
Total operating revenues	1,525,345,418	1,469,672,065
Operating Expenses		
Compensation and benefits	1,239,872,124	1,176,462,926
Supplies and services	577,621,984	551,346,221
Scholarships and fellowships	58,008,264	51,331,763
Insurance plan	117,995,316	115,418,625
Depreciation	135,863,367	118,549,997
Total operating expenses	2,129,361,055	2,013,109,532
Operating loss	(604,015,637)	(543,437,467)
Non-Operating Revenues (Expenses)		
State appropriations	422,293,281	423,376,315
Property and sales tax	11,548,994	11,023,826
Federal grants	67,306,923	59,784,187
State and local grants	14,259,823	13,038,695
Non-governmental grants	1,660,834	1,546,480
Gifts	67,885,045	72,530,232
Investment income	(28,499,438)	19,141,273
Interest on capital asset-related debt	(35,639,135)	(27,537,889)
Loss on disposal of assets	(1,190,713)	(2,603,581)
Other	3,768,785	4,610,759
Net non-operating revenues	523,394,399	574,910,297
Income (loss) before other revenues and expenses	(80,621,238)	31,472,830
Other Changes in Net Assets		
Write-off of assets due to impairment	0	(188,661)
Capital appropriations	41,601,051	67,818,889
Capital grants and gifts	23,148,013	28,813,032
Bond proceeds from Act 1282 of 2005 (Note 7)	28,220,677	16,984,637
Adjustments to prior year revenues and expenses	(391,738)	(125,086)
Other	7,809,221	1,177,925
Interagency disposition (Note 20)	0	(30,236,000)
Total other revenues and expenses	100,387,224	84,244,736
Increase in net assets	19,765,986	115,717,566
Net Assets, beginning of year as originally reported	1,680,883,234	1,565,165,668
Restatement of prior year balance (Note 22)	(7,458,774)	0
Net Assets, beginning of year restated	1,673,424,460	1,565,165,668
Net Assets, end of year	$1,693,190,446	$1,680,883,234

See accompanying notes.

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For The Year Ended June 30, 2009 with comparative figures for 2008

	Year Ended	
Cash Flows from Operating Activities	June 30, 2009	June 30, 2008
Student tuition and fees (net of scholarships)	$ 208,512,398	$ 185,788,328
Patient and insurance payments	763,515,000	768,343,000
Federal and county appropriations	16,622,550	15,876,740
Grants and contracts	267,104,538	258,728,472
Collection of loans and interest	4,010,736	5,601,470
Insurance plan receipts	37,577,966	35,603,553
Auxiliary enterprise revenues:		
Athletics	59,396,473	54,827,297
Housing and food service	40,813,647	35,861,116
Bookstore	19,216,096	20,455,088
Other auxiliary enterprises	16,418,738	15,574,906
Payments to employees	(1,054,147,851)	(985,864,191)
Payment of employee benefits	(169,020,243)	(159,206,047)
Payments to suppliers	(594,559,668)	(550,126,851)
Loans issued to students	(3,466,052)	(4,128,582)
Scholarships and fellowships	(57,931,794)	(51,351,165)
Payments of insurance plan expenses	(117,396,425)	(114,103,962)
Other	59,716,853	62,761,637
Net cash used by operating activities	(503,617,038)	(405,359,191)
Cash Flows from Noncapital Financing Activities		
State appropriations	413,846,439	419,773,270
Property and sales tax	12,221,769	10,123,329
Gifts and grants for other than capital purposes	162,793,412	154,820,676
Loan proceeds	0	0
Direct Lending, Plus and FFEL loan receipts	102,568,585	89,404,805
Direct Lending, Plus and FFEL loan payments	(102,468,947)	(89,387,146)
Other agency funds - net	1,687,492	803,804
Repayments of loans	0	0
Other	3,646,362	3,843,796
Net cash provided by noncapital financing activities	594,295,112	589,382,534
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	97,126,924	70,989,485
Capital appropriations	22,848,406	48,093,379
Capital grants and gifts	3,591,552	2,709,644
Property taxes - capital allocation	3,687	5,604
Proceeds from sale of capital assets	361,894	7,109
Bond Proceeds from Act 1282 of 2005 (Note 7)	19,017,412	16,016,270
Purchases of capital assets	(238,112,153)	(274,435,444)
Principal paid on capital debt and lease	(40,775,910)	(44,969,108)
Interest and fees paid on capital debt and lease	(35,636,414)	(37,122,986)
Deposit with trustee	(23,319,528)	11,811,703
Other	1,298,178	462,709
Net cash used by capital and related financing activities	(193,595,952)	(206,431,635)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	368,670,974	341,960,654
Investment income (net of fees)	4,815,459	10,715,313
Purchases of investments	(232,275,305)	(269,175,521)
Net cash provided by investing activities	141,211,128	83,500,446
Net increase in cash	38,293,250	61,092,154
Cash, beginning of year	190,850,638	129,758,484
Cash, end of year	$ 229,143,888	$ 190,850,638

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued
For The Year Ended June 30, 2009 with comparative figures for 2008

	Year Ended June 30, 2009	Year Ended June 30, 2008
Reconciliation of net operating revenues to net cash provided by operating activities:		
Operating loss	$ (604,015,637)	$ (543,437,467)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation expense	135,863,367	118,549,997
Change in assets and liabilities:		
Receivables, net	(22,444,679)	(15,155,389)
Inventories	(5,799,544)	(19,728)
Deposits with others	0	142,000
Prepaid expenses and other assets	(373,376)	395,868
Accounts payable	(13,222,845)	11,990,385
Deferred revenue	72,801	2,712,275
Loans to students and employees	258,307	(1,231,823)
Refundable federal advance	120,162	0
Compensated absences	4,578,773	4,721,135
OPEB liability	7,365,805	18,618,778
Other liabilities	(6,020,172)	(2,645,222)
NET CASH USED BY OPERATING ACTIVITIES	$ (503,617,038)	$ (405,359,191)
Non-Cash Transactions		
Capital gifts	19,548,841	25,820,944
Fixed assets acquired by incurring capital lease obligations	16,767,519	11,177,000
Bond issuance costs, underwriter's discounts and debt service reserve paid directly from bond proceeds	1,072,606	529,300
Fixed asset acquisition paid for by State of Arkansas	19,531,954	18,937,379
Payments to bond escrow directly from bond proceeds	3,855,000	0
Fixed asset acquisition directly from bond/note proceeds	9,766,000	9,292,000
Interest on long-term debt paid directly from deposits with trustees	2,172,147	1,448,198
Payment of long-term debt principal paid directly from University of Arkansas Foundation, Inc. accounts	1,432,879	3,760,655
Insurance proceeds remitted directly to Arkansas Department of Finance and Administration	0	27,628
Other equipment noncash additions	5,772	33,107
Valuation adjustments to capital assets	612,251	342,309
Capital outlay paid directly from bond proceeds from Act 1282 of 2005	9,235,298	0
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments	3,020,626	0

See accompanying notes.

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Contributions receivable, net	$ 48,324,720	$ 45,353,912
Interest receivable	1,836,038	2,731,858
Notes and other receivables	109,009	122,627
Investments, at fair value	511,171,565	644,774,668
Cash value of life insurance	611,051	579,509
Land	466,752	402,752
Buildings and equipment, net of accumulated depreciation of $255,834 and $574,923 in 2009 and 2008, respectively	-	100,448
TOTAL ASSETS	$ 562,519,135	$ 694,065,774
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 4,472,451	$ 3,845,654
Annuity obligations	15,443,283	18,362,092
TOTAL LIABILITIES	19,915,734	22,207,746
NET ASSETS		
Unrestricted	58,603,949	68,443,630
Temporarily restricted	122,865,216	120,779,568
Permanently restricted	361,134,236	482,634,830
TOTAL NET ASSETS	542,603,401	671,858,028
TOTAL LIABILITIES AND NET ASSETS	$ 562,519,135	$ 694,065,774

UA Clinton School student Chad Williamson completed his summer International Public Service Project in Rawanda where he worked for the Rwandan Basketball Federation to promote the sport through camps and clinics for both children and coaches.

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Activities
Years Ended June 30, 2009 and 2008

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support								
Contributions	$9,990,516	$34,366,182	$16,958,147	$61,314,845	$14,532,220	$34,219,015	$20,799,614	$69,550,849
Sponsored programs	1,281,377	522,068		1,803,445	1,596,271	707,217	1,333	2,304,821
Interest and dividends	7,998,304	5,675,006	377,025	14,050,335	7,391,747	7,732,579	385,285	15,509,611
Net realized and unrealized gains (losses) on long-term investments	(4,783,057)	11,439,449	(136,769,203)	(130,112,811)	3,904,585	11,673,539	(25,098,956)	(9,520,832)
Other	298,852	126,419		425,271	288,075	136,698		424,773
Net assets released from restrictions	49,587,271	(49,587,271)		0	60,409,296	(60,409,296)		0
Total revenues, gains & other support	$64,373,263	$2,541,853	($119,434,031)	($52,518,915)	$88,122,194	($5,940,248)	($3,912,724)	$78,269,222
Expenses and Losses:								
Program services:								
Construction	$17,348,644			$17,348,644	$28,961,869			$28,961,869
Research	11,066,779			11,066,779	9,079,492			9,079,492
Faculty/staff support	13,784,029			13,784,029	12,313,504			12,313,504
Scholarships and awards	7,895,491			7,895,491	6,961,894			6,961,894
Public/staff relations	3,470,596			3,470,596	3,309,574			3,309,574
Equipment	3,024,442			3,024,442	4,161,863			4,161,863
Sponsored programs	1,698,323			1,698,323	1,880,172			1,880,172
Other	13,219,521			13,219,521	16,130,492			16,130,492
Total program services	$71,507,825	$0	$0	$71,507,825	$82,798,860	$0	$0	$82,798,860
Supporting services:								
Management and general	$673,223			$673,223	$490,018			$490,018
Fund raising	2,033,376			2,033,376	1,987,070			1,987,070
Change in value of split-interest agreements	0		1,808,528	1,808,528	0		1,605,194	1,605,194
Provision for loss on uncollectible pledges	(1,480)	456,205	258,035	712,760	4,978	119,856	155,680	280,514
Total supporting services	2,705,119	456,205	2,066,563	5,227,887	2,482,066	119,856	1,760,874	4,362,796
Total expenses and losses	$74,212,944	$456,205	$2,066,563	$76,735,712	$85,280,926	$119,856	$1,760,874	$87,161,656
Change in Net Assets	(9,839,681)	2,085,648	(121,500,594)	(129,254,627)	2,841,268	(6,060,104)	(5,673,598)	(8,892,434)
Net Assets, beginning of year	68,443,630	120,779,568	482,634,830	671,858,028	65,602,362	126,839,672	488,308,428	680,750,462
Net Assets, end of year	$58,603,949	$122,865,216	$361,134,236	$542,603,401	$68,443,630	$120,779,568	$482,634,830	$671,858,028

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Financial Position
June 30, 2009 and 2008

	2009	2008
ASSETS		
Investments	$ 356,635,626	$ 486,853,433
NET ASSETS		
Temporarily restricted	17,999,284	14,534,890
Permanently restricted	338,636,342	472,318,543
TOTAL NET ASSETS	356,635,626	486,853,433

Finished in 2008, the Wallace W. and Jana M. Fowler House serves as the chancellor's residence at the University of Arkansas, Fayetteville.

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Statement of Activities
Years Ended June 30, 2009 and 2008

	Year Ended June 30, 2009				Year Ended June 30, 2008			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support								
Interest and dividends	$ -	$ 2,867,284	$ 243,159	$ 3,110,443	$ -	$ 3,659,757	$ 362,248	$ 4,022,005
Net realized and unrealized gains (losses) on long-term investments		15,555,906	(133,925,360)	(118,369,454)		14,448,261	(23,485,022)	(9,036,761)
Net assets released from restrictions	14,958,796	(14,958,796)		-	15,160,408	(15,160,408)		-
Total revenues, gains & other support	$ 14,958,796	$ 3,464,394	$ (133,682,201)	$ (115,259,011)	$ 15,160,408	$ 2,947,610	$ (23,122,774)	$ (5,014,756)
				-				-
Expenses and Losses:				-				-
Program services:								
Research	1,000,233			1,000,233	1,146,977			1,146,977
Faculty/staff support	1,600,010			1,600,010	1,790,519			1,790,519
Scholarships and awards	10,105,493			10,105,493	9,330,961			9,330,961
Equipment and technology	1,553,454			1,553,454	1,977,455			1,977,455
Other	699,606			699,606	914,496			914,496
Total program services	14,958,796	-	-	14,958,796	15,160,408	-	-	15,160,408
Change in Net Assets	-	3,464,394	(133,682,201)	(130,217,807)	-	2,947,610	(23,122,774)	(20,175,164)
Net Assets, beginning of year	-	14,534,890	472,318,543	486,853,433	-	11,587,280	495,441,317	507,028,597
Net Assets, end of year	$ -	$ 17,999,284	$ 338,636,342	$ 356,635,626	$ -	$ 14,534,890	$ 472,318,543	$ 486,853,433

UNIVERSITY OF ARKANSAS
Statement of Net Assets by Campus
At June 30, 2009

ASSETS	UAF	UAFS	UALR	UAM	UAMS	UAPB
Current						
Cash and cash equivalents	67,215,772	2,891,656	23,679,937	3,395,298	77,270,000	9,958,260
Investments	70,069,578	6,493,276	13,853,524	635,166	54,709,000	2,000,000
Accounts receivable	32,017,350	4,579,837	11,045,976	1,711,022	31,101,000	7,034,540
Patient accounts receivable	-				100,516,000	
Inventories	4,773,598	67,251	157,101	749,765	15,601,000	28,722
Deposits and funds held in trust by others	2,429,318		132,467			
Notes receivable	3,159,480		50,000	59,884	2,183,000	824,918
Other assets	4,162,327	235,450	417,016	282,755	2,608,000	
Total current assets	183,827,423	14,267,470	49,336,021	6,833,890	283,988,000	19,846,440
Non-Current						
Cash and cash equivalents	-	3,549,601	4,787,556	4,645,332		5,257,155
Investments	66,782,211	11,065,766	5,974,199	3,281,266	55,426,000	1,326,035
Notes receivable	12,602,367		55,000	848,507	19,572,000	
Deposits and funds held in trust by others	35,341,717	25,233,777	127,941	12	6,999,000	372,500
Other non-current assets	1,412,812				3,204,000	
Capital assets	827,771,988	109,114,618	164,589,262	35,363,012	731,054,000	82,853,190
Total non-current assets	943,911,095	148,963,762	175,533,958	44,138,129	816,255,000	89,808,880
TOTAL ASSETS	1,127,738,518	163,231,232	224,869,979	50,972,019	1,100,243,000	109,655,320
LIABILITIES						
Current						
Accounts payable and other accrued liabilities	34,136,158	3,170,392	4,621,048	415,822	76,931,000	1,256,366
Deferred revenue	24,982,177	301,270	320,851	49,125	2,892,000	240,732
Funds held in trust for others	1,294,205	114,141	506,605	301,352	2,489,000	1,195,605
Liability for future insurance claims						
Estimated third party payor settlements					5,964,000	
Refundable federal advance - Perkins loans -- current portion						
Compensated absences payable - current portion	1,019,349	181,813	296,944	48,962	1,986,000	160,107
Liability for other post employment benefits - current	-					
Bonds, notes, capital leases, installment						
contracts payable - current	25,459,602	2,725,000	4,303,523	567,635	14,105,000	1,722,782
Total current liabilities	86,891,491	6,492,616	10,048,971	1,382,896	104,367,000	4,575,592
Non-Current						
Deferred revenues, deposits and other	4,700		101,485		92,000	200,294
Refundable federal advance - Perkins loans	13,861,257	2,902		929,036	2,162,000	1,059,428
Compensated absences payable	16,142,212	1,141,707	3,682,296	992,725	39,801,000	2,059,487
Liability for other post employment benefits	7,057,738	162,566	2,458,079	634,189	13,710,000	1,031,149
Bonds, notes, capital leases, installment contracts payable	382,342,620	78,925,000	41,483,095	12,357,365	297,697,000	27,032,188
Total non-current liabilities	419,408,527	80,232,175	47,724,955	14,913,315	353,462,000	31,382,546
TOTAL LIABILITIES	506,300,018	86,724,791	57,773,926	16,296,211	457,829,000	35,958,138
NET ASSETS						
Invested in capital assets, net of related debt	453,132,923	51,585,618	117,946,691	23,389,459	425,812,000	56,098,221
Restricted						
Non-Expendable	22,449,562	202,777	4,980,615	482,526	23,308,000	1,595,088
Expendable	50,940,264	5,884,170	13,487,799	5,379,210	86,192,000	10,168,379
Unrestricted	94,915,751	18,833,876	30,680,948	5,424,613	107,102,000	5,835,494
TOTAL NET ASSETS	621,438,500	76,506,441	167,096,053	34,675,808	642,414,000	73,697,182

Key			
UAF	UA, Fayetteville	**UAM**	UA at Monticello
UAFS	UA at Fort Smith	**UAMS**	UA for Medical Sciences
UALR	UA at Little Rock	**UAPB**	UA at Pine Bluff

UNIVERSITY OF ARKANSAS
Statement of Net Assets by Campus
At June 30, 2009

ASSETS	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	SYSTEM	TOTAL
Current								
Cash and cash equivalents	3,577,426	3,112,358	1,212,955	1,390,730	2,712,188	4,483,321	6,523,732	207,423,633
Investments	19,726	1,768,395	1,546,122	102,159	1,651,310		6,149,082	158,997,338
Accounts receivable	432,502	3,554,324	1,839,395	769,053	439,338	38,096	11,098,858	105,661,291
Patient accounts receivable								100,516,000
Inventories		54,389	232,101	7,051	359,457			22,030,435
Deposits and funds held in trust by others			37					2,561,822
Notes receivable								6,277,282
Other assets	59,108	5,474	32,053	87,217	5,319	50,085	26,396	7,971,200
Total current assets	4,088,762	8,494,940	4,862,663	2,356,210	5,167,612	4,571,502	23,798,068	611,439,001
Non-Current								
Cash and cash equivalents	962,424	1,100,000	485,000	933,187				21,720,255
Investments	69,142			362,411				144,287,030
Notes receivable								33,077,874
Deposits and funds held in trust by others		7,908,290	155,458	239,360	468,374			76,846,429
Other non-current assets		64,828		32,180				4,713,820
Capital assets	12,533,487	9,299,252	11,377,307	13,588,549	12,902,063	1,269,460	3,866,645	2,015,582,833
Total non-current assets	13,565,053	18,372,370	12,017,765	15,155,687	13,370,437	1,269,460	3,866,645	2,296,228,241
TOTAL ASSETS	17,653,815	26,867,310	16,880,428	17,511,897	18,538,049	5,840,962	27,664,713	2,907,667,242
LIABILITIES								
Current								
Accounts payable and other accrued liabilities	216,775	1,187,578	383,560	213,332	600,116	312,402	2,581,533	126,026,082
Deferred revenue	137,759	206,830	41,752		35,488	8,330		29,216,314
Funds held in trust for others	24,228	13,763	16,545	46,856	95,298	22,936		6,120,534
Liability for future insurance claims							10,920,000	10,920,000
Estimated third party payor settlements								5,964,000
Refundable federal advance - Perkins loans -- current portion								-
Compensated absences payable - current portion	11,819	39,128	16,178	31,568	24,526	12,039	7,196	3,835,629
Liability for other post employment benefits - current								-
Bonds, notes, capital leases, installment contracts payable - current	202,157	209,004	352,851	407,980	267,800		94,900	50,418,234
Total current liabilities	592,738	1,656,303	810,886	699,736	1,023,228	355,707	13,603,629	232,500,793
Non-Current								
Deferred revenues, deposits and other		408,733						807,212
Refundable federal advance - Perkins loans								18,014,623
Compensated absences payable	224,564	418,639	234,535	231,502	274,741	70,401	428,124	65,701,933
Liability for other post employment benefits	17,107	423,706	164,634	34,733	39,966	143,959	106,759	25,984,585
Bonds, notes, capital leases, installment contracts payable	5,885,110	11,830,642	3,207,412	7,167,924	3,451,000		88,294	871,467,650
Total non-current liabilities	6,126,781	13,081,720	3,606,581	7,434,159	3,765,707	214,360	623,177	981,976,003
TOTAL LIABILITIES	6,719,519	14,738,023	4,417,467	8,133,895	4,788,935	570,067	14,226,806	1,214,476,796
NET ASSETS								
Invested in capital assets, net of related debt	6,446,220	5,444,252	7,817,044	6,807,726	9,973,533	1,269,460	3,683,450	1,169,406,597
Restricted								
Non-Expendable	76,308							53,094,876
Expendable	2,967,240	1,708,357	647,145	739,360	392,844	56,973		178,563,741
Unrestricted	1,444,528	4,976,678	3,998,772	1,830,916	3,382,737	3,944,462	9,754,457	292,125,232
TOTAL NET ASSETS	10,934,296	12,129,287	12,462,961	9,378,002	13,749,114	5,270,895	13,437,907	1,693,190,446

Key			
CCCUA	Cossatot Community College UA	**UACCM**	UA Community College at Morrilton
PCCUA	Phillips Community College UA	**ASMSA**	AR School for Mathematics, Sciences & the Arts
UACCB	UA Community College at Batesville	**SYSTEM**	UA System Office
UACCH	UA Community College at Hope		

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses and Changes in Net Assets by Campus
For the Year Ended June 30, 2009

Operating Revenues	UAF	UAFS	UALR	UAM	UAMS	UAPB
Student tuition & fees (net of scholarship allowances)	102,198,541	15,037,409	52,005,675	5,093,561	20,374,000	6,241,468
Net patient services					781,472,000	
Federal and county appropriations	17,428,250					
Federal grants and contracts	31,163,852	1,933,182	15,051,833	2,489,176	78,465,000	15,274,469
State and local grants and contracts	14,626,342	1,794,441	4,113,354	1,040,576	18,622,000	3,138,045
Non-governmental grants and contracts	17,689,475	1,457,178	1,539,707	882,944	48,875,000	268,123
Sales and services of educational departments	22,229,892	126,994	2,414,378	89,037	26,894,000	182,954
Insurance plan						
Auxiliary enterprises						
Athletics	52,545,992	90,923	4,097,268	395,765		2,399,766
Housing and food service	21,494,945	1,031,421	2,641,734	1,439,396	5,664,000	8,701,406
Bookstore	14,069,703	1,328,356	395,797	1,261,205	693,000	178,907
Other auxiliary enterprises	10,773,810	225,595	2,332,364	413,231	2,533,000	325,921
Other operating revenues	6,701,521	364,520	1,640,308	783,277	4,766,000	2,517,440
Total operating revenues	310,922,323	23,390,019	86,232,418	13,888,168	988,358,000	39,228,499
Operating Expenses						
Compensation and benefits	354,718,229	38,227,141	106,752,725	23,038,088	707,091,000	36,415,241
Supplies and services	159,854,952	14,052,883	32,735,950	10,475,729	316,792,000	23,232,450
Scholarships and fellowships	18,350,081	3,134,682	19,467,562	2,700,687	3,000	5,250,895
Insurance plan						
Depreciation	64,636,716	5,313,666	11,360,473	2,008,023	43,148,000	5,421,930
Total operating expenses	597,559,978	60,728,372	170,316,710	38,222,527	1,067,034,000	70,320,516
Operating loss	(286,637,655)	(37,338,353)	(84,084,292)	(24,334,359)	(78,676,000)	(31,092,017)
Non-Operating Revenues (Expenses)						
State appropriations	199,726,630	23,246,124	66,977,037	17,969,612	44,390,000	27,079,212
Property and sales tax		5,753,284				
Federal grants	16,954,863	9,357,564	12,193,372	6,118,154		8,732,948
State and local grants	9,532,946	1,573,544	2,062,745	703,084		
Non-governmental grants	855,901		804,933			
Gifts	46,311,577		2,714,492	4,964	18,143,000	601,320
Investment income (net)	(12,438,732)	347,943	(1,354,193)	(1,084,863)	(14,585,000)	(91,452)
Interest on capital asset-related debt	(16,078,544)	(2,514,831)	(2,014,911)	(528,965)	(11,938,000)	(1,327,685)
Gain (loss) on disposal of assets	(333,048)	(89,590)	(221,340)	21,245	(449,000)	(70,036)
Other	3,269,610	7,405	(4,575)	1,074		331,418
Net non-operating revenues	247,801,203	37,681,443	81,157,560	23,204,305	35,561,000	35,255,725
Income (loss) before other revenues & expenses	(38,836,452)	343,090	(2,926,732)	(1,130,054)	(43,115,000)	4,163,708
Other Changes in Net Asests						
Write-off of assets						
Capital appropriations	2,300,000	1,535,051	1,500,000		35,431,000	100,000
Capital grants and gifts	8,176,944		32,356	197,310	14,070,000	14,988
Bond proceeds from Act 1282 of 2005	9,708,724	1,131,794	7,597,220	550,007		2,700,781
Adjustments to prior year revenues and expenses	0		(18,023)	94,803		
Other	5,962,908	413,487	(67,357)			39,490
Interagency disposition	0			0		
Total other revenues and expenses	26,148,576	3,080,332	9,044,196	842,120	49,501,000	2,855,259
Increase (decrease) in net assets	(12,687,876)	3,423,422	6,117,464	(287,934)	6,386,000	7,018,967
Net Assets, beginning of year as originally reported	635,368,163	73,085,875	163,042,256	35,892,778	638,190,000	67,737,643
Restatement of prior year balance	(1,241,787)	(2,856)	(2,063,667)	(929,036)	(2,162,000)	(1,059,428)
Net Assets, beginning of year restated	634,126,376	73,083,019	160,978,589	34,963,742	636,028,000	66,678,215
Net Assets, end of year	621,438,500	76,506,441	167,096,053	34,675,808	642,414,000	73,697,182

UNIVERSITY OF ARKANSAS
Statement of Revenues, Expenses and Changes in Net Assets by Campus
For the Year Ended June 30, 2009

Operating Revenues	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	SYSTEM	Elimination	TOTAL
Student tuition & fees (net of scholarship allowances)	1,142,292	919,372	1,520,675	1,319,869	2,323,936				208,176,798
Net patient services									781,472,000
Federal and county appropriations									17,428,250
Federal grants and contracts	1,274,807	4,063,455	746,342	932,112	620,957	405,142			152,420,327
State and local grants and contracts	627,217	1,788,512	177,283	573,677	534,297	886,165			47,921,909
Non-governmental grants and contracts	86,878	117,500			234,443	598,956			71,750,204
Sales and services of educational departments	35,734	29,654		10,212	55,400		2,311,351		54,379,606
Insurance plan							116,511,755	(78,891,615)	37,620,140
Auxiliary enterprises									
Athletics									59,529,714
Housing and food service		72,411			135,392				41,180,705
Bookstore		43,035	530,951		703,549				19,204,503
Other auxiliary enterprises		21,804	118,419	46,109	25,935				16,816,188
Other operating revenues	250,900		167,790	71,975	107,708	73,635			17,445,074
Total operating revenues	3,417,828	7,055,743	3,261,460	2,953,954	4,741,617	1,963,898	118,823,106	(78,891,615)	1,525,345,418
Operating Expenses									
Compensation and benefits	6,960,006	13,167,684	7,079,012	6,758,016	8,335,183	5,688,717	4,532,697	(78,891,615)	1,239,872,124
Supplies and services	2,378,579	5,636,900	2,676,938	1,604,431	3,420,337	3,712,579	1,048,256		577,621,984
Scholarships and fellowships	1,367,154	1,638,749	1,721,067	2,841,287	1,533,100				58,008,264
Insurance plan							117,995,316		117,995,316
Depreciation	418,506	1,010,405	840,045	564,994	608,371	278,507	253,731		135,863,367
Total operating expenses	11,124,245	21,453,738	12,317,062	11,768,728	13,896,991	9,679,803	123,830,000	(78,891,615)	2,129,361,055
Operating loss	(7,706,417)	(14,397,995)	(9,055,602)	(8,814,774)	(9,155,374)	(7,715,905)	(5,006,894)	0	(604,015,637)
Non-Operating Revenues (Expenses)									
State appropriations	4,412,633	10,202,309	4,702,727	6,093,993	5,763,229	8,081,369	3,648,406		422,293,281
Property and sales tax	1,147,042	2,048,621	1,225,764	686,451	687,832				11,548,994
Federal grants	2,084,413	3,030,809	3,113,221	2,596,236	3,125,343				67,306,923
State and local grants	123,820		263,684						14,259,823
Non-governmental grants									1,660,834
Gifts	109,192					500			67,885,045
Investment income (net)	45,407	34,035	55,782	49,540	97,664	21,756	402,675		(28,499,438)
Interest on capital asset-related debt	(231,474)	(363,220)	(167,316)	(281,396)	(180,883)		(11,910)		(35,639,135)
Gain (loss) on disposal of assets	(44,121)	(7,132)					2,309		(1,190,713)
Other		132,669	(8,938)	(23,043)	(794)		63,959		3,768,785
Net non-operating revenues	7,646,912	15,078,091	9,184,924	9,121,781	9,492,391	8,103,625	4,105,439	0	523,394,399
Income (loss) before other revenues & expenses	(59,505)	680,096	129,322	307,007	337,017	387,720	(901,455)	0	(80,621,238)
Other Changes in Net Asests									
Write-off of assets									0
Capital appropriations			435,000	300,000					41,601,051
Capital grants and gifts	527,100	19,133		78,980	16,731		14,471		23,148,013
Bond proceeds from Act 1282 of 2005	289,229	919,355		2,200,000	2,819,254	300,000	4,313		28,220,677
Adjustments to prior year revenues and expenses				(476,630)	8,112				(391,738)
Other	51,410	1,341,415	67,868						7,809,221
Interagency disposition									0
Total other revenues and expenses	867,739	2,279,903	502,868	2,102,350	2,844,097	300,000	18,784	0	100,387,224
Increase (decrease) in net assets	808,234	2,959,999	632,190	2,409,357	3,181,114	687,720	(882,671)	0	19,765,986
Net Assets, beginning of year as originally reported	10,126,062	9,169,288	11,830,771	6,968,645	10,568,000	4,583,175	14,320,578	0	1,680,883,234
Restatement of prior year balance									(7,458,774)
Net Assets, beginning of year restated	10,126,062	9,169,288	11,830,771	6,968,645	10,568,000	4,583,175	14,320,578	0	1,673,424,460
Net Assets, end of year	10,934,296	12,129,287	12,462,961	9,378,002	13,749,114	5,270,895	13,437,907	0	1,693,190,446

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - By Campus
For the Year Ended June 30, 2009

Cash Flows from Operating Activities	UAF	UAFS	UALR	UAM	UAMS	UAPB
Student tuition and fees (net of scholarships)	101,134,664	14,634,666	51,477,871	4,942,722	23,262,000	6,066,591
Patient and insurance payments					763,515,000	
Federal and county appropriations	16,622,550					
Grants and contracts	63,183,157	5,221,485	20,987,655	4,167,358	142,529,000	17,424,893
Collection of loans and interest	1,405,830			95,402	2,525,000	(15,496)
Insurance plan receipts						
Auxiliary enterprise revenues:						
Athletics	52,951,752	90,923	3,752,158	361,880		2,239,760
Housing and food service	21,262,903	1,026,275	2,637,284	1,440,295	5,663,000	8,574,001
Bookstore	14,078,613	1,279,447	395,797	1,256,802	692,000	178,262
Other auxiliary enterprises	10,702,102	236,286	2,032,872	390,911	2,520,000	325,921
Payments to employees	(281,234,248)	(29,992,285)	(86,961,711)	(18,081,067)	(569,032,000)	(29,145,231)
Payment of employee benefits	(69,449,970)	(8,059,432)	(19,759,166)	(4,793,541)	(124,620,000)	(6,897,376)
Payments to suppliers	(159,752,059)	(12,776,779)	(30,811,113)	(10,597,846)	(336,311,000)	(23,622,761)
Loans issued to students	(1,035,982)			(110,070)	(2,320,000)	
Scholarships and fellowships	(18,350,081)	(3,134,682)	(19,467,562)	(2,678,358)	(3,000)	(5,250,895)
Payments of insurance plan expenses						
Other receipts	28,682,482	578,369	3,935,962	794,501	21,045,000	1,446,196
Net cash used by operating activities	(219,798,287)	(30,895,727)	(71,779,953)	(22,811,011)	(70,535,000)	(28,676,135)
Cash Flows from Noncapital Financing Activities						
State appropriations	199,726,630	23,246,124	66,977,037	17,969,612	35,947,000	27,079,212
Property and sales tax		6,384,432				
Gifts and grants for other than capital purposes	71,252,304	10,936,222	17,775,542	6,826,325	32,213,000	9,334,268
Loan proceeds						
Direct Lending, Plus and FFEL loan receipts		13,382,407	54,248,169	9,903,170		18,432,491
Direct Lending, Plus and FFEL loan payments		(13,420,221)	(54,248,169)	(9,946,332)		(18,413,286)
Other agency funds - net	(172,281)	189,187	227,954	(26,064)	1,997,000	(518,524)
Repayments of loans						
Other	3,792,019	(313,954)	(67,356)			
Net cash provided (used) by noncapital financing activities	274,598,672	40,404,197	84,913,177	24,726,711	70,157,000	35,914,161
Cash Flows from Capital and Related Financing Activities						
Proceeds from capital debt	40,701,959	24,896,180		1,000,000	26,525,000	1,500,000
Capital appropriations	2,300,000	2,224,406	1,500,000		15,989,000	100,000
Capital grants and gifts	3,050,101					
Property taxes - capital allocation		3,687				
Proceeds from sale of capital assets		2,329		48,674	309,000	
Bond Proceeds from Act 1282 of 2005	4,424,474		7,597,220	1,234,001		2,700,781
Purchases of capital assets	(62,631,794)	(6,235,016)	(20,513,093)	(4,639,433)	(125,620,000)	(7,753,448)
Principal paid on capital debt and lease	(14,607,134)	(2,620,000)	(4,019,790)	(450,000)	(15,819,000)	(1,637,515)
Interest and fees paid on capital debt and lease	(16,278,887)	(2,514,831)	(2,029,641)	(535,465)	(11,808,000)	(1,327,685)
Deposit with trustee		(25,184,189)	355,519	1,814,995		1,499
Other						331,418
Net cash provided (used) by capital & related financing act	(43,041,281)	(9,427,434)	(17,109,785)	(1,527,228)	(110,424,000)	(6,084,950)
Cash Flows from Investing Activities						
Proceeds from sales and maturities of investments	56,998,488	43,000,000	451,572	1,724,436	240,626,000	299,483
Investment income (net of fees)	1,600,486	390,702	497,787	42,646	1,763,000	54,366
Purchases of investments	(62,638,069)	(42,287,500)	(432,666)	(573,841)	(104,807,000)	(418,628)
Net cash provided (used) by investing activities	(4,039,095)	1,103,202	516,693	1,193,241	137,582,000	(64,779)
Net increase in cash	7,720,009	1,184,238	(3,459,868)	1,581,713	26,780,000	1,088,297
Cash, beginning of year	59,495,763	5,257,019	31,927,361	6,458,917	50,490,000	14,127,118
Cash, end of year	67,215,772	6,441,257	28,467,493	8,040,630	77,270,000	15,215,415

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - By Campus
For the Year Ended June 30, 2009

Cash Flows from Operating Activities	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	SYSTEM	Insurance Elimination	TOTAL
Student tuition and fees (net of scholarships)	1,149,541	926,571	1,297,456	1,331,837	2,288,479				208,512,398
Patient and insurance payments									763,515,000
Federal and county appropriations									16,622,550
Grants and contracts	1,985,505	5,960,729	950,889	1,464,161	1,346,559	1,883,147			267,104,538
Collection of loans and interest									4,010,736
Insurance plan receipts							114,571,298	(76,993,332)	37,577,966
Auxiliary enterprise revenues:									0
Athletics									59,396,473
Housing and food service		72,411			137,478				40,813,647
Bookstore		43,035	628,566		663,574				19,216,096
Other auxiliary enterprises		21,804	118,419	44,488	25,935				16,418,738
Payments to employees	(5,297,025)	(9,960,402)	(5,445,085)	(4,822,357)	(6,167,998)	(4,405,582)	(3,602,860)		(1,054,147,851)
Payment of employee benefits	(1,660,185)	(3,183,040)	(1,577,583)	(1,904,241)	(2,024,016)	(1,220,330)	(864,695)	76,993,332	(169,020,243)
Payments to suppliers	(2,402,639)	(5,555,581)	(2,739,335)	(1,646,830)	(3,529,243)	(3,741,917)	(1,072,565)		(594,559,668)
Loans issued to students									(3,466,052)
Scholarships and fellowships	(1,366,996)	(1,638,749)	(1,713,803)	(2,794,568)	(1,533,100)				(57,931,794)
Payments of insurance plan expenses							(117,396,425)		(117,396,425)
Other receipts	284,167	29,654	91,955	84,216	174,939	61,764	2,507,648		59,716,853
Net cash used by operating activities	(7,307,632)	(13,283,568)	(8,388,521)	(8,243,294)	(8,617,393)	(7,422,918)	(5,857,599)	0	(503,617,038)
Cash Flows from Noncapital Financing Activities									
State appropriations	4,412,633	10,202,309	4,698,886	6,093,993	5,763,229	8,081,368	3,648,406		413,846,439
Property and sales tax	1,164,497	2,034,094	1,223,869	686,451	728,426				12,221,769
Gifts and grants for other than capital purposes	2,324,446	3,010,590	3,398,636	2,596,236	3,125,343	500			162,793,412
Loan proceeds									0
Direct Lending, Plus and FFEL loan receipts			3,949,532	298,046	2,354,770				102,568,585
Direct Lending, Plus and FFEL loan payments			(3,788,123)	(298,046)	(2,354,770)				(102,468,947)
Other agency funds - net	1,941	(17,281)	5,266	(17,357)	14,748	2,903			1,687,492
Repayments of loans									0
Other		195,199	(5,147)	(18,358)			63,959		3,646,362
Net cash provided (used) by noncapital financing activities	7,903,517	15,424,911	9,482,919	9,340,965	9,631,746	8,084,771	3,712,365	0	594,295,112
Cash Flows from Capital and Related Financing Activities									
Proceeds from capital debt				2,503,785					97,126,924
Capital appropriations			435,000	300,000					22,848,406
Capital grants and gifts	448,000			78,980			14,471		3,591,552
Property taxes - capital allocation									3,687
Proceeds from sale of capital assets					1,891				361,894
Bond Proceeds from Act 1282 of 2005	372,970	183,653		2,200,000		300,000	4,313		19,017,412
Purchases of capital assets	(2,222,063)	(2,437,560)	(170,051)	(4,377,691)	(579,835)	(917,698)	(14,471)		(238,112,153)
Principal paid on capital debt and lease	(196,236)	(449,994)	(138,971)	(345,000)	(265,000)		(227,270)		(40,775,910)
Interest and fees paid on capital debt and lease	(277,931)	(382,102)	(46,285)	(247,309)	(176,368)		(11,910)		(35,636,414)
Deposit with trustee			(307,352)						(23,319,528)
Other	63,738	891,789			(19)		11,252		1,298,178
Net cash provided (used) by capital & related financing act	(1,811,522)	(2,194,214)	(227,659)	112,765	(1,019,331)	(617,698)	(223,615)	0	(193,595,952)
Cash Flows from Investing Activities									
Proceeds from sales and maturities of investments			1,273,952		1,000,000		23,297,043		368,670,974
Investment income (net of fees)	44,798	23,197	48,314	50,701	27,233	21,756	250,473		4,815,459
Purchases of investments			(1,539,000)	(364,241)			(19,214,360)		(232,275,305)
Net cash provided (used) by investing activities	44,798	23,197	(216,734)	(313,540)	1,027,233	21,756	4,333,156	0	141,211,128
Net increase in cash	(1,170,839)	(29,674)	650,005	896,896	1,022,255	65,911	1,964,307	0	38,293,250
Cash, beginning of year	5,710,689	4,242,032	1,047,950	1,427,021	1,689,933	4,417,410	4,559,425	0	190,850,638
Cash, end of year	4,539,850	4,212,358	1,697,955	2,323,917	2,712,188	4,483,321	6,523,732	0	229,143,888

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued - By Campus
For the Year Ended June 30, 2009

Reconciliation of net operating revenues to net cash provided by operating activities:	UAF	UAFS	UALR	UAM	UAMS	UAPB
Operating loss	(286,637,655)	(37,338,353)	(84,084,292)	(24,334,359)	(78,676,000)	(31,092,017)
Adjustments to reconcile net income to net cash provided by operating activities:						
Depreciation expense	64,636,716	5,313,666	11,360,473	2,008,023	43,148,000	5,421,930
Change in assets and liabilities:						
Receivables, net	(2,351,688)	(11,860)	(638,935)	456,752	(14,779,000)	(3,029,966)
Inventories	563,825	930,426	(32,695)	(40,846)	(7,056,000)	2,136
Deposits with others						
Prepaid expenses and other assets	(255,137)	(117,305)	173,160	(17,904)	(95,000)	
Accounts payable and other accrued liabilities	1,017,719	187,470	793,771	(325,868)	(14,990,000)	(392,447)
Deferred revenue	370,460	(27,077)	232,199	(800,779)	496,000	(172,219)
Loans to students and employees	258,307					
Refundable federal advance	120,162					
Compensated Absences	738,169	95,002	(292,613)	78,781	3,611,000	206,420
OPEB Liability	1,966,779	72,304	708,979	165,189	3,909,000	284,549
Other liabilities	(225,944)				(6,103,000)	95,479
NET CASH PROVIDED BY OPERATING ACTIVITIES	(219,798,287)	(30,895,727)	(71,779,953)	(22,811,011)	(70,535,000)	(28,676,135)
Non-Cash Transactions						
Capital gifts	5,174,498		32,356	158,766	14,070,000	14,988
Fixed assets acquired by incurring capital lease obligations					16,759,000	
Bond issuance costs, underwriter's discounts and debt service reserve paid directly from bond proceeds	468,406	212,500				
Fixed asset acquisition paid for by State of Arkansas				38,544	19,442,000	
Payments to bond escrow directly from bond proceeds						
Fixed asset acquisition directly from bond/note proceeds					9,766,000	
Interest on long-term debt paid directly from deposits with trustees	2,170,005					
Payment of long-term debt principal paid directly from University of Arkansas Foundation, Inc. accounts	1,432,879					
Insurance proceeds remitted directly to Arkansas Department of Finance and Administration						
Other equipment noncash additions						
Valuation adjustments to capital assets		612,251				
Capital outlay paid directly from bond proceeds from Act 1282 of 2005	5,284,250	1,131,794				
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments	3,020,626					

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued - By Campus
For the Year Ended June 30, 2009

Reconciliation of net operating revenues to net cash provided by operating activities:	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	SYSTEM	Insurance Elimination	TOTAL
Operating loss	(7,706,417)	(14,397,995)	(9,055,602)	(8,814,774)	(9,155,374)	(7,715,905)	(5,006,894)		(604,015,637)
Adjustments to reconcile net income to net cash provided by operating activities:									
Depreciation expense	418,506	1,010,405	840,045	564,994	608,371	278,507	253,731		135,863,367
Change in assets and liabilities:									
Receivables, net	(3,772)	12,277	(191,468)	(73,640)	(61,905)	(27,315)	(1,744,159)		(22,444,679)
Inventories		(7,356)	(19,769)	1,889	(141,154)				(5,799,544)
Deposits with others									-
Prepaid expenses and other assets	(23,255)	(438)	15,569	(46,848)	(1,919)	(13,213)	8,914		(373,376)
Accounts payable and other accrued liabilities	498	17,109	(46,970)	82,435	83,171	(1,226)	351,493		(13,222,845)
Deferred revenue	5,158	(13,816)	17,293		(42,748)	8,330			72,801
Loans to students and employees									258,307
Refundable federal advance									120,162
Compensated Absences	(6,849)	9,142	347	25,394	74,309	3,345	36,326		4,578,773
OPEB Liability	8,499	87,985	52,034	17,256	19,856	44,559	28,816		7,365,805
Other liabilities		(881)					214,174		(6,020,172)
NET CASH PROVIDED BY OPERATING ACTIVITIES	(7,307,632)	(13,283,568)	(8,388,521)	(8,243,294)	(8,617,393)	(7,422,918)	(5,857,599)		(503,617,038)
Non-Cash Transactions									
Capital gifts	79,100	19,133							19,548,841
Fixed assets acquired by incurring capital lease obligations	8,519								16,767,519
Bond issuance costs, underwriter's discounts and debt service reserve paid directly from bond proceeds		271,095		120,605					1,072,606
Fixed asset acquisition paid for by State of Arkansas	51,410								19,531,954
Payments to bond escrow directly from bond proceeds		3,855,000							3,855,000
Fixed asset acquisition directly from bond/note proceeds									9,766,000
Interest on long-term debt paid directly from deposits with trustees		2,142							2,172,147
Payment of long-term debt principal paid directly from University of Arkansas Foundation, Inc. accounts									1,432,879
Insurance proceeds remitted directly to Arkansas Department of Finance and Administration									-
Other equipment noncash additions							5,772		5,772
Valuation adjustments to capital assets									612,251
Capital outlay paid directly from bond proceeds from Act 1282 of 2005					2,819,254				9,235,298
Capital outlay paid directly from proceeds of University of Arkansas long-term debt instruments									3,020,626

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.

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.

The University has elected not to apply Financial Accounting Standards Board (FASB) statements and interpretations issued since November 30, 1989, unless they are adopted by the Governmental Accounting Standards Board (GASB).

Cash and Cash Equivalents

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

Investments

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

Inventories

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

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 Care 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.

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.

Capital Assets

Capital assets consisting of land, buildings, improvements, furniture, equipment and construction in progress are stated at cost or fair market value at date of gift. 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 improvements, and 3-10 years for equipment. 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. UAMS bases their estimated useful lives on guidelines established by the American Hospital Association (AHA).

Capitalization of Interest

The University capitalizes interest involving qualifying assets, if material. The amount of interest cost to be capitalized is interest cost on borrowings netted against any interest earned on temporary investments of the proceeds of those borrowings from the date of borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use.

Net Assets

The University's net assets are classified as follows:

- *Invested in capital assets, net of related debt:* This represents the University's total investment in capital assets, net of outstanding debt obligations related to those capital assets. However, unexpended debt proceeds at year-end are reported as net assets restricted for capital projects.
- *Restricted net assets – non-expendable:* This consists of endowment and similar type funds in which donors or other outside sources have stipulated, as a condition of the gift instrument, that the principal is to be maintained in perpetuity, and invested for the purpose of producing present and future income, which may either be expended or added to principal.
- *Restricted net assets – expendable:* This includes resources in which the University is subject to externally-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.
- *Unrestricted net assets:* This represents resources not subject to externally imposed stipulations. These resources may be designated for specific purposes by management or the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Classification of Revenues

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

- *Operating Revenues:* Operating revenues include 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 Revenues:* Non-operating revenues include activities that have the characteristics of non-exchange transactions, such as gifts and contributions, and other revenue sources that are defined as non-operating revenues by GASB No. 34, such as state appropriations and investment income.

Scholarship Discounts and Allowances

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

Component Units

In May 2002, GASB issued Statement No. 39, Determining Whether Certain Organizations are Component Units, which amends GASB No. 14 to provide additional guidance to determine whether certain organizations for which the primary government is not financially accountable should be reported as component units based on the nature and significance of their relationship with a primary government. Under the standard, which became effective with the fiscal year ending June 30, 2004, the financial activities of qualifying foundations are to be included in the financial statements of the primary government, through discrete presentations. In FY09, there were two qualifying foundations 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 only be used by, or for the benefit of, the University, the foundations are considered component units of the University and are discretely presented in the University's financial statements.

The University of Arkansas Foundation, Inc. is a separate nonprofit 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 University of Arkansas Board of Trustees. During the year ended June 30, 2009, the Foundation distributed $72,372,250 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 nonprofit 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, 2009, the Foundation distributed $14,958,796 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.*

New Accounting Pronouncements

In November 2006, GASB issued Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, which became effective with the fiscal year ending June 30, 2009. The Statement establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. The impact on the University as a result of adoption of the statement in the fiscal year ended June 30, 2009, is disclosed in Note 21.

In November 2007, GASB issued Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, which became effective with the fiscal year ending June 30, 2009. The Statement establishes consistent standards for the reporting of land and real estate held as investments by essentially similar entities. Management has determined that no land or other real estate is held by any endowment fund as an investment, and the requirements of this statement are not applicable.

The following new pronouncements become effective in later years. The University has not determined the effects of their implementation on the University's financial statements.

In June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which becomes effective with the fiscal year ending June 30, 2010. The Statement provides guidance for the recognition of intangible assets, requires that all intangible assets not specifically excluded by other GASB scope provisions be classified as capital assets and makes existing authoritative guidance related to the accounting and financial reporting for capital assets applicable to intangible assets.

In June 2008, GASB issued Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, which becomes effective with the fiscal year ending June 30, 2010. The Statement addresses the recognition, measurement and disclosure of information regarding derivative instruments entered into by governments.

Note 2: Reporting Entity

The University of Arkansas System ("the University"), 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 System 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 System 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 joined the System on January 1, 2004. In addition to these campuses, the System includes the following units: Clinton School of Public Service, Division of Agriculture, Archeological Survey, Criminal Justice Institute, and the System Administration.

All programs and activities of the University of Arkansas 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 and Vice President for Agriculture, who have responsibility for the programs and activities of their respective campuses or state-wide operating division.

GASB No. 14 addresses the issue of the financial reporting entity. According to GASB No. 14, 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 a component unit of the State of Arkansas (primary government). GASB No. 14 defines a component unit as a legally separate organization for which the elected officials of the primary government are financially accountable. Although this statement is written from the perspective of the primary government, its requirements apply to the separately issued financial statements of a component unit, and therefore, the component unit should apply the provisions of GASB No. 14 as if it was a primary government.

Note 3: Hospital Revenue

The Hospital is a division of UAMS, and the Faculty Group Practice (FGP) is the collective body of the College of Medicine faculty involved in professional practice at UAMS. FGP is an integral component of UAMS, functioning as an unincorporated division of the College of Medicine. As such, it is subject to the policies and regulations of the College of Medicine, UAMS, and the Board of Trustees of the University of Arkansas System. 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, 2009 and 2008 are recorded net of an allowance for doubtful accounts of $423,624,000 and $316,378,000, respectively.

Net patient services revenue for the years ended June 30, 2009 and 2008 is as follows:

	FY2009	FY2008
Gross patient revenue	1,675,949,000	1,611,456,000
Less patient services contractual allowances	820,134,000	767,059,000
Less provision for bad debt	74,343,000	79,039,000
Net patient services revenue	781,472,000	765,358,000

UAMS provided approximately $73,042,000 and $84,901,000 in charity care, based on established rates, during the years ended June 30, 2009 and 2008, respectively. 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 years ended June 30, 2009 and 2008 includes approximately $66,626,000 and $56,681,000, respectively, 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 years ended June 30, 2009 and 2008 includes approximately $24,190,000 and $43,415,000, respectively, of net revenue from the Supplemental Medicaid program.

The Hospital, FGP, and 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 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 or APCs. 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, 2009, the Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2007.

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 fiscal intermediary. The Hospital is required to pay the federal match for the difference in reimbursement between the Tax Equity and Fiscal Responsibility Act (TEFRA) 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, 2009, the Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2007.

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 an increase to net patient services revenue of $1,824,000 and an increase of $1,509,000 for the years ended June 30, 2009 and 2008, respectively. 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.

Note 4: Compensated Absences

Employees accrue and accumulate annual and sick leave in accordance with policies established by the Board of Trustees. Full-time, non-classified employees accrue annual leave at the rate of fifteen hours per month; 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. 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). Employees who terminate their employment are entitled to payment for all accumulated annual leave, up to the maximum allowed.

Classified employees who meet the conditions to be considered retirees at the time of termination of employment, are entitled to a partial payment of accumulated, unused sick leave in accordance with the provisions of Arkansas Code annotated 21-4-501. In accordance with Arkansas Code annotated 21-4-505, which became effective in FY09, two-year institutions may, at their discretion, provide to non-classified employees the same compensation for accumulated unused sick leave provide to classified employees. In FY09, three of the five University's two-year institutions implemented the policy for non-classified employees.

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. The liability also includes amounts paid to eligible classified employees for unused sick leave. A classified employee who has accumulated at least fifty (50) days, but less than sixty (60) days of sick leave upon retirement shall receive an amount equal to fifty percent (50%) of the number of accrued sick leave days (rounded to the nearest day) times fifty percent (50%) of the employee's daily salary. A classified employee who has accumulated at least sixty (60) days, but less than seventy (70) days of sick leave upon retirement shall receive an amount equal to sixty percent (60%) of the number of accrued sick leave days (rounded to the nearest day) times 60 percent (60%) of the employee's daily salary. A classified employee who has accumulated at least seventy (70) days, but less than eighty (80) days of sick leave upon retirement shall receive an amount equal to seventy percent (70%) of the number of accrued sick leave days (rounded to the nearest day) times seventy percent (70%) of the employee's daily salary. A classified employee that has accumulated at least eighty (80) or more days of sick leave upon retirement shall receive an amount equal to eighty percent (80%) of the number of accrued sick leave days (rounded to the nearest day) times eighty percent (80%) of the employee's daily salary. In no event shall an employee receive a sick leave incentive amount that exceeds $7,500.

Note 5: Cash, Cash Equivalents and Investments

Ark. Code Ann. 19-4-805 authorizes institutions of higher learning the right to determine the depositories and nature of investments of any of their cash funds which are not currently needed for operating purposes.

Cash at June 30, 2009:

Cash deposits are carried at cost. The following schedule reconciles the amount of deposits to the Statement of Net Assets:

+Cash deposits at year end	$ 182,950,925
+cash held on deposit in state treasury	25,323,443
+cash equivalents	22,151,719
+cash on hand	178,131
-cash/cash equiv shown as deposits held in trust on Smts	(1,460,330)
TOTAL	$ 229,143,888

Custodial credit risk is the risk that in the event of a bank failure, the University's deposits may not be returned to it. The University does not have a deposit policy for custodial credit risk. As of June 30, 2009, $742,798 of the University's bank balance was exposed to custodial credit risk as follows:

uninsured and uncollateralized	$ 742,798

Investments at June 30, 2009:

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, 2009:

Investment Type	Fair Value
Mutual Funds	$ 81,905,303
Corporate Bonds	12,830,833
Common Fund	21,702,431
External Investment Pool	227,488,229
Certificate of Deposits	29,536,173
Other	18,680,762
Sub-Total	392,143,731
-shown as cash/cash equiv on Smts	(10,911,442)
-shown as deposits held in trust on Smts	(77,947,921)
Investments as reported on Stmt of Net Assets	$ 303,284,368

Eighty-seven percent of the other category in the above table is U.S. treasuries and government sponsored agencies.

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 and the CommonFund.

		Interest Rate Risk				
		Investment Maturities (in years)				
Investment Type	Fair Value	Less than 1	1 to 5	6 to 10	More than 10	
Corporate Bonds	$ 12,830,833	$ 7,003,406	$ 4,182,148	$ 1,410,068	$ 235,211	
Other	$ 5,205,848	$ 312,479	$ 4,887,600	$ 5,769	$ -	
Totals	$ 18,036,681	$ 7,315,885	$ 9,069,748	$ 1,415,837	$ 235,211	

		Credit Risk				
Investment Type	Fair Value	AAA	AA	A	B & below	Not Rated
Mutual Funds	$ 51,032,489	$ -	$ 50,124,062	$ -	$ -	$ 908,427
Corporate Bonds	12,830,833	320,346	1,835,583	9,758,169	891,171	25,564
Other	4,570,730	4,184,513	-	244,282	-	141,935
Totals	$ 68,434,052	$ 4,504,859	$ 51,959,645	$ 10,002,451	$ 891,171	$ 1,075,926

CommonFund Short Term Fund

The University invests daily operating funds in the CommonFund for Short Term Investments (the Fund). The Short Term Fund is a bank common trust fund and as such is regulated by the United States Treasury Department Office of the Comptroller of the Currency. The University used the Fund as a vehicle to invest daily operating funds. On September 29, 2008, as an investor in the Fund, the University received notice from Wachovia Bank, in its capacity as Trustee of the Fund, of its decision to initiate the termination of the Fund, to stop accepting deposits, to establish procedures for an orderly liquidation and distribution of the Fund's assets and to resign as Trustee of the Fund. The Trustee took this action upon recognizing that market conditions had become increasingly disrupted, and to ensure fair and equitable treatment of all investors in the Fund. Accordingly, Fund assets which the Trustee considered less liquid in the current market environment and representing approximately 90% of the Fund's portfolio as of September 26, 2008, were placed in a separate account within the Fund identified as the "Intermediate/Longer-Term Tranche". The assets held in the Intermediate/Longer-Term Tranche were effectively frozen, and were not available for drawdown by investors. A separate pool, identified as the "Immediate Tranche", was also established and held the Fund assets that were readily converted to cash on a same or next-day basis, and available for drawdown.

In December 2008, Law Debenture Trust Company of New York (Law Debenture) was named successor Trustee to the Fund, and assumed all participant account record keeping responsibilities as well as serving as paying agent for the Fund. Assets of the Fund have been liquidated as they mature or as market conditions permit. As of June 30, 2009, the University had $21,702,431 remaining in the Fund awaiting liquidation. Approximately 89% of the funds held on September 26, 2008 were disbursed as of June 30, 2009. On September 23rd, 2009, Law Debenture distributed additional funds, bringing the level of cash distributed to the University to approximately 92%.

The Fund invested in securities with maturities from one day to five and one-half years, but the portfolio was structured so that it would approximate the volatility of 3-month U.S. Treasury securities and not exceed the volatility of one-year U.S. Treasury securities. As the Fund has entered liquidation, the portfolio structure has changed significantly with securities maturing beyond five and one-half years. However, since the stated intentions of The CommonFund and the Fund Trustee are to return invested balances fully to

participants as soon as is practical in light of market conditions, management does not believe the interest rate risk to be significantly changed.

The Fund was restricted to investments in U.S. Treasury and government agency securities, high quality corporate securities, mortgage- and asset- backed securities, and commercial and bank paper. However, the Fund is not rated by an external rating agency.

External Investment Pool

Effective June 30, 1997, the University of Arkansas adopted Governmental Accounting Standards Board Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Pools. GASB No. 31 requires that investments be carried at fair value and all changes in fair value be reported in revenue as a component of investment income. In 1997, the University of Arkansas and the University of Arkansas Foundation established an external investment pool. This arrangement commingles (pools) the moneys of more than one legally separate entity and invests, on the participants' behalf, in an investment portfolio. During 1998, the Walton Arts Foundation joined the pool, and, during 2003, the Fayetteville Campus Foundation joined the pool. During 2007, the University of Arkansas Community College at Hope Foundation joined the pool.

The governmental external investment pool is exempt from registration with the SEC. The University of Arkansas Board of Trustees and the University of Arkansas Foundation Board of Trustees are the sponsors of this investment pool and are responsible for operation and oversight for the pool. All participation in this investment pool is voluntary. The participants of the Pool have adopted investment guidelines and performance objectives for the accounts within the Pool. At June 30, 2009, five campuses, Cooperative Extension Service, and four foundations participated in the Pool. As of June 30, 2009, the pool's net assets totaled $1,067,332,025. The pool was combined with 21.30% of the net assets owned by the University of Arkansas, 45.22% by the University of Arkansas Foundation (external portion), 32.61% by the Fayetteville Campus Foundation (external portion), 0.82% by the Walton Arts Foundation (external portion), and 0.05% by the University of Arkansas Community College at Hope Foundation (external portion). The following tables contain information on the risk disclosure of the Pool.

UA Division of Agriculture - Expansion of the Rice Research Facility in Stuttgart predominately funded by the Arkansas Higher Education Bond program.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Statement of Invested Assets
June 30, 2009

Investment Type	Fair Value *
CASH	**$ (1,988,910)**
CASH EQUIVALENTS	**118,670**
CASH COLLATERAL AT BROKER	118,670
FORWARD CONTRACTS	**(81,588)**
SHORT-TERM INVESTMENTS	**17,381,482**
POOLED FUNDS AND MUTUAL FUNDS	16,079,785
TREASURIES	1,301,697
EQUITY INVESTMENTS	**120,220,208**
COMMON STOCKS	113,984,573
REAL ESTATE INVESTMENT TRUSTS	6,150,021
PREFERRED STOCK	85,614
FIXED INCOME INVESTMENTS	**186,515,336**
GOVERNMENT FIXED INCOME	36,797,561
GOVERNMENT AGENCIES	20,399,852
GOVERNMENT BONDS	15,060,969
OTHER GOVERNMENT FIXED INCOME	1,336,740
GOVERNMENT ASSETS AND MORTGAGE BACKED	30,307,936
GOVERNMENT NATIONAL MORTGAGE ASSOC.	1,341,611
FEDERAL HOME LOAN MORTGAGE CORP	10,754,302
FEDERAL NATIONAL MORTGAGE ASSOC	12,279,123
COLLATERALIZED MORTGAGE OBLIGATIONS	5,932,900
CORPORATE FIXED INCOME	105,283,059
ASSET BACKED SECURITIES	40,128,962
CORPORATE BONDS	65,154,097
STATE AND LOCAL OBLIGATIONS	1,854,163
OTHER FIXED INCOME	12,272,617
PRIVATE PLACEMENTS	12,029,363
MISCELLANEOUS OTHER FIXED INCOME	243,254
CONVERTIBLE INVESTMENTS	**474,046**
CONVERTIBLE CORPORATE BONDS	474,046
OTHER ASSETS	**744,692,781**
MUTUAL FUNDS	654,468,230
VENTURE CAPITAL	89,825,869
PRIVATE EQUITIES	398,682
TOTAL	**$ 1,067,332,025**

*Includes Accrued Income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Credit Risk - S&P Quality Ratings
June 30, 2009

Investment Type & Fair Value ($000) *	TSY	AGY	AAA	AA	A	BBB	BB	B	CCC & Below	NR
SHORT-TERM INVESTMENTS			**1,302**							**16,080**
Pooled Funds And Mutual Funds										16,080
Treasuries			1,302							
FIXED INCOME INVESTMENTS	**3,178**	**31,453**	**69,207**	**16,417**	**36,470**	**16,385**	**629**	**1,268**	**1,638**	**9,869**
Government Fixed Income	3,178	520	30,937	791	862	498			10	
Government Agencies		520	19,054		815				10	
Government Bonds	3,178		11,883							
Government Inflation Indexed										
Other Government Fixed Income				791	47	498				
Government Assets And Mortgage Backed		28,760	854							694
Government National Mortgage Assoc.		1,342								
Federal Home Loan Mortgage Corp.		10,754								
Federal National Mortgage Assoc.		11,691	589							
Collateralized Mortgage Obligations		4,973	265							694
Corporate Fixed Income		2,173	33,603	12,216	33,840	15,107	362	1,268	1,353	5,362
Asset Backed Securities		2,173	29,252	402	1,606		111	1,081	303	5,201
Corporate Bonds			4,351	11,814	32,234	15,107	251	187	1,050	161
State And Local Obligations			1,069	603	115					66
Other Fixed Income			2,744	2,807	1,653	780	267		275	3,747
Private Placements			2,500	2,807	1,653	780	267		275	3,747
Miscellaneous Other Fixed Income			244							
CONVERTIBLE INVESTMENTS						**474**				
Convertible Preferred Stock						474				
TOTAL	**$3,178**	**$31,453**	**$70,509**	**$16,417**	**$36,470**	**$16,859**	**$629**	**$1,268**	**$1,638**	**$25,949**

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Years to Maturity
June 30, 2009

Investment Type (1)	Fair Value *	Less Than 1	1 to 5	6 to 10	More than 10
SHORT-TERM INVESTMENTS	**17,381,482**	**1,301,697**			
Pooled Funds And Mutual Funds	16,079,785				
Treasuries	1,301,697	1,301,697			
FIXED INCOME INVESTMENTS	**186,515,336**	**1,837,438**	**59,946,904**	**28,882,535**	**95,848,459**
Government Fixed Income	36,797,561		23,165,712	4,494,527	9,137,322
Government Agencies	20,399,852		17,691,884	1,675,660	1,032,308
Government Bonds	15,060,969		4,682,152	2,771,843	7,606,974
Other Government Fixed Income	1,336,740		791,676	47,024	498,040
Government Assets And Mortgage Backed	30,307,936		1,393,419	2,960,820	25,953,697
Government National Mortgage Assoc	1,341,611				1,341,611
Federal Home Loan Mortgage Corp	10,754,302				10,754,302
Federal National Mortgage Assoc	12,279,123		1,270,735	498,884	10,509,504
Collateralized Mortgage Obligations	5,932,900		122,684	2,461,936	3,348,280
Corporate Fixed Income	105,283,059	1,108,587	27,432,205	18,180,619	58,561,648
Asset Backed Securities	40,128,962		1,501,640	2,117,123	36,510,199
Corporate Bonds	65,154,097	1,108,587	25,930,565	16,063,496	22,051,449
State And Local Obligations	1,854,163		1,069,340	424,406	360,417
Other Fixed Income	12,272,617	728,851	6,886,228	2,822,163	1,835,375
Private Placements	12,029,363	728,851	6,886,228	2,822,163	1,592,121
Miscellaneous Other Fixed Income	243,254				243,254
CONVERTIBLE INVESTMENTS	**474,046**				**474,046**
Convertible Corporate Bonds	474,046				474,046
TOTAL	**$204,370,864**	**$3,139,135**	**$59,946,904**	**$28,882,535**	**$96,322,505**

*Includes accrued income
(1) Pooled and Mutual Fund/Commingled Fund values are displayed for Fair Value Totals only

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Interest Rate Sensitivity - Effective Duration
June 30, 2009

Investment Type	Fair Value *	Effective Duration
SHORT-TERM INVESTMENTS	**$ 17,381,482**	0.39
POOLED FUNDS AND MUTUAL FUNDS	16,079,785	
TREASURIES	1,301,697	0.39
FIXED INCOME INVESTMENTS	**186,515,336**	4.62
GOVERNMENT FIXED INCOME	36,797,561	5.47
GOVERNMENT AGENCIES	20,399,852	3.41
GOVERNMENT BONDS	15,060,969	8.14
OTHER GOVERNMENT FIXED INCOME	1,336,740	6.93
GOVERNMENT ASSETS & MORTGAGE BACKED	30,307,936	2.30
GOVERNMENT NATIONAL MORTGAGE ASSOC	1,341,611	2.62
FEDERAL HOME LOAN MORTGAGE CORP	10,754,302	2.27
FEDERAL NATIONAL MORTGAGE ASSOC	12,279,123	2.14
COLLATERALIZED MORTGAGE OBLIGATIONS	5,932,900	2.78
CORPORATE FIXED INCOME	105,283,059	5.07
ASSET BACKED SECURITIES	40,128,962	3.51
CORPORATE BONDS	65,154,097	5.92
STATE AND LOCAL OBLIGATIONS	1,854,163	6.29
OTHER FIXED INCOME	12,272,617	4.46
PRIVATE PLACEMENTS	12,029,363	4.34
MISCELLANEOUS OTHER FIXED INCOME	243,254	9.93
CONVERTIBLE INVESTMENTS	**474,046**	22.53
CONVERTIBLE PREFERRED STOCK	474,046	22.53
TOTAL	**$ 204,370,864**	**4.63**

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL
Foreign Currency Risk By Investment Type
June 30, 2009

Currency by Investment and Fair Value ($000)*	Cash	Cash Equivalent	Equity
AUSTRALIAN DOLLAR	33		1,422
BRAZILIAN REAL			317
BRITISH PND STERLING	151		8,308
CANADIAN DOLLAR	5		409
CZECH KORUNA	5		286
DANISH KRONE	12		307
EURO CURRENCY	69	37	16,184
HONG KONG DOLLAR	33		630
JAPANESE YEN	118		8,073
NEW ZEALAND DOLLAR	2		19
NORWEGIAN KRONE	38		827
RENMINBI YUAN			97
SINGAPORE DOLLAR	16		404
SOUTH AFRICAN RAND	3		151
SOUTH KOREAN WON			346
SWEDISH KRONA	36		1,192
SWISS FRANC	35		1,599
TOTAL	**$556**	**$37**	**$40,571**

*Includes accrued income

Endowment Funds

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

The 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 are available for expenditure, reported on the Statement of Net Assets as restricted expendable net assets, is as follows:

Total Endowment at June 30, 2009		$ 90,988,458
Less:	Funds treated as endowment	(22,804,388)
	Non-expendable portion of endowment	(37,801,104)
Available for Expenditure		$ 30,382,966

NOTE 6: 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, 2009. It is also exempt from state income taxes under Arkansas law. Accordingly, no provision for income taxes is made in the financial statements.

NOTE 7: Compensated Absences, Bonds, Notes & Capital Leases 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 as follows:

University of Arkansas for Medical Sciences - The new hospital, which opened in January of 2009, anchors the UAMS patient care facilities.

UNIVERSITY OF ARKANSAS FAYETTEVILLE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
11/1/1996	11/1/2009	3.85%-5.25%	$12,105,000	$11,555,000	$550,000
10/15/1997	11/1/2022	3.95%-5.25%	21,445,000	15,440,000	6,005,000
5/1/1999	9/15/2020	3.35%-4.85%	30,000,000	9,560,000	20,440,000
11/1/2001	12/1/2021	2.90%-5.50%	42,985,000	23,535,000	19,450,000
11/1/2001	12/1/2021	4.20%	11,555,000	7,555,000	4,000,000
12/1/2002	12/1/2032	1.80%-5.50%	110,980,000	57,385,000	53,595,000
10/1/2004	11/1/2024	2.00%-4.75%	30,550,000	3,800,000	26,750,000
3/1/2005	11/1/2025	3.00%-4.50%	81,020,000	3,485,000	77,535,000
7/1/2005	9/15/2011	3.00%-3.25%	9,645,000	4,785,000	4,860,000
6/1/2006	11/1/2036	4.00%-5.00%	67,420,000	1,370,000	66,050,000
6/1/2006	9/15/2022	4.00%-4.375%	8,205,000	755,000	7,450,000
10/1/2007	11/1/2037	4.00%-5.00%	45,010,000	595,000	44,415,000
8/1/2008	11/1/2038	4.00%-5.00%	36,750,000	-	36,750,000
8/1/2008	11/1/2028	4.10%-6.375%	15,210,000	-	15,210,000
11/30/1991	5/1/2022	5.50%	3,000,000	1,110,823	1,889,177
11/29/1995	12/1/2019	4.00%-5.00%	2,071,140	849,520	1,221,620
9/13/1995	12/1/2010	5.75%-7.05%	535,000	430,000	105,000
12/20/1999	12/20/2023	Variable	1,161,952	179,590	982,362
10/31/2007	9/30/2011	Variable	7,767,000	4,934,509	2,832,491
5/11/2008	3/31/2013	Variable	6,000,000	564,066	5,435,934
7/31/2002	7/1/2012	2.05%	900,000	610,578	289,422
11/30/2007	7/1/2023	4.69%	6,950,000	26,608	6,923,392
10/15/2008	9/13/2013	5.00%	5,000,000	469,044	4,530,956
12/19/2008	8/19/2023	4.58%	1,521,368	-	1,521,368
Various	Various	Various	2,488,049	442,477	2,045,572
Deferral on debt defeasance			(4,295,000)	(1,259,928)	(3,035,072)
TOTALS			$555,979,509	$148,177,287	$407,802,222

UNIVERSITY OF ARKANSAS AT FORT SMITH					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/1/2001	12/1/2021	2.0% - 5.0%	$41,500,000	$10,805,000	$30,695,000
6/1/2003	12/1/2023	1.0% - 3.8%	9,880,000	2,090,000	7,790,000
9/1/2005	12/1/2030	3.0% - 4.375%	13,055,000	895,000	12,160,000
12/1/2006	12/1/2031	3.6% - 5.0%	6,160,000	155,000	6,005,000
5/1/2009	12/1/2034	2.0% - 5.0%	25,000,000	-	25,000,000
TOTALS			$95,595,000	$13,945,000	$81,650,000

UNIVERSITY OF ARKANSAS AT LITTLE ROCK					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/7/2008	10/1/2015	4.22%	$2,541,873	$295,872	$2,246,001
9/15/2004	12/1/2010	4.26%	16,930,000	11,780,000	5,150,000
9/15/2004	12/1/2024	4.43%	24,285,000	3,450,000	20,835,000
10/1/2004	12/1/2029	4.25%	17,385,000	825,000	16,560,000
10/30/2007	1/1/2011	5.50%	150,000	67,775	82,225
Leases	5/18/2015		1,083,269	154,887	928,382
Unamortized premium/discount			601,769	471,058	130,711
Deferral on debt defeasance			(509,954)	(364,253)	(145,701)
TOTALS			$62,466,957	$16,680,339	$45,786,618

UNIVERSITY OF ARKANSAS AT MONTICELLO					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
7/1/2005	10/1/2018	2.65% - 4.0%	$4,505,000	$1,100,000	$3,405,000
12/1/2005	12/1/2035	3.1% - 5.0%	9,000,000	480,000	8,520,000
1/27/2009	2/1/2019	0.53%	1,000,000		1,000,000
TOTALS			$14,505,000	$1,580,000	$12,925,000

UNIVERSITY OF ARKANSAS FOR MEDICAL SCIENCES					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/30/1998	7/1/2013	4.5% - 5.05%	$14,260,000	$4,865,000	$9,395,000
10/28/2004	11/1/2034	2.00% - 5.00%	99,327,000	1,561,000	97,766,000
10/28/2004	11/1/2018	4.0% - 5.00%	58,882,000	14,302,000	44,580,000
11/18/2004	7/1/2034	2.25% - 5.00%	10,232,000	595,000	9,637,000
3/8/2006	3/1/2036	3.4% - 5.0%	112,548,000	6,107,000	106,441,000
5/7/2008	6/1/2012	4.22%	495,000	125,000	370,000
Misc Notes			29,346,000	19,772,000	9,574,000
Leases			48,614,000	14,575,000	34,039,000
TOTALS			$373,704,000	$61,902,000	$311,802,000

UNIVERSITY OF ARKANSAS AT PINE BLUFF					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/1963	10/1/2013	3.63%	$1,822,000	$1,391,000	$431,000
10/12/2005	12/1/2035	3.0% - 5.0%	20,780,920	1,116,592	19,664,328
10/12/2005	12/1/2017	2.8% - 3.8%	3,317,513	991,879	2,325,634
9/1/1999	12/1/2015	4.0%-5.70%	880,000	452,500	427,500
10/12/1999	10/1/2035	6.00%	3,300,000	650,000	2,650,000
12/23/2003	12/30/2008	7.21%	174,226	174,226	-
11/25/2005	10/27/2010	4.38%	3,904,193	2,647,685	1,256,508
2/4/2008	8/1/2011	2.00%	2,000,000		2,000,000
TOTALS			$36,178,852	$7,423,882	$28,754,970

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/1/2005	5/1/2035	5.18%	$4,500,000	$293,735	$4,206,265
8/3/2006	8/3/2010	10.25%	13,028	8,665	4,363
8/16/2006	8/1/2010	10.25%	13,970	9,291	4,679
7/26/2006	8/1/2009	9.50%	9,241	8,656	585
1/25/2008	3/30/2023	2.91%	2,000,000	135,412	1,864,588
10/1/2008	10/1/2011	7.50%	8,519	1,732	6,787
TOTALS			$6,544,758	$457,491	$6,087,267

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
9/1/1997	9/1/2017	3.9 - 5%	$6,560,000	$6,560,000	$0
12/30/2005	12/30/2010	3.58%	661,882	448,238	213,644
2/1/2009	12/1/2038	3.0 - 5.2%	12,030,000		12,030,000
Unamortized premium/discount			(206,872)	(2,874)	(203,998)
TOTALS			$19,045,010	$7,005,364	$12,039,646

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT BATESVILLE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/1/1998	12/1/2018	3.1 - 5%	$4,000,000	$1,560,000	$2,440,000
5/7/2008	11/1/2015	4.22%	816,432	93,761	722,671
5/7/2008	11/1/2015	4.22%	451,616	54,024	397,592
TOTALS			$5,268,048	$1,707,785	$3,560,263

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
7/1/1998	4/1/2021	3.8 - 5.125%	$3,985,000	$1,425,000	$2,560,000
7/13/2004	9/1/2018	4.33%	3,105,000	715,000	2,390,000
10/1/2008	10/1/2038	2.25-5.0%	2,685,000		2,685,000
Unamortized premium/discount			(60,610)	(1,514)	(59,096)
TOTALS			$9,714,390	$2,138,486	$7,575,904

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
05/01/2002	05/01/2022	2.25%-5.25%	$3,000,000	$775,000	$2,225,000
05/18/2005	11/01/2017	4.00%-5.25%	2,095,000	540,000	1,555,000
Deferral on debt defeasance			(90,000)	(28,800)	(61,200)
TOTALS			$5,005,000	$1,286,200	$3,718,800

UNIVERSITY OF ARKANSAS SYSTEM ADMINISTRATION					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/7/2008	10/1/2009	4.22%	$312,183	$232,262	$79,921
5/7/2008	8/1/2015	4.22%	117,306	14,033	103,273
TOTALS			$429,489	$246,295	$183,194

University of Arkansas System Office located in Little Rock, Arkansas.

The capitalized value of capital assets held under capital leases totaled $41,719,056 at June 30, 2009. The present value of the net minimum lease payments is a follows:

Type	Cost	Acc Deprec	Net
Land	$ 259,264	$ -	$ 259,264
Improve/Infrastructure	8,170,860	776,596	7,394,264
Buildings	16,884,081	2,653,963	14,230,118
Equipment	31,303,845	11,468,435	19,835,410
		TOTAL	$ 41,719,056

Total Minimum Lease Payments	$ 53,690,023
Less: Amount representing interest	11,197,883
Total Present Value of Net Minimum Lease Payments	$ 42,492,140

Changes in long-term liabilities are as follows:

BONDS PAYABLE					
Campus	Balance 6-30-08	Issued FY09	Retired FY09	Balance 6-30-09	Current Portion
UAF	$340,251,302	$51,960,000	$12,186,374	$380,024,928	$21,561,375
UAFS	59,270,000	25,000,000	2,620,000	81,650,000	2,725,000
UALR	46,136,371		3,606,361	42,530,010	3,791,361
UAM	12,375,000		450,000	11,925,000	470,000
UAMS	274,775,000		6,956,000	267,819,000	6,564,000
UAPB	23,130,453		709,490	22,420,963	739,490
PCCUA	4,170,000	12,030,000	4,373,998	11,826,002	68,104
UACCB	2,625,000		185,000	2,440,000	195,000
UACCH	5,295,000	2,624,390	343,486	7,575,904	407,980
UACCM	3,976,600		257,800	3,718,800	267,800
TOTAL	$772,004,726	$91,614,390	$31,688,509	$831,930,607	$36,790,110

NOTES PAYABLE					
Campus	Balance 6-30-08	Issued FY09	Retired FY09	Balance 6-30-09	Current Portion
UAF	$12,071,414	$7,991,914	$2,776,366	$17,286,962	$3,321,038
UALR	2,672,478		344,252	2,328,226	367,133
UAMS	2,720,000	9,766,000	2,542,000	9,944,000	1,772,000
UAPB	3,250,000	1,500,000	100,000	4,650,000	100,000
CCCUA	1,973,310		108,722	1,864,588	111,928
PCCUA	348,639		134,995	213,644	140,900
UACCB	1,268,048		147,785	1,120,263	157,851
SYSTEM	410,464		227,270	183,194	94,900
TOTAL	$24,714,353	$19,257,914	$6,381,390	$37,590,877	$6,065,750

ARKANSAS DEVELOPMENT FINANCE AUTHORITY NOTES PAYABLE					
Campus	Balance 6-30-08	Issued FY09	Retired FY09	Balance 6-30-09	Current Portion
UAM	$0	$1,000,000		$1,000,000	$97,635
UAPB	482,500		55,000	427,500	55,000
TOTAL	$482,500	$1,000,000	$55,000	$1,427,500	$152,635

CAPITAL LEASES PAYABLE					
Campus	Balance 6-30-08	Issued FY09	Retired FY09	Balance 6-30-09	Current Portion
UAF	$244,797	$2,407,713	$606,938	$2,045,572	$315,896
UALR	1,068,920		140,538	928,382	145,029
UAMS	23,600,000	16,759,000	6,320,000	34,039,000	5,769,000
UAPB	2,069,022		812,515	1,256,507	828,292
CCCUA	4,301,674	8,519	87,514	4,222,679	90,229
PCCUA	-			-	
TOTAL	$31,284,413	$19,175,232	$7,967,505	$42,492,140	$7,148,446

INSTALLMENT CONTRACTS					
Campus	Balance 6-30-08	Issued FY09	Retired FY09	Balance 6-30-09	Current Portion
UAF	$7,076,487	$1,521,368	$153,095	$8,444,760	$261,293
TOTAL	$7,076,487	$1,521,368	$153,095	$8,444,760	$261,293

COMPENSATED ABSENCES PAYABLE					
Campus	Balance 6-30-08	Additions FY09	Retired FY09	Balance 6-30-09	Current Portion
UAF	$16,423,393	$800,966	$62,798	$17,161,561	$1,019,349
UAFS	1,228,518	253,603	158,601	1,323,520	181,813
UALR	4,271,853		292,613	3,979,240	296,944
UAM	962,905	871,168	792,386	1,041,687	48,962
UAMS	38,177,000	3,610,000		41,787,000	1,986,000
UAPB	2,013,175	2,199,624	1,993,205	2,219,594	160,107
CCCUA	243,233	182,627	189,477	236,383	11,819
PCCUA	448,625	25,085	15,943	457,767	39,128
UACCB	250,367	253,975	253,629	250,713	16,178
UACCH	237,677	219,084	193,691	263,070	31,568
UACCM	224,958	87,884	13,575	299,267	24,526
ASMSA	79,095	11,332	7,987	82,440	12,039
SYSTEM	398,994	36,326		435,320	7,196
TOTAL	$64,959,793	$8,551,674	$3,973,905	$69,537,562	$3,835,629

Total long-term debt principal and interest payments on bonds and notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	$ 43,483,861	$ 39,588,445	$ 83,072,306
2011	34,475,387	37,912,482	72,387,869
2012	34,734,936	36,514,313	71,249,249
2013	32,660,725	35,142,317	67,803,042
2014	32,883,070	33,758,346	66,641,416
2015-2019	177,410,100	146,150,421	323,560,521
2020-2024	171,232,282	104,113,239	275,345,521
2025-2029	133,673,346	68,726,084	202,399,430
2030-2034	141,594,907	34,854,166	176,449,073
2035-2039	67,372,870	5,624,226	72,997,096
TOTALS	$ 869,521,484	$ 542,384,039	$ 1,411,905,523

Note: Principal for FY10 includes $628,000 premium amortization. Total principal of $869,521,484 includes $10,739,000 premium amortization.

Total long-term debt principal and interest payments on Arkansas Development Finance authority capital leases payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	152,635	28,700	$ 181,335
2011	155,653	25,434	181,087
2012	161,174	21,807	182,981
2013	166,698	17,844	184,542
2014	172,224	13,555	185,779
2015-2019	619,116	15,943	635,059
TOTALS	$ 1,427,500	$ 123,283	$ 1,550,783

Total long-term debt principal and interest payments on other capital leases payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	7,148,445	1,904,483	$ 9,052,928
2011	6,377,536	1,603,756	7,981,292
2012	5,294,377	1,357,156	6,651,533
2013	5,011,219	1,129,002	6,140,221
2014	3,866,302	913,524	4,779,826
2015-2019	11,598,394	2,786,953	14,385,347
2020-2024	738,255	737,831	1,476,086
2025-2029	955,975	520,112	1,476,087
2030-2034	1,237,903	238,183	1,476,086
2035-2039	263,734	6,882	270,616
TOTALS	$ 42,492,140	$ 11,197,882	$ 53,690,022

Note: As required by GASB No. 38, interest payments for variable rate debt have been calculated using the rate in effect at the financial statement date. Actual rates will vary.

Total long-term debt principal and interest payments on installment contracts payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2010	261,293	990,059	$ 1,251,352
2011	1,388,428	595,473	1,983,901
2012	692,865	304,944	997,809
2013	299,808	286,192	586,000
2014	313,869	272,131	586,000
2015-2019	1,804,454	1,125,546	2,930,000
2020-2024	3,684,043	628,357	4,312,400
TOTALS	$ 8,444,760	$ 4,202,702	$ 12,647,462

State of Arkansas Bonds

Act 1282 of 2005 authorized the Arkansas Development Finance Authority to issue State of Arkansas Higher Education General Obligation Bonds up to $150 million for technology and facility improvements for institutions of higher education in the state of Arkansas, after approval by the voters of Arkansas, which was obtained on November 7, 2006, during the general election. The State of Arkansas is obligated to make debt service payments on the bonds; therefore, no liability is established by the University. Bond proceeds of $28,220,677 received in fiscal year 2009 are included in Other Changes in Net Assets on the Statement of Revenues, Expenses and Changes in Net Assets.

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, 2009, that are pledged:

BOND SERIES	Maturity Date	Purpose of Debt	Remaining Principal + Interest	FY09 Principal + Interest	Revenue Source	FY09 Revenue	% of Revenue Pledged
UAF/VARIOUS FACILITIES							
Series 1996 Various Facilities	11/1/2009	Refunding Bond Series 1988 and 1989 for HPER and Old Main	564,438	567,394	Various Fac. Pledge	198,322,439	0.29%
Series 1997 Various Facilities	11/1/2022	Construction of Parking Facility, Alumni Center, Union Renovation and other Capital Assets	8,736,021	1,033,603	Various Fac. Pledge	198,322,439	0.52%
Series 2001 Various Facilities	12/1/2021	Renovation of Science Engineering, University House, Construction of Chiller, Gymnastics Facility, Research Building and other Capital Assets	22,976,313	3,097,160	Various Fac. Pledge	198,322,439	1.56%
Series 2002 Various Facilities	12/1/2032	Construction of Student Housing, Health Center, Parking Structure, Walker Graduate School of Business, Chemistry Building Renovation, HPER Renovation, Utility Infrastructure and other Capital Asset	92,599,975	5,226,350	Various Fac. Pledge	198,322,439	2.64%
Series 2004 Various Facilities	11/1/2024	Law Library Addition, Chiller Rebuild, Old Main Renovation, Parking Structure, Band Building Addition, Land Purchases, Health Center, Vol Walker Renovation, and other Capital Assets. Refund portion of Series 1998 Var. Facilities Bonds	35,836,271	2,049,012	Various Fac. Pledge	198,322,439	1.03%
Series 2005 Various Facilities	11/1/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, and Refund Portion of Series 2001 Var. Facilities Bonds and Series 2002 Var. Facilities Bonds.	106,827,671	4,444,590	Various Fac. Pledge	198,322,439	2.24%
Series 2006 Various Facilities	11/1/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, and Poultry Science Energy Management	124,591,522	3,879,285	Various Fac. Pledge	198,322,439	1.96%
Series 2007 Various Facilities	11/1/2037	Construction of Student Housing	82,222,181	2,689,663	Various Fac. Pledge	198,322,439	1.36%
Series 2008 Various Facilities	11/1/2038	Construction of Parking Garage, Bookstore, KUAF Radio, and other facilities, and purchase of parcels of land	101,116,827	2,006,541	Various Fac. Pledge	198,322,439	1.01%
		Total Percentage of Pledged Revenues					12.61%
UAF/ATHLETIC FACILITIES							
Series 1999 Athletic Facilities	9/15/2020	Expansion of Football Stadium	27,135,093	2,260,435	Athletics Pledge	43,919,357	5.15%
Series 2001 Athletic Facilities	12/1/2021	Expansion of Football Stadium	6,100,000	168,000	Athletics Pledge	43,919,357	0.38%
Series 2005 Athletic Facilities	9/15/2011	Refund Series 1997 Athletic Facilities Bonds for Walton Arena	5,082,287	1,821,273	Athletics Pledge	43,919,357	4.15%
Series 2006 Athletic Facilities	9/15/2022	Construction of John McDonnell Outdoor Track Stadium	9,859,637	701,491	Athletics Pledge	43,919,357	1.60%
Series 2008 Athletic Facilities Revenue Note	9/13/2013	Improvements to various athletic facilities	5,065,493	595,490	Athletics Pledge	43,919,357	1.36%
		Total Percentage of Pledged Revenues					12.64%

UAFS							
Series 2001Student Fee Revenue	12/1/2021	General improvements	40,927,452	3,159,140	Student Fee Revenue	26,191,388	12.06%
Series 2003 Student Fee Revenue	12/1/2023	General improvements	10,448,878	703,556	Student Fee Revenue	26,191,388	2.69%
Series 2005 Student Fee Revenue	12/1/2030	Sebastian Commons Phase I	18,816,013	850,940	Student Fee Revenue	26,191,388	3.25%
Series 2006 Student Fee Revenue	12/1/2031	Sebastian Commons Phase II	9,584,201	421,195	Student Fee Revenue	26,191,388	1.61%
Series 2009 Student Fee Revenue	12/1/2034	Housing construction	42,694,873	0	Student Fee Revenue	26,191,388	0.00%
Total Percentage of Pledged Revenues							19.61%

UALR							
Series 2004 Revenue Refunding & Capital Improvements	12/1/2024	Refunding Bond Series 1995, 1996 & 1997; General improvements	34,677,719	4,535,013	Student Fee Revenue	59,134,464	7.67%
Series 2004 Housing Revenue	12/1/2029	Construction of housing	25,336,214	949,915	Housing Revenues	3,003,260	31.63%

UAM							
Series 2005 Auxiliary Facilities Refunding	10/1/2018	Refund Series 1998 Auxiliary Facilities Bonds	4,081,584	411,685	Auxiliary Revenues	5,832,192	7.06%
Series 2005 Various Facilities Refunding and Construction	12/1/2035	Finance capital improvements & refund ADFA loan	15,261,141	567,280	Student Fee Revenue & Auxiliary Revenues	16,468,924	3.44%

UAMS							
Series 2006 Various Facilities	3/1/2036	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	187,777,418	6,956,118	Clinical Programs Revenue	516,621,020	1.35%
Series 2004 - Various Facilities & Refunding	11/1/2034	Refinance Series 1998 Various Facility Bonds; Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	234,420,302	10,436,845	Clinical Programs Revenue	516,621,020	2.02%
Total Percentage of Pledged Revenues							3.37%
Series 1998 Parking System Revenue Construction	7/1/2013	Parking Deck construction	12,217,418	1,114,696	Parking Fees	3,111,744	35.82%
Series 2004 Parking System Revenue Construction	7/1/2034	Parking Deck construction	16,813,325	646,990	Parking Fees	3,111,744	20.79%
Total Percentage of Pledged Revenues							56.61%

UAPB							
Series 2005A Various Facilities Revenue, Refunding and Construction	12/1/2035	Refunding and capital improvements	34,810,953	1,257,700	All E&G Funds (excluding State Appropriations)	31,016,323	4.05%
Series 2005B Various Facilities Revenue, Refunding and Construction	12/1/2017	Refunding and capital improvements	2,690,716	340,921	All E&G Funds (excluding State Appropriations)	31,016,323	1.10%
Total Percentage of Pledged Revenues							5.15%
Series 1963B	10/1/2013	AM&N Building Bond	471,038	91,983	Student Fee Revenue	18,959,482	0.49%

PCCUA							
Series 2009 Student Fee Refunding and Construction Revenue	12/1/2038	Construction of Grand Prairie Center and refunding of Series 1997 bonds	22,712,136	182,375	Student Fee Revenue	2,780,559	6.56%

UACCB							
Series 1998 Student Fee Revenue	12/1/2018	Construction of Independence Hall	3,088,721	306,031	Student Fee Revenue	2,987,048	10.25%

UACCH							
Series 1998 Refunding & Construction Student Fee Revenue	4/1/2021	Construction	3,482,684	289,547	Student Fee Revenue	2,078,832	13.93%
Series 2004 Student Fee Revenue Refunding	9/1/2018	Refund Series 1996/Student Center & Library	2,973,549	294,687	Student Fee Revenue	2,078,832	14.18%
Series 2008 Student Fee Revenue	10/1/2038	Construction of Science/Technology Building	4,972,114	40,648	Student Fee Revenue	2,078,832	1.96%
Total Percentage of Pledged Revenues							30.07%

UACCM							
Series 2002 Student Fee Revenue	5/1/2022	Construction of educational building	3,093,162	234,857	Student Fee Revenue	4,472,838	5.25%
Series 2005 Student Fee Revenue Refunding	11/1/2017	Refund Series 1999	1,832,045	203,825	Student Fee Revenue	4,472,838	4.56%
Total Percentage of Pledged Revenues							9.81%

Refundings

Fayetteville Campus: On March 1, 2005, the University issued $21,020,000 in Various Facility Revenue Bonds, Series 2005A, and $60,000,000 in Various Facility Revenue Refunding Bonds, Series 2005B. Series 2005A bonds were issued to provide funds to finance the construction of the Willard Walker Graduate School of Business building, the Center for Academic Excellence building, and the Chemistry building. Series 2005B bonds were issued with an average coupon rate of 4.408% in order to advance refund $44,195,000 of Series 2002 Various Facility Revenue Bonds and $12,135,000 of Series 2001 Various Facility Revenue Bonds. The refunded bonds have an average interest rate of 5.472%. Proceeds in the amount of $62,255,099, plus an additional $779,632, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 2002 and 2001 Series bonds. Regularly scheduled interest and principal payments on the 2002 Series and 2001 Series issues were made on June 1, 2005 and will continue through December 1, 2012 for Series 2002 and through December 1, 2011 for Series 2001, from the escrow fund. All outstanding refunded Series 2002 bonds will be redeemed on December 1, 2012, at a price equal to 100% of the principal amount plus interest accrued thereon. All outstanding refunded Series 2001 bonds will be redeemed on December 1, 2011, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, those portions of the 2002 Series and 2001 Series bonds are considered defeased. The liability for those bonds has been removed from the Statement of Net Assets. The University advance refunded portions of the 2002 and 2001 Series bonds to reduce its total debt service payments over the next 18 years by $4,116,788 to obtain economic gain (difference between the present value of the debt service payments on the old and new debt) of $2,263,717. The escrow balance at June 30, 2009, was $59,348,919.

UAFS Campus: Student Fee Revenue Bonds, Series 2001 was issued in December, 2001 in the amount of $41,500,000 with interest rates ranging from 2% to 5%. The primary portion of the proceeds was pledged to advance refund the outstanding balances of the 1999 and 1997 general obligation bonds, $9,705,000 and $25,905,000 respectively. The required portion was deposited in an irrevocable trust to provide full funding for all future debt service payments on the old outstanding bonds. Final payment from the Defeasance Escrow Fund was made as scheduled on April 1, 2009. The escrow balance at June 30, 2009, was $0.

PCCUA Campus: On February 1, 2009, the University issued $12,030,000 in Student Fee Refunding and Construction Revenue Bonds, Series 2009, with a net interest cost of 4.97%. The bonds were issued for the purpose of financing (1) the construction and equipping of the Grand Prairie Center Project on the Stuttgart campus, and (2) the current refunding of the University's Student Fee Revenue Bonds, Series 1997, in the amount of $3,855,000. Proceeds in the amount of $3,857,142 were deposited in trust with an escrow agent to provide for the immediate defeasance of the refunded 1997 Series bonds. Final payment from the escrow fund was made on March 5, 2009. The escrow balance at June 30, 2009, was $0.

NOTE 8: COMMITMENTS

The University was contractually obligated for the following at June 30, 2009:

Campus	Project Name	Estimated Completion Date	Contract Balance
UAF	ARE-ON Fiber Optic	December 2009	$ 816,207
	Bogle Park -- Softball	Substantially Complete	5,000
	Brough Commons Renovations	September 2009	846,658
	Campus Wide ESPC	October 2010	19,709,656
	Center for Academic Excellence	Substantially Complete	271,338
	Davis Hall Renovation	December 2010	326,092
	Dickson Street Utility Tunnel	August 2009	1,066,588
	Duncan Avenue Apartments	Substantially Complete	53,335
	Fine Arts Theater Life Safety Issues	December 2009	346,443
	Garland Avenue Parking Garage	June 2010	17,610,949
	KUAF Building	January 2010	876,725
	Leflar Law Addition and Renov. Phase II	Substantially Complete	153,628
	National Ctr for Reliable Electricity	Substantially Complete	1,192
	Nano Science & Technology Center	April 2011	2,747,121
	Phi Delta Theta Fraternity House	December 2009	864,539
	Rice Research Facility	January 2010	4,602,550
	Senior Walks 2008-2011	Substantially Complete	4,930
	Steam Plant Performance Contract	Substantially Complete	341,034
	Other	Various	1,248,434
UAFS	Drennen Scott Home Historical Restoration	June 2010	1,349,178
	Pedestrian Briddge	September 2009	233,289
	BII/Flanders Bldg Renovation	August 2009	83,571
	Baldor Building Power Upgrade	August 2009	14,019
	Math/Science Building Renovation	August 2009	247,067
	New Residnce Hall	August 2010	1,123,514
	Sculpture Pedestal & Marquee	March 2010	12,485
UALR	Engineering & Information Technology Building	June 2010	368,297
	Housing Project	December 2009	14,795
	Law School Renovations Phase I	July 2009	13,192
	Property demolition	August 2009	39,760
	UP Signage	July 2009	28,107
	Parking Fee Reserve	Substantially Complete	15,299
UAM	Renovation of Wells, Sorrells & Babin	September 2009	3,000
	Indoor Athletic Practice Facility	October 2009	135,824
	Construction of Clock Tower	August 2009	13,036
	Energy Conservation Projects-Gibson/Harris	October 2009	774,489
	Administrative Software Replacement	August 2009	549,018
UAMS	Winthrop Rockefeller Cancer Institute		23,544,000
UAPB	ADA Improvements	July 2009	31,890
	Caldwell Hall Renovation	September 2009	925,203
	Hathway Fine Arts Phase II	June 2010	75,016
	Lonoke Farm Maintenance/Storage	July 2009	31,738
CCCUA	Agri Class/Lab Building	March 2010	757,282
	Agri Shop Building	December 2009	221,953
	Amphitheater	February 2010	709,759
UACCH	Science Technology Center	August 2009	502,708
UACCM	Library Complex	September 2009	321,118
TOTAL			$ 84,031,026

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. Below are the scheduled payments for the five succeeding fiscal years and thereafter.

Operating Leases	
Year Ended June 30,	Amount
2010	$ 8,397,948
2011	4,934,208
2012	3,406,430
2013	2,866,455
2014	2,019,286
2015-2019	2,126,400
2020-2024	156,000
2025-2029	7,800

Note 9: Short-Term Borrowing

GASB Statement No. 38 issued June 1, 2001, 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, 2009.

Note 10: Capital Assets

Following are changes in capital assets for the year ended June 30, 2009:

	June 30, 2008 Balance	Additions & Transfers	Deletions & Transfers	June 30, 2009 Balance
Land	$ 62,346,473	$ 1,353,005	$ 247,411	$ 63,452,067
Library Holdings	65,849,023	5,485,789	565,665	70,769,147
Construction in progress	321,086,914	145,964,697	278,565,982	188,485,629
Improvements & infrastructure	126,118,460	9,373,425	5,795	135,486,090
Buildings	1,912,657,963	337,860,368	2,946,691	2,247,571,640
Equipment	482,685,664	56,308,691	19,899,927	519,094,428
Other	87,436,668	14,563,651	4,157,833	97,842,486
Total Capital Assets	$ 3,058,181,165	$ 570,909,626	$ 306,389,304	$ 3,322,701,487
Less accumulated depreciation:				
Library Holdings	$ 53,349,715	$ 3,769,317	$ 549,110	$ 56,569,922
Improvements & infrastructure	55,413,608	6,095,026	5,268	61,503,366
Buildings	690,241,523	70,796,295	2,269,573	758,768,245
Equipment	341,675,774	51,043,622	19,096,983	373,622,413
Other	49,101,424	10,360,762	2,807,478	56,654,708
Total Accum Depreciation	$ 1,189,782,044	$ 142,065,022	$ 24,728,412	$ 1,307,118,654
Capital Assets, Net	$ 1,868,399,121	$ 428,844,604	$ 281,660,892	$ 2,015,582,833

Beginning of year balances were adjusted to record library holdings of $65,849,023 and related accumulated depreciation of $53,349,715, for a net addition of $12,499,308 to capital assets for the Fayetteville campus – see Note 22. In addition, library holdings valued at $1,689,000 at June 30, 2009, held by the Medical Sciences Campus, are not included in the above chart or in the accompanying statements of net assets. The above additions to accumulated depreciation include the following: $5,707,000 on assets transferred to the Medical Sciences Campus from the Arkansas State Department of Human Services and prior year adjustments by the Hope and Little Rock campuses of $476,631 and $18,024, respectively.

Note 11: Risk Management

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

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

Likewise with auto coverage, each campus is responsible for providing a list of vehicles to be covered under the auto coverage through Redland Insurance Company. The auto coverage has a physical damage deductible of $500 and provides coverage against liability losses up to $1,000,000 per occurrence.

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 heard 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, 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 $250,000 recovery per occurrence with a $1,000 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 12: 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 of Arkansas System (the University) employees and their eligible dependents. The System Administration manages and administers these plans. Health and dental benefits are equal for all plan participants. Participation in the health and dental plans includes employees of the Fayetteville, Batesville, Little Rock, Monticello, Pine Bluff, Medical Sciences campuses, the Cooperative Extension Service of the Division of Agriculture, the Arkansas School for Mathematics, Sciences and the Arts, the Criminal Justice Institute, The University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the state-wide operating units of Arkansas Archeological Survey and the University of Arkansas System Administration. Participation in the health plan only includes employees at the Phillips Community College of the University of Arkansas.

At June 30, 2009, a total of 16,033 active employees, former employees, and retirees were participants in the health plan. The University offers three different health plans: Classic (HMO), Point of Service (POS), and POS Alternate (for out-of-state employees and retirees only). Participating campuses pay anywhere from 73% to 79% of the Classic Plan premium and 65% to 71% of the Point of Service Plan premium. Each campus makes its contribution determination based on budget considerations. For the POS Alternate Plan premium, the campuses pay 67% of the total premium. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 15,320 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2009. The University pays 50% 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. No acquisition costs were capitalized at the onset of the plan. The System Administration estimates the medical and pharmacy claims liability to be $10,574,000 at June 30, 2009. This liability is established for incurred but not reported (IBNR) 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 and pharmacy is based on the calculation prepared by Hewitt Associates LLC.

The System Administration estimates the dental claims liability to be $346,000 at June 30, 2009. This liability is established for incurred but not reported (IBNR) claims. The IBNR claims liability 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 dental is based on the calculation prepared by Hewitt Associates LLC.

The System Administration purchases specific reinsurance to reduce its exposure to large claims. United Healthcare Insurance Company is the reinsurance carrier. Under specific arrangement, the reinsurance carrier pays claims for covered individuals that exceed a deductible of $750,000. In fiscal year 2009, the health plan expects to receive $43,179 for excessive claims incurred in the fiscal year ended June 30, 2009.

The plan has not purchased any annuity contracts on behalf of claimants. If needed, United Healthcare Insurance Company, the University's reinsurance carrier, would make the arrangements.

The funding levels for the Plan were established based upon anticipated year-end loss ratios of 95%. As of June 30, 2009, the loss ratio for the health plan was 102% and the loss ratio for the dental plan was 110%.

The System Administration retains and accounts for all of the risk financing associated with the self-insurance plan's activities as defined by GASB Statement No. 10.

Reconciliation of Health, Pharmacy and Dental Incurred But Not Reported Claims

	FY09	FY08
Unpaid claims and claim adjustment expenses at beginning of year	10,705,826	9,646,053
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	104,851,029	103,730,098
Adjustment in provision for insured events of prior years	355,933	160,360
Total incurred claims and claim adjustment expenses	115,912,788	113,536,511
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	93,931,029	93,024,272
Claims and claim adjustment expenses attributable to insured events of prior years	11,061,759	9,806,413
Total Payments	104,992,788	102,830,685
Total unpaid claims and claim adjustment expenses at end of year.	10,920,000	10,705,826

The liability for future insurance claims includes health, pharmacy and dental inccured but not reported (IBNR) claims/claim adjustment expenses only. Claims known but not paid as of the end of FY08 and FY09 were $1,565,092 & $1,617,992, respectively, and were included in Accounts Payable.

Three of the University's campuses (Cossatot, Hope and Morrilton) participate in the Arkansas Higher Education Consortium Benefits Trust (the Consortium). The Consortium provides health and dental insurance to all employees, retirees and eligible dependents for thirteen two-year colleges. The Consortium is managed by a Board of Trustees consisting of one member from each participating institution appointed by the president or chancellor from that institution. A bank trust, qualified pursuant to section 501(c)(9) of the Internal Revenue Code, was established by the Consortium to hold assets. The health plan is a self-funding arrangement that requires participating colleges to make monthly contributions per participant based on premium rates determined by underwriters. Each participating institution determines the contribution amounts paid by the individual participant and the institution. The dental plan is a fully insured plan. At 6-30-09, there were a total of 1,181 active employees and retirees participating in the health plan, 332 of which are from the University's three campuses.

The University of Arkansas Fort Smith Employee Benefit Plan provides health, dental and vision benefits covering substantially all full-time employees of the Fort Smith campus. The Plan provides health, dental and wellness benefits to eligible employees and their eligible dependents. The Plan is funded by contributions made by the campus and participants.

Retirement Benefits

Substantially all employees of the University participate in either the Optional Retirement Program (ORP), which includes Teachers Insurance Annuity Association – College Retirements Equities Fund (TIAA-CREF) and Fidelity Investments, or the Arkansas Public Employee Retirement System (APERS). The Arkansas Teacher Retirement System (ATRS) is available only to employees who come to work for the University that have a previous record with ATRS. APERS and ATRS are both defined benefit plans.

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

Participants in the University's plan can choose to be contributory or non-contributory. The University automatically contributes 5% of an employee's regular salary to TIAA-CREF and/or Fidelity Investments retirement account, allocated between the two companies according to the employee's choice. For any contributions an employee makes in excess of 5% regular salary, the University makes an equal contribution, up to a maximum total University contribution of 10% of regular salary. (The plan for the Ft. Smith campus is structured differently and allows the university to contribute 10% of the employee's salary even if the employee chooses not to contribute.) 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 both the University and the participant are immediately vested in the participant for all faculty members and non-classified employees and all classified employees whose initial employment occurred prior to January 1, 1985, and who made any plan contributions prior to that date. For all employees other than those described previously, vesting of benefits attributable to plan contributions made by the University shall occur on the earlier of completion of three years of service, or attainment of age 65, or the participant's having made plan contributions of at least five percent of regular salary for six consecutive months. The University's TIAA/CREF and Fidelity contributions for the fiscal years 2009, 2008 and 2007 were $72,724,618, $67,926,185, and $63,542,563, respectively. The participants' contributions for the fiscal years 2009, 2008 and 2007 were $75,550,881, $72,317,216, and $55,622,160, respectively.

APERS is a cost-sharing multiple employer defined benefit pension plan administered by the State of Arkansas. The University's required contribution rate was 11.01% in 2009 and 12.54% in 2008 and 2007. Under certain conditions, covered employees may voluntarily contribute 5% of his/her salary. The University's contributions for the fiscal years 2009, 2008 and 2007 were $1,419,232, $1,470,416, and $1,286,385, respectively. Participants' contributions for the fiscal years 2009, 2008 and 2007 were $215,560, $80,965, and $45,748, respectively. 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 years 2009, 2008 and 2007 were $1,873,772, $1,784,301, and $1,550,982, respectively. Participants' contributions for the fiscal years 2009, 2008 and 2007 were $601,569, $593,333, and $519,450, respectively. 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 hold accepted appointments with the U.S. Department of Agriculture are covered by one of the above plans depending on when employment began. Employees employed prior to January l, 1984 are on the Civil Service Retirement System. This system requires an employee contribution of 7% and the University contributes 8.51%. Employees employed between January l, 1984 and July 31, 1987, are on either the Civil Service Offset or the Federal Employees Retirement System, depending on their length of prior federal service. Both systems require an employee contribution of .80%. The Civil Service Offset requires matching of 8.51% and the Federal Employees Retirement system requires agency matching of 10.7%. Employees on Civil Service participate in TIAA-CREF and Fidelity. The Thrift Savings Plan is another retirement savings and investment plan for Federal employees at the UA Cooperative Extension Service. It is a defined contribution plan and its purpose is to provide retirement income for Federal employees similar without employer matching for employees covered under the Civil Service Retirement System. Employees covered under the Federal Employees Retirement System receive a mandatory l% employer contribution. The University's contributions for the fiscal years 2009, 2008 and 2007 for both the Civil Service Retirement System and the Thrift Savings Plan were $583,685, $608,415, and $592,663, respectively. The participants' contributions for the fiscal years 2009, 2008 and 2007 were $487,685, $516,681, and $506,271, respectively.

The University of Arkansas community colleges offer APERS, ATRS, and their own ORP. The ORP is a 403(b) plan in which the institution will contribute 10-14% of earnings as long as the employee contributes 6%. Contributions can be made to TIAA-CREF, VALIC or Travelers. The University's VALIC contributions for the fiscal years 2009, 2008 and 2007 were $1,511,380, $1,480,851, and $1,343,874, respectively. The participants' contributions to VALIC for fiscal years 2009, 2008 and 2007 were $1,087,381, $1,062,081, and $996,958, respectively. The University's contributions to Travelers for the fiscal years 2009, 2008 and 2007 were $4,500, $7,390, and $8,416, respectively. Participants' contributions to Travelers for the fiscal years 2009, 2008 and 2007 were $1,929, $3,167, and $3,607, respectively.

NOTE 13: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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

Health benefits are provided for current and retired employees of the Cossatot (CCCUA), Hope (UACCH), and Morrilton (UACCM) campuses through the Arkansas Higher Education Consortium Benefits Trust which is considered an agent multiple-employer, defined benefit plan. Complete financial statements for the Trust can be obtained from Mr. Jerald Barber, P O Box 140, Hope, AR 71802.

The Fort Smith (UAFS) campus provides health and dental benefits for current and retired employees through the University of Arkansas at Fort Smith Benefit Plan, which is considered a single-employer, defined benefit plan. A summary of the Plan's audited financial statements is included in Note 14, Affiliated Entities.

In June 2004, GASB issued Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions, which became effective for the fiscal year ending June 30, 2008. This statement requires governmental entities to recognize and match other postretirement benefit costs with related services received and also to provide information regarding the actuarially calculated liability and funding level of the benefits associated with past services. As a result of the implementation of this statement, the University accrued $25,984,585 in retiree healthcare liability as of June 30, 2009.

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

Participation: Employees who retire with a combination of age and years of service of at least 70 with at least 10 years of coverage under the plan are eligible to participate. Retirees may cover spouses and eligible dependent children. Surviving spouses can continue coverage after retiree's death. Retirees can continue coverage past Medicare eligibility age (age 65 or disabled) with the University plan paying secondary to Medicare.

Benefit Provided: Retirees participate in the plan at the same premium rate as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from UAFS qualify for postretirement benefits as follows:

Participation: Employees who retire at age 55 or above and have at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee. Coverage ends at age 65.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from CCCUA qualify for postretirement benefits as follows:

Participation: Employees who retire at age 60 or above and have at least 5 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Cossatot Community College UA - Chef Larry Watson and a student in their new Culinary Arts lab at Ashdown.

Retirees from UACCH qualify for postretirement benefits as follows:

Participation: Employees who retire with at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of premium. Employer costs are funded on a pay-as-you-go basis.

Retirees from UACCM qualify for postretirement benefits as follows:

Participation: Employees who retire at age 60 or above and have at least 10 years of service are eligible to participate.

Benefit Provided: Retirees participate in the plan at the same premium as an active employee.

Required Contribution Ratio: Retirees pay 100% of the same premium as an active employee. However, if an employee retires on or after age 62, with at least 20 years of service, the campus will pay their coverage until age 65. Employer costs are funded on a pay-as-you-go basis.

Summary of Key Actuarial Methods and Assumptions

University Self-Funded Plan:

Valuation date	July 1, 2008
Valuation year	Census data was collected as of January 1, 2008. Liabilities were measured as of January 1, 2008 and rolled forward six months to the July 1, 2008 valuation date.
Actuarial cost method	Projected unit credit
Amortization method	30 years closed, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Initial rate of 10%, with a 0.5% decrease each year to an ultimate rate of 5% in the tenth year

UAFS, CCCUA, UACCH, UACCM:

Valuation date	July 1, 2007 valuation for the fiscal year ended June 30, 2008
Valuation year	July 1, 2006 – July 1, 2007
Actuarial cost method	Projected unit credit
Amortization method	30 years closed
Asset valuation method	N/A
Discount rate	6.00%
Medical inflation rate	Initial rate of 10%, with a 1% decrease each year for the next two years and a 0.50% decrease each year, to an ultimate rate of 5% in the ninth year.

General Overview of the Valuation Methodology

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

The required frequency of valuations per GASB 45 depends on the number of members in the plan. Even though the University's self-funded plan only requires a valuation every two years, a decision was made to have the valuation performed for FY09, the second year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future. The other two plans were not reevaluated in FY09.

Difference in FY08 and FY09 OPEB Expense

For the FY08 calculation, all retirees (both eligible and not eligible for Medicare) were combined and the assumption that the retiree contributions were not sufficient to fully cover the expected claims costs was applied to both groups. However, as discussed below, when the two groups were divided, the cost for Medicare eligible retirees was ultimately excluded from the valuation.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period February 1, 2008 through January 31, 2009 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 340 life years of exposure and was deemed to be 50% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the anticipated cost sharing level. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Medical and prescription drug claims for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 1,300 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected claims costs as intended. As such, the cost for Medicare eligible retirees was excluded from this valuation.

Dental Coverage

Dental claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for dental coverage. The claims experience includes over 30,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

University Self-Funded Plan:

Healthy Mortality — RP 2000 Combined Healthy Mortality Table projected to 2009 by scale AA

Disability Incidence — Various rates based on age. Selected rates are:

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

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

Service	Select Rates UAF	UALR	UAMS	OTHER
0-1	35%	20%	30%	20%
1-2	25%	20%	20%	20%
2-3	20%	20%	18%	20%
3-4	20%	15%	18%	15%
4-5	20%	15%	15%	15%

Age	Ultimate Rates UAF	UALR	UAMS	OTHER
25	7.7%	5.3%	9.7%	5.3%
30	7.4%	5.1%	9.3%	5.1%
35	6.9%	4.7%	8.7%	4.7%
40	6.1%	4.2%	7.8%	4.2%
45	5.2%	3.5%	6.3%	3.5%
50	3.6%	2.5%	4.3%	2.5%
55	1.4%	0.9%	1.6%	0.9%
60	0.1%	0.1%	0.1%	0.1%

Retirement

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

The UA Criminal Justice Institute offers a wide variety of courses that focus on the importance of forensic evidence and the critical need for proper documentation, collection, preservation, and storage of this evidence.

Future Retiree Coverage — For medical insurance, retiring employees are assumed to elect medical and Rx coverage as follows:

	UAF	UALR	UAMS	OTHER
Pre Medicare	70%	70%	60%	55%
Post Medicare	60%	60%	50%	45%

90% of retiring employees are assumed to continue life insurance at retirement.

Future Dependent Coverage — 50% of employees electing medical and Rx coverage at retirement are assumed to be married and elect spouse coverage. Males are assumed to be 4 years older than females.

UAFS, CCCUA, UACCH, UACCM:

Healthy Mortality — 1994 Uninsured pensioners Mortality Table

Disability Incidence — Various rates based on age. Selected rates are:

Age	Rate per 100
20	.10
25	.10
30	.08
35	.08
40	.14
45	.24
50	.53
55	.88
60	1.0

Voluntary terminations: Termination rates at some sample ages are:

Age	Rate per 100
20	4.60
25	4.84
30	4.40
35	3.10
40	2.20
45	2.00
50	2.00
55	5.00

For those with less than five years of service, the following multiples of the above rates were used:

1st year of service	4.0
2nd year of service	2.5
3rd year of service	2.0
4th year of service	1.5

Retirement

Age	Rate per 100
55-59	5.0
60	15.0
61	14.0
62	25.0
63-64	15.0
65	35.0
66-68	30.0
69	100.0

Future Retiree Coverage — The assumption is that 80% of eligible retirees would select the coverage when they initially retire, and that 0% of them would continue it past age 65.

Determination of FY09 Accrual

Unfunded actuarial accrued liability at 7-1-07	$ 82,955,662
Annual Required Contribution (ARC)	
Normal cost	$ 5,924,207
Amortization of the unfunded actuarial accrued liability over 30 years	2,987,834
Interest	403,176
Annual Required Contribution for FY09	9,315,217
Interest on Net OPEB Obligation	825,389
ARC Amortization Adjustment	(699,787)
Annual OPEB Cost for FY09	9,440,819
Net OPEB Obligation, 6-30-08	18,618,778
Annual OPEB Cost for FY09	9,440,819
Less: Expected Employer Contributions	(2,075,012)
Net OPEB Obligation, 6-30-09	25,984,585

University of Arkansas at Monticello - Centennial Clock Tower constructed in commemoration of the first 100 years of the university.

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed
6-30-08	$ 20,822,648	$ 2,203,870	10.58%
6-30-09	$ 9,440,819	$ 2,075,012	21.98%

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

An explanation of the difference in the annual required contribution between FY08 and FY09 is provided in the section, *General Overview of the Valuation Methodology.*

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-08	$ -	$ 177,561,973	$ 177,561,973	-%	$ 826,596,948	21.48%
6-30-09	$ -	$ 82,955,662	$ 82,955,662	-%	$ 950,493,388	8.73%

Note 14: Affiliated Entities

There are in existence 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 University of Arkansas. The audited financial statements of the Foundation for the year ended June 30, 2009, are presented below in summary form.

THE RAZORBACK FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash and investments	$ 8,484,932
Pledges receivable	4,293,273
Other assets	1,908,616
Total Assets	$ 14,686,821
Liabilities and Net Assets	
Liabilities	$ 4,218,193
Net Assets	10,468,628
Total Liabilities and Net Assets	$ 14,686,821

THE RAZORBACK FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Donations	$ 13,972,915
Other revenues and additions	(95,465)
Total Income and Other Additions	$ 13,877,450
Total Expenditures and Other Deductions	$ 13,238,225
Total Increase (Decrease) in Net Assets	$ 639,225

The Arkansas Alumni Association, Inc. was incorporated in 1960 for the purposes of promoting the welfare of the University and its graduates and former students. The audited financial statements of the Alumni Association for the year ended June 30, 2009, are presented below in summary form.

ARKANSAS ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash and investments	$ 1,319,515
Other assets	4,472,561
Total Assets	$ 5,792,076
Liabilities and Net Assets	
Liabilities	$ 35,173
Net Assets	5,756,903
Total Liabilities and Net Assets	$ 5,792,076

ARKANSAS ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Memberships	$ 650,153
Other revenues and additions	1,987,565
Total Income and Other Additions	$ 2,637,718
Total Expenditures and Other Deductions	$ 2,256,013
Total Increase (Decrease) in Net Assets	$ 381,705

The Arkansas Four-H Foundation, Inc. was incorporated in 1951. The purpose and objectives of the Foundation are educational. The Foundation was formed for educational purposes that will meet the needs and advance the interests of 4-H Club work throughout the State of Arkansas. Financial statements, which have been audited by an independent certified public accountant, are presented below for the year ended June 30, 2009:

ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2009

Assets	
Cash and investments	$ 3,673,357
Other assets	6,234,752
Total Assets	$ 9,908,109
Liabilities and Net Assets	
Liabilities	$ 585,695
Net Assets	9,322,414
Total Liabilities and Net Assets	$ 9,908,109

ARKANSAS 4-H FOUNDATION, INC.
CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2009

Income and Other Additions	
Program revenue	$ 1,647,571
Grants and Contributions	308,693
Other income	140,138
Total Income and Other Additions	$ 2,096,402
Total Expenditures and Other Deductions	$ 2,237,104
Total Increase (Decrease) in Net Assets	$ (140,702)

UA Division of Agriculture - The C.A. Vines Arkansas 4-H Center is nestled in the foothills of the Ouachita Mountains just 10 miles west of Little Rock.

The University of Arkansas Technology Development Foundation, a 501(c)(3) corporation, was formed in May 2003, for the purpose of promoting the development and effective operation, administration and advancement of the Arkansas Research and Technology Park (ARTP), a University-owned science and technology development located near the main campus in Fayetteville. The Foundation also assists entrepreneurial University faculty in the development of inventions, technology or other intellectual property in which the University or the Foundation may own or otherwise have a vested interest, including, where appropriate, the creation of new startup companies. A summary of their unaudited financial statements as of June 30, 2009 is presented below.

UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT FOUNDATION
CONDENSED STATEMENT OF FINANCIAL POSITION
As of June 30, 2009

Assets	
Cash	$ 604,644
Other assets	14,247
Total Assets	$ 618,891
Liabilities and Net Assets	
Liabilities	$ 111,315
Net Assets	507,576
Total Liabilities and Net Assets	$ 618,891

UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT FOUNDATION
CONDENSED STATEMENT OF ACTIVITIES
FY Ended June 30, 2009

Income and Other Additions	
Rent	$ 479,038
Other revenues and additions	1,013,921
Total Income and Other Additions	$ 1,492,959
Total Expenditures and Other Deductions	$ 1,456,282
Total Increase (Decrease) in Net Assets	$ 36,677

The University of Arkansas Fort Smith Foundation, Inc. operates as a nonprofit corporation whose primary activity is providing support to the Fort Smith campus. A summary of the Foundation's audited financial position as of June 30, 2009, follows:

UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash and investments	$ 44,738,054
Other assets	1,223,705
Total Assets	$ 45,961,759
Liabilities and Net Assets	
Liabilities	$ 1,295,612
Net Assets	44,666,147
Total Liabilities and Net Assets	$ 45,961,759

UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Contributions	$ 3,297,410
Other revenues and additions	(8,277,041)
Total Income and Other Additions	$ (4,979,631)
Total Expenditures and Other Deductions	$ 1,893,931
Total Increase (Decrease) in Net Assets	$ (6,873,562)

University of Arkansas at Fort Smith - The second phase of the Sebastian Commons Housing complex.

The University of Arkansas Fort Smith Benefit Plan was established on January 1, 1993 under the guidelines of the voluntary employees' beneficiary association described in Section 501, Section (9) of the Internal Revenue Service Code. The Benefit Plan provides a self-insurance program for sickness, health and dental benefits for eligible employees and their eligible dependents. In accordance with Section 501, Section (3) of the Internal Revenue Service Code, all benefits are paid to members of the Association with no part of net earnings being paid to private shareholders or individuals. A summary of the audited Benefit Plan's financial position as of December 31, 2008, follows:

UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2008	
Assets	
Cash	$ 2,159,600
Other Assets	38,343
Total Assets	$ 2,197,943
Liabilities and Net Assets	
Liabilities	$ 266,417
Net Assets	1,931,526
Total Liabilities and Net Assets	$ 2,197,943

UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2008	
Income and Other Additions	
Contributions	$ 2,913,300
Other revenues and additions	58,963
Total Income and Other Additions	$ 2,972,263
Total Expenditures and Other Deductions	$ 3,074,567
Total Increase (Decrease) in Net Assets	$ (102,304)

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 Foundation are held by the University of Arkansas Foundation, Inc. and are reported in audited financial statements of the Foundation as of June 30, 2009.

The Trojan Athletic Foundation, Inc. is a non-profit entity established to support the athletic department at the Little Rock campus. Contributions are received from the University of Arkansas Foundation and used for the benefit of the athletic foundation. A summary of the Foundation's audited financial position as of June 30, 2009, follows.

TROJAN ATHLETIC FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash	$ 8,039
Other Assets	115,543
Total Assets	$ 123,582
Liabilities and Net Assets	
Liabilities	$ 49,370
Net Assets	74,212
Total Liabilities and Net Assets	$ 123,582

TROJAN ATHLETIC FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Contributions	$ 304,470
Other revenues and additions	296,932
Total Income and Other Additions	$ 601,402
Total Expenditures and Other Deductions	$ 635,278
Total Increase (Decrease) in Net Assets	$ (33,876)

The 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. A summary of the Association's unaudited financial position as of December 31, 2008, follows:

UAPB/AM&N ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2008	
Assets	
Cash & investments	$ 92,989
Other assets	119,910
Total Assets	$ 212,899
Liabilities and Net Assets	
Liabilities	$ 6,494
Net Assets	206,405
Total Liabilities and Net Assets	$ 212,899

UAPB/AM&N ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2008	
Total Income	$ 82,820
Total Expenditures and Other Deductions	$ 82,284
Total Increase (Decrease) in Net Assets	$ 536

University of Arkansas at Pine Bluff - Lions statutes located in front of Childress Hall.

The Golden Lion Foundation, Inc. was organized to foster and promote the general welfare and growth of the University of Arkansas at Pine Bluff. A summary of the Foundation's audited financial position as of June 30, 2006, follows:

GOLDEN LION FOUNDATION		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of June 30, 2006		
Assets		
Cash	$	11,205
Total Assets	$	11,205
Liabilities & Net Assets		
Liabilities	$	-
Net Assets		11,205
Total Liabilities & Net Assets	$	11,205

GOLDEN LION FOUNDATION		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended June 30, 2006		
Total Income	$	92,409
Total Expenditures and Other Deductions	$	85,722
Total Increase (Decrease) in Net Assets	$	6,687

The Cossatot Community College of the University of Arkansas Foundation, Inc. operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's audited financial condition as of June 30, 2009, follows:

COSSATOT COMMUNITY COLLEGE OF THE U OF ARK FOUNDATION, INC.		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of June 30, 2009		
Assets		
Cash and investments	$	264,239
Other		83,288
Total Assets	$	347,527
Liabilities and Net Assets		
Liabilities	$	-
Net Assets		347,527
Total Liabilities and Net Assets	$	347,527

COSSATOT COMMUNITY COLLEGE OF THE U OF ARK FOUNDATION, INC.		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended June 30, 2009		
Income and Other Additions		
Donations and other revenues	$	31,268
Total Income and Other Additions	$	31,268
Total Expenditures and Other Deductions	$	15,664
Total Increase (Decrease) in Net Assets	$	15,604

The Phillips Community College Foundation operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's audited financial condition as of December 31, 2008, follows:

PHILLIPS COMMUNITY COLLEGE FOUNDATION	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2008	
Assets	
Cash and investments	$ 2,262,578
Other Assets	226,561
Total Assets	$ 2,489,139
Liabilities and Net Assets	
Liabilities	$ 507,889
Net Assets	1,981,250
Total Liabilities and Net Assets	$ 2,489,139

PHILLIPS COMMUNITY COLLEGE FOUNDATION	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2008	
Income and Other Additions	
Donations	$ 486,432
Other income and additions	388,967
Total Income and Other Additions	$ 875,399
Total Expenditures and Other Deductions	$ 910,856
Total Increase (Decrease) in Net Assets	$ (35,457)

A graduate and her family at Phillips Community College UA.

The University of Arkansas Community College at Hope Foundation, Inc. operates as a nonprofit benevolent corporation for charitable educational purposes. A summary of the Foundation's unaudited financial condition as of June 30, 2008, follows:

UNIVERSITY OF ARK COMMUNITY COLLEGE AT HOPE FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2008	
Assets	
Cash and investments	$ 1,876,590
Other Assets	16,999
Total Assets	$ 1,893,589
Total Net Assets	$ 1,893,589

UNIVERSITY OF ARK COMMUNITY COLLEGE AT HOPE FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2008	
Income and Other Additions	
Donations	$ 1,212,935
Other income and additions	79,988
Total Income and Other Additions	$ 1,292,923
Total Expenditures and Other Deductions	$ 97,003
Total Increase (Decrease) in Net Assets	$ 1,195,920

The University of Arkansas Community College at Morrilton Foundation, Inc. operates as a nonprofit benevolent corporation for charitable educational purposes for the Morrilton campus. A summary of the Foundation's audited financial condition as of December 31, 2008, follows:

UNIV OF ARK COMMUNITY COLLEGE AT MORRILTON FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2008	
Assets	
Cash and investments	$ 73,171
Other	27,171
Total Assets	$ 100,342
Liabilities and Net Assets	
Liabilities	$ -
Net Assets	100,342
Total Liabilities and Net Assets	$ 100,342

UNIV OF ARK COMMUNITY COLLEGE AT MORRILTON FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2008	
Income and Other Additions	
Contributions	$ 45,824
Other income and additions	2,266
Total Income and Other Additions	$ 48,090
Total Expenditures and Other Deductions	$ 17,660
Total Increase (Decrease) in Net Assets	$ 30,430

The University of Arkansas Winthrop Rockefeller Center, Inc. is a conference center incorporated in January 2005. The Center's mission is to provide extended learning for youth and adults, internship opportunities for students, professional development for faculty and staff of the University of Arkansas as well as for the general public and conferences focused on enriching and informing Arkansas leaders. A summary of their unaudited financial statements as of June 30, 2009, is presented below:

UNIVERSITY OF ARKANSAS WINTHROP ROCKEFELLER CENTER, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash & Investments	$ 646,086
Grant Receivable	17,497,391
Other	$ 324,521
Property and Equipment, Net	19,394,321
Total Assets	$ 37,862,319
Liabilities and Net Assets	
Liabilities	$ 1,268,998
Net Assets	36,593,321
Total Liabilities and Net Assets	$ 37,862,319

UNIVERSITY OF ARKANSAS WINTHROP ROCKEFELLER CENTER, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Grants and contributions	$ 1,806,595
Other income and additions	1,581,617
Total Income and Other Additions	$ 3,388,212
Total Expenditures and Other Deductions	$ 6,800,576
Total Increase (Decrease) in Net Assets	$ (3,412,364)

A pre-dawn glimpse of Winthrop Rockefeller Institute front entrance with Petit Jean water feature in the foreground.

Note 15: Natural & Functional Classifications of Operating Expenses

Following is a reconciliation of the natural classifications as presented in the Statement of Revenues, Expenses and Changes in Net Assets to the functional classifications:

	Natural Classifications					
Functional Classifications	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	TOTAL
Instruction	$ 320,724,060	$ 43,691,158	$ -	$ -	$ -	$ 364,415,218
Research	136,850,765	67,496,416	-	-	-	204,347,181
Public Service	73,872,593	33,289,295	-	-	-	107,161,888
Academic Support	57,000,800	30,067,178	-	-	-	87,067,978
Student Services	31,416,510	14,857,768	-	-	-	46,274,278
Institutional Support	161,588,970	17,434,546	-	-	-	179,023,516
Scholarships/Fellowships	988,931	23,287,606	57,432,048	-	-	81,708,585
Plant Operations	51,975,813	42,993,539	-	-	-	94,969,352
Auxiliary Enterprises	50,148,838	73,526,478	576,216	-	-	124,251,532
Depreciation	-	-	-	-	135,863,367	135,863,367
Patient Care	354,307,844	222,579,000	-	-	-	576,886,844
Other	997,000	8,399,000	-	-	-	9,396,000
Insurance expenses	-	-	-	117,995,316	-	117,995,316
TOTAL	$1,239,872,124	$577,621,984	$58,008,264	$117,995,316	$135,863,367	$2,129,361,055

Note 16: 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.

In fiscal year 2006, the Arkansas Development Finance Authority (the Authority) issued $36,775,000 in Tobacco Settlement Revenue Bonds. The Authority has 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 (ACRC) 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 latest 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 the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2009, the University would have incurred a liability of $42,694,000 related to 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 excludes (a) physician-generated revenues, (b) state appropriations, and (c) revenues restricted for other purposes.

Note 17: Elimination of Inter-Company Transactions

The consolidated financial statements were prepared from the audited financial statements of each campus and the System Administration of the University. The inclusion of inter-company transactions in the consolidated financial statements, with the exception of the University's self-insurance transactions, is not considered materially significant to distort the amounts presented in the consolidated financial statements. Therefore, inter-company adjustments were only made for the elimination of those transactions affecting the University's insurance program revenues and expenditures. As explained in Note 12, the System Administration administers the insurance programs for the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues in the System Administration's financial statements. The insurance claims paid are shown as insurance expenditures on the System Administration's financial statements. The premiums expensed by the campuses are recorded in the appropriate institutional expenditure categories. An elimination adjustment was made to reduce the insurance revenue amount and the combined institutional expenditure categories in the amount of $78,891,615 and $69,160,153 for fiscal years ended June 30, 2009 and June 30, 2008, respectively.

Note 18: Disaggregation of Accounts Receivable and Accounts Payable

Accounts Receivable balances of $105,661,291, as shown on the Statement of Net Assets, consist of the following at year-end:

	June 30, 2009 Balance
Student accounts receivable	$15,522,191
Non-student accounts receivable	37,611,067
Grants and contracts	23,227,162
Property and sales taxes	1,695,770
Insurance premiums	10,484,104
Other	17,120,997
Total	$105,661,291

Accounts Payable balance of $126,026,082, as shown on the Statement of Net Assets, consists of the following at year-end:

	June 30, 2009 Balance
Trade payables	$36,394,124
Payroll related	62,079,913
Interest payable	3,559,682
Insurance premiums	901,110
Insurance plan	2,466,299
Other	20,624,954
Total	$126,026,082

Note 19: Joint Endeavor

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

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

The combined financial statements of the Walton Arts Center Council, Inc., and the Walton Arts Center Foundation, Inc., as of and for the year ended June 30, 2009, which have been audited by an independent certified public accountant, are presented below in summary form.

CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2009	
Assets	
Cash and cash equivalents	$ 2,131,025
Investments	10,296,330
Other assets	9,566,020
Total Assets	$ 21,993,375
Liabilities and Net Assets	
Liabilities	$ 2,705,948
Net Assets	19,287,427
Total Liabilities and Net Assets	$ 21,993,375

CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2009	
Income and Other Additions	
Contributions and sponsorships	$ 2,204,575
Other revenues and additions	5,532,168
Total Income and Other Additions	$ 7,736,743
Total Expenditures and Other Deductions	$ 8,539,287
Total Increase (Decrease) in Net Assets	$ (802,544)

NOTE 20: INTERAGENCY DISPOSITION

The majority of the interagency disposition shown on the Statement of Revenues, Expenses and Changes in Net Assets for the fiscal year 2008, was due to an agreement executed on February 23, 2005, between UAMS and the Arkansas Department of Human Services (DHS) in which DHS agreed to transfer to UAMS certain land and buildings adjacent to the UAMS campus in consideration of a new Arkansas State Hospital building with an estimated construction cost of $32,327,000. The construction began and the land was transferred to UAMS in fiscal year 2005. The majority of the project was funded by reducing the administrative fee contractual payments due to DHS by approximately $26,227,000 over a four year period with the remaining $6,100,000 paid with UAMS unrestricted net assets. The hospital building was completed and transferred to DHS during the fiscal year ended June 30, 2008.

NOTE 21: POLLUTION REMEDIATION

In November 2006, GASB issued Statement No. 49, Accounting and Financial Reporting for Pollution Remediation Obligations, which became effective with the fiscal year ending June 30, 2009. The Statement establishes standards for the accounting and financial reporting of pollution (including contamination) remediation obligations. On July 21, 2009, the Fayetteville campus was awarded a grant in the amount of $1,900,000 from the United States Department of Energy to conduct a study to determine what obligation, if any, the campus may have for potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR), including estimated remediation cost and development of a plan for necessary remediation. As of June 30, 2009, the University was under no obligation to complete the remediation of the site. There were also no obligating events at any of the other campuses.

Note 20: Prior Year Reclassification

Statement of Net Assets
The University has determined that the Federal Capital Contribution added to the Federal Perkins Loan Program by the United States Department of Education over time should be reported as a noncurrent liability in the statement of net assets rather than as restricted net assets, nonexpendable. The net effect of this change is to decrease the balance in restricted net assets, nonexpendable, by $17,894,415.

A second restatement of net assets is due to management's decision at the Fayetteville campus to include the net value of the library holdings in the statement of net assets. The value of the library holdings net of accumulated depreciation was determined to be $12,499,308 as of June 30, 2008.

The third restatement of net assets was to correct an overstatement of restricted receivables in the amount of $2,063,667 by the Little Rock campus on the statement of net assets.

The net effect of these three restatements is a reduction of total net assets of $7,458,774 as of June 20, 2008.

Statement of Cash Flows
The following restatements of the Statement of Cash Flows for FY08 resulted in no change to cash at the end of the year: (1) $94,157 was reclassified from cash flows from operating activities to cash flows from investing activities to properly record investment income; (2) $333 was reclassified from 'other receipts (payments)' to 'loans issued to students', both in the cash flows from operating activities section; (3) Receipts and payments for FFEL loans were adjusted by the same amount of $11,306,158; (4) 'Proceeds from capital debt' was reduced by $3,832,927 and 'capital appropriations' was increased by the same amount; (5) 'Proceeds from sales and maturities of investments' was decreased by $11,847,081 offset by increases in cash flows of $6,465,251 in 'Deposit with trustee' and $5,381,830 in 'Purchases of investments'.

Note 21: Subsequent Events

On September 4, 2009, The Board of Trustees of the University of Arkansas adopted a resolution expressing its intention to issue bonds of no more than $59,100,000 to finance the construction of various capital projects on the Fayetteville campus.

On September 4, 2009, the Board of Trustees authorized the issuance of bonds to finance various capital projects on the Little Rock Campus. On October 7, 2009, the University closed on the Series 2009 Capital Improvement Revenue Bonds with a par value of $32,245,000.

UA School for Mathematics, Sciences and the Arts - A math class located at the residential high school in Hot Springs, Arkansas.

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Other Post Employement Benefits

General Overview of the Valuation Methodology

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

The required frequency of valuations per GASB 45 depends on the number of members in the plan. Even though the University's self-funded plan only requires a valuation every two years, a decision was made to have the valuation performed for FY09, the second year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future. The other two plans were not reevaluated in FY09.

Difference in FY08 and FY09 OPEB Expense

For the FY08 calculation, all retirees (both eligible and not eligible for Medicare) were combined and the assumption that the retiree contributions were not sufficient to fully cover the expected claims costs was applied to both groups. However, as discussed below, when the two groups were divided, the cost for Medicare eligible retirees was ultimately excluded from the valuation.

Medical Coverage – Retirees not Eligible for Medicare

Claim experience for the period February 1, 2008 through January 31, 2009 was used to develop the claims cost for non-Medicare-eligible retirees. The paid claims data was converted to an incurred basis using a completion factor approach. This experience includes 340 life years of exposure and was deemed to be 50% credible. The experience was combined with the active claims experience adjusted for demographic differences to produce the per capita claims costs used in the valuation. Adjustment factors were then applied to develop expected claims by age to be used in the valuation. Expected retiree premiums were developed to represent the anticipated cost sharing level. Retiree premiums were also age-adjusted for use in the valuation.

Medical Coverage – Retirees Eligible for Medicare

Medical and prescription drug claims for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for Medicare-eligible retirees. This experience includes 1,300 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected claims costs as intended. As such, the cost for Medicare eligible retirees was excluded from this valuation.

Dental Coverage

Dental claims coverage for the period February 1, 2008 through January 31, 2009 was used to develop per capita claims cost for dental coverage. The claims experience includes over 30,000 life years of exposure and was deemed to be fully credible. Based on this analysis, it was concluded that the retiree contributions are sufficient to fully cover the expected dental claims costs as intended. As such, the cost for dental coverage is excluded from this valuation.

Determination of FY09 Accrual

Unfunded actuarial accrued liability at 7-1-07	$ 82,955,662
Annual Required Contribution (ARC)	
Normal cost	$ 5,924,207
Amortization of the unfunded actuarial accrued liability over 30 years	2,987,834
Interest	403,176
Annual Required Contribution for FY09	9,315,217
Interest on Net OPEB Obligation	825,389
ARC Amortization Adjustment	(699,787)
Annual OPEB Cost for FY09	9,440,819
Net OPEB Obligation, 6-30-08	18,618,778
Annual OPEB Cost for FY09	9,440,819
Less: Expected Employer Contributions	(2,075,012)
Net OPEB Obligation, 6-30-09	25,984,585

Jazmin Martinez, a student at UA Community College at Hope.

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed
6-30-08	$ 20,822,648	$ 2,203,870	10.58%
6-30-09	$ 9,440,819	$ 2,075,012	21.98%

Since there is no funding, the expected contributions are any retiree premiums actually paid by the University plus expected implicit subsidy payments. The implicit rate subsidy is the difference between the true cost of medical benefits and the cost sharing premiums paid by the retiree.

An explanation of the difference in the annual required contribution between FY08 and FY09 is provided in the section, *General Overview of the Valuation Methodology.*

Schedule of Funding Progess

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-08	$ -	$ 177,561,973	$ 177,561,973	-%	$ 826,596,948	21.48%
6-30-09	$ -	$ 82,955,662	$ 82,955,662	-%	$ 950,493,388	8.73%

Students at the UA Community College at Batesville.

Campus Administrators

University of Arkansas, Fayetteville
G. David Gearhart, PhD, *Chancellor*

University of Arkansas at Fort Smith
Paul Beran, PhD, *Chancellor*

University of Arkansas at Little Rock
Joel E. Anderson, PhD, *Chancellor*

University of Arkansas at Monticello
Jack Lassiter, EdD, *Chancellor*

University of Arkansas for Medical Sciences
I. Dodd Wilson, MD, *Chancellor*

University of Arkansas at Pine Bluff
Lawrence A. Davis, Jr., PhD, *Chancellor*

Cossatot Community College of the U of A
Frank G. Adams, *Chancellor*

Phillips Community College of the U of A
Steven F. Murray, EdD, *Chancellor*

U of A Community College at Batesville
Deborah J. Frazier, *Chancellor*

U of A Community College at Hope
Chris Thomason, JD, Chancellor

U of A Community College at Morrilton
Nathan Crook, *Chancellor*

Arkansas School for Mathematics, Sciences, & the Arts
Janet Hugo, PhD, *Director*

This report was prepared by the Office of the Vice President for Finance.
Additional copies may be obtained by writing:

University of Arkansas System
Vice President for Finance
2404 North University Avenue
Little Rock, Arkansas 72207