



University of Arkansas System Consolidated Financial Statements

FY2009-10

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OPPOSITE PAGE: Garvan Woodland Gardens' Anthony Chapel, named for benefactors John Ed and Isabel Anthony, reflects an intricate, crossbeam design on the interior of the wood and glass structure, as sunlight dances across the pews and flagstone floors. (Photographer, Don Fry)



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LETTER OF TRANSMITTAL



December 15, 2010

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, 2010. 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,

A handwritten signature in blue ink that reads 'Barbara A. Goswick'.

Barbara A. Goswick
Vice President for Finance & CFO

Sen. Bobby L. Glover
Senate Co-Chair
Rep. Johnny Hoyt
House Co-Chair
Sen. Bill Pritchard
Senate Co-Vice Chair
Rep. Beverly Pyle
House Co-Vice Chair

Arkansas



Roger A. Norman, JD, CPA, CFI
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, 2010, 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. The prior year partial comparative information has been derived from the University's 2009 financial statements and, in our report dated November 10, 2009, we expressed unqualified opinions on the respective financial statements of the business-type activities and the aggregate discretely presented component units. We did not audit the financial statements, including the prior year partial comparative information, of the University of Arkansas for Medical Sciences, a unit of the System, whose statements reflect total assets, net assets, and revenues constituting 36 percent, 37 percent, and 50 percent, respectively, of the related combined totals. Additionally, we did not audit the financial statements, including the prior year partial comparative information, 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 have 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 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, 2010, 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.

The financial statements include partial prior year comparative information. Such information does not include all of the information required for a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2009, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 18, 2010 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 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.

OPINION OF LEGISLATIVE AUDIT (CONT.)

The Management's Discussion and Analysis and certain information pertaining to post-employment 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 and the other auditors 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 Statement of Net Assets by Campus, the Statement of Revenues, Expenses and Changes in Net Assets by Campus, and the Statement of Cash Flows - Direct Method - by Campus are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Statement of Net Assets by Campus, the Statement of Revenues, Expenses and Changes in Net Assets by Campus, and the Statement of Cash Flows - Direct Method - by Campus 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

A handwritten signature in blue ink, appearing to read 'Roger A. Norman', is positioned above the printed name.

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

Little Rock, Arkansas
November 18, 2010
EDHE14110

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MANAGEMENT DISCUSSION & ANALYSIS

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, 2010, with the fiscal year 2009 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 com-

ponent 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, 2010	June 30, 2009
ASSETS		
Current assets	\$ 660,286,218	\$ 611,499,498
Capital assets, net	2,097,575,781	2,015,582,833
Other assets	351,027,202	281,135,834
Total Assets	\$3,108,889,201	\$2,908,218,165
LIABILITIES		
Current liabilities	\$ 234,497,523	\$ 232,561,290
Noncurrent liabilities	1,072,134,892	982,466,429
Total Liabilities	\$1,306,632,415	\$1,215,027,719
NET ASSETS		
Invested in capital assets, net of related debt	\$ 1,214,124,374	\$ 1,168,855,674
Restricted		
Non-Expendable	\$ 52,337,549	\$ 53,094,876
Expendable	178,247,610	178,563,741
Unrestricted	357,547,253	292,676,155
Total Net Assets	\$ 1,802,256,786	\$ 1,693,190,446

The University's total assets increased \$200.7 million. There was an increase of \$71.7 million in cash and investments, 91% of which was due to investment income along with a rebound in values. An increase in patient accounts

receivable of \$7.7 million was due to the full year effect of increased patient admissions after the opening of the new patient tower on the medical sciences campus in mid-January 2009 and an increase in days in patient accounts receivable. Approximately \$11.0 million of the \$19.9 million decrease in accounts receivable was due to an elimination of inter-company transactions as explained in Note 17 with the remaining decrease mainly due to the timing of the receipt of state appropriations. The increase of \$2.4 million in inventories was almost entirely due to supplies bought at the medical sciences campus necessary for increased patient volume. The University's capital additions, net of depreciation expense, totaled \$82.0 million, \$23.0 million of which is due to the construction and equipment costs on the medical sciences campus for the Winthrop P. Rockefeller Cancer Institute Tower. There were various other construction and renovation projects and equipment purchases on the campuses funded with proceeds from bonds issued for the Fayetteville campus of \$52.4 million and for the Little Rock campus of \$61.8 million. Some of these projects will not be completed until fiscal year 2012. The proceeds from the sale of these bonds offset by the University's use of the proceeds resulted in deposits held in trust by others to increase \$46.4 million. More detail about capital assets is presented in Note 10 to the financial statements.

Total liabilities increased \$91.6 million, consisting primarily of increases of \$76.4 million in debt related to bonds, notes, capital leases and installment contracts (Note 7), \$5.3 million in other post employment benefits (Note 13), and \$5.1 million in third-party payor settlements for the medical sciences campus.

The increase in assets of \$200.7 million netted with an increase of \$91.6 million in liabilities resulted in an increase of \$109.1 million in total net assets for the University, \$64.9 million of which represents an increase in unrestricted net assets.



Night shot of UA Winthrop Rockefeller Institute located on the top of Petit Jean mountain.

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 & Changes in Net Assets

	Year Ended	
	June 30, 2010	June 30, 2009
Operating revenues	\$1,623,268,401	\$1,525,345,418
Operating expenses	2,213,504,844	2,129,361,055
Operating Loss	(590,236,443)	(604,015,637)
Non-operating revenues & expenses	643,197,326	523,394,399
Income before other revenues & expenses	52,960,883	(80,621,238)
Other revenues and expenses	56,105,457	100,387,224
Increase in Net Assets	109,066,340	19,765,986
Net Assets, beginning of year - as originally reported	1,693,190,446	1,680,883,234
Restatement of prior year		(7,458,774)
Net Assets, beginning of year - restated	1,693,190,446	1,673,424,460
Net Assets, end of year	\$1,802,256,786	\$1,693,190,446

Operating revenue increased \$97.9 million, \$52.7 million of which is due to patient services revenues resulting from the growth in patient volume from the opening of the patient bed tower and the Psychiatric Research Institute. The majority of the remaining increase of \$45.2 million is due to a 3.2% increase in tuition, 13.8% increase in athletics (attributable to the addition of a neutral site football game, bowl game participation and conference distributions for media revenue for the Fayetteville campus), 9.3% increase in insurance plan revenues, and a 9.7% increase in grants and contracts, offset by a 20.3% decrease in federal appropriations primarily due to a shift in funding sources for county extension agents to local sources.

Increased compensation and benefit costs rose 2.8% over the previous year, and accounts for \$35.2 million or 41.8% of the total increase in operating expenses of \$84.1 million. Of the increase in compensation and benefit expense, \$33.4 million is related to the medical sciences campus, including \$13.3 million due to staffing to support increased patient volume coupled with a decrease of 393 full-time equivalent employees in the second half of the year, \$6.4 million related to research and \$3.3 million due to increases in compensated absences (Note 4) and the liability for other post-employment benefits (Note 13). Supplies and services

expense increased \$19.6 million, including \$12.2 million primarily due to fulfilling energy savings performance contracts requirements on the Fayetteville campus. Expenses related to the University's self-funded health and dental plans increased \$3.4 million and scholarships increased \$15.9 million. Depreciation expense accounted for almost 12% or \$10 million of the increase in operating expenses and is a result of an increase in capital assets acquired from bond proceeds and other sources.

Net non-operating revenues increased \$119.8 million, \$65.1 million of which was an increase in investment income mainly driven by a rebound in the market value of investments. Grants and contracts increased \$39.5 million, due in part to increases in federal PELL grants for student financial aid and the receipt of \$7.7 million in federal stimulus funds to support University operating expenses.

Other revenues netted against other expenses decreased \$44.3 million, 79.0% of which was a decrease in capital appropriations. 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.

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 amount of \$217.7 million for fiscal year 2010 indicates that these activities contributed cash and liquidity for the year and was an improvement over the \$90.7 million for fiscal year 2009.

Condensed Statement of Cash Flows

	Year Ended	
	June 30, 2010	June 30, 2009
Cash provided (used) by:		
Operating activities	(\$439,963,041)	(\$503,617,038)
Noncapital financing activities	657,693,373	594,295,112
Sub-Total	217,730,332	90,678,074
Capital & related financing activities	(186,735,029)	(193,595,952)
Investing activities	35,618,901	141,211,128
Net change in cash	66,614,204	38,293,250
Cash, beginning of year	229,143,888	190,850,638
Cash, end of year	\$295,758,092	\$229,143,888

Capital Assets and Long-Term Debt Activity

At June 30, 2010, the University had \$2.1 billion of capitalized assets, net of accumulated depreciation of \$1.4 billion. Capital additions in fiscal year 2010 totaled \$210.5 million offset by a net adjustment to accumulated depreciation of \$128.5 million.



The University of Arkansas at Little Rock's new six-story Donaghey College of Engineering and Information Technology building got under way in 2009, a high performance learning center with an environmentally-friendly focus.

In fiscal year 2010, the University issued a total of \$184.6 million in bonds, \$70.4 million of which represents refunding issues. Bonds issued to fund various renovation and construction projects include: \$52.4 million of Various Facilities Revenue Bonds, Series 2009A (Fayetteville campus) to finance the construction and or renovation of the Nano-scale Science and Engineering Building, Garland Avenue parking garage and retail shops, Peabody Hall, Pomfret, classroom and labs, Davis, Darby & Sharp Halls, and various property purchases; \$32.3 million of Capital Improvement Revenue Bonds, Series 2009 (Little Rock campus) to finance the completion of the engineering and information technology building, modifications to elevator and HVAC systems, and renovation of the Stella Boyle Smith Concert Hall; and \$29.5 million of Auxiliary Enterprises Revenue Bonds, Series 2009 (Little Rock campus) for construction of a 400-bed student housing complex and construction of a student recreation and sports complex. Bonds retired or refunded was \$107.3. In addition, there was a net decrease of \$2.2 million in notes, capital leases and installment contracts payable. More detailed information about debt activity is presented in Note 7.

Economic Outlook

The University's financial position increased in fiscal year 2010 with an increase of \$109.1 million in net assets. For several years, Moody's Investment Service has assigned an Aa3 rating of the University of Arkansas System. In May 2010, the rating was upgraded to Aa2 as a result of their recalibration for municipal ratings to be more comparative to their global rating scale.

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.

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. To assist management, Navigant Consulting, Inc. of Chicago (Navigant) was hired in February 2010 to identify expense reduction targets and income generating opportunities. Navigant

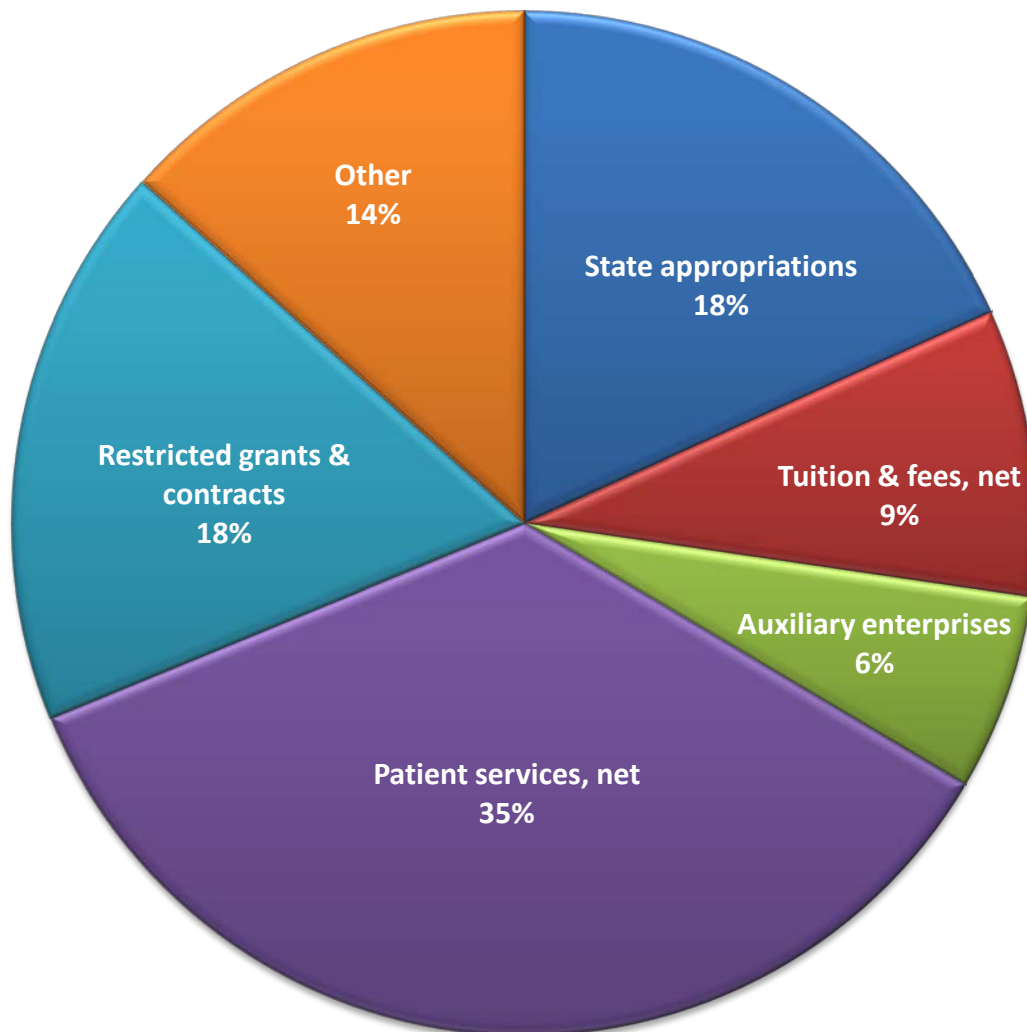
has provided management with recommendations to enhance the bottom line for UAMS and is actively engaged with UAMS staff in implementing the necessary changes. UAMS will use some of the savings to continue significant investments in clinical and campus infrastructure in order to generate necessary productivity gains, more closely manage clinical practice and outcomes, continue to increase patient safety, and to remain compliant with an ever-growing regulatory burden. As of the end of fiscal year 2010, UAMS has been awarded \$33.3 million in federal stimulus funds. Subsequent to June 30, 2010, the campus was awarded an additional \$102.1 million in federal stimulus funds for the Broadband Technology Opportunities Program.

Financial support from state government remains a critical element to the continued financial health of the University. Arkansas appears to have successfully weathered the effects of the national economic crisis, as general revenue forecasts are positive and the budget remains balanced. Fluctuations in general revenue distributions did occur during 2010, but conservative budgeting and an emphasis on cost containment allowed the University to continue to operate without eliminating programs or instituting layoffs. Management will continue to institute both internal and external efforts to minimize the effect of fluctuations in state funding.



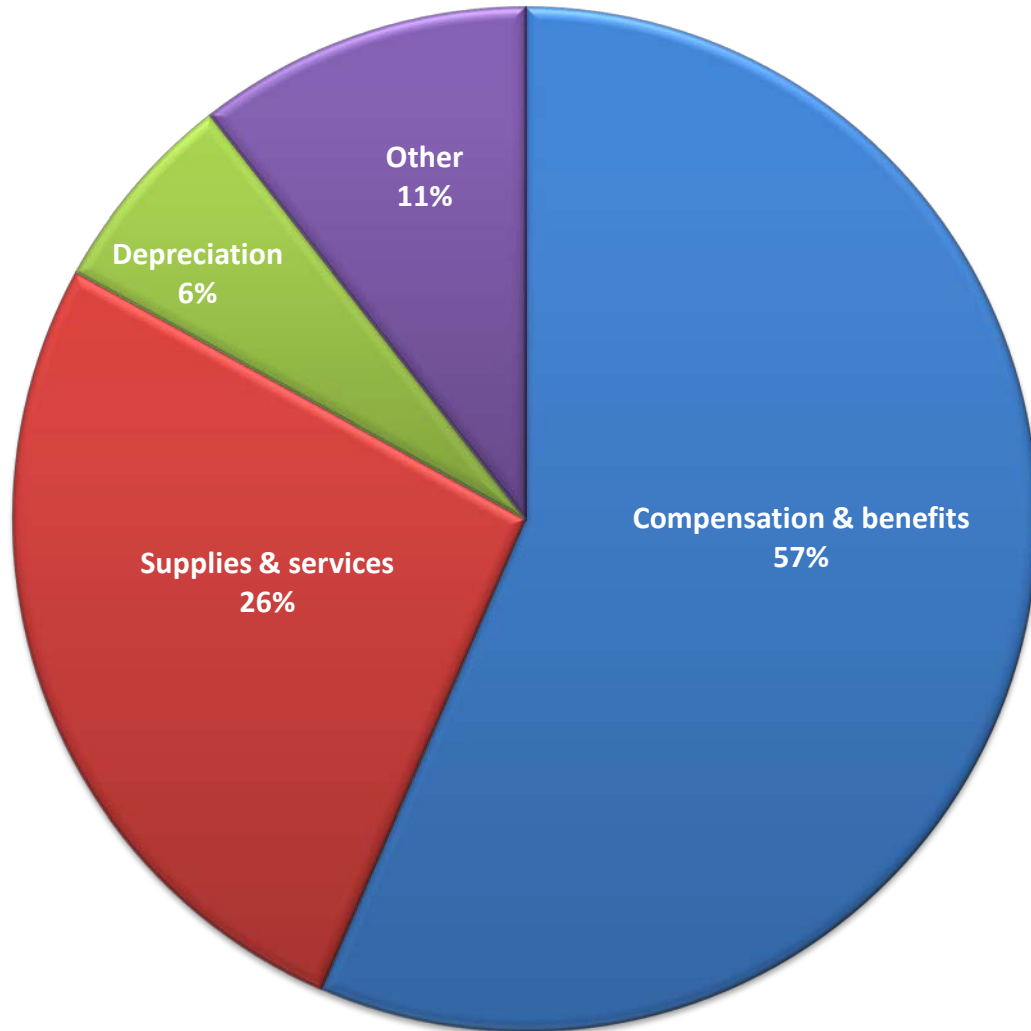
Four companies using technologies and inventions developed on the University of Arkansas campus have a temporary home in the newly opened Enterprise Center, at the Arkansas Research and Technology Park in Fayetteville. Gov. Mike Beebe helped dedicate the facility in November 2010, part of the Arkansas Research and Technology Development Foundation's master plan to build nearly 1 million square feet of space to support startup companies seeking to become self-sustaining.

Total FY2010 University of Arkansas System Revenues



Total FY2010 Revenues: \$2.365 billion

Total FY2010 University of Arkansas System Expenses



Total FY2010 Expenses: \$2.256 billion

UNIVERSITY OF ARKANSAS
Statement of Net Assets
June 30, 2010 with comparative figures at June 30, 2009

	June 30, 2010	June 30, 2009
ASSETS		
Current		
Cash and cash equivalents	\$269,097,273	\$207,423,633
Investments	155,952,156	158,997,338
Accounts receivable, net of allowances of \$18,353,548 & \$18,557,000	85,795,980	105,661,291
Patient accounts receivable, net of allowances of \$489,539,000 & \$423,624,000	108,229,000	100,516,000
Inventories	24,397,250	22,030,435
Deposits and funds held in trust by others	1,957,030	2,561,822
Notes receivable, net of allowances of \$808,464 & \$739,916	6,554,966	6,277,282
Other assets	8,302,563	8,031,697
Total current assets	660,286,218	611,499,498
Non-Current		
Cash and cash equivalents	26,660,819	21,720,255
Investments	152,437,794	144,287,030
Notes receivable, net of allowance of \$4,678,629 & \$4,713,684	41,697,104	33,077,874
Deposits and funds held in trust by others	123,858,317	76,846,429
Other non-current assets	6,373,168	5,204,246
Capital assets, net of depreciation of \$1,435,628,810 & \$1,307,118,654	2,097,575,781	2,015,582,833
Total non-current assets	2,448,602,983	2,296,718,667
TOTAL ASSETS	\$3,108,889,201	\$2,908,218,165
LIABILITIES		
Current		
Accounts payable and other accrued liabilities	\$126,868,111	\$126,026,082
Deferred revenue	33,566,822	29,216,314
Funds held in trust for others	5,701,994	6,120,534
Liability for future insurance claims (Note 12)	10,654,000	10,920,000
Estimated third party payor settlements	11,071,000	5,964,000
Compensated absences payable - current portion (Note 7)	3,858,928	3,835,629
Bonds, notes, capital leases & installment contracts payable - current portion (Note 7)	42,776,668	50,478,731
Total current liabilities	234,497,523	232,561,290
Non-Current		
Deferred revenues, deposits and other	683,531	807,212
Refundable federal advance - Perkins loans	17,280,394	18,014,623
Compensated absences payable (Note 7)	66,881,249	65,701,933
Liability for other post employment benefits (Note 13)	31,257,532	25,984,585
Bonds, notes, capital leases and installment contracts payable (Note 7)	956,032,186	871,958,076
Total non-current liabilities	1,072,134,892	982,466,429
TOTAL LIABILITIES	\$1,306,632,415	\$1,215,027,719
NET ASSETS		
Invested in capital assets, net of related debt	\$1,214,124,374	\$1,168,855,674
Restricted		
Non-Expendable	52,337,549	53,094,876
Expendable	178,247,610	178,563,741
Unrestricted	357,547,253	292,676,155
TOTAL NET ASSETS	\$1,802,256,786	\$1,693,190,446

See accompanying notes.

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Assets For The Year Ended June 30, 2010 with comparative figures for 2009

	Year Ended	
	June 30, 2010	June 30, 2009
Operating Revenues		
Student tuition & fees, net of scholarship allowances of \$96,232,168 & \$77,487,431	\$214,828,525	\$208,176,798
Patient services, net of contractual allowances of \$894,369,000 & \$820,134,000	834,153,000	781,472,000
Federal and county appropriations	13,883,529	17,428,250
Federal grants and contracts	175,485,971	152,420,327
State and local grants and contracts	51,649,165	47,921,909
Non-governmental grants and contracts	71,360,855	71,750,204
Sales and services of educational departments	53,703,089	54,379,606
Insurance plan	41,134,170	37,620,140
Auxiliary enterprises		
Athletics, net of scholarship allowances of \$2,528,951 & \$2,032,123	67,727,343	59,529,714
Housing/food service, net of scholarship allowances of \$8,670,361 & \$7,730,208	43,684,746	41,180,705
Bookstore, net of scholarship allowances of \$2,380,463 & \$2,534,112	18,372,590	19,204,503
Other auxiliary enterprises, net of scholarship allowances of \$366,192 & \$298,782	16,891,118	16,816,188
Other operating revenues	20,394,300	17,445,074
Total operating revenues	<u>1,623,268,401</u>	<u>1,525,345,418</u>
Operating Expenses		
Compensation and benefits	1,275,026,612	1,239,872,124
Supplies and services	597,234,714	577,621,984
Scholarships and fellowships	73,905,394	58,008,264
Insurance plan	121,438,620	117,995,316
Depreciation	145,899,504	135,863,367
Total operating expenses	<u>2,213,504,844</u>	<u>2,129,361,055</u>
Operating loss	<u>(590,236,443)</u>	<u>(604,015,637)</u>
Non-Operating Revenues (Expenses)		
State appropriations	431,109,864	422,293,281
Property and sales tax	10,842,771	11,548,994
Federal grants	104,754,594	67,306,923
State and local grants	16,817,952	14,259,823
Non-governmental grants	1,184,249	1,660,834
Gifts	81,825,145	67,885,045
Investment income	36,634,335	(28,499,438)
Interest on capital asset-related debt	(40,642,197)	(35,578,638)
Loss on disposal of assets	(1,715,612)	(1,190,713)
Other	2,386,225	3,708,288
Net non-operating revenues	<u>643,197,326</u>	<u>523,394,399</u>
Income (loss) before other revenues and expenses	<u>52,960,883</u>	<u>(80,621,238)</u>
Other Changes in Net Assets		
Capital appropriations	6,634,818	41,601,051
Capital grants and gifts	22,917,521	23,148,013
Bond proceeds from Act 1282 of 2005 (Note 7)	25,063,768	28,220,677
Adjustments to prior year revenues and expenses	43,557	(391,738)
Other	1,445,793	7,809,221
Total other revenues and expenses	<u>56,105,457</u>	<u>100,387,224</u>
Increase in net assets	<u>109,066,340</u>	<u>19,765,986</u>
Net Assets, beginning of year as originally reported	1,693,190,446	1,680,883,234
Restatement of prior year balance (Note 21)	0	(7,458,774)
Net Assets, beginning of year restated	<u>1,693,190,446</u>	<u>1,673,424,460</u>
Net Assets, end of year	<u>\$1,802,256,786</u>	<u>\$1,693,190,446</u>

See accompanying notes.

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method
For The Year Ended June 30, 2010 with comparative figures for 2009

	Year Ended	
	June 30, 2010	June 30, 2009
Cash Flows from Operating Activities		
Student tuition and fees (net of scholarships)	\$217,225,805	\$208,512,398
Patient and insurance payments	831,384,000	763,515,000
Federal and county appropriations	14,549,660	16,622,550
Grants and contracts	291,549,557	267,104,538
Collection of loans and interest	3,829,093	4,010,736
Insurance plan receipts	41,409,413	37,577,966
Auxiliary enterprise revenues:		
Athletics	69,698,719	59,396,473
Housing and food service	43,657,048	40,813,647
Bookstore	18,501,653	19,216,096
Other auxiliary enterprises	16,073,670	16,418,738
Payments to employees	(1,092,092,996)	(1,054,147,851)
Payment of employee benefits	(180,577,172)	(169,020,243)
Payments to suppliers	(583,160,469)	(594,559,668)
Loans issued to students	(3,608,188)	(3,466,052)
Scholarships and fellowships	(73,899,459)	(57,931,794)
Payments of insurance plan expenses	(120,704,683)	(117,396,425)
Other	66,201,308	59,716,853
Net cash used by operating activities	(439,963,041)	(503,617,038)
Cash Flows from Noncapital Financing Activities		
State appropriations	440,499,896	413,846,439
Property and sales tax	10,786,473	12,221,769
Gifts and grants for other than capital purposes	204,422,846	162,793,412
Direct Lending, Plus and FFEL loan receipts	119,445,465	102,568,585
Direct Lending, Plus and FFEL loan payments	(119,975,696)	(102,468,947)
Other agency funds - net	(16,439)	1,687,492
Other	2,530,828	3,646,362
Net cash provided by noncapital financing activities	657,693,373	594,295,112
Cash Flows from Capital and Related Financing Activities		
Proceeds from capital debt	54,245,973	97,126,924
Capital appropriations	6,940,909	22,848,406
Capital grants and gifts	10,937,923	3,591,552
Property taxes - capital allocation	1,037	3,687
Proceeds from sale of capital assets	53,939	361,894
Bond Proceeds from Act 1282 of 2005 (Note 7)	24,817,302	19,017,412
Purchases of capital assets	(198,486,067)	(238,112,153)
Principal paid on capital debt and lease	(62,640,100)	(40,775,910)
Interest and fees paid on capital debt and lease	(41,075,459)	(35,636,414)
Deposit with trustee	28,619,548	(23,319,528)
Other	(10,150,034)	1,298,178
Net cash used by capital & related financing activities	(186,735,029)	(193,595,952)
Cash Flows from Investing Activities		
Proceeds from sales and maturities of investments	148,908,762	368,670,974
Investment income (net of fees)	4,430,601	4,815,459
Purchases of investments	(117,720,462)	(232,275,305)
Net cash provided by investing activities	35,618,901	141,211,128
Net increase in cash	66,614,204	38,293,250
Cash, beginning of year	229,143,888	190,850,638
Cash, end of year	\$295,758,092	\$229,143,888

UNIVERSITY OF ARKANSAS
Statement of Cash Flows - Direct Method - Continued
For The Year Ended June 30, 2010 with comparative figures for 2009

	Year Ended	
	June 30, 2010	June 30, 2009
Reconciliation of net operating loss to net cash used by operating activities:		
Operating loss	(590,236,443)	(604,015,637)
Adjustments to reconcile net operating loss to net cash used by operating activities:		
Depreciation expense	145,899,504	135,863,367
Change in assets and liabilities:		
Receivables, net	(13,359,328)	(22,444,679)
Inventories	(2,366,815)	(5,799,544)
Deposits with others	-	-
Prepaid expenses and other assets	(292,683)	(373,376)
Accounts payable	5,102,255	(13,222,845)
Deferred revenue	4,294,064	72,801
Loans to students and employees	318,598	258,307
Refundable federal advance	51,905	120,162
Compensated absences	1,193,267	4,578,773
OPEB liability	5,272,947	7,365,805
Other liabilities	4,159,688	(6,020,172)
NET CASH USED BY OPERATING ACTIVITIES	<u>(\$439,963,041)</u>	<u>(\$503,617,038)</u>
Non-Cash Transactions		
Capital gifts	\$11,534,884	\$19,548,841
Fixed assets acquired by incurring capital lease obligations	2,901,972	16,767,519
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund	180,071,797	3,855,000
Bond issuance costs paid directly from bond proceeds/debt service reserve	1,792,620	1,072,606
Fixed asset acquisition directly from bond/note proceeds	897,274	12,786,626
Interest on long-term debt paid directly from deposits with trustees	3,028,674	2,293,807
Principal of long-term debt paid directly from foundation	1,403,936	1,432,879
Other equipment noncash additions	0	5,772
Valuation adjustments to capital assets	43,767	680,119
Capital outlay paid directly from bond proceeds from Act 1282 of 2005	1,183,257	9,235,298
Fixed asset acquisition paid for by State of Arkansas	112,952	19,531,954

See accompanying notes.

RELATED PRIVATE ENTITIES

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Financial Position
June 30, 2010 and 2009

	2010	2009
ASSETS		
Contributions receivable, net	\$78,609,611	\$48,324,720
Interest receivable	2,076,577	1,836,038
Investments, at fair value	571,798,818	511,171,565
Cash value of life insurance	643,968	611,051
Other	-	109,009
Land, buildings and equipment, net of accumulated depreciation of \$255,834 in 2010 and 2009	390,752	466,752
TOTAL ASSETS	\$653,519,726	\$562,519,135
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	\$5,681,299	\$4,472,451
Annuity obligations	16,669,037	15,443,283
TOTAL LIABILITIES	22,350,336	19,915,734
NET ASSETS		
Unrestricted	69,625,749	58,603,949
Temporarily restricted	151,489,115	122,865,216
Permanently restricted	410,054,526	361,134,236
TOTAL NET ASSETS	631,169,390	542,603,401
TOTAL LIABILITIES AND NET ASSETS	\$653,519,726	\$562,519,135



Belltower Plaza at the University of Arkansas at Pine Bluff

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Consolidated Statement of Activities
Years Ended June 30, 2010 and 2009

	Year Ended June 30, 2010				Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support								
Contributions	\$12,125,457	\$59,301,035	\$20,379,836	\$91,806,328	\$9,990,516	\$34,366,182	\$16,958,147	\$61,314,845
Sponsored programs	1,231,335	399,787		1,631,122	1,281,377	522,068		1,803,445
Interest and dividends	5,801,437	5,277,288	338,743	11,417,468	7,998,304	5,675,006	377,025	14,050,335
Net realized and unrealized gains (losses) on long-term investments	17,193,821	15,095,585	28,656,166	60,945,572	(4,783,057)	11,439,449	(136,769,203)	(130,112,811)
Other	269,676	124,545		394,221	298,852	126,419		425,271
Net assets released from restrictions	49,613,848	(49,613,848)		-	49,587,271	(49,587,271)		-
Total revenues, gains & other support	\$86,235,574	\$30,584,392	\$49,374,745	\$166,194,711	\$64,373,263	\$2,541,853	(\$119,434,031)	(\$52,518,915)
Expenses and Losses:								
Program services:								
Construction	21,455,134			21,455,134	17,348,644			17,348,644
Research	10,242,053			10,242,053	11,066,779			11,066,779
Faculty/staff support	14,367,472			14,367,472	13,784,029			13,784,029
Scholarships and awards	6,954,482			6,954,482	7,895,491			7,895,491
Public/staff relations	2,538,153			2,538,153	3,470,596			3,470,596
Equipment	2,874,655			2,874,655	3,024,442			3,024,442
Sponsored programs	1,573,084			1,573,084	1,698,323			1,698,323
Other	12,592,218			12,592,218	13,219,521			13,219,521
Total program services	72,597,251	-	-	72,597,251	71,507,825	-	-	71,507,825
Supporting services:								
Management and general	350,617			350,617	673,223			673,223
Fund raising	2,193,246			2,193,246	2,033,376			2,033,376
Change in value of split-interest agreements			79,248	79,248			1,808,528	1,808,528
Provision for loss on uncollectible pledges	72,660	1,960,493	375,207	2,408,360	(1,480)	456,205	258,035	712,760
Total supporting services	2,616,523	1,960,493	454,455	5,031,471	2,705,119	456,205	2,066,563	5,227,887
Total expenses and losses	75,213,774	1,960,493	454,455	77,628,722	74,212,944	456,205	2,066,563	76,735,712
Change in Net Assets	11,021,800	28,623,899	48,920,290	88,565,989	(9,839,681)	2,085,648	(121,500,594)	(129,254,627)
Net Assets, beginning 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
Net Assets, end of year	\$69,625,749	\$151,489,115	\$410,054,526	\$631,169,390	\$58,603,949	\$122,865,216	\$361,134,236	\$542,603,401

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

Statement of Financial Position

June 30, 2010 and 2009

	2010	2009
ASSETS		
Investments	\$389,875,967	\$356,635,626
LIABILITIES AND NET ASSETS		
Accounts Payable	\$96,394	-
Net Assets:		
Temporarily restricted	21,400,707	17,999,284
Permanently restricted	368,378,866	338,636,342
TOTAL NET ASSETS	389,779,573	356,635,626
TOTAL LIABILITIES AND NET ASSETS	\$389,875,967	\$356,635,626



Flaking Out: When the snowing gets tough, the tough go find furry caps, and toasty jackets, and thick gloves, and warm smiles. Winters on the University of Arkansas, Fayetteville campus are rarely severe, but a good snowfall is not uncommon either.

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.

Statement of Activities

Years Ended June 30, 2010 and 2009

	Year Ended June 30, 2010				Year Ended June 30, 2009			
	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL	Unrestricted	Temporarily Restricted	Permanently Restricted	TOTAL
Revenues, Gains and Other Support								
Interest and dividends		\$3,189,698	\$220,921	\$3,410,619	-	\$2,867,284	\$243,159	\$3,110,443
Net realized and unrealized gains (losses) on long-term investments		14,734,998	29,521,603	44,256,601		15,555,906	(133,925,360)	(118,369,454)
Net assets released from restrictions	14,523,273	(14,523,273)		-	14,958,796	(14,958,796)		-
Total revenues, gains & other support	\$14,523,273	\$3,401,423	\$29,742,524	\$47,667,220	\$14,958,796	\$3,464,394	(\$133,682,201)	(\$115,259,011)
Expenses and Losses:								
Program services:								
Research	1,225,284			1,225,284	1,000,233			1,000,233
Faculty/staff support	2,046,577			2,046,577	1,600,010			1,600,010
Scholarships and awards	9,631,908			9,631,908	10,105,493			10,105,493
Equipment and technology	1,298,848			1,298,848	1,553,454			1,553,454
Other	320,656			320,656	699,606			699,606
Total program services	14,523,273	-	-	14,523,273	14,958,796	-	-	14,958,796
Change in Net Assets	-	3,401,423	29,742,524	33,143,947	-	3,464,394	(133,682,201)	(130,217,807)
Net Assets, beginning of year	-	17,999,284	338,636,342	356,635,626	-	14,534,890	472,318,543	486,853,433
Net Assets, end of year	-	\$21,400,707	\$368,378,866	\$389,779,573	-	\$17,999,284	\$338,636,342	\$356,635,626

SUPPLEMENTAL INFORMATION

UNIVERSITY OF ARKANSAS Statement of Net Assets by Campus At June 30, 2010

ASSETS	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
Current							
Cash and cash equivalents	95,438,452	7,110,284	32,327,019	3,660,781	93,550,000	12,622,005	9,190,725
Investments	66,953,564	4,532,900	15,529,681	825,688	49,327,000		15,923,332
Accounts receivable	32,108,308	3,692,158	11,473,666	1,798,618	22,037,000	8,110,573	11,158,052
Patient accounts receivable					108,229,000		
Inventories	4,812,878	70,599	169,000	745,246	17,748,000	24,994	
Deposits and funds held in trust by others	777,428	83,009	1,067,952			5,000	
Notes receivable	3,723,383		55,000	47,250	2,487,000	242,333	
Other assets	3,825,930	238,069	435,666	169,035	3,270,000		31,228
Total current assets	207,639,943	15,727,019	61,057,984	7,246,618	296,648,000	21,004,905	36,303,337
Non-Current							
Cash and cash equivalents		8,198,356	496,368	5,220,570		8,594,366	
Investments	65,211,014	7,597,299	6,955,375	3,892,491	64,956,000	1,283,199	
Notes receivable	11,563,589			772,250	18,389,000		
Deposits and funds held in trust by others	53,302,121	4,448,576	56,263,912		3,370,000	371,773	
Other non-current assets	1,759,495	312,209	968,772		3,129,000		1,500,000
Capital assets	853,630,611	129,368,071	179,271,784	37,451,680	738,483,000	84,241,407	3,633,062
Total non-current assets	985,466,830	149,924,511	243,956,211	47,336,991	828,327,000	94,490,745	5,133,062
TOTAL ASSETS	1,193,106,773	165,651,530	305,014,195	54,583,609	1,124,975,000	115,495,650	41,436,399
LIABILITIES							
Current							
Accounts payable and other accrued liabilities	44,463,068	4,255,767	5,934,224	670,984	74,255,000	1,808,562	3,591,035
Deferred revenue	26,716,232	230,045	80,320	50,981	5,789,000	176,315	
Funds held in trust for others	1,280,061	108,977	284,757	427,699	1,938,000	1,452,976	
Liability for future insurance claims							10,654,000
Estimated third party payor settlements					11,071,000		
Compensated absences payable - current portion	1,019,419	121,883	249,989	68,829	2,102,000	149,955	49,064
Bonds, notes, capital leases, installment contracts payable - current	17,811,752	1,992,819	5,739,927	578,153	13,586,000	1,355,205	
Total current liabilities	91,290,532	6,709,491	12,289,217	1,796,646	108,741,000	4,943,013	14,294,099
Non-Current							
Deferred revenues, deposits and other	7,618		101,980		59,000	143,357	
Refundable federal advance - Perkins loans	13,913,162	3,059		911,613	1,911,000	541,560	
Compensated absences payable	16,378,204	1,320,517	3,938,826	983,016	40,072,000	2,073,459	366,444
Liability for other post employment benefits	8,225,317	297,720	2,923,476	760,572	16,651,000	1,249,472	123,281
Bonds, notes, capital leases, installment contracts payable	428,058,941	77,274,362	100,250,957	11,768,271	285,595,000	22,176,982	
Total non-current liabilities	466,583,242	78,895,658	107,215,239	14,423,472	344,288,000	26,184,830	489,725
TOTAL LIABILITIES	557,873,774	85,605,149	119,504,456	16,220,118	453,029,000	31,127,843	14,783,824
NET ASSETS							
Invested in capital assets, net of related debt	449,457,190	52,377,071	126,358,824	25,168,892	442,187,000	60,709,220	3,633,062
Restricted							
Non-Expendable	21,835,408	228,444	5,434,389	480,558	22,726,000	1,556,196	
Expendable	54,368,748	6,893,886	9,009,968	6,658,057	81,448,000	13,717,624	
Unrestricted	109,571,653	20,546,980	44,706,558	6,055,984	125,585,000	8,384,767	23,019,513
TOTAL NET ASSETS	635,232,999	80,046,381	185,509,739	38,363,491	671,946,000	84,367,807	26,652,575

Key			
UAF	University of Arkansas, Fayetteville	UAMS	University of Arkansas for Medical Sciences
UAFS	University of Arkansas at Fort Smith	UAPB	University of Arkansas at Pine Bluff
UALR	University of Arkansas at Little Rock	System	University of Arkansas System Office
UAM	University of Arkansas at Monticello		

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Net Assets by Campus At June 30, 2010

	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (See Note 17)	TOTAL
ASSETS								
Current								
Cash and cash equivalents	2,007,413	5,510,114	1,630,679	1,854,114	2,141,230	2,054,457		269,097,273
Investments	120,188	1,820,966		100,429	818,408			155,952,156
Accounts receivable	484,521	1,860,790	2,369,922	957,887	743,936	20,358	(11,019,809)	85,795,980
Patient accounts receivable								108,229,000
Inventories		53,106	245,543	13,433	514,451			24,397,250
Deposits and funds held in trust by others			11,814	11,827				1,957,030
Notes receivable								6,554,966
Other assets	42,509	6,982	58,541	99,716	90,467	34,420		8,302,563
Total current assets	2,654,631	9,251,958	4,316,499	3,037,406	4,308,492	2,109,235	(11,019,809)	660,286,218
Non-Current								
Cash and cash equivalents	1,910,369	1,175,000	710,000	355,790				26,660,819
Investments	69,368		2,473,048					152,437,794
Notes receivable						10,972,265		41,697,104
Deposits and funds held in trust by others		5,391,654	147,936	224,972	337,373			123,858,317
Other non-current assets		62,560	42,004	99,128			(1,500,000)	6,373,168
Capital assets	13,889,815	13,353,877	13,358,067	14,060,406	13,815,414	3,018,587		2,097,575,781
Total non-current assets	15,869,552	19,983,091	16,731,055	14,740,296	14,152,787	13,990,852	(1,500,000)	2,448,602,983
TOTAL ASSETS	18,524,183	29,235,049	21,047,554	17,777,702	18,461,279	16,100,087	(12,519,809)	3,108,889,201
LIABILITIES								
Current								
Accounts payable and other accrued liabilities	358,448	1,400,848	379,796	117,534	309,795	342,859	(11,019,809)	126,868,111
Deferred revenue	183,626	96,052	33,700		202,676	7,875		33,566,822
Funds held in trust for others	29,417	13,799	11,392	51,671	71,848	31,397		5,701,994
Liability for future insurance claims								10,654,000
Estimated third party payor settlements								11,071,000
Compensated absences payable - current portion	11,158	19,153	12,243	33,823	16,074	5,338		3,858,928
Bonds, notes, capital leases, installment contracts payable - current	221,785	215,849	472,357	496,965	305,856			42,776,668
Total current liabilities	804,434	1,745,701	909,488	699,993	906,249	387,469	(11,019,809)	234,497,523
Non-Current								
Deferred revenues, deposits and other		371,576				1,500,000	(1,500,000)	683,531
Refundable federal advance - Perkins loans								17,280,394
Compensated absences payable	211,997	473,345	454,214	248,037	274,742	86,448		66,881,249
Liability for other post employment benefits	29,332	491,867	205,171	53,304	69,192	177,828		31,257,532
Bonds, notes, capital leases, installment contracts payable	5,706,871	11,614,793	3,782,723	6,746,475	3,056,811			956,032,186
Total non-current liabilities	5,948,200	12,951,581	4,442,108	7,047,816	3,400,745	1,764,276	(1,500,000)	1,072,134,892
TOTAL LIABILITIES	6,752,634	14,697,282	5,351,596	7,747,809	4,306,994	2,151,745	(12,519,809)	1,306,632,415
NET ASSETS								
Invested in capital assets, net of related debt	7,961,160	6,902,084	9,102,966	6,816,966	10,959,087	12,490,852		1,214,124,374
Restricted								
Non-Expendable	76,554							52,337,549
Expendable	1,953,917	2,180,235	861,404	579,820	519,587	56,364		178,247,610
Unrestricted	1,779,918	5,455,448	5,731,588	2,633,107	2,675,611	1,401,126		357,547,253
TOTAL NET ASSETS	11,771,549	14,537,767	15,695,958	10,029,893	14,154,285	13,948,342	0	1,802,256,786

Key			
CCCUA	Cossatot Community College UA	UACCH	UA Community College at Hope
PCCUA	Phillips Community College UA	UACCM	UA Community College at Morrilton
UACCB	UA Community College at Batesville	ASMSA	Arkansas School for Mathematics, Sciences & Arts

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Assets by Campus For The Year Ended June 30, 2010 with comparative figures for 2009

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
Operating Revenues							
Student tuition & fees (net of scholarship allowances)	104,940,650	14,141,236	56,689,715	4,032,984	22,300,000	5,434,486	
Net patient services					834,153,000		
Federal and county appropriations	13,883,529						
Federal grants and contracts	33,763,850	2,087,765	19,283,661	2,651,351	89,610,000	17,165,615	
State and local grants and contracts	16,308,318	2,105,372	3,414,418	1,161,911	19,999,000	4,007,573	
Non-governmental grants and contracts	18,731,077	1,914,582	2,894,905	767,525	45,518,000	187,310	
Sales and services of educational departments	22,799,767	132,156	2,659,825	93,624	27,159,000	139,905	2,248,636
Insurance plan							133,070,208
Auxiliary enterprises							
Athletics, (net of scholarship allowances)	61,060,107	101,168	3,927,614	395,278		2,243,176	
Housing/food service, (net of scholarship allowances)	21,827,471	1,031,109	2,322,143	1,556,619	7,213,000	9,519,034	
Bookstore, (net of scholarship allowances)	14,043,074	400,571	358,904	1,419,806	719,000	184,361	
Other auxiliary enterprises, (net of scholarship allowances)	10,815,171	210,529	2,272,987	337,058	2,673,000	345,915	
Other operating revenues	6,677,248	639,038	1,740,307	517,835	7,238,000	2,850,782	
Total operating revenues	324,850,262	22,763,526	95,564,479	12,933,991	1,056,582,000	42,078,157	135,318,844
Operating Expenses							
Compensation and benefits	359,070,547	40,709,330	110,111,087	23,849,875	740,442,000	38,147,680	4,523,997
Supplies and services	172,019,026	12,480,914	34,461,677	10,559,136	325,071,000	21,695,345	955,125
Scholarships and fellowships	20,488,633	5,601,102	23,534,136	3,274,452	234,000	6,441,723	
Insurance plan							121,438,620
Depreciation	66,109,077	5,704,719	11,611,809	2,324,612	48,864,000	6,211,672	248,652
Total operating expenses	617,687,283	64,496,065	179,718,709	40,008,075	1,114,611,000	72,496,420	127,166,394
Operating income (loss)	(292,837,021)	(41,732,539)	(84,154,230)	(27,074,084)	(58,029,000)	(30,418,263)	8,152,450
Non-Operating Revenues (Expenses)							
State appropriations	198,554,670	22,833,792	65,558,527	17,649,206	56,817,000	27,000,367	3,588,666
Property and sales tax		5,286,908					
Federal grants	25,318,612	16,121,295	17,896,485	9,218,631	2,040,000	11,899,287	93,712
State and local grants	11,047,508	1,747,879	2,401,275	886,562			
Non-governmental grants	571,587		612,662				
Gifts	48,714,610		13,678,533	42,125	17,754,000	1,560,769	
Investment income (net)	16,143,684	125,139	3,042,821	589,450	15,953,000	106,714	289,862
Interest on capital asset-related debt	(16,423,413)	(3,518,076)	(3,555,840)	(519,380)	(13,984,000)	(1,231,707)	(2,818)
Loss on disposal of assets	(465,774)	(712,155)	(271,708)	(334)	(226,000)	(24,779)	
Other	2,266,357	13,366	(88,981)	1,352		12,474	99,625
Net non-operating revenues	285,727,841	41,898,148	99,273,774	27,867,612	78,354,000	39,323,125	4,069,047
Income (loss) before other revenues and expenses	(7,109,180)	165,609	15,119,544	793,528	20,325,000	8,904,862	12,221,497
Other Changes in Net Assets							
Capital appropriations	416,237	2,146,581	93,750	1,091,250	186,000	505,500	
Capital grants and gifts	3,229,224	265,250	2,017,317	333,176	9,696,000	54,986	
Bond proceeds from Act 1282 of 2005	16,679,969	852,511	1,193,923	1,711,352		1,165,787	
Adjustments to prior year revenues and expenses			(10,848)	(259,046)			
Other	578,249	109,989		17,423	(675,000)	39,490	993,171
Total other revenues and expenses	20,903,679	3,374,331	3,294,142	2,894,155	9,207,000	1,765,763	993,171
Increase (decrease) in net assets	13,794,499	3,539,940	18,413,686	3,687,683	29,532,000	10,670,625	13,214,668
Net Assets, beginning of year as originally reported	621,438,500	76,506,441	167,096,053	34,675,808	642,414,000	73,697,182	13,437,907
Restatement of prior year balance							
Net Assets, beginning of year restated	621,438,500	76,506,441	167,096,053	34,675,808	642,414,000	73,697,182	13,437,907
Net Assets, end of year	635,232,999	80,046,381	185,509,739	38,363,491	671,946,000	84,367,807	26,652,575

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Revenues, Expenses and Changes in Net Assets by Campus For The Year Ended June 30, 2010 with comparative figures for 2009

	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Operating Revenues								
Student tuition & fees (net of scholarship allowances)	1,231,038	900,021	1,172,495	1,421,897	2,564,003			214,828,525
Net patient services								834,153,000
Federal and county appropriations								13,883,529
Federal grants and contracts	1,047,327	5,375,031	1,231,007	1,277,642	860,722	1,132,000		175,485,971
State and local grants and contracts	655,966	1,484,227	184,301	749,115	702,352	876,612		51,649,165
Non-governmental grants and contracts	132,388	240,861			263,001	711,206		71,360,855
Sales and services of educational departments	29,364	27,601		9,170	46,108		(1,642,067)	53,703,089
Insurance plan							(91,936,038)	41,134,170
Auxiliary enterprises								
Athletics, (net of scholarship allowances)								67,727,343
Housing/food service, (net of scholarship allowances)		83,380			131,990			43,684,746
Bookstore, (net of scholarship allowances)		46,791	426,167		773,916			18,372,590
Other auxiliary enterprises, (net of scholarship allowances)		25,424	126,203	53,391	31,440			16,891,118
Other operating revenues	166,029		243,589	72,126	69,502	179,844		20,394,300
Total operating revenues	3,262,112	8,183,336	3,383,762	3,583,341	5,443,034	2,899,662	(93,578,105)	1,623,268,401
Operating Expenses								
Compensation and benefits	6,949,391	13,211,193	7,600,221	7,147,937	9,073,440	6,125,952	(91,936,038)	1,275,026,612
Supplies and services	2,707,067	5,938,364	3,012,477	1,961,487	4,519,022	3,496,141	(1,642,067)	597,234,714
Scholarships and fellowships	2,320,524	2,824,997	2,574,829	3,752,570	2,858,428			73,905,394
Insurance plan								121,438,620
Depreciation	600,744	1,337,196	883,758	740,091	756,442	506,732		145,899,504
Total operating expenses	12,577,726	23,311,750	14,071,285	13,602,085	17,207,332	10,128,825	(93,578,105)	2,213,504,844
Operating income (loss)	(9,315,614)	(15,128,414)	(10,687,523)	(10,018,744)	(11,764,298)	(7,229,163)	0	(590,236,443)
Non-Operating Revenues (Expenses)								
State appropriations	4,411,337	10,111,535	4,666,654	6,067,642	5,804,750	8,045,718		431,109,864
Property and sales tax	1,195,474	1,758,374	1,203,834	758,316	639,865			10,842,771
Federal grants	3,245,733	4,540,947	5,144,214	3,820,459	5,415,219			104,754,594
State and local grants	226,723		508,005					16,817,952
Non-governmental grants								1,184,249
Gifts	74,988					120		81,825,145
Investment income (net)	20,215	82,714	55,130	7,532	179,507	38,567		36,634,335
Interest on capital asset-related debt	(248,710)	(554,970)	(150,599)	(281,856)	(170,828)			(40,642,197)
Loss on disposal of assets	(8,659)	(751)	(1,899)	(991)	(2,267)	(295)		(1,715,612)
Other		117,587	(9,330)	24,155	(50,380)			2,386,225
Net non-operating revenues	8,917,101	16,055,436	11,416,009	10,395,257	11,815,866	8,084,110	0	643,197,326
Income (loss) before other revenues and expenses	(398,513)	927,022	728,486	376,513	51,568	854,947	0	52,960,883
Other Changes in Net Assets								
Capital appropriations	261,000	75,000	225,000	222,000		1,412,500		6,634,818
Capital grants and gifts	539,491	13,476	335,744		22,857	6,410,000		22,917,521
Bond proceeds from Act 1282 of 2005	435,275	794,205	1,900,000		330,746			25,063,768
Adjustments to prior year revenues and expenses		260,073		53,378				43,557
Other		338,704	43,767					1,445,793
Total other revenues and expenses	1,235,766	1,481,458	2,504,511	275,378	353,603	7,822,500	0	56,105,457
Increase (decrease) in net assets	837,253	2,408,480	3,232,997	651,891	405,171	8,677,447	0	109,066,340
Net Assets, beginning of year as originally reported	10,934,296	12,129,287	12,462,961	9,378,002	13,749,114	5,270,895		1,693,190,446
Restatement of prior year balance								
Net Assets, beginning of year restated	10,934,296	12,129,287	12,462,961	9,378,002	13,749,114	5,270,895	0	1,693,190,446
Net Assets, end of year	11,771,549	14,537,767	15,695,958	10,029,893	14,154,285	13,948,342	0	1,802,256,786

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS

Statement of Cash Flows - Direct Method - By Campus

For the Year Ended June 30, 2010 with comparative figures for 2009

	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
Cash Flows from Operating Activities							
Student tuition and fees (net of scholarships)	\$104,029,411	\$14,761,650	\$56,830,200	\$3,415,984	\$25,009,000	\$5,949,299	
Patient and insurance payments					831,384,000		
Federal and county appropriations	14,549,660						
Grants and contracts	66,632,633	5,654,719	24,538,150	4,818,830	154,250,000	18,396,994	
Collection of loans and interest	1,720,762			118,646	1,921,000	68,685	
Insurance plan receipts							\$133,173,780
Auxiliary enterprise revenues:							
Athletics	62,780,352	101,168	4,306,384	391,205		2,119,610	
Housing and food service	22,003,656	823,919	2,323,549	1,557,035	7,211,000	9,521,575	
Bookstore	14,177,775	475,664	358,904	1,363,117	719,000	184,304	
Other auxiliary enterprises	10,879,818	186,068	1,444,962	338,980	2,655,000	345,915	
Payments to employees	(283,347,569)	(31,944,386)	(88,024,999)	(18,499,824)	(598,910,000)	(30,077,327)	(3,659,497)
Payment of employee benefits	(74,715,585)	(8,625,953)	(22,317,968)	(4,957,595)	(141,018,000)	(7,955,528)	(867,790)
Payments to suppliers	(166,918,015)	(12,097,062)	(32,289,073)	(10,199,707)	(319,416,000)	(21,159,072)	(956,455)
Loans issued to students	(1,445,119)			(7,268)	(2,156,000)	199	
Scholarships and fellowships	(20,488,633)	(5,601,102)	(23,534,137)	(3,281,943)	(234,000)	(6,441,723)	
Payments of insurance plan expenses							(120,704,683)
Other receipts	29,593,112	796,751	4,548,450	688,827	24,408,000	4,571,724	2,085,870
Net cash provided (used) by operating activities	(220,547,742)	(35,468,564)	(71,815,578)	(24,253,713)	(14,177,000)	(24,475,345)	9,071,225
Cash Flows from Noncapital Financing Activities							
State appropriations	198,554,670	22,833,792	65,558,527	17,649,206	66,536,000	27,000,367	3,588,666
Property and sales tax		5,307,963					
Gifts and grants for other than capital purposes	85,576,872	17,879,245	34,588,955	10,147,257	19,795,000	13,460,056	93,712
Direct Lending, Plus and FFEL loan receipts		17,293,361	63,184,783	12,306,944		18,801,221	
Direct Lending, Plus and FFEL loan payments		(17,311,170)	(63,184,783)	(12,349,131)		(18,937,965)	
Other agency funds - net	189,801	142,099	(221,848)	126,346	(551,000)	308,265	
Other	2,315,227	(157)					1,089,338
Net cash provided (used) by noncapital financing activities	286,636,570	46,145,133	99,925,634	27,880,622	85,780,000	40,631,944	4,771,716
Cash Flows from Capital and Related Financing Activities							
Proceeds from capital debt	45,080,973				8,165,000		(1,500,000)
Capital appropriations	416,237	2,538,672	93,750	1,091,250	100,000	505,500	
Capital grants and gifts	2,383,125	41,250	1,948,032				
Property taxes - capital allocation		1,037					
Proceeds from sale of capital assets		2,709		2,352	47,000		
Bond Proceeds from Act 1282 of 2005	16,679,969		1,193,924	1,725,999		1,165,787	
Purchases of capital assets	(81,193,714)	(24,531,889)	(26,507,602)	(4,307,790)	(41,258,000)	(7,569,682)	(9,980)
Principal paid on capital debt and lease	(24,821,542)	(2,725,000)	(4,232,162)	(578,576)	(23,642,000)	(5,183,292)	(183,194)
Interest and fees paid on capital debt and lease	(17,795,541)	(3,435,067)	(2,535,504)	(524,880)	(14,169,000)	(1,231,707)	(1,844)
Deposit with trustee		20,702,191	6,011,331	12		(4,273)	
Other				18,641		12,474	3,459
Net cash provided (used) by capital & related financing activities	(59,250,493)	(7,406,097)	(24,028,231)	(2,572,992)	(70,757,000)	(12,305,193)	(1,691,559)
Cash Flows from Investing Activities							
Proceeds from sales and maturities of investments	21,011,098	54,300,000	71,328	639,927	41,683,000	2,528,644	25,517,685
Investment income (net of fees)	920,228	146,911	1,398,670	14,426	1,592,000	36,695	197,186
Purchases of investments	(546,981)	(48,850,000)	(1,195,929)	(867,549)	(27,841,000)	(415,789)	(35,199,260)
Net cash provided (used) by investing activities	21,384,345	5,596,911	274,069	(213,196)	15,434,000	2,149,550	(9,484,389)
Net increase in cash	28,222,680	8,867,383	4,355,894	840,721	16,280,000	6,000,956	2,666,993
Cash, beginning of year	67,215,772	6,441,257	28,467,493	8,040,630	77,270,000	15,215,415	6,523,732
Cash, end of year	\$95,438,452	\$15,308,640	\$32,823,387	\$8,881,351	\$93,550,000	\$21,216,371	\$9,190,725

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - By Campus For the Year Ended June 30, 2010 with comparative figures for 2009

	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	Elimination (Note 17)	TOTAL
Cash Flows from Operating Activities								
Student tuition and fees (net of scholarships)	\$1,227,193	\$890,654	\$1,329,373	\$1,333,380	\$2,449,661			\$217,225,805
Patient and insurance payments								831,384,000
Federal and county appropriations								14,549,660
Grants and contracts	1,829,494	7,573,348	1,366,279	1,993,731	1,778,710	\$2,716,669		291,549,557
Collection of loans and interest								3,829,093
Insurance plan receipts							(\$91,764,367)	41,409,413
Auxiliary enterprise revenues:								
Athletics								69,698,719
Housing and food service		83,380			132,934			43,657,048
Bookstore		46,791	434,236		741,862			18,501,653
Other auxiliary enterprises		25,424	126,203	39,860	31,440			16,073,670
Payments to employees	(5,301,736)	(10,123,668)	(5,644,488)	(5,088,488)	(6,824,224)	(4,646,790)		(1,092,092,996)
Payment of employee benefits	(1,649,455)	(2,948,851)	(1,670,891)	(2,005,659)	(2,195,385)	(1,412,879)	91,764,367	(180,577,172)
Payments to suppliers	(2,697,966)	(5,634,791)	(3,065,398)	(1,986,685)	(4,749,480)	(3,473,088)	1,482,323	(583,160,469)
Loans issued to students								(3,608,188)
Scholarships and fellowships	(2,266,560)	(2,824,997)	(2,573,315)	(3,794,621)	(2,858,428)			(73,899,459)
Payments of insurance plan expenses								(120,704,683)
Other receipts	196,805	27,601	243,447	151,158	171,610	200,276	(1,482,323)	66,201,308
Net cash provided (used) by operating activities	(8,662,225)	(12,885,109)	(9,454,554)	(9,357,324)	(11,321,300)	(6,615,812)	-	(439,963,041)
Cash Flows from Noncapital Financing Activities								
State appropriations	4,411,337	10,111,535	4,337,686	6,067,642	5,804,750	8,045,718		440,499,896
Property and sales tax	1,176,147	1,763,237	1,210,093	689,762	639,271			10,786,473
Gifts and grants for other than capital purposes	3,588,486	4,288,707	5,768,758	3,820,459	5,415,219	120		204,422,846
Direct Lending, Plus and FFEL loan receipts			4,417,445	285,897	3,155,814			119,445,465
Direct Lending, Plus and FFEL loan payments			(4,750,936)	(285,897)	(3,155,814)			(119,975,696)
Other agency funds - net	5,189	36	(5,153)	4,815	(23,450)	8,461		(16,439)
Other		80,838	(6,173)	44,926			(993,171)	2,530,828
Net cash provided (used) by noncapital financing activities	9,181,159	16,244,353	10,971,720	10,627,604	11,835,790	8,054,299	(993,171)	657,693,373
Cash Flows from Capital and Related Financing Activities								
Proceeds from capital debt			1,000,000			1,500,000		54,245,973
Capital appropriations	261,000	75,000	225,000	222,000		1,412,500		6,940,909
Capital grants and gifts	539,491		26,025			6,000,000		10,937,923
Property taxes - capital allocation								1,037
Proceeds from sale of capital assets					1,878			53,939
Bond Proceeds from Act 1282 of 2005	435,275	1,716,348	1,900,000					24,817,302
Purchases of capital assets	(1,809,543)	(4,939,687)	(2,643,056)	(1,212,939)	(1,649,203)	(1,846,153)	993,171	(198,486,067)
Principal paid on capital debt and lease	(215,583)	(215,900)	(157,851)	(410,000)	(275,000)			(62,640,100)
Interest and fees paid on capital debt and lease	(271,169)	(545,998)	(44,245)	(353,591)	(166,913)			(41,075,459)
Deposit with trustee		2,218,594	(308,307)					28,619,548
Other		787,657				(10,972,265)		(10,150,034)
Net cash provided (used) by capital & related financing activities	(1,060,529)	(903,986)	(2,434)	(1,754,530)	(2,089,238)	(3,905,918)	993,171	(186,735,029)
Cash Flows from Investing Activities								
Proceeds from sales and maturities of investments		246,819	1,546,122	364,139	1,000,000			148,908,762
Investment income (net of fees)	19,527	17,498	39,005	6,098	3,790	38,567		4,430,601
Purchases of investments	(100,000)	(246,819)	(2,457,135)					(117,720,462)
Net cash provided (used) by investing activities	(80,473)	17,498	(872,008)	370,237	1,003,790	38,567	-	35,618,901
Net increase in cash	(622,068)	2,472,756	642,724	(114,013)	(570,958)	(2,428,864)	-	66,614,204
Cash, beginning of year	4,539,850	4,212,358	1,697,955	2,323,917	2,712,188	4,483,321	-	229,143,888
Cash, end of year	<u>\$3,917,782</u>	<u>\$6,685,114</u>	<u>\$2,340,679</u>	<u>\$2,209,904</u>	<u>\$2,141,230</u>	<u>\$2,054,457</u>	<u>\$0</u>	<u>\$295,758,092</u>

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2010 with comparative figures for 2009

Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:	UAF	UAFS	UALR	UAM	UAMS	UAPB	SYSTEM
Operating revenues/loss	(\$292,837,021)	(\$41,732,539)	(\$84,154,230)	(\$27,074,084)	(\$58,029,000)	(\$30,418,263)	\$8,152,450
Adjustments to reconcile net operating revenues (loss) to net cash provided (used) by operating activities:							
Depreciation expense	66,109,077	5,704,719	11,611,809	2,324,612	48,864,000	6,211,672	248,652
Change in assets & liabilities:							
Receivables, net	(2,044,494)	314,359	(427,691)	(63,859)	(10,869,000)	(493,448)	(59,195)
Inventories	(39,279)	(3,347)	(11,899)	4,518	(2,147,000)	3,728	
Deposits with others							
Prepaid expenses and other assets	189,773	27,693	67,330	136,389	(629,000)		(4,831)
Accounts payable & other accrued liabilities	4,517,183	37,743	664,167	280,314	(2,415,000)	552,196	1,003,439
Deferred revenue	1,734,054	(71,226)	(240,036)	1,856	2,897,000	(121,354)	
Loans to students and employees	318,598						
Refundable federal advance	51,905						
Compensated Absences	236,060	118,880	209,575	10,158	387,000	3,820	(19,812)
OPEB Liability	1,167,579	135,154	465,397	126,383	2,941,000	218,323	16,522
Other liabilities	48,823				4,823,000	(432,019)	(266,000)
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(\$220,547,742)	(\$35,468,564)	(\$71,815,578)	(\$24,253,713)	(\$14,177,000)	(\$24,475,345)	\$9,071,225
Non-Cash Transactions							
Capital gifts	\$836,186	\$224,000	\$69,285	\$178,094	\$9,696,000	\$54,986	
Fixed assets acquired by incurring capital lease obligations					2,845,000		
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund	76,691,489	30,699,101	63,718,243				
Bond issuance costs paid directly from bond proceeds/debt service reserve	743,461	342,181	512,192				
Capital outlay paid directly from debt instruments	580,820				11,000		
Interest on long-term debt paid directly from deposits with trustees	2,351,451		563,830				
Principal of long-term debt paid directly from foundation	1,403,936						
Other equipment noncash additions							
Valuation adjustments to capital assets							
Capital outlay paid directly from bond proceeds from Act 1282 of 2005		852,511					
Fixed asset acquisition paid for by State of Arkansas				13,476	86,000		

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

UNIVERSITY OF ARKANSAS Statement of Cash Flows - Direct Method - Continued - By Campus For the Year Ended June 30, 2010 with comparative figures for 2009

Reconciliation of net operating revenues (loss) to net cash provided (used) by operating activities:	CCCUA	PCCUA	UACCB	UACCH	UACCM	ASMSA	TOTAL
Operating revenues/loss	(\$9,315,614)	(\$15,128,414)	(\$10,687,523)	(\$10,018,744)	(\$11,764,298)	(\$7,229,163)	(\$590,236,443)
Adjustments to reconcile net operating revenues (loss) to net cash provided (used) by operating activities:							
Depreciation expense	600,744	1,337,196	883,758	740,091	756,442	506,732	145,899,504
Change in assets & liabilities:							
Receivables, net	(58,643)	574,640	121,638	(67,369)	(304,005)	17,739	(13,359,328)
Inventories		1,283	(13,442)	(6,382)	(154,995)		(2,366,815)
Deposits with others							-
Prepaid expenses and other assets	16,599	(1,508)	(20,575)	(5,070)	(85,148)	15,665	(292,683)
Accounts payable & other accrued liabilities	49,825	339,580	13,360	(13,748)	42,741	30,455	5,102,255
Deferred revenue	45,867	(110,778)	(8,052)		167,188	(455)	4,294,064
Loans to students and employees							318,598
Refundable federal advance							51,905
Compensated Absences	(13,228)	34,731	215,745	18,789	(8,451)		1,193,267
OPEB Liability	12,225	68,161	40,537	18,571	29,226	33,869	5,272,947
Other liabilities				(23,462)		9,346	4,159,688
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	(\$8,662,225)	(\$12,885,109)	(\$9,454,554)	(\$9,357,324)	(\$11,321,300)	(\$6,615,812)	(\$439,963,041)
Non-Cash Transactions							
Capital gifts		\$13,476	\$30,000		\$22,857	\$410,000	\$11,534,884
Fixed assets acquired by incurring capital lease obligations	56,972						2,901,972
Bond proceeds/premiums/accrued interest deposited directly with trustees/escrow fund			2,262,424	4,671,122	2,029,418		180,071,797
Bond issuance costs paid directly from bond proceeds/debt service reserve			55,191	90,622	48,973		1,792,620
Capital outlay paid directly from debt instruments		305,454					897,274
Interest on long-term debt paid directly from deposits with trustees			113,393				3,028,674
Principal of long-term debt paid directly from foundation							1,403,936
Other equipment noncash additions							-
Valuation adjustments to capital assets			43,767				43,767
Capital outlay paid directly from bond proceeds from Act 1282 of 2005					330,746		1,183,257
Fixed asset acquisition paid for by State of Arkansas			13,476				112,952

NOTES TO THE FINANCIAL STATEMENTS

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, intangible assets and construction in progress are stated at cost or fair market value at date of gift. Library holdings are generally valued using average prices for library acquisitions. 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, 3-10 years for equipment and 10 years for library holdings. The capitalization threshold for depreciation is \$2,500. Estimated useful lives for purposes of amortization and capitalization thresholds for intangible assets are as follows: purchased software (5 years; \$500,000); internally developed software (10 years; \$1,000,000); easements, land use rights, trademarks and copyrights (15 years; \$250,000); and patents (20 years; \$250,000). 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. There is no formal policy requiring restricted net assets to be used either before or after unrestricted net assets are used for the same purpose. Responsible officials determine at the time funds are expended to use any unrestricted net assets that may be available.
- *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 fiscal year 2010, 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, 2010, the Foundation distributed \$73,354,187 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, 2010, the Foundation distributed \$14,523,273 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 June 2007, GASB issued Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, which became 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 its 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 accordance with GASB Statement 51, the University has adopted a policy statement to address the capitalization of intangible assets. As of June 30, 2010, the University has identified intangible assets totaling \$82,359,762 that meet capitalization requirements. Of this amount, \$72,024,306 has been amortized resulting in net intangible assets of \$10,335,456. They are reported, along with other capital assets, in Note 10.

In June 2008, GASB issued Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, which became 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. Management has determined that no derivative instruments are held by the University and the requirements of this statement are not applicable.

In June 2010, GASB issued Statement No. 59, *Financial Instruments Omnibus*, which becomes effective with the fiscal year ending June 30, 2011. The objective of the Statement is to update and improve existing standards regarding financial reporting and disclosure of certain financial instruments and external investment pools. The University has not determined the effects of the implementation of this statement on the University's financial statements.

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 De-Queen (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, 2010 and 2009 are recorded net of an allowance for doubtful accounts of \$489,539,000 and \$423,624,000, respectively.

Net patient services revenue for the years ended June 30, 2010 and 2009 is as follows:

	FY2010	FY2009
Gross patient revenue	1,816,197,000	1,675,949,000
Less patient services contractual allowances	894,369,000	820,134,000
Less provision for bad debt	87,675,000	74,343,000
Net patient services revenue	<u>\$834,153,000</u>	<u>\$781,472,000</u>

UAMS provided approximately \$106,226,000 and \$73,042,000 in charity care, based on established rates, during the years ended June 30, 2010 and 2009, 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, 2010 and 2009 includes approximately \$69,416,000 and \$66,626,000, 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, 2010 and 2009 includes approximately \$25,732,000 and \$24,190,000, 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, 2010, the Hospital's Medicare cost reports have been audited by the Medicare fiscal intermediary through June 30, 2008.

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, 2010, the Hospital's Medicaid cost reports have been audited by the Medicaid fiscal intermediary through June 30, 2008.

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 a decrease to net patient services revenue of \$2,939,000 and an increase of \$1,824,000 for the years ended June 30, 2010 and 2009, 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 fiscal year 2009, 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 fiscal year 2009, three (CCCUA, UACCB, and UACCM) 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

Arkansas Code Annotated § 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, 2010:

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	\$ 259,694,581
+cash held on deposit in state treasury	18,704,310
+cash equivalents	20,580,603
+cash on hand	174,661
-cash/cash equiv shown as deposits held in trust on Smts	(3,396,063)
TOTAL	\$ 295,758,092

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, 2010, \$394,045 of the University's bank balance was exposed to custodial credit risk as follows:

uninsured and uncollateralized

\$ 394,045

Investments at June 30, 2010:

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, 2010:

Investment Type	Fair Value
Mutual Funds	\$69,632,445
Corporate Bonds	8,706,222
Common Fund	-
External Investment Pool	255,833,090
Certificate of Deposits	21,630,736
Other	77,075,907
Sub-Total	432,878,400
-shown as cash/cash equiv on Smts	(2,069,166)
-shown as deposits held in trust on Smts	(122,419,284)
Investments as reported on Stmt of Net Assets	\$308,389,950

Ninety-four percent (94%) of the other category in the above table is U.S. treasuries, federated treasury obligations 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.

Investment Type	Fair Value	Interest Rate Risk			
		Investment Maturities (in years)			
		Less than 1	1 to 5	6 to 10	More than 10
Corporate Bonds	\$8,706,222	\$1,671,202	\$5,763,690	\$1,021,617	\$249,713
Other	10,516,101	1,851,254	8,651,237	13,610	-
Totals	\$19,222,323	\$3,522,456	\$14,414,927	\$1,035,227	\$249,713

Investment Type	Fair Value	Credit Risk				
		AAA	AA	A	B & below	Not Rated
Mutual Funds	\$62,723,372	\$61,692,920	-	-	-	\$1,030,452
Corporate Bonds	8,706,222	-	3,713,264	3,899,914	1,067,821	25,223
Other	10,336,208	10,027,455	-	205,620	-	103,133
Totals	\$81,765,802	\$71,720,375	\$3,713,264	\$4,105,534	\$1,067,821	\$1,158,808

CommonFund Short Term Fund

For several years, the University invested 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 were liquidated as they matured or as market conditions permitted. 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 remaining assets were sold and distributed to participants in February, 2010, and the Fund was dissolved. The aggregate value of cash distributed to investors equaled \$1.0058 for every \$1.00 of investor balances as of September 26, 2008, representing an internal rate of return (IRR) of just over two percent (2%).

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.

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

At June 30, 2010, five campuses, Cooperative Extension Service, and four foundations participated in the Pool. As of June 30, 2010, the pool's net assets totaled \$1,190,769,671. The pool was combined with 21.47% of the net assets owned by the University of Arkansas and external portions as follows: 45.60% by the University of Arkansas Foundation, 32.06% by the Fayetteville Campus Foundation, 0.81% by the Walton Arts Foundation, and 0.06% by the University of Arkansas Community College at Hope Foundation. The following tables contain information on the risk disclosure of the Pool.



University of Arkansas Community College at Hope broke ground on Hempstead Hall in August 2009. The 52,000 square feet, 1,600 seat conference and community center is scheduled to open in 2012.

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Statement of Invested Assets

June 30, 2010

Investment Type	Fair Value*
Equity	\$284,860,793
Common Stock	284,830,640
Preferred Stock	30,153
Fixed Income	444,552,630
Government Bonds	102,379,024
Corporate Bonds	85,856
Government Mortgage Back Securities	174
Non-Government Backed C.M.O.s	117
Other Fixed Income	342,087,459
Venture Capital and Partnerships	390,369,829
Partnerships	390,369,829
Hedge Fund	59,316,672
Hedge Equity	59,316,672
All Other	62,582
Recoverable Taxes	62,582
Cash/Cash Equivalents	11,607,165
Short Term Investment Funds	15,030,946
Cash	(3,957,670)
Invested Cash	533,889
TOTAL	<u>\$1,190,769,671</u>

*Includes accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Credit Risk - S&P Quality Ratings

June 30, 2010

Investment Type & Fair Value*	TOTAL	AAA	AA	A	BBB	NR	US GOVN. GUAR
Corporate Bonds	\$85,856	-	-	-	-	\$85,856	-
Government Bonds	101,154,542	29,452,039	7,147,700	11,568,965	42,441	4,833,034	48,110,363
Govn Mortgage Backed Securities	173						173
Non-Govn Backed C.M.O.s	117			117			
Other Fixed Income	339,597,567					339,597,567	
Short Term Investment Funds	15,029,572					15,029,572	
Total	<u>\$455,867,827</u>	<u>\$29,452,039</u>	<u>\$7,147,700</u>	<u>\$11,569,082</u>	<u>\$42,441</u>	<u>\$359,546,029</u>	<u>\$48,110,536</u>

*Does not include accrued income

UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL

Years to Maturity

June 30, 2010

Investment Type (1)	Fair Value*	Less than 1	1 to 5	6 to 10	10+	Maturity not Determined
Corporate Bonds	\$85,856	-	\$85,856	-	-	-
Government Bonds	101,154,542	50,128	25,524,636	61,975,052	13,604,726	
Govn Mortgage Backed Securities	173				173	
Non-Govn Backed C.M.O.s	117	117				
Other Fixed Income	339,597,567					339,597,567
Short Term Investment Funds	15,029,572					15,029,572
Total	<u>\$455,867,827</u>	<u>\$50,245</u>	<u>\$25,610,492</u>	<u>\$61,975,052</u>	<u>\$13,604,899</u>	<u>\$354,627,139</u>

*Does not include 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, 2010**

Investment Type (1)	Fair Value*	Effective Duration
Corporate Bonds	\$ 85,856	2.68
Government Bonds	101,154,542	7.42
Govn Mortgage Backed Securities	173	3.26
Non-Govn Backed C.M.O.s	117	0.13
Other Fixed Income	339,597,567	N/A
Short Term Investment Funds	15,029,572	N/A
Total	\$ 455,867,827	

*Does not include accrued income

(1) Pooled and Mutual Fund/Commingled Fund values are displayed for
Fair Value Totals only**UNIVERSITY OF ARKANSAS EXTERNAL INVESTMENT POOL****Foreign Currency Risk By Investment Type****June 30, 2010**

Currency By Investment and Fair Value*	Cash	Equity	Fixed Income	Other Assets
AUSTRALIAN DOLLAR	\$ -	\$ -	\$ -	\$ 2,184
SWISS FRANC	(1)		561,969	24,800
DANISH KRONE			911,214	3,592
EURO	3	11,524	43,105,348	27,468
BRITISH POUND STERLING	770	3,513	7,707,685	
HONG KONG DOLLAR		5,530		
JAPANESE YEN	6,360			
NORWEGIAN KRONE			237,340	
POLISH ZLOTY			840,440	4,538
SWEDISH KRONA		21,501	656,020	
	\$7,133	\$42,068	\$54,020,016	\$62,582

*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, 2010	\$ 102,467,993
Less: Funds treated as endowment	(28,508,770)
Non-expendable portion of endowment	(38,902,274)
Available for Expenditure	<u>\$ 35,056,949</u>

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, 2010. 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 AND INSTALLMENT CONTRACTS PAYABLE

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

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	\$12,105,000	\$ -
10/15/1997	11/1/2022	3.95%-5.25%	21,445,000	16,190,000	5,255,000
5/1/1999	9/15/2020	3.35%-5.05%	30,000,000	30,000,000	-
11/1/2001	12/1/2021	2.90%-5.50%	42,985,000	34,300,000	8,685,000
11/1/2001	12/1/2021	4.20%	11,555,000	11,555,000	-
12/1/2002	12/1/2032	1.80%-5.50%	110,980,000	60,130,000	50,850,000
10/1/2004	11/1/2024	2.00%-4.75%	30,550,000	4,805,000	25,745,000
3/1/2005	11/1/2025	3.00%-4.50%	81,020,000	4,615,000	76,405,000
7/1/2005	9/15/2011	3.00%-3.25%	9,645,000	6,480,000	3,165,000
6/1/2006	11/1/2036	4.00%-5.00%	67,420,000	2,095,000	65,325,000
6/1/2006	9/15/2022	4.00%-4.375%	8,205,000	1,160,000	7,045,000
10/1/2007	11/1/2037	4.00%-5.00%	45,010,000	1,380,000	43,630,000
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
12/15/2009	11/1/2039	3.00%-5.00%	52,430,000	-	52,430,000
6/30/2010	9/15/2020	1.00%-4.82%	23,965,000	-	23,965,000
11/30/1991	5/1/2022	5.50%	3,000,000	1,213,633	1,786,367
11/29/1995	12/1/2019	4.00%-5.00%	2,071,140	954,425	1,116,715
9/13/1995	12/1/2010	5.75%-7.05%	535,000	480,000	55,000
12/20/1999	12/31/2019	Variable	1,161,952	264,096	897,856
10/31/2007	9/30/2011	Variable	7,767,000	6,234,509	1,532,491
5/11/2007	3/31/2013	Variable	6,000,000	1,246,644	4,753,356
7/31/2002	7/1/2012	2.05%	900,000	900,000	-
11/30/2007	7/1/2023	4.69%	6,950,000	287,901	6,662,099
10/15/2008	9/13/2013	5.00%	5,000,000	1,449,655	3,550,345
12/19/2008	8/19/2023	4.58%	11,095,497	-	11,095,497
4/8/2010	1/8/2023	4.80%	1,642,515	-	1,642,515
Various	Various	Various	3,068,869	961,829	2,107,040
Deferral on debt defeasance			(5,115,000)	(1,548,553)	(3,566,447)
Net unamortized premium/discount			(221,525)	616	(222,141)
TOTALS			\$643,130,448	\$197,259,755	\$445,870,693

UNIVERSITY OF ARKANSAS AT FORT SMITH					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
6/1/2003	12/1/2023	1.0% - 3.8%	\$9,880,000	\$2,500,000	\$7,380,000
9/1/2005	12/1/2030	3.0% - 4.375%	13,055,000	1,255,000	11,800,000
12/1/2006	12/1/2031	3.6% - 5.0%	6,160,000	315,000	5,845,000
5/1/2009	12/1/2034	2.0% - 5.0%	25,000,000	-	25,000,000
6/1/2010	12/1/2021	2.0% - 4.0%	29,895,000	-	29,895,000
Deferral on debt defeasance			(1,716,092)	-	(1,716,092)
Net unamortized premium/discount			1,063,273	-	1,063,273
TOTALS			\$83,337,181	\$4,070,000	\$79,267,181

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	\$611,907	\$1,929,966
9/15/2004	12/1/2010	3.483% - 5.0%	16,930,000	14,305,000	2,625,000
9/15/2004	12/1/2024	3.483% - 5.0%	24,285,000	4,365,000	19,920,000
10/1/2004	12/1/2029	2% - 5%	17,385,000	1,155,000	16,230,000
10/30/2007	1/1/2011	5.50%	150,000	118,873	31,127
10/1/2009	10/1/2029	2% - 5%	32,245,000	-	32,245,000
11/1/2009	10/1/2034	3% - 5%	29,510,000	-	29,510,000
Leases	5/18/2015	3.15%	1,083,269	299,916	783,353
Unamortized premium/discount			3,825,184	1,035,895	2,789,289
Deferral on debt defeasance			(509,954)	(437,103)	(72,851)
TOTALS			\$127,445,372	\$21,454,488	\$105,990,884

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	\$1,395,000	\$3,110,000
12/1/2005	12/1/2035	3.1% - 5.0%	9,000,000	655,000	8,345,000
1/27/2009	2/1/2019	0.53%	1,000,000	108,576	891,424
TOTALS			\$14,505,000	\$2,158,576	\$12,346,424

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	\$14,260,000	-
10/28/2004	11/1/2034	2.00% - 5.00%	95,915,000	1,310,000	94,605,000
10/28/2004	11/1/2018	4.0% - 5.00%	54,085,000	16,230,000	37,855,000
11/18/2004	7/1/2034	2.25% - 5.00%	10,070,000	770,000	9,300,000
3/8/2006	3/1/2036	3.4% - 5.0%	107,500,000	7,475,000	100,025,000
6/1/2010	7/1/2019	2.0% - 4.5%	7,605,000	-	7,605,000
Misc Notes			9,955,000	1,771,000	8,184,000
Leases			36,884,000	5,943,000	30,941,000
Unamortized premium/discount			13,974,000	3,308,000	10,666,000
TOTALS			\$350,248,000	\$51,067,000	\$299,181,000

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	\$1,471,000	\$351,000
10/12/2005	12/1/2035	3.0% - 5.0%	20,780,920	1,512,124	19,268,796
10/12/2005	12/1/2017	2.8% - 3.8%	3,317,513	1,255,838	2,061,675
9/1/1999	12/1/2015	Variable	880,000	507,500	372,500
10/12/1999	11/19/2020	4.00%	3,300,000	2,250,000	1,050,000
11/25/2005	10/27/2010	4.38%	3,904,193	3,475,977	428,216
2/4/2008	4/1/2010	2.00%	2,000,000	2,000,000	-
TOTALS			\$36,004,626	\$12,472,439	\$23,532,187

COSSATOT COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/17/2005	5/1/2035	5.18%	\$4,500,000	\$372,931	\$4,127,069
1/25/2008	3/30/2023	2.91%	2,000,000	247,340	1,752,660
Various	Various	Various	101,729	52,802	48,927
TOTALS			\$6,601,729	\$673,073	\$5,928,656

PHILLIPS COMMUNITY COLLEGE OF THE UNIVERSITY OF ARKANSAS					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
12/30/2005	12/30/2010	3.58%	\$661,882	\$589,137	\$72,745
2/1/2009	12/1/2038	3.0 - 5.2%	12,030,000	75,000	11,955,000
Unamortized premium/discount			(206,872)	(9,769)	(197,103)
TOTALS			\$12,485,010	\$654,368	\$11,830,642

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	\$4,000,000	\$ -
5/7/2008	11/1/2015	4.22%	816,432	193,944	622,488
5/7/2008	11/1/2015	4.22%	451,616	111,692	339,924
6/15/2010	12/1/2018	1.0% - 3.25%	2,295,000	-	2,295,000
2/2/2010	2/1/2020	0.45%	1,000,000	-	1,000,000
Unamortized premium/discount			4,032	-	4,032
Deferral on debt defeasance			(6,364)	-	(6,364)
TOTALS			\$8,560,716	\$4,305,636	\$4,255,080

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT HOPE					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
10/1/2008	10/1/2038	2.25-5.00%	\$2,685,000	\$50,000	\$2,635,000
6/1/2010	9/1/2020	1.00-4.00%	4,625,000	-	4,625,000
Unamortized premium/discount			49,201	(3,534)	52,735
Deferral on debt defeasance			(69,295)		(69,295)
TOTALS			\$7,289,906	\$46,466	\$7,243,440

UNIVERSITY OF ARKANSAS COMMUNITY COLLEGE AT MORRILTON					
Issue Date	Maturity Date	Interest Rate	Amount Issued	Maturities to Year-End	Outstanding Year-End
5/18/2005	11/01/2017	4.00%-5.25%	\$2,095,000	\$685,000	\$1,410,000
6/15/2010	5/01/2022	2.00%-3.50%	2,030,000	-	2,030,000
Deferral on debt defeasance			(113,333)	(36,000)	(77,333)
TOTALS			\$4,011,667	\$649,000	\$3,362,667

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	\$312,183	-
5/7/2008	8/1/2015	4.22%	117,306	117,306	-
TOTALS			\$429,489	\$429,489	\$ -

UNIVERSITY OF ARKANSAS SYSTEM • CONSOLIDATED FINANCIAL STATEMENT FY2010

The capitalized value of capital assets held under capital leases totaled \$37,108,829 at June 30, 2010. The present value of the net minimum lease payments is as follows:

Type	Cost	Acc Deprec	Net
Land	\$259,264	\$ -	\$259,264
Improve/Infrastructure	8,170,860	1,235,179	6,935,681
Buildings	15,200,169	3,259,693	11,940,476
Equipment	32,588,884	14,615,476	17,973,408
TOTAL			\$37,108,829
Total Minimum Lease Payments			\$ 48,697,793
Less: Amount representing interest			10,262,189
Total Present Value of Net Minimum Lease Payments			\$38,435,604

Changes in long-term liabilities are as follows:

BONDS					
Campus	Balance 6-30-09	Issued FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$380,024,928	\$75,353,475	\$44,706,991	\$410,671,412	\$12,542,443
UAFS	81,650,000	29,242,181	31,625,000	79,267,181	1,992,819
UALR	43,080,933	64,125,008	3,959,503	103,246,438	5,229,503
UAM	11,925,000		470,000	11,455,000	480,000
UAMS	267,819,000	8,160,000	15,923,000	260,056,000	6,145,000
UAPB	22,420,963		739,491	21,681,472	769,490
PCCUA	11,826,002		68,105	11,757,897	143,104
UACCB	2,440,000	2,292,668	2,440,000	2,292,668	209,723
UACCH	7,575,904	4,665,516	4,997,980	7,243,440	496,965
UACCM	3,718,800	2,006,667	2,362,800	3,362,667	305,856
TOTAL	\$832,481,530	\$185,845,515	\$107,292,870	\$911,034,175	\$28,314,903

NOTES					
Campus	Balance 6-30-09	Issued FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$16,997,540	\$ -	\$3,305,410	\$13,692,130	\$3,283,552
UALR	2,328,226		367,133	1,961,093	360,760
UAMS	9,944,000	11,000	1,771,000	8,184,000	1,732,000
UAPB	4,650,000		3,600,000	1,050,000	100,000
PCCUA	213,644		140,899	72,745	72,745
UACCB	1,120,263		157,851	962,412	164,643
SYSTEM	183,194		183,194		
TOTAL	\$35,436,867	\$11,000	\$9,525,487	\$25,922,380	\$5,713,700

ARKANSAS DEVELOPMENT FINANCE AUTHORITY NOTES					
Campus	Balance 6-30-09	Issued FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$289,422	\$ -	\$289,422	\$ -	\$ -
UAM	1,000,000		108,576	891,424	98,153
UAPB	427,500		55,000	372,500	57,500
CCCUA	1,864,588		111,928	1,752,660	115,229
UACCB	-	1,000,000		1,000,000	97,991
TOTAL	\$3,581,510	\$1,000,000	\$564,926	\$4,016,584	\$368,873

CAPITAL LEASES					
Campus	Balance 6-30-09	Issued FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$2,045,572	\$580,820	\$519,352	\$2,107,040	\$445,978
UALR	928,382		145,029	783,353	149,664
UAMS	34,039,000	2,845,000	5,943,000	30,941,000	5,709,000
UAPB	1,256,507		828,292	428,215	428,215
CCCUA	4,222,679	56,972	103,655	4,175,996	106,556
TOTAL	\$42,492,140	\$3,482,792	\$7,539,328	\$38,435,604	\$6,839,413

INSTALLMENT CONTRACTS					
Campus	Balance 6-30-09	Issued FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$8,444,760	\$11,216,644	\$261,293	\$19,400,111	\$1,539,779
TOTAL	\$8,444,760	\$11,216,644	\$261,293	\$19,400,111	\$1,539,779

COMPENSATED ABSENCES					
Campus	Balance 6-30-09	Additions FY10	Retired FY10	Balance 6-30-10	Current Portion
UAF	\$17,161,561	\$457,314	\$221,252	\$17,397,623	\$1,019,419
UAFS	1,323,520	237,479	118,599	1,442,400	121,883
UALR	3,979,240	416,076	206,501	4,188,815	249,989
UAM	1,041,687	908,328	898,170	1,051,845	68,829
UAMS	41,787,000	387,000		42,174,000	2,102,000
UAPB	2,219,594	1,976,428	1,972,608	2,223,414	149,955
CCCUA	236,383	220,586	233,814	223,155	11,158
PCCUA	457,767	57,095	22,364	492,498	19,153
UACCB	250,713	477,741	261,997	466,457	12,243
UACCH	263,070	252,845	234,055	281,860	33,823
UACCM	299,267	10,446	18,897	290,816	16,074
ASMSA	82,440	11,277	1,931	91,786	5,338
SYSTEM	435,320	312,290	332,102	415,508	49,064
TOTAL	\$69,537,562	\$5,724,905	\$4,522,290	\$70,740,177	\$3,858,928



University of Arkansas Community College at Batesville - Construction begins on a new Allied Health building.

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

Year Ended June 30,	Principal	Interest	Total
2011	\$34,720,602	\$41,460,402	\$76,181,004
2012	35,668,042	40,561,346	76,229,388
2013	36,120,881	39,232,597	75,353,478
2014	36,458,703	37,843,848	74,302,551
2015	37,282,800	36,405,639	73,688,439
2016-2020	199,234,537	157,337,643	356,572,180
2021-2025	180,587,658	112,146,754	292,734,412
2026-2030	161,353,346	73,011,342	234,364,688
2031-2035	162,031,765	33,607,397	195,639,162
2036-2040	53,498,221	4,536,580	58,034,801
TOTALS	\$936,956,555	\$576,143,548	\$1,513,100,103

Note: Principal for FY11 includes \$692,000 premium amortization.

Total long-term debt principal and interest payments on Arkansas Development Finance Authority notes payable are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$368,873	\$79,409	\$448,282
2012	378,233	71,942	450,175
2013	387,700	64,037	451,737
2014	397,273	55,700	452,973
2015	404,457	46,937	451,394
2016-2020	1,645,271	130,621	1,775,892
2021-2025	434,777	18,152	452,929
TOTALS	\$4,016,584	\$466,798	\$4,483,382

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

Year Ended June 30,	Principal	Interest	Total
2011	\$6,839,413	\$1,859,095	\$8,698,508
2012	5,796,154	1,575,595	7,371,749
2013	5,516,474	1,307,014	6,823,488
2014	4,245,302	1,048,524	5,293,826
2015	3,255,825	841,653	4,097,478
2016-2020	9,719,364	2,289,723	12,009,087
2021-2025	777,417	698,668	1,476,085
2026-2030	1,006,688	469,400	1,476,088
2031-2035	1,278,967	172,517	1,451,484
TOTALS	\$38,435,604	\$10,262,189	\$48,697,793

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
2011	\$1,539,779	\$1,088,735	\$2,628,514
2012	2,324,344	793,234	3,117,578
2013	2,434,157	683,420	3,117,577
2014	2,086,780	573,286	2,660,066
2015	1,953,759	482,928	2,436,687
2016-2020	5,790,467	1,265,993	7,056,460
2021-2025	3,270,825	455,605	3,726,430
TOTALS	\$19,400,111	\$5,343,201	\$24,743,312

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 \$25,063,768 and \$28,220,677 received in fiscal years 2010 and 2009, respectively, 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, 2010, that are pledged:

BOND SERIES	Maturity Date	Purpose of Debt	Remaining Principal + Interest	FY10 Principal + Interest	Revenue Source	FY10 Revenue	% of Revenue Pledged
UAF/VARIOUS FACILITIES							
Series 1996 Refunding	11/1/2009	Refund Bond Series 1988 & 1989 for HPER & Old Main		\$564,438	Various Facility Pledge	\$205,890,368	0.27%
Series 1997 Various Facilities	11/1/2022	Construction of Parking Facility, Alumni Center, Union Renovation & other Capital Assets	\$7,702,954	1,033,068	Various Facility Pledge	205,890,368	0.50%
Series 2001 Various Facilities	12/1/2021	Renovation of Science Engineering, University House, Construction of Chiller, Gymnastics Facility, Research Building & other Capital Assets	11,537,888	11,438,425	Various Facility Pledge	205,890,368	5.56%
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 & other Capital Asset	87,259,750	5,340,225	Various Facility Pledge	205,890,368	2.59%
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, & other Capital Assets. Refund portion of Series 1998 Var. Facilities Bonds	33,792,147	2,044,124	Various Facility Pledge	205,890,368	0.99%
Series 2005 Various Facilities	11/1/2025	Construction of Center for Academic Excellence, Walker Graduate School of Business, Law School Addition, & Refund Portion of Series 2001 Var. Facilities Bonds & Series 2002 Var. Facilities Bonds.	102,382,869	4,444,803	Various Facility Pledge	205,890,368	2.16%
Series 2006 Various Facilities	11/1/2036	Construction of Student Housing, Law School Addition, Steam Plant Performance Contract, & Poultry Science Energy Management	120,710,637	3,880,885	Various Facility Pledge	205,890,368	1.88%
Series 2007 Various Facilities	11/1/2037	Construction of Student Housing	79,370,119	2,852,063	Various Facility Pledge	205,890,368	1.39%
Series 2008 Various Facilities	11/1/2038	Construction of Parking Garage, Bookstore, KUAF Radio, & other facilities, & purchase of parcels of land	98,441,410	2,675,388	Various Facility Pledge	205,890,368	1.30%
Series 2009 Various Facilities	11/1/2039	Construction of Nano Scale Building & Phi Delta Theta. Renovation of Davis Hall, Darby Hall, Wilson Sharp Hall, Old Health Center & Peabody Hall. Classroom & lab improvements & utility renewal.	96,016,364	851,127	Various Facility Pledge	205,890,368	0.41%
Total Percentage of Pledged Revenues							17.05%

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UAF/ATHLETIC FACILITIES							
Series 1999 Athletic Facilities	9/15/2020	Expansion of Football Stadium		\$2,260,919	Athletics Pledge	\$51,200,667	4.42%
Series 2001 Athletic Subordinate	12/1/2021	Expansion of Football Stadium		168,000	Athletics Pledge	51,200,667	0.33%
Series 2005 Athletic Refunding	9/15/2011	Refund Series 1997 Athletic Facilities Bonds for Walton Arena	\$3,260,208	1,822,079	Athletics Pledge	51,200,667	3.56%
Series 2006 Athletic Facilities	9/15/2022	Construction of John McDonnell Outdoor Track Stadium	9,153,946	705,691	Athletics Pledge	51,200,667	1.38%
Series 2010 Athletic Refunding	9/15/2020	Refund Series 1999 & 2001 Athletic Facilities Bonds for football stadium	29,486,310		Athletics Pledge	51,200,667	0.00%
Series 2008 Athletic Facilities Revenue Prom Note	9/13/2013	Improvements to various athletic facilities	3,873,612	1,191,881	Athletics Pledge	51,200,667	2.33%
Total Percentage of Pledged Revenues							12.02%

UAFS							
Series 2001 Student Fee Revenue	12/1/2021	General improvements		\$3,156,515	Student Fee Revenue	\$29,843,347	10.58%
Series 2003 Student Fee Revenue	12/1/2023	Construction of Health Sciences Building	\$9,749,188	699,690	Student Fee Revenue	29,843,347	2.34%
Series 2005 Student Fee Revenue	12/1/2030	Sebastian Commons Phase I	17,766,623	849,390	Student Fee Revenue	29,843,347	2.85%
Series 2006 Student Fee Revenue	12/1/2031	Sebastian Commons Phase II	9,163,676	420,525	Student Fee Revenue	29,843,347	1.41%
Series 2009 Student Fee Revenue	12/1/2034	Housing construction	41,577,917	1,116,956	Student Fee Revenue	29,843,347	3.74%
Series 2009 Student Fee Revenue	12/1/2021	Refund Series 2001 Student Fee Revenue Bonds	36,137,339		Student Fee Revenue	29,843,347	0.00%
Total Percentage of Pledged Revenues							20.92%

UALR							
Series 2004 Revenue Refunding, Series A	12/1/2010	Refund Bond Series 1995, 1996 & 1997; General improvements	\$2,737,914	\$2,699,938	Student Fee Revenue	\$65,238,118	4.14%
Series 2004 Capital Improvements, Series B	12/1/2024	General improvements	27,942,396	1,831,056	Student Fee Revenue	65,238,118	2.81%
Series 2009 Capital Improvement Revenue	10/1/2029	Capital improvements	50,150,012	672,275	Student Fee Revenue	65,238,118	1.03%
Total Percentage of Pledged Revenues							7.98%
Series 2004 Housing Revenue	12/1/2029	Construction of housing	24,254,183	1,002,520	Housing Revenues	2,870,160	34.93%
Series 2009 Auxiliary Enterprises Revenue	10/1/2034	Housing & Athletics	50,447,267	541,419	Housing & Athletic Revenue	7,789,519	6.95%

UAM							
Series 2005 Auxiliary Facilities Refunding	10/1/2018	Refund Series 1998 Auxiliary Facilities Bonds	\$3,668,747	\$412,838	Auxiliary Revenues	\$6,273,846	6.58%
Series 2005 Various Facilities Refunding & Construction	12/1/2035	Capital improvements & refund ADFA loan	14,689,602	571,539	Student Fee Revenue & Auxiliary Revenues	18,202,200	3.14%

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UAMS							
Series 2006 Various Facilities	3/1/2036	Hospital Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	\$180,821,050	\$6,956,368	Clinical Programs Revenue	\$551,378,901	1.26%
Series 2004 - Various Facilities & Refunding	11/1/2034	Refund Series 1998 Various Facility Bonds; Patient Bed Tower, Psychiatry Building, Residence Hall & Power Plant	218,513,201	10,432,226	Clinical Programs Revenue	551,378,901	1.89%
Total Percentage of Pledged Revenues							3.15%
Series 1998 Parking System Revenue Construction	7/1/2019	Parking Deck construction		1,114,955	Parking Fees	3,465,829	32.17%
Series 2004 Parking System Revenue Construction	7/1/2034	Parking Deck construction	16,166,475	646,850	Parking Fees	3,465,829	18.66%
Series 2010 Refunding Parking System	7/1/2019	Refund Series 1998 Parking System Revenue Bonds	9,318,600	170,975	Parking Fees	3,465,829	4.93%
Total Percentage of Pledged Revenues							55.76%

UAPB							
Series 2005A Various Facilities Revenue, Refunding & Construction	12/1/2035	Refund & capital improvements	\$33,509,886	\$1,301,067	All E&G funds (excluding state appropriations)	\$33,781,665	3.85%
Series 2005B Various Facilities Revenue, Refunding & Construction	12/1/2017	Refund & capital improvements	2,349,027	341,689	All E&G funds (excluding state appropriations)	33,781,665	1.01%
Total Percentage of Pledged Revenues							4.86%
Series 1963B	10/1/2013	AM&N Building Bond	376,864	94,174	Student Fee Revenue	20,999,764	0.45%

PCCUA							
Series 2009 Student Fee Refunding & Construction Revenue	12/1/2038	Refund Series 1997 Bonds & Construction of Grand Prairie Center	\$22,098,012	\$621,020	Student Fee Revenue	\$3,160,368	19.65%

UACCB							
Series 1998 Student Fee Revenue	12/1/2018	Construction of Independence Hall		\$299,852	Student Fee Revenue	\$3,650,285	8.21%
Series 1998 Student Fee Revenue	12/1/2018	Refund Series 1998 Student Fee Revenue	\$2,572,180		Student Fee Revenue	3,650,285	0.00%
Total Percentage of Pledged Revenues							8.21%

UACCH							
Series 1998 Refunding & Construction Student Fee Revenue	9/1/2020	Construction		\$289,079	Student Fee Revenue	\$2,387,864	12.11%
Series 2004 Student Fee Revenue Refunding	9/1/2020	Refund Series 1996/Student Center & Library		300,333	Student Fee Revenue	2,387,864	12.58%
Series 2008 Student Fee Revenue	10/1/2038	Construction of Science/Technology Building	\$4,803,247	170,887	Student Fee Revenue	2,387,864	7.16%
Series 2010 Student Fee Revenue	9/1/2020	Refund Series 1998 & 2004	5,411,784	0	Student Fee Revenue	2,387,864	0.00%
Total Percentage of Pledged Revenues							31.85%

UACCM							
Series 2002 Student Fee Revenue	5/1/2022	Construction of education building		\$239,878	Student Fee Revenue	\$5,652,061	4.24%
Series 2005 Student Fee Revenue Refunding	11/1/2017	Refund Series 1999	\$1,579,295	198,750	Student Fee Revenue	5,652,061	3.52%
Series 2010 Student Fee Revenue Refunding	5/1/2022	Refund Series 2002	2,419,724		Student Fee Revenue	5,652,061	0.00%
Total Percentage of Pledged Revenues							7.76%

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 Various Facility Revenue Bonds, Series 2002, and \$12,135,000 of Various Facility Revenue Bonds, Series 2001. 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 eighteen 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, 2010, was \$58,600,172.

On June 30, 2010, the University issued \$23,965,000 in Athletic Facilities Revenue Refunding Bonds, Series 2010 (taxable) with interest rates of 1.00% to 4.82% to refund \$19,145,000 of outstanding Athletic Facilities Revenue Bonds, Series 1999, with interest rates of 3.35% to 5.05%, and \$4,000,000 of outstanding Athletic Facilities Revenue Bonds, Subordinate Series 2001, with an interest rate of 4.20%. Bond proceeds of \$19,460,189 were deposited into the current refunding fund to retire the 1999 bonds. Bond proceeds of \$4,229,298 were deposited into the advance refunding fund to retire the 2001 bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$544,487. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2021 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by \$1,319,864 and to obtain an economic gain (difference between the present value of the old and new debt service payments) of \$355,490. The escrow balance at June 30, 2010 was \$23,689,487. The bonds dated May 1, 1999 were refunded on July 16, 2010. The bonds dated November 1, 2001 will be refunded on December 1, 2011.

Medical Sciences Campus: On June 10, 2010, the University issued \$7,605,000 in Parking System Revenue Refunding Bonds, Series 2010, with interest at various rates from 2% to 4.5%, to refund the Parking System Revenue Construction and Refunding Bonds, Series 1998. The 2010 bond issue will mature in 2019. The refunding resulted in a net present value benefit of \$770,000 and a deferred refunding loss of \$230,000, which will be amortized as a component of interest expense until June 30, 2020. For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense, in a systematic and rational manner, over the remaining life of the old debt or the life of the new debt, whichever is shorter. The escrow balance in the refunding account at June 30, 2010, was \$8,959,714. The bonds were refunded in July, 2010.

Batesville Campus: On June 15, 2010, the University issued \$2,295,000 in Student Fee Revenue Refunding Bonds, Series 2010, with interest rates of 1% to 3.25% to refund \$2,245,000 of outstanding Student Fee Revenue Bonds, Series 1998, with interest rates of 3.1% to 5%. Bond proceeds of \$2,251,364 were deposited in the current refunding fund to retire the 1998 bonds. Remaining bond proceeds of \$43,636, premium proceeds of \$4,033, and debt service reserve funds of \$7,522 were utilized for the payment of issuance costs. The remaining premium proceeds of \$10,034 and accrued interest of \$1,026 were deposited in the debt service fund to be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$6,364. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2019 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next nine years by \$209,356 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$185,775. The escrow balance at June 30, 2010, was zero. The bonds were refunded on June 22, 2010.

Hope Campus: On June 1, 2010, the University issued \$4,625,000 in Student Fee Refunding Revenue Bonds, Series 2010, with interest rates of 1% to 4% to advance refund \$2,400,000 of outstanding Refunding and Construction Student Fee Revenue Bonds, Series 1998, with interest rates of 3.8% to 5.125% and to advance refund \$2,190,000 of outstanding Student Fee Revenue Refunding Bonds, Series 2004A with interest rates of 1.75% to 4.85%. Bond and premium proceeds of \$4,659,295 were deposited in the advance refunding fund to retire the 1998 and 2004 bonds. Premium proceeds of \$75,516 and debt service reserve funds of \$15,106 were utilized for the payment of issuance costs. Premium proceeds of \$8,871 and accrued interest of \$2,956 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$69,295. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2021 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by \$492,273 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$382,138. The escrow balance at June 30, 2010 was \$4,659,308. The bonds were refunded on July 12, 2010.

Ft. Smith Campus: On June 1, 2010, the University issued refunding bonds of \$29,895,000 in Student Fee Refunding Revenue Bonds, Series 2010, with interest rates of 2% to 4% to advance refund \$28,900,000 of outstanding Student Fee Revenue Bonds, Series 2001, with interest rates of 2% to 5%. Bond and premium proceeds of \$30,616,092 were deposited in the advance refunding fund to retire the 2001 bonds. Premium proceeds of \$342,181 were utilized for the payment of issuance costs. Other proceeds and accrued interest of \$83,009 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$1,716,092. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twelve years by \$1,063,789 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$1,058,626. The escrow balance at June 30, 2010 was \$30,616,092. The bonds will be refunded on December 1, 2011.

Morrilton Campus: On June 15, 2010, the University issued \$2,030,000 in Student Fee Refunding Bonds, Series 2010, with interest rates of 2% to 3.5% to advance refund \$2,095,000 of outstanding Student Fee Revenue Bonds, Series 2002, with interest rates of 2.25% to 5.25%. Bond proceeds and debt service reserve funds of \$2,117,596 were deposited in the advance refunding fund to retire the 2002 bonds. Debt service reserve funds of \$48,973 were utilized for the payment of issuance costs. Debt service reserve funds of \$13,396 and accrued interest of \$156 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$23,333. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twelve years by \$273,076 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of \$195,819. The escrow balance at June 30, 2010 was \$2,117,596. The bonds were refunded on July 19, 2010.



UACCM students take a moment to relax and visit in a study area of the new Library Complex.

NOTE 8: COMMITMENTS

The University was contractually obligated for the following at June 30, 2010:

Campus	Project Name	Estimated Completion Date	Contract Balance
UAF	ARE-ON Fiber Optic	Substantially Complete	\$ 159,460
	Brough Commons Renovations	Substantially Complete	380,636
	Campus Elevator Upgrades	December 2010	620,444
	Campus Roof Projects	December 2010	495,307
	Campus Wide ESPC	February 2011	17,457,384
	Davis Hall Renovation	December 2010	2,329,148
	Dickson Street Utility Tunnel	Substantially Complete	355,261
	Garland Avenue Parking Garage	December 2010	7,471,617
	Nano Science & Technology Center	March 2012	17,221,380
	Peabody Hall Renovation	November 2011	7,599,290
	Pomfret Honors Quarters	October 2010	1,902,373
	Rice Research Facility	March 2011	895,253
	Roofing - Engineering, Memorial, HOEC	December 2010	909,700
	Vol Walker Hall Renovation	July 2013	10,309
	Other	Various	1,253,530
UAFS	Bell Tower Fountains Repair	July 2010	19,719
	Site Improvements 51st & Park	August 2010	12,650
	New Residence Hall	August 2010	1,991,879
	Parking Lot/Intramural Field	November 2010	2,382,739
	Breedlove Music Hall Renovation	October 2010	1,790
	Campus Center Technology Upgrade	December 2010	5,415
	Boreham Library Renovation	April 2012	1,041,120
	Online Campus Energy Management	June 2011	7,500
UALR	Fribourgh Hall HVAC Renovation	September 2010	500,853
	Applied Arts Repairs	August 2010	64,198
	EIT Building Foundation	August 2010	3,866,278
	Emergency Notification System	August 2010	116,944
	Honors Housing Complex	August 2011	1,828,615
	Lot #12 Expansion	August 2010	148,692
	Performing Arts Center Class Renovation	August 2010	68,000
	Residence Hall Exterior Improvement	July 2010	6,094
	Smith Concert Hall Renovation	August 2010	266,696
UAM	Energy Efficient HVAC Project	January 2011	792,182
	Building Automation Expansion	January 2011	16,843
	Crossett Adult Education Building Renovation	January 2011	6,919
	Forest Resources Building Renovation & New Annex	August 2012	355,244
	Administrative Software Replacement	February 2011	712,070
UAMS	Winthrop Rockefeller Cancer Institute & Data Center	Substantially Complete	2,477,000
UAPB	Aquaculture Center Rehab Addendum Pond	September 2010	244,998
	Torri Hunter Baseball Complex	March 2011	375,189
	Fine Arts Music Wing Remodeling - Phase II	August 2010	69,188
	Business Incubator/Research Library & Bistro	July 2010	14,263
	Student Financial Service Renovations - Caldwell Hall	August 2010	17,710
	Caldwell Hall - 2nd floor renovation - Admissions	August 2010	6,446
	Sweet Potato Shed	December 2010	188,740
	Farm Seed Storage Lab Renovation	September 2010	29,000
	Rust Tech Renovations	July 2011	2,244,580
CCCUA	Amphitheater	Substantially Complete	25,000
PCCUA	Grand Prairie Center	April 2011	9,076,243
	DeWitt Drainage Project	September 2010	130,976
UACCB	Nursing and Allied Health Building	January 2011	3,062,020
	MCB High Efficiency Project	August 2010	205,884
UACCH	Parking Lots	August 2010	266,075
	Power Management System	December 2010	173,875
	Student Success Center	May 2011	30,188
UACCM	Safe Room	December 2010	1,875
	Science Renovations	October 2010	190,392
	Community Education Center Roof	September 2010	5,000
ASMSA	Residence Hall - Leasehold Improvements	December 2011	487,286
TOTAL			\$ 92,595,460

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
2011	\$ 7,715,576
2012	5,789,437
2013	4,006,721
2014	2,989,148
2015	1,736,266
2016-2020	2,108,943
2021-2025	132,600

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, 2010.

NOTE 10: CAPITAL ASSETS

Following are changes in capital assets for the year ended June 30, 2010:

	June 30, 2009 Balance	Additions & Transfers	Deletions & Transfers	June 30, 2010 Balance
Land	\$63,452,067	\$1,949,085	\$5,000	\$65,396,152
Library Holdings	120,131,827	3,019,017	1,350,495	121,800,349
Construction in progress	188,485,629	163,590,317	77,984,801	274,091,145
Improvements & infrastructure	153,758,132	8,772,224	(535,734)	163,066,090
Buildings	2,229,299,597	41,641,290	(39,420,892)	2,310,361,779
Equipment	518,225,243	39,705,987	89,083,785	468,847,445
Intangibles - Software	869,186	868,327	(78,464,327)	80,201,840
Intangibles - Software in development	-	1,028,103	-	1,028,103
Intangibles - Leasehold Improvement	-	-	(1,129,819)	1,129,819
Other	48,479,806	2,466,063	3,664,000	47,281,869
Total Capital Assets	\$3,322,701,487	\$263,040,413	\$52,537,309	\$3,533,204,591
Less accumulated depreciation:				
Library Holdings	94,256,487	5,124,003	1,590,458	97,790,032
Improvements and infrastructure	69,379,839	6,503,554	43,210	75,840,183
Buildings	750,891,772	72,138,768	865,678	822,164,862
Equipment	373,236,920	39,022,917	70,167,933	342,091,904
Intangibles - Software	385,494	13,822,755	(57,755,260)	71,963,509
Intangibles - Leasehold Improvement	-	60,797	-	60,797
Other	18,968,142	10,238,381	3,489,000	25,717,523
Total Accum Depreciation	1,307,118,654	146,911,175	18,401,019	1,435,628,810
Capital Assets, Net	\$2,015,582,833	\$116,129,238	\$34,136,290	\$2,097,575,781

Library holdings valued at \$1,673,000 at June 30, 2010, 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 adjustments of \$1,011,671 to correct prior year amounts.

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. The Medical Sciences campus (UAMS) maintains malpractice insurance for certain employees under a claims-made policy.

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, 2010, a total of 16,087 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 74% to 81% of the Classic Plan premium and 67% to 74% 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 anywhere from 67% to 74% of the total premium. Retirees and former employees, through COBRA, participate on a fully contributory basis. A total of 15,432 active employees, former employees, and retirees were participants in the dental plan as of June 30, 2010. 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.



Phillips Community College UA students taking a lab course at the Stuttgart campus.

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 \$10,327,000 at June 30, 2010. 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 \$327,000 at June 30, 2010. 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 2011, the health plan expects to receive no monies for excessive claims incurred in the fiscal year ended June 30, 2010.

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, 2010, the loss ratio for the health plan was 90% and the loss ratio for the dental plan was 89%.

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		
	FY10	FY09
Unpaid claims and claim adjustment expenses at beginning of year	10,920,000	10,705,826
Incurred claims and claim adjustment expenses:		
Provision for insured events of the current year	107,962,264	104,851,029
Adjustment in provision for insured events of prior years	58,932	355,933
Total incurred claims and claim adjustment expenses	118,941,196	115,912,788
Payments:		
Claims and claim adjustment expenses attributable to insured events of the current year	97,308,264	93,931,029
Claims and claim adjustment expenses attributable to insured events of prior years	10,978,932	11,061,759
Total Payments	108,287,196	104,992,788
Total unpaid claims and claim adjustment expenses at end of year.	10,654,000	10,920,000
The liability for future insurance claims includes health, pharmacy and dental incurred but not reported (IBNR) claims/claim adjustment expenses only. Claims known but not paid as of the end of FY10 and FY09 were \$2,649,695 & \$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 June 30, 2010, there were a total of 1,694 active employees and retirees participating in the health plan, 352 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 2010, 2009, and 2008 were \$75,457,196, \$72,724,618, and \$67,926,185, respectively. The participants' contributions for the fiscal years 2010, 2009, and 2008 were \$78,084,580, \$75,550,881, and \$72,317,216, 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 11.00% in 2010, 11.01% in 2009, and 12.54% in 2008. Under certain conditions, covered employees may voluntarily contribute 5% of his/her salary. The University's contributions for the fiscal years 2010, 2009, and 2008 were \$1,525,940, \$1,419,232, and \$1,470,416, respectively. Participants' contributions for the fiscal years 2010, 2009, and 2008 were \$277,152, \$215,560, and \$80,965, 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 2010, 2009, and 2008 were \$2,070,383, \$1,873,772, and \$1,784,301, respectively. Participants' contributions for the fiscal years 2010, 2009, and 2008 were \$650,849, \$601,569, and \$593,333, 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 1, 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 1, 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 1% employer contribution. The University's contributions for the fiscal years 2010, 2009, and 2008 for both the Civil Service Retirement System and the Thrift Savings Plan were \$452,997, \$583,685, and \$608,415, respectively. The participants' contributions for the fiscal years 2010, 2009, and 2008 were \$349,682, \$487,685, \$516,681, 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 2010, 2009, and 2008 were \$1,477,069, \$1,511,380, and \$1,480,851, respectively. The participants' contributions to VALIC for fiscal years 2010, 2009, and 2008 were \$1,175,453, \$1,087,381, and \$1,062,081, respectively. The University's contributions to Travelers for the fiscal years 2009 and 2008 were \$4,500 and \$7,390, respectively. Participants' contributions to Travelers for the fiscal years 2009 and

2008 were \$1,929, and \$3,167, respectively. There were no participants in the Travelers plan in fiscal year 2010.

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.



Groundbreaking for the new Residential Life building for the Arkansas School for Mathematics, Sciences and the Arts

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, *Other Organizations*.

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 \$31,257,532 in retiree healthcare liability as of June 30, 2010.

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.

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, 2009
Valuation year	Census data was collected as of January 1, 2009. Liabilities were measured as of January 1, 2009 and rolled forward six months to the July 1, 2009 valuation date.
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level % of payroll
Asset valuation method	N/A
Discount rate	4.50%
Projected payroll growth rate	4.00%
Medical inflation rate	Non-Medicare & RX: Immediate rate of 9.5%, with a 0.5% decrease each year to an ultimate rate of 5%; Medicare: Immediate rate of 7.5%, with a 0.5% decrease each year to an ultimate rate of 5%

UAFA, CCCUA, UACCH, UACCM:

Valuation date	July 1, 2009 valuation for the fiscal year ended June 30, 2010
Valuation year	July 1, 2008 – July 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	30 years open, level dollar amortization
Asset valuation method	N/A
Discount rate	6.00%
Medical inflation rate	Immediate rate of 10%, 9% the second year, 8% the third year, with a 0.5% decrease each year thereafter to an ultimate rate of 5%

General Overview of the Valuation Methodology

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

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.

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 it every two years, a valuation has been performed each year since the year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future.

Changes in Actuarial Assumptions and Methods

For the fiscal year 2008 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 subsequent valuations. In fiscal year 2010, the withdrawal rates, the medical and Rx coverage

election percentage for retirees not eligible for Medicare, and the election percentage assumptions for the life insurance were changed to better reflect recent plan experience and future expectations.

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 expected cost sharing level anticipated by the University. 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 were 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 Rates

Various rates based on age. Selected rates are:

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

Withdrawal

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

<u>Service</u>	<u>Select Rates</u>			
	<u>UAF</u>	<u>UALR</u>	<u>UAMS</u>	<u>OTHER</u>
0	25%	20%	30%	20%
1	25%	20%	20%	20%
2	20%	20%	18%	20%
3	16%	15%	18%	15%
4	16%	15%	15%	15%

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

Retirement

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

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

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

75% of retiring employees are assumed to continue life insurance at retirement.

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

UAFS, CCCUA, UACCH, UACCM:

Healthy Mortality 1994 Uninsured Pensioners Mortality Table

Disability Rates: Various rates based on age. Selected rates are:

<u>Age</u>	<u>Rate per 100</u>
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:

<u>Age</u>	<u>Rate per 100</u>
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	<u>Age</u>	<u>Rate per 100</u>
	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 at CCCUA, UACCH, and UACCM, and 100% of eligible retirees at UAFS would select the coverage when they initially retire and that 0% of them would continue it past age 65.

Determination of FY10 Accrual

Unfunded actuarial accrued liability at 7-1-09	<u>\$67,830,737</u>
Annual Required Contribution (ARC)	
Normal cost	4,309,850
Amortization of the unfunded actuarial accrued liability over 30 years	2,461,534
Interest	307,765
Annual Required Contribution for FY10	7,079,149
Interest on Net OPEB Obligation	1,174,008
ARC Amortization Adjustment	(979,536)
Annual OPEB Cost for FY10	<u>7,273,621</u>
Net OPEB Obligation, 7-1-09	25,984,585
Annual OPEB Cost for FY10	7,273,621
Less: Expected Employer Contributions	<u>(2,000,674)</u>
Net OPEB Obligation, 6-30-10	<u>\$31,257,532</u>

Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-08	\$20,822,648	\$2,203,870	10.58%	\$18,618,778
6-30-09	9,440,819	2,075,012	21.98%	25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532

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

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-08	\$ -	\$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%
6-30-10	-	67,830,737	67,830,737	-%	922,234,329	7.36%



Cossatot Community College UA offers associate degrees as well as customized business and industry training.

NOTE 14: OTHER ORGANIZATIONS

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, 2010, are presented below in summary form.

THE RAZORBACK FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2010	
Assets	
Cash and investments	\$ 11,605,293
Pledges receivable	3,571,845
Other assets	1,621,357
Total Assets	<u>\$ 16,798,495</u>
Liabilities and Net Assets	
Liabilities	\$ 5,853,471
Net Assets	10,945,024
Total Liabilities and Net Assets	<u>\$ 16,798,495</u>
THE RAZORBACK FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2010	
Income and Other Additions	
Donations	\$ 12,812,250
Other revenues and additions	856,793
Total Income and Other Additions	<u>\$ 13,669,043</u>
Total Expenditures and Other Deductions	<u>\$ 13,192,647</u>
Total Increase (Decrease) in Net Assets	<u>\$ 476,396</u>

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, 2010, are presented below in summary form.

ARKANSAS ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2010	
Assets	
Cash and investments	\$ 1,398,898
Other assets	5,174,130
Total Assets	<u>\$ 6,573,028</u>
Liabilities and Net Assets	
Liabilities	\$ 101,711
Net Assets	6,471,317
Total Liabilities and Net Assets	<u>\$ 6,573,028</u>
ARKANSAS ALUMNI ASSOCIATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2010	
Income and Other Additions	
Memberships	\$ 620,584
Other revenues and additions	2,388,658
Total Income and Other Additions	<u>\$ 3,009,242</u>
Total Expenditures and Other Deductions	<u>\$ 2,294,828</u>
Total Increase (Decrease) in Net Assets	<u>\$ 714,414</u>

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, 2010.

ARKANSAS 4-H FOUNDATION, INC.		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of June 30, 2010		
Assets		
Cash and investments	\$	4,928,392
Other assets		5,962,770
Total Assets	\$	10,891,162
Liabilities and Net Assets		
Liabilities	\$	446,200
Net Assets		10,444,962
Total Liabilities and Net Assets	\$	10,891,162

ARKANSAS 4-H FOUNDATION, INC.		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended June 30, 2010		
Income and Other Additions		
Program revenue	\$	1,732,881
Grants and Contributions		1,405,760
Other income		284,028
Total Income and Other Additions	\$	3,422,669
Total Expenditures and Other Deductions	\$	2,300,121
Total Increase (Decrease) in Net Assets	\$	1,122,548

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 audited financial statements as of June 30, 2010 is presented below.

UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT FOUNDATION		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of June 30, 2010		
Assets		
Cash	\$	703,496
Other assets		115,997
Total Assets	\$	819,493
Liabilities and Net Assets		
Liabilities	\$	392,175
Net Assets		427,318
Total Liabilities and Net Assets	\$	819,493

UNIVERSITY OF ARKANSAS TECHNOLOGY DEVELOPMENT FOUNDATION		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended June 30, 2010		
Income and Other Additions		
Rent	\$	709,166
Other revenues and additions		1,097,044
Total Income and Other Additions	\$	1,806,210
Total Expenditures and Other Deductions	\$	1,658,069
Total Increase (Decrease) in Net Assets	\$	148,141

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, 2010, follows:

UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2010	
Assets	
Cash and investments	\$ 52,516,696
Other assets	24,286
Total Assets	<u>\$ 52,540,982</u>
Liabilities and Net Assets	
Liabilities	\$ 1,282,615
Net Assets	51,258,367
Total Liabilities and Net Assets	<u>\$ 52,540,982</u>
UNIVERSITY OF ARKANSAS FORT SMITH FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2010	
Income and Other Additions	
Contributions	\$ 2,439,920
Other revenues and additions	6,387,855
Total Income and Other Additions	<u>\$ 8,827,775</u>
Total Expenditures and Other Deductions	<u>\$ 2,235,555</u>
Total Increase (Decrease) in Net Assets	<u>\$ 6,592,220</u>



A bronze sculpture of Numa, the UA Fort Smith lion mascot, stands guard at the entrance to Stubblefield Center. The Numa sculpture, which is one-and-a-half times the size of a real lion, is over 15 feet long and weighs over 1800 pounds.

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, 2009 follows:

UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2009	
Assets	
Cash	\$ 2,140,300
Other Assets	27,550
Total Assets	<u>\$ 2,167,850</u>
Liabilities and Net Assets	
Liabilities	\$ 339,947
Net Assets	1,827,903
Total Liabilities and Net Assets	<u>\$ 2,167,850</u>
UNIVERSITY OF ARKANSAS FORT SMITH BENEFIT PLAN	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2009	
Income and Other Additions	
Contributions	\$ 3,273,666
Other revenues and additions	6,819
Total Income and Other Additions	<u>\$ 3,280,485</u>
Total Expenditures and Other Deductions	<u>\$ 3,384,108</u>
Total Increase (Decrease) in Net Assets	<u>\$ (103,623)</u>

The **University of Arkansas at Little Rock Alumni Association** is utilized to receive and disburse funds obtained from gifts, activity fees and receipts from special projects. The Association operates as a nonprofit benevolent corporation for charitable educational purposes. The assets of the Foundation are held by the University of Arkansas Foundation, Inc. and are reported in audited financial statements of the Foundation as of June 30, 2010.

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, 2010, follows:

TROJAN ATHLETIC FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2010	
Assets	
Cash	\$ 66,320
Other Assets	123,237
Total Assets	<u>\$ 189,557</u>
Liabilities and Net Assets	
Liabilities	\$ 58,635
Net Assets	130,922
Total Liabilities and Net Assets	<u>\$ 189,557</u>
TROJAN ATHLETIC FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2010	
Income and Other Additions	
Contributions	\$ 305,000
Other revenues and additions	266,566
Total Income and Other Additions	<u>\$ 571,566</u>
Total Expenditures and Other Deductions	<u>\$ 514,856</u>
Total Increase (Decrease) in Net Assets	<u>\$ 56,710</u>

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, 2009, follows:

UAPB/AM&N ALUMNI ASSOCIATION, INC.		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of December 31, 2009		
Assets		
Cash & investments	\$	82,144
Other assets		122,930
Total Assets	\$	205,074
Liabilities and Net Assets		
Liabilities	\$	5,194
Net Assets		199,880
Total Liabilities and Net Assets	\$	205,074
UAPB/AM&N ALUMNI ASSOCIATION, INC.		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended December 31, 2009		
Total Income	\$	71,606
Total Expenditures and Other Deductions	\$	78,132
Total Increase (Decrease) in Net Assets	\$	(6,526)

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, 2010, follows:

COSSATOT COMMUNITY COLLEGE OF THE U OF ARK FOUNDATION, INC.		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of June 30, 2010		
Assets		
Cash and investments	\$	435,385
Other		74,074
Total Assets	\$	509,459
Liabilities and Net Assets		
Liabilities	\$	-
Net Assets		509,459
Total Liabilities and Net Assets	\$	509,459
COSSATOT COMMUNITY COLLEGE OF THE U OF ARK FOUNDATION, INC.		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended June 30, 2010		
Income and Other Additions		
Donations and other revenues	\$	82,120
Total Income and Other Additions	\$	82,120
Total Expenditures and Other Deductions	\$	9,017
Total Increase (Decrease) in Net Assets	\$	73,103

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, 2009, follows:

PHILLIPS COMMUNITY COLLEGE FOUNDATION	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of December 31, 2009	
Assets	
Cash and investments	\$ 3,125,907
Other Assets	165,463
Total Assets	<u>\$ 3,291,370</u>
Liabilities and Net Assets	
Liabilities	\$ 1,074,802
Net Assets	2,216,568
Total Liabilities and Net Assets	<u>\$ 3,291,370</u>
PHILLIPS COMMUNITY COLLEGE FOUNDATION	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended December 31, 2009	
Income and Other Additions	
Donations	\$ 913,026
Other income and additions	237,690
Total Income and Other Additions	<u>\$ 1,150,716</u>
Total Expenditures and Other Deductions	<u>\$ 915,398</u>
Total Increase (Decrease) in Net Assets	<u>\$ 235,318</u>

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, 2010, follows:

UNIVERSITY OF ARK COMMUNITY COLLEGE AT HOPE FOUNDATION, INC.	
CONDENSED STATEMENT OF FINANCIAL POSITION	
As of June 30, 2010	
Assets	
Cash and investments	\$ 1,860,008
Other Assets	251,331
Total Assets	<u>\$ 2,111,339</u>
Liabilities and Net Assets	
Liabilities	\$ 14,898
Net Assets	2,096,441
Total Liabilities and Net Assets	<u>\$ 2,111,339</u>
UNIVERSITY OF ARK COMMUNITY COLLEGE AT HOPE FOUNDATION, INC.	
CONDENSED STATEMENT OF ACTIVITIES	
FY Ended June 30, 2010	
Total Income and Other Additions	\$ 378,202
Total Expenditures and Other Deductions	<u>\$ 378,389</u>
Total Increase (Decrease) in Net Assets	<u>\$ (187)</u>

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, 2009, follows:

UNIVERSITY OF ARK COMMUNITY COLLEGE AT MORRILTON FOUNDATION, INC.		
CONDENSED STATEMENT OF FINANCIAL POSITION		
As of December 31, 2009		
Assets		
Cash and investments	\$	89,703
Other		-
Total Assets	\$	89,703
Liabilities and Net Assets		
Liabilities	\$	2,075
Net Assets		87,628
Total Liabilities and Net Assets	\$	89,703
UNIVERSITY OF ARK COMMUNITY COLLEGE AT MORRILTON FOUNDATION, INC.		
CONDENSED STATEMENT OF ACTIVITIES		
FY Ended December 31, 2009		
Income and Other Additions		
Contributions	\$	49,470
Other income and additions		1,398
Total Income and Other Additions	\$	50,868
Total Expenditures and Other Deductions	\$	63,582
Total Increase (Decrease) in Net Assets	\$	(12,714)

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)

Delta Student Housing, Inc. (Delta) is a nonprofit corporation organized and operated under the Arkansas Nonprofit Corporation Act of 1993. Delta was created for the purpose of facilitating the financing for construction of student housing facilities on the campuses of the University of Arkansas. Delta has held no assets and had no activity since the fiscal year ended June 30, 2006. In the fiscal year ended June 30, 2010, the School for Mathematics, Sciences and the Arts (ASMSA) received \$6,000,000 in American Recovery & Reinvestment Act funds through the State of Arkansas and \$1,000,000 from state general improvement funds to be used toward the construction of a new residence/student life facility. In addition, ASMSA had almost \$4,000,000 of reserve funds to be used for the project. By leveraging these available funds, a financing structure was developed using federal New Market Tax Credits (NMTC) which made available almost \$15,000,000 to construct the facility. All funds were deposited into Delta on June 30, 2010. Construction of the facility is expected to be complete by December 2011. The facility will be owned and managed by Delta until the completion of the NMTC compliance period of seven years, at which time the facility will be donated to ASMSA. A complete transcript of the NMTC transaction can be obtained in the office of the University's Vice President of Finance.

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:

Functional Classifications	Natural Classifications					
	Compensation & Benefits	Supplies & Services	Scholarships & Fellowships	Insurance	Depreciation	TOTAL
Instruction	\$335,218,881	\$43,527,253	\$ -	\$ -	\$ -	\$378,746,134
Research	140,226,031	69,263,271	-	-	-	209,489,302
Public Service	72,957,242	36,375,014	-	-	-	109,332,256
Academic Support	58,204,331	28,642,679	-	-	-	86,847,010
Student Services	32,900,841	14,646,276	-	-	-	47,547,117
Institutional Support	165,454,004	20,890,092	-	-	-	186,344,096
Scholarships/Fellowships	294,024	113,066	73,842,125	-	-	74,249,215
Plant Operations	55,449,776	58,780,641	-	-	-	114,230,417
Auxiliary Enterprises	50,648,866	92,638,422	63,269	-	-	143,350,557
Depreciation	-	-	-	-	145,899,504	145,899,504
Patient Care	363,266,616	224,553,000	-	-	-	587,819,616
Other	406,000	7,805,000	-	-	-	8,211,000
Insurance expenses	-	-	-	121,438,620	-	121,438,620
TOTAL	\$1,275,026,612	\$597,234,714	\$73,905,394	\$121,438,620	\$145,899,504	\$2,213,504,844

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 had been considered insufficient at June 30, 2010, the University would have incurred a liability of \$44,839,000 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 is not considered materially significant to distort the amounts presented in the consolidated financial statements with the following exceptions, which were eliminated. As explained in Note 12, the System Administration administers the self-funded insurance programs for the University. Insurance premiums remitted to the System Administration by the campuses are shown as insurance revenues 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 as part of compensation benefits. An elimination adjustment was made to the statement of revenues, expenses and changes in net assets to reduce the insurance revenue amount and the combined institutional compensation and benefits expenditure category in the amount of \$91,936,038 and \$78,891,615 for fiscal years ended June 30, 2010 and June 30, 2009, respectively. An elimination entry for billings by System Administration to the campuses for services rendered was made to reduce revenue recorded as sales and services by System Administration and supplies/ services expense recorded by campuses in the amount of \$1,642,067 for the fiscal year ended June 30, 2010 on the statement of revenues, expenses and changes in net assets. The elimination entry for campus billings had not been made in previous years. An elimination entry was made to the statement of net assets to reduce the System Administration's accounts receivable and the combined campuses accounts payable by \$11,019,809 for fiscal year ended June 30, 2010 which represented amounts owed by the campuses to the System Administration for insurance premiums and campus billings for services rendered. This elimination entry had not been made in previous years. The effects of these elimination entries to the statement of revenues, expenses and changes in net assets and the statement of net assets are also reflected in the statement of cash flows. An elimination entry was made to the statement of net assets to reduce non-current assets and liabilities by \$1,500,000 to reflect monies loaned to ASMSA by the System Administration. An elimination entry was made to the statement of cash flows to eliminate a transfer of \$993,171 from UAMS to System Administration.

NOTE 18: DISAGGREGATION OF ACCOUNTS RECEIVABLE AND ACCOUNTS PAYABLE

Accounts Receivable balances of \$85,795,980, as shown on the Statement of Net Assets, consist of the following at year-end:

	June 30, 2010 Balance
Student accounts receivable	\$15,640,189
Non-student accounts receivable	38,178,531
Grants and contracts	25,842,421
Property and sales taxes	1,808,611
Insurance premiums	114,805
Other	4,211,423
Total	\$85,795,980

Accounts Payable balance of \$126,868,111, as shown on the Statement of Net Assets, consists of the following at year-end:

	June 30, 2010 Balance
Trade payables	\$43,267,872
Payroll related	48,990,383
Interest payable	4,389,344
Insurance premiums	0
Insurance plan	3,466,237
Other	26,754,275
Total	\$126,868,111

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	<u>\$ 21,993,375</u>
Liabilities and Net Assets	
Liabilities	\$ 2,705,948
Net Assets	19,287,427
Total Liabilities and Net Assets	<u>\$ 21,993,375</u>
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	<u>\$ 7,736,743</u>
Total Expenditures and Other Deductions	<u>\$ 8,539,287</u>
Total Increase (Decrease) in Net Assets	<u>\$ (802,544)</u>

NOTE 20: 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, 2010, 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 21: PRIOR YEAR RESTATEMENT

Statement of Net Assets

In order to correctly present unamortized bond issuance costs for UALR, total assets were increased \$550,923 (current other assets - \$60,497 and noncurrent other assets - \$490,426) and total liabilities were increased \$550,923 (current bonds payable - \$60,497 and noncurrent bonds payable - \$490,426). This caused a shift in net assets of \$550,923 from invested in capital assets to unrestricted. The net effect of these restatements did not change total net assets.

Statement of Revenue, Expense and Changes in Net Assets

For the same reason that UALR made a change on the statement of net assets as explained above, there was a correction made to decrease the amount of interest paid on capital asset-related debt by \$60,497 and to decrease other non-operating revenues (expenses) by the same amount. The net effect of these restatements did not change total non-operating revenues (expenses).

Statement of Cash Flows

Two non-cash transactions were added for UACCB: interest on long-term debt paid directly from deposits with trustees of \$121,660 and valuation adjustments to capital assets of \$67,868.

NOTE 22: SUBSEQUENT EVENTS

On September 10, 2010, the Board of Trustees of the University of Arkansas adopted a resolution for the issuance of bonds of no more than \$2,940,000 to refund the Series 2005 auxiliary facilities refunding revenue bonds for the Monticello campus. Bonds with a par value of \$2,870,000 were sold on September 28, 2010 and closing was October 19, 2010. The refunded bonds are scheduled to be called on November 2, 2010.



With the centennial clock tower in the background, UAM students gather around one of college sports' most unusual mascots - the Boll Weevil.

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REQUIRED SUPPLEMENTAL INFORMATION

OTHER POSTEMPLOYMENT 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.

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events far into the future, and actuarially determined amounts are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. Actuarial calculations reflect a long-term perspective. Actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Calculations are based on the types of benefits provided under the terms of each plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point.



Criminal Justice Institute - Officers practice documenting evidence with digital photography, an integral component of crime scene investigation.

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 it every two years, a valuation has been performed each year since the year of implementation. No decision has been made at this time as to whether annual or biennial valuations will be made in the future.

Changes in Actuarial Assumptions and Methods

For the fiscal year 2008 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 subsequent valuations. In fiscal year 2010, the withdrawal rates, the medical and Rx coverage election percentage for retirees not eligible for Medicare, and the election percentage assumptions for the life insurance were changed to better reflect recent plan experience and future expectations.

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 expected cost sharing level anticipated by the University. 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 were 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 FY10 Accrual

Unfunded actuarial accrued liability at 7-1-09	<u>\$67,830,737</u>
<u>Annual Required Contribution (ARC)</u>	
Normal cost	4,309,850
Amortization of the unfunded actuarial accrued liability over 30 years	2,461,534
Interest	<u>307,765</u>
Annual Required Contribution for FY10	7,079,149
Interest on Net OPEB Obligation	1,174,008
ARC Amortization Adjustment	<u>(979,536)</u>
Annual OPEB Cost for FY10	<u>7,273,621</u>
Net OPEB Obligation, 7-1-09	25,984,585
Annual OPEB Cost for FY10	7,273,621
Less: Expected Employer Contributions	<u>(2,000,674)</u>
Net OPEB Obligation, 6-30-10	<u>\$31,257,532</u>

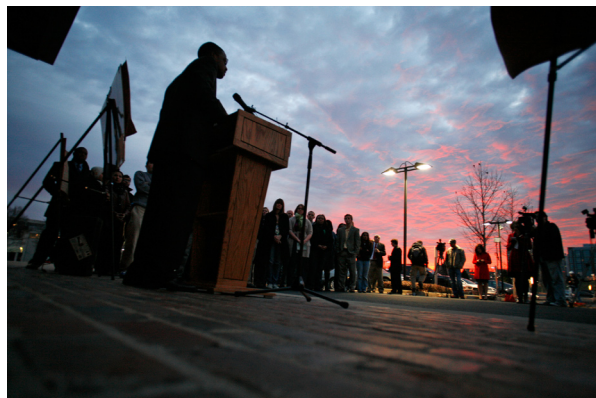
Schedule of Employer Contributions

Fiscal Year Ending	Annual OPEB Cost	Expected Contribution	Percentage Contributed	Net Obligation at Year-End
6-30-08	\$20,822,648	\$2,203,870	10.58%	\$18,618,778
6-30-09	9,440,819	2,075,012	21.98%	25,984,585
6-30-10	7,273,621	2,000,674	27.51%	31,257,532

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

Schedule of Funding Progress

Fiscal Year Ending	Actuarial Value of Assets	Actuarial Accrued Liability (AAL)	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as Percentage of Covered Payroll
6-30-08	\$ -	\$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%
6-30-10	-	67,830,737	67,830,737	-%	922,234,329	7.36%



Clinton School of Public Service students hold a vigil for victims of the earthquake in Haiti.

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