Arkansas®
THE NATURAL STATE

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2008

Arkansas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2008

Mike Beebe
Governor

Richard A. Weiss
Director
Department of Finance and Administration

Prepared by
The Department of Finance and Administration
Office of Accounting

All photographs, except for the picture of the Governor, are courtesy of the Department of Arkansas Heritage. The photograph of Governor Mike Beebe is courtesy of the Governor's Office.

The photograph on the cover is of the Old State House, the oldest surviving capitol west of the Mississippi River and is home to the Old State House Museum. The Old State House was listed on the National Register of Historic Places 1969 and listed as a National Historic Landmark in 1997.

Governor Mike Beebe

STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

December 23, 2008

To the People of Arkansas and the Honorable Members of the Arkansas General Assembly:

I submit to you the Arkansas Comprehensive Annual Financial Report (CAFR). This annual publication ensures that our State's finances are accurate and accounted for in a timely manner. The national credit markets require detailed information about the State's finances on an annual basis, and this report is an excellent means of providing that information.

I am pleased to report that the Fiscal Year 2007 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award ten times.

I appreciate the work performed by the dedicated State employees who support the efforts of the Department of Finance and Administration to publish this report.

Sincerely yours,

Mike Beebe

MB:jb

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ACKNOWLEDGMENTS

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Special appreciation is given to all personnel throughout the State whose extra effort to contribute accurate, timely financial data for their agencies made this report possible.

Arkansas

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED JUNE 30, 2008

TABLE OF CONTENTS

Arkansas
THE NATURAL STATE

Introductory Section

The Hemingway-Pfeiffer House is located in Piggott, Arkansas. During the 1930s, Ernest Hemingway wrote part of *A Farewell to Arms* and several short stories on the grounds. Both the house and barn were named to the National Historic Register in 1982.


GREAT SEAL OF THE STATE OF ARKANSAS
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STATE OF ARKANSAS
Department of Finance and Administration

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December 23, 2008

The Honorable Mike Beebe, Governor
The Honorable Members of the Arkansas General Assembly
The Citizens of Arkansas

In accordance with the requirements set forth in Arkansas Code of 1987 Annotated (ACA) § 19-4-517, it is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2008.

This report has been prepared by the Department of Finance and Administration in conformance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The accuracy of agency level data that supports these financial statements is the responsibility of agency management. The completeness and fairness of the presentation, including all disclosures, rests with the Department of Finance and Administration. To the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse and that adequate accounting data is compiled to allow the preparation of the financial statements. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgments by management.

The State of Arkansas Division of Legislative Audit performed the audit for the fiscal year ended June 30, 2008. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

Management's Discussion and Analysis, or MD&A, introduces the basic financial statements and provides an analytical overview of the government's financial activities. This letter of transmittal complements MD&A and should be read in conjunction with it. The State's MD&A can be found in the financial section immediately following the report of the independent auditors.

PROFILE OF THE GOVERNMENT

Originally part of the Louisiana Purchase of 1803, Arkansas was organized into a territory in 1819 with the same northern, eastern and southern borders it shares today. In 1836, Arkansas became the 25th state of the United States of America with a new border on the west. It stands as the 26th state in size with an area of 53,225 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 2.8 million and industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear lakes and streams and an abundance of natural wildlife.

The Constitution of the State provides for three distinct departments. The executive department of Arkansas State government is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Auditor, and State Land Commissioner; all of whom are elected by state-wide vote every four years. The legislative department is comprised of 35 State Senators and 100 State Representatives. Known collectively as The General Assembly, the Senators and Representatives begin the Legislative Session in January of every odd year. The judicial department is comprised of three levels of courts. They are: the District Courts, the Circuit Courts, and the Appellate Courts, which are the Supreme Court and the Court of Appeals.

Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to the Department of Finance and Administration (DFA). DFA compiles the executive budget on behalf of the Governor who then submits it to the Legislature for approval. DFA maintains control over the spending patterns of the State through control at the line-item level. See Note to RSI (Budgetary Basis Reporting – Budgetary Process) for further discussion of budgetary controls.

The State of Arkansas provides a full range of services including education; health and human services; transportation, law, justice and public safety; recreation and resource development; regulation of business and professionals; and general government.

All agencies, accounts, departments, boards, and commissions that represent the State's reporting entity are included in this report. In addition to these primary government activities, this report includes information related to component units that are financially accountable to the State. Although such information is provided in this report, the focus of the MD&A and Basic Financial Statements is on the primary government and its activities. Separately issued financial statements are available from the significant discretely presented component units and should be read to obtain a better understanding of their respective financial conditions. Additional information on all discretely presented component units can be found in the notes to the financial statements (see Note 1(c)).

FACTORS AFFECTING ECONOMIC CONDITION

The information presented in the financial statements is perhaps best understood when it is considered from the broader perspective of the specific environment within which the State of Arkansas operates.

Local Economy

Arkansas is noted as a leader in the South for its favorable business climate and low cost of doing business. The average cost of living for all of Arkansas's Metropolitan Statistical Areas is consistently below the national average. Businesses also enjoy low tax obligations through a variety of incentives, exemptions, credits and refunds. Centrally located half way between Canada and Mexico, California and the Carolinas, Arkansas is only one gas-tank away from one-third of the nation's population.

Arkansas is proud of the four homegrown *Fortune* 500 companies headquartered here: Dillard's, Murphy Oil, Tyson Foods and Wal-Mart. This year, even in the face of a nation-wide economic downturn, Arkansas has continued to attract new businesses. Windmill blade manufacturer LM Glasfiber; disposable medical products manufacturer Dynarex; petfood manufacturer Mars Petcare U.S.; axle manufacturer Axis LLC; footwear manufacturer Atlantic Thermal Plastics; sustainable metals PIZO Operating Company; aerospace industry's KAT Manufacturing, Inc.; as well as Duralor LLC and N.E.W. Customer Service Companies; Hewlett-Packard; Anchor Packaging; Strateline Industries; Man Industries; and Aviation Repair Technologies are some of the corporations that took action to locate or expand facilities in Arkansas during fiscal year 2008.

In addition, the discovery of natural gas in the Fayetteville Shale Region drew companies such as TETRA Technologies, England OilField Services, BJ Services, Garver Engineers, LLC and Weatherford Fracturing Technologies to begin new operations in Arkansas.

Targeted business incentives provide start-up companies a 33 percent transferable income tax credit for research and development, a 10 percent payroll tax credit for up to 5 years, and sales and use tax refunds for equipment and building materials. Businesses targeted are those that grow knowledge-based businesses from the intellectual property primarily generated by the State's research universities. To date, 18 businesses have signed financial incentive agreements with the State, bringing in a total investment of $61.7 million.

ECONOMIC CONDITION AND OUTLOOK

State Personal Income: Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments such as social security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of $87,678 million in fiscal year 2008. This represented an increase of $5,316 million or 6.4 percent over fiscal year 2007.

Fiscal year 2009 is estimated at $90,322 million (current dollars), an increase of $2,643 million or 3.0 percent over fiscal year 2008.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary disbursements reached $43,455 million in fiscal year 2008, an increase of $2,281 million or 5.5 percent over fiscal year 2007.

Fiscal year 2009 is estimated at $44,323 million (current dollars), an increase of $868 million or 2.0 percent over fiscal year 2008.

Employment: In fiscal year 2008, wage and salary employment in Arkansas rose to 1,205,900 jobs. This represented an increase of 4,300 jobs or 0.4 percent compared to fiscal year 2007. In fiscal year 2009, wage and salary employment is expected to average 1,203,000 jobs. This represents a projected decrease of 3,000 jobs or 0.2 percent from fiscal year 2008.

Fiscal Year 2008 Net Available General Revenues: Actual net available general revenues collected totaled $4,529.2 million, of which $4,352.7 million was distributed to State agencies and $176.5 million surplus was deposited to the General Revenue Allotment Reserve Fund. The net available distribution was $294.1 million or 7.2 percent above the net available distribution of fiscal year 2007. The general revenue distribution included a one-time transfer of $4.7 million from the General Improvement Fund.

Fiscal year 2009 net available general revenue collections are estimated at $4,411.0 million, a decrease of $118.2 million or 2.6 percent from fiscal year 2008. The decrease is related in part to a $65 million in one-time collections gain in fiscal year 2008 in Individual Income Tax. The general revenue distribution estimate includes a one-time transfer of $3.4 million from the General Improvement Fund.

Selected Special Revenues: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004 a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. These revenues are deposited to the Education Adequacy Fund to provide an adequate education system. In fiscal year 2008, $438.7 million was distributed to the Education Adequacy Fund, with the fiscal year 2009 distribution estimated to be $440.4 million.

RELEVANT FINANCIAL POLICIES

Balanced Budget: Arkansas Code Title 19 (Public Finance) requires the Director of the Department of Finance and Administration, who is the Chief Fiscal Officer (CFO) of the State, to be aware of the actual and estimated funds available at all times to ensure that they are sufficient to maintain the State on a sound financial basis without incurring a deficit. Additionally, there are requirements for the Executive Branch to report to the Legislative Branch on a regular basis regarding the status of the State's finances.

The law provides that 60 days prior to the convening of the General Assembly each odd year, the Governor shall issue a General Revenue Forecast. This forecast is based upon the aggregate revenue forecasts of each individual agency. It identifies the expected level of general revenue collections and the net distributions of those revenues for each year of the biennium, as required by the Revenue Stabilization Act. The General Assembly then authorizes the level of funded appropriation each year based upon the annual general revenue distribution along with other special and federal revenue sources.

Each appropriation is required to have at least one funding source. These funding sources are categorized as general, special, federal or other. State spending is limited to available cash and available appropriation.

The Office of Economic Analysis and Tax Research compares the actual revenue collections to the forecast on an ongoing basis. If shortfalls in general revenue collections are anticipated, the "funded appropriation" levels are appropriately reduced to maintain a balanced budget for general revenues. Special, federal and other revenue collections are monitored by the Department of Finance and Administration Office of Budget. Each agency provides an annual revenue forecast which is the basis for establishing the agency's "funded appropriation." This funded appropriation will be adjusted by the Office of Budget as necessary for shortfalls in anticipated revenue collection.

General revenue collections in excess of the original general revenue forecast for the biennium are placed into a revenue allotment reserve fund. The General Assembly then determines how the funds will be spent. This general revenue one-time funding source is rarely used to finance general operation appropriations. Special, federal and other revenues generally remain with the recipient agency as funding for its operations.

MAJOR INITIATIVES

Education: Education in Arkansas has scored big gains over the past several years. The state has pursued an intelligent, systematic course to raise achievement for all students. The initiative is called Smart Arkansas, and it envelopes specific strategies that focus on providing teachers the tools and resources they need to teach students the necessary skills and knowledge to compete in today's global economy. Smart Arkansas is manifested through four interlinked programs: Smart Start, Smart Step, Smart Future and Smart Leadership.

The Smart Start program is based on the goal that "all children will meet or exceed grade-level requirements in reading and mathematics by Grade 4." Smart Step provides the same intense professional development for teachers and administrators at the middle school level, as well as additional materials and assistance to the state's middle school teachers. Smart Future brings the focus to the high school level to ensure that all students are prepared for life beyond graduation. An integral component of Smart Future is Smart Core, the default curriculum that implements educational strategies and content that are innovative, effective, rigorous, relevant, and rewarding so that students are prepared to compete and be successful in the ever-changing global marketplace.

Smart Leadership takes the work of the Smart Initiatives to the next level. Building leadership capacity and providing quality professional development are the key components to creating effective systems within schools to sustain academic growth and narrow the achievement gap. Smart Arkansas requires smart educators learning and collaborating together effectively to meet the needs of each student.

Highways and Transportation: In a special legislative session that ended in April of 2008, Arkansas' legislators voted to support Governor Mike Beebe's plan to raise the severance tax on natural gas in the state. The tax increase benefits the Arkansas State Highway and Transportation Department (AHTD) which will now receive additional funds for much needed road improvements. The tax increase is expected to raise $57 million in 2009 and increase to $100 million by 2013. Ninety-five percent of the tax revenue will go to road improvements. Of that, 70 percent will go to state highways, 15 percent will go to county roads and 15 percent to city streets. With the additional funding, the Commission will focus on improving the Arkansas Primary Highway Network, which carries 92 percent of the traffic on the 16,440-mile state highway system.

Members of the Arkansas Highway Commission were given a status report about the condition of bridges in the state at the Commission's July meeting in Little Rock. The report was made by AHTD staff. Overall, Arkansas's bridge conditions rank favorably when compared to conditions around the country. For example, the nation's bridge inventory shows nearly 600,000 total bridges with an average age of 43 years. There are 12,531 total bridges in Arkansas, with an average age of 35 years. The presentation to the Commission also noted that Arkansas has taken steps recently to improve its bridge inspection program. AHTD is in the process of doubling the number of personnel trained to inspect bridges, from 20 to 40.

AHTD completed a number of construction projects in each of its ten districts this year. Those projects included building new roads, resurfacing existing roads, widening of some roadways, adding passing lanes to some and maintaining the state's highway system.

Among the construction projects completed within the last year is a new bypass at Flippin that opened in May. The bypass is a three-mile, five-lane roadway located to the south of town. In Conway, a new interchange was opened on Interstate 40 connecting Highway 64 to the Interstate on the north side of town. Also on Interstate 40, a six mile widening project through the Burns Park area of North Little Rock improved the Interstate from four to six travel lanes in the area. In May, a new railroad overpass on Highway 100 at Maumelle was opened to traffic.

State Parks: There are 52 state parks encompassing 53,895 acres of wetlands, forest, fish and wildlife habitat, recreational facilities and unique historic and cultural resources. Within the parks are 1,799 campsites, five lodges, over 130 fully equipped cabins, nine marinas, swimming pools, eight restaurants, an 18-hole golf course, over 120 miles of roads, hundreds of miles of utilities, and more than 305 miles of hiking trails. Nearly 10 million visitors came to our parks last year. Over 827,400 guests participated in more than 52,600 educational and recreational programs and special events throughout the park system. 2008 marks the 75th anniversary of the Arkansas State Parks system and the theme is "Making Memories." Programs and special events are taking place throughout this year to commemorate the anniversary.

The new resort facilities at Village Creek in northwest Arkansas are the result of a public/private partnership between The Arkansas Department of Parks & Tourism (ADPT), Arkansas Development Finance Authority, Arkansas Economic Development Commission, the Cross County Economic Development Corporation and Village Creek Resort, LLC (VCR). Seven million dollars has been loaned to ADPT for VCR's construction of a 27 hole golf course which has been completed. The first nine holes are scheduled to open in fall 2008, the second nine holes in spring 2009, and the last nine in fall 2009. The developer has secured financing for the resort, and the clubhouse is slated to open in October of 2009. VCR is financing approximately $8 million for the construction of a group lodge, clubhouse, restaurant and meeting facility, spa and fitness center, swimming pool, utilities and parking.

In conjunction with the expansion of the municipal water supply and the enlargement of Lake Fort Smith, the city of Fort Smith and Arkansas State Parks entered into an agreement to relocate the Lake Fort Smith State Park facilities. The city of Fort Smith agreed to pay $12 million toward substantially replicating the facilities of the old park and Arkansas State Parks agreed to pay $10 million to ensure that the development would meet State Parks standards and the public's needs. The new state park was dedicated June 19, 2008, and includes a visitor center, a lodge, thirty campsites, a swimming pool, a day-use picnic area, a rental pavilion, a marina service building with sixteen slip docks, a double boat launch with associated parking and numerous hiking trails.

Tourism: Arkansas's Tourism industry enjoyed a prosperous year. Collections of the state's 2% tourism tax were up a solid 5%. Several new attractions were unveiled, including Lakeport Plantation near Lake Village, the Quapaw Bathhouse in Hot Springs, and Lake Fort Smith State Park. Construction at the new Blytheville Welcome Center is progressing, with an opening date scheduled for mid-2009. Work has begun on the new welcome center in Lake Village and initial planning for a replacement facility in West Memphis is now underway. All these projects are cooperative ventures between the Arkansas State Highway & Transportation Department and the Arkansas Department of Parks & Tourism.

Human Services: The Department of Human Services (DHS) serves more than one million Arkansans each year with 7,000 employees located in 86 sites around the state. During fiscal year 2008, DHS launched several core initiatives to further the agency's mission, which is improving the quality of life of all Arkansans by protecting the vulnerable, fostering independence, and promoting better health. Some of these initiatives include:

ACESS Arkansas - A pilot program has been launched which allows Arkansans to more efficiently find the DHS-administered programs for which they are eligible. This application, designed by a DHS interdepartmental team, provides the ability to screen citizens based on multiple non-identifying factors, such as income vs. household size, medical needs, child development needs, etc. and is available 24 hours per day, 7 days per week. Several programs are included in the initial limited pilot with the expectation that all DHS programs will soon be covered.

Document Imaging Project - Using two pilot counties, the Division of County Operations is utilizing document imaging to re-engineer the "paper flow" by converting all forms/documents for case re-evaluations to an electronic format. The goal of this project is to reduce the number of complaints and audit findings about lost documents and to allow for more offsite case processing. This project is the first phase in the conversion to the new Service Delivery Model and will serve as the cornerstone for on-line applications and centralized processing. Statewide rollout remains on schedule for June 2009.

Automated Reimbursement - The DHS Office of Finance and Administration has created an online system for submitting and tracking reimbursement requests for the hundreds of employees who travel throughout the state to carry out the DHS mission. This process will strengthen internal control and reduce the processing time for reimbursements.

Options Counseling/Home and Community-Based Services - With the support of legislation passed in the 2007 Legislative Session, the state is offering home and community based services as an alternative to a long term care institution. This effort will preserve the quality of life for aging Arkansans at a fraction of the cost of nursing home care.

Information Technology: Arkansas remains a leader in electronic government. The Arkansas Wireless Information Network (AWIN) was awarded the 2008 Recognition Award for Outstanding Achievement in the Field of Information Technology in State Government by the National Association of State Chief Information Officers (NASCIO). NASCIO named AWIN the award recipient in the category of Information Communications Technology Innovations. Emphasis is placed on recognizing programs that exemplify best practices, support the public policy goals of state leaders, and represent an innovative use of existing technology or a use of new technology.

The Arkansas Geographic Information Office received national attention in 2008 for two distinct areas. The state's Geographic Information Systems (GIS) Program Manager, Learon Dalby was elected to serve as President of the National States Geographic Information Council. The 300 plus member organization is made up of senior GIS executives from states, the federal government and the private sector and is the leading advocate for national GIS coordination. Also, in a recent report to the Federal Geographic Data Committee following Hurricane Ike, the state's organization and coordination of land ownership data was highlighted as a national best practice. This data was used by several federal agencies to assess property damage following the hurricane.

The State Security Office of the Department of Information Systems (DIS) continues to oversee the Continuity of Operations Program (COOP) to ensure that Arkansas is prepared for any potential disaster whether natural or man-made. All emergency response procedures have been reviewed, updated, and distributed to staff. Pandemic flu preparations have been expanded to address cross training and documentation for prioritized functions, preparation of supplies, and identification of practical social distancing practices. DIS provides software tools and direct support to more than 100 agencies and 700 planners for development and maintenance of their COOP plans and exercises. Moving into the role of lead agency for Emergency Support Communications, DIS responded to several tornado and hurricane events in 2008, including Louisiana's Hurricane Ike evacuees, providing computer, telephone, and radio communications equipment and support to responders. The State Security Office also serves as the focal point for all cybersecurity issues.

Arkansas.gov offers more than 450 interactive services, including car tag renewals, property tax payments, business tax filings, game and fish licenses, and criminal background searches. Launched in July 1997, the Arkansas.gov portal now supports more than 190 state and local government agencies. To maximize taxpayer return on investment, Arkansas does not appropriate funds for the network, but rather uses a self-funded solution to provide eGovernment services.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State of Arkansas for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2007. This was the tenth year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized Comprehensive Annual Financial Report. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

Governor Mike Beebe, by making fiscal responsibility a top priority, has provided excellent leadership in the accurate and timely financial reporting by the State. His administration has developed policies and acquired the resources necessary to ensure strict compliance with the reporting requirements of the entities that govern financial reporting for governments. The information generated by and distributed through the State's reporting structure is used by the Legislature and other decision makers within the State of Arkansas.

The level of detail and degree of accuracy with which information in this report is presented would not be possible without the time and efforts of dedicated staff of all State agencies that provide their financial packages on a timely basis. Their efforts are appreciated by all of the people responsible for preparing the CAFR.

Sincerely,

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

For its Comprehensive Annual Financial Report for the Fiscal Year Ended June 30, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

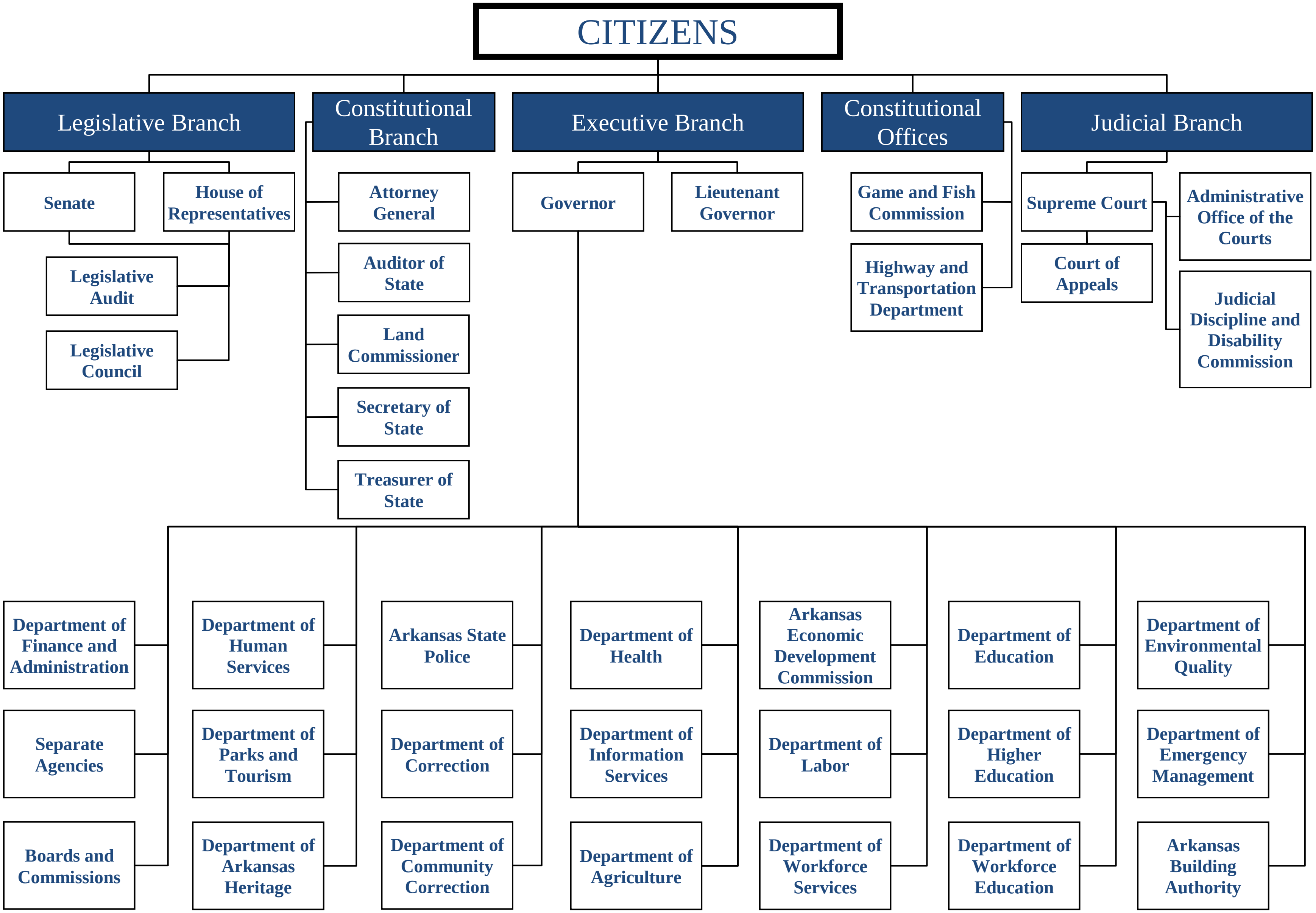
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

President

Executive Director

Organizational Chart

Arkansas



Principal Officials

Elected Officials	Legislative Branch	Supreme Court
Governor	***President Pro Tempore***	***Chief Justice***
Mike Beebe	Senator Jack Critcher	Jim Hannah
Lieutenant Governor	***Speaker of the House***	***Associate Justice***
Bill Halter	Representative Benny C. Petrus	Robert L. Brown
Attorney General		***Associate Justice***
Dustin McDaniel		Donald L. Corbin
Auditor of State		***Associate Justice***
Jim Wood		Tom Glaze
Land Commissioner		***Associate Justice***
Mark Wilcox		Jim Gunter
Secretary of State		***Associate Justice***
Charlie Daniels		Annabelle Clinton Imber
Treasurer of State		***Associate Justice***
Martha Shoffner		Paul E. Danielson

GREAT SEAL OF THE STATE OF ARKANSAS

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Financial Section

The Lakeport Plantation located in Lake Village, Arkansas has been in continuous cotton production since the 1830s. The house was placed on the National Historic Register in 1974 and designated as an offical project of the Save America's Treasure program in 2002.

GREAT SEAL OF THE STATE OF ARKANSAS

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Sen. Randy Laverty
Senate Co-Chair
Rep. J R Rogers
House Co-Chair
Sen. Bobby L. Glover
Senate Co-Vice Chair
Rep. Johnny Hoyt
House Co-Vice Chair

Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE
DIVISION OF LEGISLATIVE AUDIT

Independent Auditor's Report

The Honorable Mike Beebe, Governor
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas, as of and for the year ended June 30, 2008, which collectively comprise the State's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the State of Arkansas' management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit. We did not audit the financial statements of the University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represent 18% of the assets and 37% of the revenues of the business-type activities opinion unit and 21% of the assets and 52% of the revenues of the Higher Education major enterprise fund opinion unit. We did not audit the financial statements of the Construction Assistance Revolving Loan Fund, a portion of the non-major enterprise funds, which represent 5% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and 1% of the revenues of the aggregate remaining fund information opinion unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned entities, are 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. (discretely presented component units) 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 governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas, as of June 30, 2008, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 14, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, as of July 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2008 on our consideration of the State of Arkansas' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. 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 State of Arkansas' basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining financial statements 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 reports of other auditors, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section and statistical section have not been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements, and accordingly, we express no opinion on them.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, AR
December 23, 2008
CAFR00108

Arkansas®
THE NATURAL STATE

Management's Discussion and Analysis

The Monroe County Courthouse, located in Clarendon, Arkansas; was designed by Charles L. Thompson and was listed on the National Register of Historic Places in 1976.


GREAT SEAL OF THE STATE OF ARKANSAS
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Introduction)

Management of the State of Arkansas (the State) provides this *Management's Discussion and Analysis* (MD&A) of the State's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative, overview, and analysis of the financial activities of the State are for the fiscal year ended June 30, 2008. The State's June 30, 2008, financial statements received an unqualified opinion (see Independent Auditors' Report for more information). We believe that the State is making great strides in building a reporting structure that will produce more timely and accurate financial statements in the future. Management has aggressively addressed audit areas of concern by adding professional accounting staff, strengthening internal control, training agency staff, by further defining processes and implementing additional policies and procedures. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal that can be found preceding this narrative and with the State's financial statements that follow this narrative. The first section of MD&A is intended to familiarize readers with the accounting terminology and methods relevant to reporting financial information for the State. The second section of the MD&A is a summary of financial and statistical information that should be more meaningful because the readers have been exposed to the accounting terminology and methods used by the State.

Financial Highlights

Government-Wide Highlights:

Net Assets – Primary Government – Net assets may serve over time as a useful indicator of a government's financial position. The assets of the State exceeded its liabilities for the fiscal year ended June 30, 2008, by $14.3 billion (presented as "Total net assets"). The net assets of the State increased $375.6 million during the year. The governmental activities net assets increased by $210.2 million. Of the total net assets, $2.8 billion (19.6%) is reported as unrestricted. Unrestricted net assets represent the amount available to meet the State's ongoing obligations to citizens and creditors. An additional portion of the State's net assets, $1.8 billion (12.7%), represents resources that are subject to external restrictions on how they may be used and are therefore termed "restricted."

The largest portion of the State's net assets, $9.7 billion (67.7%), reflects its investment in capital assets such as land, buildings, equipment, and infrastructure (road, bridges, and other immovable assets), less any related outstanding debt used to acquire these assets.

Long-term debt payable for bonds, capital leases, installment sales, and notes as of June 30, 2008, was $2.6 billion. Additional debt totaling $249 million was entered into during the year. $116 million of that increase was attributable to increases in college and university revenue bonds.

Fund Highlights:

As of the close of business on June 30, 2008, the State's General Fund reported a fund balance of $3.6 billion. Of this balance, $1.3 billion or 35.3% of the total fund balance is reserved and $2.3 billion or 64.7% of the total fund balance is unreserved. The fund balance in the General Fund increased $67.3 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the detailed financial information contained within the State's CAFR. The State's basic financial statements include *Government-Wide Financial Statements*, *Fund Financial Statements*, *Notes to the Financial Statements*, and *Required Supplementary Information* (schedules of funding progress, budgetary schedule, and ten year claims development information). The components of the basic financial statements and the supplemental information are described below.

Basic Financial Statements

Government-Wide Financial Statements

The *Government-Wide Financial Statements* provide a broad view of the State's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the State's financial position, which assist in assessing the State's economic condition at the end of the fiscal year. The government-wide financial statements are prepared using the full accrual basis of accounting. This basically means methods used are similar to the methods used by most businesses. All assets, liabilities, revenues, and expenses associated with the fiscal year are accounted for even if the cash involved was not received or paid by the end of the fiscal year.

The *Government-Wide Financial Statements* include the *Statement of Net Assets* and the *Statement of Activities*.

> The *Statement of Net Assets* presents all of the government's assets and liabilities; the difference between the assets and liabilities is reported as "net assets." Over time, increases or decreases in the State's net assets may serve as a useful indicator of whether the overall financial position of the State is improving.
>
> The *Statement of Activities* presents information showing how the State's net assets changed during the most recent fiscal year and a comparison between program revenues and direct expenses for each function of the State.
>
> The *Statement of Net Assets* and the *Statement of Activities* have separate sections for the three different types of State programs or activities: governmental activities, business-type activities, and discretely presented component units.
>
>> Governmental activities are primarily supported by taxes and intergovernmental revenues, also known as federal grants. Most services normally associated with State government fall into this category and include: Education (elementary and secondary); Health and Human Services; Transportation; Law, Justice, and Public Safety; Recreation and Resources Development; General Government; and Regulation of Business and Professionals.

Business-type activities are the functions that operate more like those of commercial enterprises. These activities normally intend to recover all or a significant portion of their costs through user fees and charges to external users of goods and services, and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include: Higher Education, Workers' Compensation Commission, Department of Workforce Services, War Memorial Stadium Commission, Public School Employee Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund, and Other Revolving Loan Funds.

Discretely presented component units are legally separate organizations established for a specific purpose and are managed independently with their powers generally vested in a governing board. Discretely presented component units are financially accountable to the State and include: Arkansas Student Loan Authority (ASLA), Arkansas Development Finance Authority (ADFA), The University of Arkansas Foundation, Inc., and The University of Arkansas Fayetteville Campus Foundation, Inc.

Complete financial statements of ASLA, ADFA, The University of Arkansas Foundation, Inc., and The University of Arkansas Fayetteville Campus Foundation, Inc. can be obtained from their administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Arkansas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The fund financial statements focus on individual parts of the State government and report the State's operations in more detail than the government-wide financial statements. All of the funds of the State can be divided into three categories: *Governmental Funds*, *Proprietary Funds*, and *Fiduciary Funds*.

Governmental Fund Financial Statements are used to show essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus of the governmental fund financial statements is the short-term information about the State's financial position rather than both short-term and long-term information that is the focus of the government-wide financial statements. Therefore, the governmental fund financial statements are prepared on the modified-accrual basis of accounting as compared to the full accrual basis of accounting used for the government-wide financial statements. The governmental fund financial statements include a balance sheet and a statement of revenues, expenditures, and changes in fund balance.

The State of Arkansas has one governmental fund, which is the General Fund. A reconciliation is provided that facilitates a comparison of the financial statements for the General Fund with the government-wide financial statements and can be found on the pages immediately following the governmental fund financial statements.

Proprietary Funds' Financial Statements are used to show the activities of the State that operate more like those of a commercial business, essentially the same functions reported as business-type activities. Proprietary funds charge fees for services provided to outside customers including local governments. Proprietary funds report the same type of information as the government-wide financial statements. However, the proprietary funds' financial statements report the net assets and the revenues, expenses and changes in fund net assets for each significant proprietary fund rather than report a combined amount of all the proprietary funds as is done for the government-wide financial statements. Proprietary fund financial statements, like the government-wide financial statements, use the full accrual basis of accounting. Therefore, reconciliation is not necessary for the information contained in the government-wide financial statements and the proprietary fund financial statements.

The State of Arkansas has seven proprietary funds: the Higher Education Fund, the Workers' Compensation Commission, the Department of Workforce Services, the War Memorial Stadium Commission, the Public School Employee Health and Life Benefit Plan, the Construction Assistance Revolving Loan Fund, and Other Revolving Loan Funds (Safe Drinking Water and Community/Technical College Revolving Loan).

Fiduciary Funds' Financial Statements show the activity of the funds used to account for resources held for the benefit of parties outside the State government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary funds, like proprietary funds, use the full accrual basis of accounting. The State's fiduciary funds include Pension Trust Funds: Judicial, Highway, State Police, Teacher, and Arkansas Public Employees Retirement Systems; and also the State Insurance Department Agency Funds and Other Agency Funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the Fiduciary Funds financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a schedules of funding progress, schedules of ten-year claims development information for three public entity risk pools, and a budgetary comparison schedule, which includes a reconciliation between the statutory expenditures for budgetary purposes and the expenditures for the General Fund as presented in the governmental fund financial statements.

Other Supplementary Information

Combining Financial Statements

The combining financial statements for proprietary funds and fiduciary funds are presented following the required supplementary information.

GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

The following charts present a summary of the government-wide financial statements.

State of Arkansas - Primary Government
Net Assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2008	**2007**	**2008**	**2007**	**2008**	**2007**
Current Assets	$ 4,407,028	$ 4,188,939	$ 1,390,609	$ 1,295,222	$ 5,797,637	$ 5,484,161
Noncurrent Assets	231,981	223,987	2,014,626	2,065,078	2,246,607	2,289,065
Capital Assets	9,225,106	9,020,702	2,721,930	2,496,674	11,947,036	11,517,376
Total Assets	13,864,115	13,433,628	6,127,165	5,856,974	19,991,280	19,290,602
Current Liabilities	1,116,368	962,981	414,355	397,340	1,530,723	1,360,321
Long-Term Liabilities	1,317,517	1,230,073	2,798,054	2,710,244	4,115,571	3,940,317
Total Liabilities	2,433,885	2,193,054	3,212,409	3,107,584	5,646,294	5,300,638
Net Assets						
Invested in Capital Assets, Net of Related Debt	8,210,615	7,937,210	1,500,418	1,456,147	9,711,033	9,393,357
Restricted	863,721	812,989	954,661	882,865	1,818,382	1,695,854
Unrestricted	2,355,894	2,469,825	459,677	410,378	2,815,571	2,880,203
Total Net Assets	$ 11,430,230	$ 11,220,024	$ 2,914,756	$ 2,749,390	$ 14,344,986	$ 13,969,414

The net assets of the governmental activities increased $210.2 million, while the net assets of the business-type activities increased $165.4 million. Although the economy has slowed down, the governmental activities continue to show an increase. Personal income taxes have increased again reflecting the growth in personal income in fiscal year 2008. Revenue from Federal grants has also grown, indicating the additional services provided by the State. Revenue from sales tax has declined due to the decrease on sales tax on groceries from 6% to 3%. The offset to the growth in revenue in fiscal year 2008 are: expenses associated with the growth of Federal grants, increased fuel costs, transfer to business-type activities, and the recording of the first installment for Other Postemployment Benefits (OPEB). The business-type activities saw an increase in tuition received and transfers in from the governmental activities but was also required to record the OPEB obligation.

The book value of capital assets as of June 30, 2008, was $9.2 billion for governmental activities and $2.7 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequentially, these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be liquidated to fund these liabilities.

As outlined previously, governmental activities and business-type activities increased the State's net assets by $210.2 million and $165.4 million, respectively. Key elements of this increase are as follows:

State of Arkansas - Primary Government
Changes in Net assets
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007 (restated)	2008	2007	2008	2007 (restated)
Program Revenues:						
Charges for services	$ 932,112	$ 868,382	$ 1,592,817	$ 1,434,009	$ 2,524,929	$ 2,302,391
Operating grants and contributions	4,410,782	4,180,653	626,798	578,648	5,037,580	4,759,301
Capital grants and contributions	413,055	422,270	72,677	60,447	485,732	482,717
General Revenues:						
Personal and corporate taxes	2,655,399	2,522,806			2,655,399	2,522,806
Sales and use taxes	2,544,356	2,618,936			2,544,356	2,618,936
Motor fuel taxes	456,223	462,732			456,223	462,732
Other taxes	790,010	785,213	310,728	306,019	1,100,738	1,091,232
Total Revenues	12,201,937	11,860,992	2,603,020	2,379,123	14,804,957	14,240,115
Expenses:						
Education	3,291,054	3,153,653			3,291,054	3,153,653
Health and human services	5,195,317	4,855,759			5,195,317	4,855,759
Transportation	668,305	625,911			668,305	625,911
Law, justice and public safety	631,793	587,413			631,793	587,413
Recreation and resources development	244,959	219,283			244,959	219,283
General government	1,296,232	1,156,301			1,296,232	1,156,301
Regulation of business and professionals	105,620	119,225			105,620	119,225
Business-type expenses:						
Higher Education			2,851,140	2,628,963	2,851,140	2,628,963
Workers' Compensation Commission			53,967	33,363	53,967	33,363
Department of Workforce Services			432,661	384,313	432,661	384,313
War Memorial Stadium Commission			3,990	3,293	3,990	3,293
Public School Employee Health and Life Benefit Plan			232,252	240,944	232,252	240,944
Revolving Loans			4,203	4,406	4,203	4,406
Interest expense	57,923	56,143			57,923	56,143
Total Expenses	11,491,203	10,773,688	3,578,213	3,295,282	15,069,416	14,068,970
Other:						
Unrestricted investment earnings	172,081	162,603	57,064	96,394	229,145	258,997
Miscellaneous Income	274,730	247,395	136,156	123,934	410,886	371,329
Total Other	446,811	409,998	193,220	220,328	640,031	630,326
Increase (decrease) in net assets before transfers and restatements	1,157,545	1,497,302	(781,973)	(695,831)	375,572	801,471
Transfers - internal activities	(947,339)	(811,518)	947,339	811,518		
Restatements		(20,550)				(20,550)
Total Transfers and Restatements	(947,339)	(832,068)	947,339	811,518		(20,550)
Increase (decrease) in net assets	210,206	665,234	165,366	115,687	375,572	780,921
Net Assets - Beginning, as restated	11,220,024	10,554,790	2,749,390	2,633,703	13,969,414	13,188,493
Net Assets - Ending	$ 11,430,230	$ 11,220,024	$ 2,914,756	$ 2,749,390	$ 14,344,986	$ 13,969,414

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $5.7 billion were funded by normal State taxing activities.

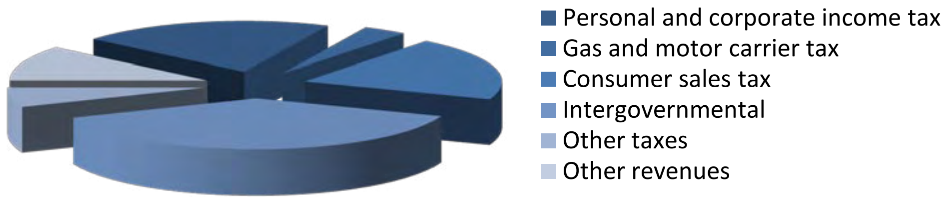
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenues in the General Fund are taxes and intergovernmental. The State's most significant areas of expenditures from the General Fund are the areas of public education and health and human services. The following charts present actual General Fund revenues and expenditures for the fiscal years ended June 30, 2008 and 2007 (expressed in thousands). The information presented includes Revenue by Source for the General Fund, Expenditures by Function for the General Fund, and Changes in Fund Balance for the General Fund. The fund financial statements provide greater detail than is presented in this overview.

Revenues by Source - General Fund

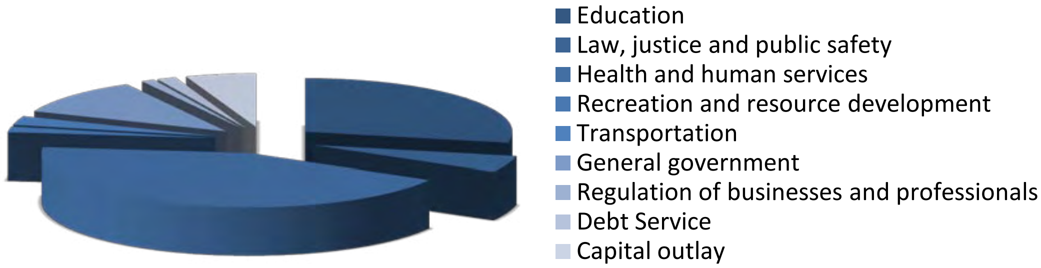
Revenues	2008	2007	Increase (Decrease) Percent
Personal and corporate income tax	$ 2,644,852	$ 2,515,958	5.12%
Gas and motor carrier tax	456,216	463,362	-1.54%
Consumer sales tax	2,551,222	2,624,325	-2.79%
Intergovernmental	4,832,649	4,594,212	5.19%
Other taxes	790,122	784,936	0.66%
Other revenues	1,405,151	1,335,740	5.20%
Total	$ 12,680,212	$ 12,318,533	2.94%



Governmental revenues increased by 2.94%. Personal and corporate income tax revenue increased by $129 million due to growth in personal income and collections from one-time business transactions. Federal grant revenue and reimbursements increased by $238 million primarily because of increased Medicaid revenues which were a result of rate changes and increased utilization of the program.

Expenditures by Source - General Fund

Expenditures	2008	2007	Increase (Decrease) Percent
Education	$ 3,286,143	$ 3,149,468	4.34%
Law, justice and public safety	606,633	552,728	9.75%
Health and human services	5,184,858	4,844,657	7.02%
Recreation and resource development	228,663	187,970	21.65%
Transportation	338,062	297,816	13.51%
General government	1,190,857	1,213,597	-1.87%
Regulation of businesses and professionals	109,818	112,833	-2.67%
Debt Service	167,086	164,851	1.36%
Capital outlay	628,536	611,567	2.77%
Total	$ 11,740,656	$ 11,135,487	5.43%



The State's agencies expenditures increased for the fiscal year 2008 by 5.43%. Generally there were three areas of growth: personnel expenses, grants and aid, and increased fuel costs. Education expenditures increased $137 million primarily due to additional funding provided to local school districts. Health and Human Services increased $340 million with Medicaid expenditures accounting for most of the change which was a result of increased utilization of the program.

General Fund – Fund Balance

The focus of the State's General Fund is to provide information on near-term inflows, outflows, and balances of resources that can be spent. Such information is useful in assessing the State's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of fiscal year 2008, the State's General Fund reported an ending fund balance of $3.6 billion, which is an increase of $67.3 million in comparison to fiscal year 2007.

Approximately $2.3 billion or 64.7% of the total fund balance is the unreserved fund balance, which is available for spending in the coming year. The remainder of fund balance, approximately $1.3 billion or 35.3%, is reserved to indicate that it is not available for new spending because it has already been committed for certain items.

Capital Assets and Debt Administration

Capital Assets

The investment in capital assets includes land, buildings, improvements, equipment, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems, and similar items.

The investment in capital assets for the governmental and business-type activities was $19.1 billion and the accumulated depreciation was $7.2 billion at June 30, 2008. The net book value was $11.9 billion. Depreciation expense was $404.4 million for the governmental activities and $166.8 million for the business-type activities.

Major capital asset events during the current fiscal year included the following:

- The Department of Correction recorded current costs of $27.1 million for a facility in Malvern.
- Arkansas Game and Fish expended an additional $5.3 million for the Central Arkansas Nature Center Aviation Support Facility.
- The State Military Department has spent $4.9 million on the construction of a Regional Training Institute.
- The Department Of Human Services acquired the Arkansas State Hospital at a cost of $31.5 million.
- The Department of Highway and Transportation constructed roads and bridges for $379 million.
- Business-type activities recorded additions of $298 million for construction in progress and $212 million for buildings.

Additional information on the State’s capital assets can be found in Note 7 of the notes to the financial statements of this report.

Debt Administration

The State issues both general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the State. Revenue bonds are backed by a revenue source and restricted funds as specified in the bond resolution. Revenue bonds are generally designed to be self-supporting from the revenue source related to the program financed.

Depending on the issuing entity, the State’s bonds are rated between Aa2 and Baa1 by Moody’s Investor Service, with general obligation bonds generally rated Aa2. The Aa rating indicates very strong creditworthiness comparative to similar issues. The bonds issued by the following agencies and organizations have not been rated: Henderson State University, East Arkansas Community College, National Park Community College, Mid-South Community College, Arkansas Northeastern College, North Arkansas College, Rich Mountain Community College, Black River Technical College, Pulaski Technical College, Ouachita Technical College, and Ozarka College.

Governmental Activities

The State's governmental activities had $1.197 billion in bonds, notes payable, installment sales payable, and capital leases outstanding at June 30, 2008, versus $1.228 billion at June 30, 2007. The net decrease is approximately $31 million. Significant increases in bonds, notes payable, installment sales payable, and capital leases are as follows:

- The Arkansas Natural Resources Commission issued $25.4 million of Series 2008 Pollution General Obligation Bonds.
- The Department of Correction incurred an additional $28.0 million on the capital lease with Arkansas Development Finance Authority for the construction of the Malvern facility.
- The Department of Corrections entered into a capital lease for $3.0 million with Jefferson County, Arkansas for the purchase of a jail.
- The Arkansas Building Authority borrowed $4.7 million, the 2008 Justice Building note payable, from ADFA. The new note was used to refund the 1999 Justice Building note payable.
- The Arkansas Game and Fish Commission entered into an installment sales agreement with ADFA in the amount of $13.2 million for the purchase of land and land interests.

Notes payable, installment sales payable, and capital leases to component units increased $29.3 million in fiscal year 2008. During fiscal year 2008, bonds payable decreased $58.9 million with $86.6 million paid toward principal payments. Notes payable and capital leases to outside entities decreased $.9 million.

The State's governmental activities had approximately $117.0 million of claims and judgments outstanding at June 30, 2008, compared to $117.2 million at June 30, 2007. Other obligations include accrued sick leave and vacation pay of $124.1 million at June 30, 2008. The State's governmental activities also had $106.6 million recorded for net post employment benefits obligation at June 30, 2008 as a result of implementing GASB Statement No. 45.

Business-type Activities

The State's business-type activities had $1.407 billion in bonds, notes payable, and capital leases outstanding at June 30, 2008, versus $1.344 billion at June 30, 2007. The net increase was approximately $63 million.

New debt resulted primarily from the issuance of revenue and general obligation bonds. Significant increases and decreases in bonds, notes payable, and capital leases follow:

- $45 million in revenue bonds were issued by the University of Arkansas System.
- Other revenue bonds issued were:
    - Arkansas State University, $13.7 million;
    - Arkansas Tech University, $4.8 million;
    - Henderson State University, $8.0 million;
    - National Park Community College, $3.8 million;
    - North Arkansas College, $4.7 million;
    - Southern Arkansas University, $14.0 million;
    - University of Central Arkansas, $21.4 million

The colleges and universities also entered into capital leases totaling $20.3 million, as well as notes payable totaling $29.9 million. Bonds, notes payable, and capital leases decreased $103.6 million due to principal payments made during the year.

The State's business-type activities had approximately $285.7 million of claims and judgments outstanding at June 30, 2008, compared to $257.8 million at June 30, 2007. Other obligations included accrued sick leave and vacation pay of $87.4 million at June 30, 2008. The State's business-type activities also had $24.9 million recorded for net post employment benefits obligation at June 30, 2008 as a result of implementing GASB Statement No. 45.

More detailed information about the State's liabilities is presented in Note 8 of the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

Schedule of Expenditures – Budget and Actual
(Expressed in thousands)

	Budgeted Amounts		Actual
Functions	**Original**	**Final**	**Amounts**
General government	$ 5,078,152	$ 6,786,196	$ 1,596,903
Education	4,095,241	4,396,178	3,333,004
Health and human services	4,989,155	5,086,702	4,771,830
Law, justice and public safety	801,935	767,252	639,172
Recreation and resources development	365,065	424,753	225,207
Regulation of business and professionals	234,799	269,968	150,562
Transportation	451,257	489,852	314,153
Debt service	206,779	219,730	175,655
Capital outlay	1,073,217	1,515,863	535,918
Total	$ 17,295,600	$ 19,956,494	$ 11,742,404

The amounts reported as budgeted reflect appropriations made by the General Assembly of the State. Appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs and agencies' funds maintained by the State Treasurer or the maximum appropriation by the General Assembly. The significant variances between budgeted amounts and actual amounts are due to the appropriations exceeding available funding sources or delays in timing of expenditures.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the State of Arkansas' finances for all of Arkansas' citizens, taxpayers, customers, investors, and creditors. This financial report seeks to demonstrate the State's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to: State of Arkansas, Department of Finance and Administration, PO Box 3278, Little Rock, Arkansas, 72203.


GREAT SEAL OF THE STATE OF ARKANSAS
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Basic Financial Statements

The Boone County Courthouse was designed by Charles L. Thompson and is located in Harrison, Arkansas. The Courthouse was named to the National Historic Register in 1976.

Statement of Net Assets
June 30, 2008
(Expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Assets					
Current assets:					
Cash and cash equivalents	$ 615,031	$ 373,002	$ 988,033	$ 2,847	$ 120,049
Investments	2,753,520	650,053	3,403,573	13,831	2,504
Receivables, net:					
Accounts	119,158	307,936	427,094		1,217
Taxes	478,167		478,167		
Medicaid	199,417		199,417		
Loans	14,803	8,695	23,498	12,656	1,215
Leases	28		28		
Interest	31,567	4,183	35,750	17,084	5,782
Trust Funds		1	1		
Other	29,245		29,245	72	
Internal balances	3,754	(3,754)			
Due from component unit	215		215		
Note receivable component unit	9,000		9,000		
Due from other governments	87,122	15,879	103,001		
Prepaid items	12,094	2,377	14,471		
Inventories	53,464	21,002	74,466		
Deposits with bond trustee		3,839	3,839		
Current deferred charges	436		436		
Other current assets	7	7,396	7,403		
Total current assets	4,407,028	1,390,609	5,797,637	46,490	130,767
Noncurrent assets:					
Cash and cash equivalents, restricted		51,550	51,550		
Deposit with component unit	35,349	202	35,551		
Deposits with bond trustee		123,853	123,853		
Investments		343,757	343,757	76,261	931,589
Accounts receivable, net		53,035	53,035		
Loans and mortgages receivable	189,416	318,647	508,063	613,460	185,011
Loans and capital leases receivable from primary government					253,695
Capital leases receivable	690		690		8,114
External portion of investment pool		1,109,467	1,109,467		
Installment sale agreement with primary government					13,210
Deferred charges	5,536		5,536	11,861	5,219
Financial assurance instruments		6,650	6,650		
Net pension asset	1,076		1,076		
Internal balances	(86)	86			
Other noncurrent assets		7,379	7,379	639	1,031
Total noncurrent assets	231,981	2,014,626	2,246,607	702,221	1,397,869
Capital assets (net of accumulated depreciation):					
Land	594,026	109,087	703,113	670	
Land improvements	66,009		66,009		
Infrastructure	5,704,307	121,195	5,825,502		
Buildings	733,785	1,818,337	2,552,122	1,927	
Equipment	218,554	182,829	401,383	571	281
Improvements other than building		8,614	8,614		
Leasehold improvements		75	75		
Construction in progress	1,887,806	422,656	2,310,462		
Other capital assets	20,619	59,137	79,756		
Total capital assets, net of depreciation	9,225,106	2,721,930	11,947,036	3,168	281
Total noncurrent assets and capital assets	9,457,087	4,736,556	14,193,643	705,389	1,398,150
Total assets	$ 13,864,115	$ 6,127,165	$ 19,991,280	$ 751,879	$ 1,528,917

Statement of Net Assets
June 30, 2008
(Expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Liabilities					
Current liabilities:					
Cash overdraft	$	$ 357	$ 357	$	$
Accounts payable	33,928	100,287	134,215	9,696	3,874
Accrued interest	11,728	7,538	19,266		18,101
Accrued and other current liabilities	117,071	118,153	235,224		
Medicaid payable	299,025		299,025		
Income tax refunds payable	297,695		297,695		
Due to other governments	93,651	3,641	97,292		
Due to primary government				5	210
Workers' compensation benefits payable		17,462	17,462		
Funds held in trust for others		7,374	7,374		
Bonds, notes, and leases payable	94,040	68,480	162,520	42,600	43,589
Installment sales payable	415		415		
Claims, judgments, and compensated absences	132,954	46,329	179,283		
Net post employment benefits obligation		3,643	3,643		
Deferred revenue	35,861	41,091	76,952		
Total current liabilities	1,116,368	414,355	1,530,723	52,301	65,774
Long-term liabilities:					
Workers' compensation benefits payable		233,803	233,803		
External portion of investment pool		1,109,467	1,109,467		
Bonds, notes, and leases payable	1,089,978	1,338,398	2,428,376	648,550	1,250,025
Installment sales payable	12,795		12,795		
Note payable to primary government				9,000	
Claims, judgments, and compensated absences	108,174	75,510	183,684		
Net post employment benefits obligation	106,570	21,211	127,781	19	198
Deposits held on behalf of primary government					35,551
Other noncurrent liabilities		17,420	17,420		18,936
Deferred revenue		2,245	2,245		7,095
Total long-term liabilities	1,317,517	2,798,054	4,115,571	657,569	1,311,805
Total liabilities	2,433,885	3,212,409	5,646,294	709,870	1,377,579
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	8,210,615	1,500,418	9,711,033	3,168	281
Restricted for:					
Unemployment compensation		220,015	220,015		
Debt service	245,534	20,752	266,286		
Other capital projects	168,213	36,305	204,518		
Bond and resolution program					61,843
Program requirements	344,974	367,329	712,303		
Tobacco settlement	105,000		105,000		
Non-expendable - endowment		94,963	94,963		
Expendable-capital projects, debt service, loans, and other		215,297	215,297	38,841	
Unrestricted	2,355,894	459,677	2,815,571		89,214
Total net assets	11,430,230	2,914,756	14,344,986	42,009	151,338
Total liabilities and net assets	$ 13,864,115	$ 6,127,165	$ 19,991,280	$ 751,879	$ 1,528,917

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2008
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $628	$	45,354
Interest receivable		2,732
Notes and other receivables		123
Cash value of life insurance		579
Land		403
Buildings and equipment, net of accumulated depreciation of $575		100
Investments		644,775
Total assets	$	694,066
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	3,846
Annuity obligations		18,362
Total liabilities		22,208
Net Assets:		
Unrestricted		68,443
Temporarily restricted		120,780
Permanently restricted		482,635
Total net assets		671,858
Total liabilities and net assets	$	694,066

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2008
(Expressed in thousands)

Assets		
Investments	$	486,853
Net Assets		
Temporarily restricted	$	14,535
Permanently restricted		472,318
Total net assets	$	486,853

The notes to the financial statements are an integral part of this statement.

Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,296,232	$ 291,216	$ 145,960	$
Education	3,291,054	16,638	523,065	
Health and human services	5,195,317	244,706	3,605,665	
Transportation	668,305	146,463	7,811	403,784
Law, justice, and public safety	631,793	72,066	94,483	8,857
Recreation and resources development	244,959	79,438	31,964	414
Regulation of business and professionals	105,620	81,585	1,834	
Interest expense	57,923			
Total governmental activities	11,491,203	932,112	4,410,782	413,055
Business-type activities:				
Higher Education	2,851,140	1,345,783	475,054	72,677
Workers' Compensation Commission	53,967			
Department of Workforce Services	432,661		132,074	
War Memorial Stadium Commission	3,990	1,860	124	
Public School Employee Health and Life Benefit Plan	232,252	241,839		
Revolving Loans	4,203	3,335	19,546	
Total business-type activities	3,578,213	1,592,817	626,798	72,677
Total primary government	$ 15,069,416	$ 2,524,929	$ 5,037,580	$ 485,732
Component units:				
Arkansas Student Loan Authority	$ 45,828	$ 43,706	$	
Arkansas Development Finance Authority	84,304	91,779	14,183	
Total component units	$ 130,132	$ 135,485	$ 14,183	

General revenues:
Taxes:
Personal and corporate income
Consumer sales and use
Gas and motor carrier
Other
Total taxes
Investment earnings
Miscellaneous income
Transfers-internal activities
Total general revenues and transfers

Change in net assets
Net assets - beginning, as restated
Net assets - ending

The notes to the financial statements are an integral part of this statement.

Net Revenue (Expense)				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
$ (859,056)	$	$ (859,056)		
(2,751,351)		(2,751,351)		
(1,344,946)		(1,344,946)		
(110,247)		(110,247)		
(456,387)		(456,387)		
(133,143)		(133,143)		
(22,201)		(22,201)		
(57,923)		(57,923)		
(5,735,254)		(5,735,254)		
	(957,626)	(957,626)		
	(53,967)	(53,967)		
	(300,587)	(300,587)		
	(2,006)	(2,006)		
	9,587	9,587		
	18,678	18,678		
	(1,285,921)	(1,285,921)		
(5,735,254)	(1,285,921)	(7,021,175)		
			$ (2,122)	$
				21,658
			(2,122)	21,658
2,655,399		2,655,399		
2,544,356		2,544,356		
456,223		456,223		
790,010	310,728	1,100,738		
6,445,988	310,728	6,756,716		
172,081	57,064	229,145		
274,730	136,156	410,886		
(947,339)	947,339			
5,945,460	1,451,287	7,396,747		
210,206	165,366	375,572	(2,122)	21,658
11,220,024	2,749,390	13,969,414	44,131	129,680
$ 11,430,230	$ 2,914,756	$ 14,344,986	$ 42,009	$ 151,338

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Contributions	$ 14,532	$ 34,219	$ 20,800	$ 69,551
Sponsored programs	1,597	707	1	2,305
Interest and dividends	7,392	7,733	385	15,510
Net realized and unrealized gains (losses) on long-term investments	3,905	11,673	(25,099)	(9,521)
Other	287	137		424
Net assets released from restrictions	60,409	(60,409)		
Total revenues, gains, and other support	88,122	(5,940)	(3,913)	78,269
Expenses and losses:				
Program services:				
Construction	28,962			28,962
Research	9,079			9,079
Faculty/staff support	12,314			12,314
Scholarships and awards	6,962			6,962
Public/staff relations	3,310			3,310
Equipment	4,162			4,162
Sponsored programs	1,880			1,880
Other	16,130			16,130
Total program services	82,799			82,799
Supporting services:				
Management and general	490			490
Fund raising	1,987			1,987
Change in value of split-interest agreements			1,605	1,605
Provision for loss on uncollectible pledges	5	120	155	280
Total supporting services	2,482	120	1,760	4,362
Total expenses and losses	85,281	120	1,760	87,161
Change in net assets	2,841	(6,060)	(5,673)	(8,892)
Net assets - beginning	65,602	126,840	488,308	680,750
Net assets - ending	$ 68,443	$ 120,780	$ 482,635	$ 671,858

The notes to the financial statements are an integral part of this statement.

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains, and other support:				
Interest and dividends	$	$ 3,660	$ 362	$ 4,022
Net realized and unrealized gains (losses) on long-term investments		14,448	(23,485)	(9,037)
Net assets released from restrictions	15,160	(15,160)		
Total revenues, gains, and other support	15,160	2,948	(23,123)	(5,015)
Expenses and losses:				
Program services:				
Research	1,147			1,147
Faculty/staff support	1,791			1,791
Scholarships and awards	9,331			9,331
Equipment and technology	1,977			1,977
Other	914			914
Total program services	15,160			15,160
Change in net assets		2,948	(23,123)	(20,175)
Net assets - beginning		11,587	495,441	507,028
Net assets - ending	$	$ 14,535	$ 472,318	$ 486,853

The notes to the financial statements are an integral part of this statement.

Balance Sheet
Governmental Fund
June 30, 2008
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	615,031
Investments		2,753,520
Receivable, net:		
Accounts		119,158
Taxes		478,167
Medicaid		199,417
Loans		204,219
Leases		718
Interest		31,567
Other		29,245
Note from component unit		9,000
Due from other funds		12,962
Advances to other funds		375
Due from component unit		215
Due from other governments		87,122
Prepaid items		12,094
Inventories		53,464
Deposits with component unit		35,349
Other assets		6
Total assets	$	4,641,629
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	31,881
Accrued and other current liabilities		117,071
Deferred revenue		213,708
Income tax refunds payable		297,695
Due to other governments		93,651
Due to other funds		11,715
Advances from other funds		9,606
Medicaid claims payable		299,025
Total liabilities		1,074,352
Fund balance:		
Reserved for:		
Prepaid items		12,094
Inventories		53,464
Debt service		255,139
Loans		204,219
Leases		718
Note from component unit		9,000
Grant programs		281,872
Capital projects		85,532
Transportation programs		190,408
Tobacco settlement		165,410
Unreserved		2,309,421
Total fund balance		3,567,277
Total liabilities and fund balance	$	4,641,629

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Assets
June 30, 2008
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 3,567,277
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and land improvements	$ 723,907	
Infrastructure assets	10,188,243	
Other capital assets	3,750,061	
Accumulated depreciation	(5,437,105)	
Total capital assets		9,225,106
Bonds issued by the State have associated costs that are paid from current available financial resources of governmental funds. However, these costs are deferred on the statement of activities.		5,972
The State Police Retirement Plan has been funded in excess of annual required contributions, creating a net pension asset. These assets are not current available financial resources and are not reported in the funds.		1,076
Some of the State's revenues will be collected after year-end but are not available soon enough to pay for the current period's expenditures and therefore are deferred in the funds.		177,847
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds, notes, and leases payable	$ (1,171,766)	
Installment sales payable	(13,210)	
Claims, judgments, and compensated absences	(347,698)	
Loss of early retirement	13,140	
Unamortized bond issue premium	(18,049)	
Accrued interest on bonds, notes, installment sales payable, and leases	(11,728)	
Unamortized bond issue discounts	2,263	
Total long-term liabilities		(1,547,048)
Net assets of governmental activities		$ 11,430,230

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	2,644,852
Consumers sales and use		2,551,222
Gas and motor carrier		456,216
Other		790,122
Intergovernmental		4,832,649
Licenses, permits, and fees		957,424
Investment earnings		172,081
Miscellaneous		275,646
Total revenues		12,680,212
Expenditures:		
Current:		
General government		1,190,857
Education		3,286,143
Health and human services		5,184,858
Transportation		338,062
Law, justice, and public safety		606,633
Recreation and resources development		228,663
Regulation of business and professionals		109,818
Debt service:		
Principal retirement		107,070
Interest		59,671
Bond issuance costs		345
Capital outlay		628,536
Total expenditures		11,740,656
Excess of revenues over expenditures		939,556
Other financing sources (uses):		
Issuance of debt		35,417
Bond discounts		(361)
Bond premiums		55
Payment to refunding escrow agent		(4,523)
Capital leases		32,047
Installment sales		13,210
Sale of capital assets		2,943
Transfers in		82,277
Transfers out		(1,033,300)
Total other financing sources and uses		(872,235)
Net change in fund balance		67,321
Fund balance - beginning		3,499,956
Fund balance - ending	$	3,567,277

The notes to the financial statements are an integral part of this statement.

Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balance of the Governmental Fund to the Statement of Activities
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 67,321
Amounts reported for governmental activities in the statement of activities are different because:		
Capital outlays are reported as expenditures in governmental funds However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense In the current period, these amounts are:		
Capital outlay	$ 628,536	
Depreciation expense	(404,427)	
Excess of capital outlay over depreciation expense		224,109
The net effect of various miscellaneous transactions involving capital assets (i e sales, trade-ins, and donations) is to increase net assets		3,820
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets		(35,417)
Bonds issued at a premium provide current financial resources to governmental funds, but increase the long-term liabilities in the statement of net assets		(55)
Bonds issued at a discount reduce current financial resources to governmental funds, but decrease the long-term liabilities in the statement of net assets		361
Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the statement of net assets		345
Loss on early retirement of bonds		(1,282)
Payments to refunding escrow agent use current financial resources to governmental funds but reduces long-term liabilities in the statement of net assets		4,523
Some capital additions were financed through capital leases In governmental funds, a capital lease arrangement is considered a source of financing, but in the statement of net assets, the lease obligation is reported as a liability		(32,047)
Some capital additions were financed through installment sales In governmental funds, an installment sale arrangement is considered a source of financing, but in the statement of net assets, the installment obligation is reported as a liability		(13,210)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the statement of net assets In the current year, these amounts consist of:		
Bond, loan and lease principal retirement		107,070
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered "available" revenues and are deferred in the governmental funds Deferred revenues decreased by this amount this year		(3,851)
Some items reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds These activities consist of:		
Interest accreted on capital appreciation debt	$ (794)	
Increase in claims, judgments, and compensated absences	(2,916)	
Amortization of bond premium, discount and issuance costs	2,152	
Loss on sale of capital assets	(2,975)	
Guarantee on defaulted bonds	(3,213)	
Change in net pension assets/obligations	1,608	
Decrease in accrued interest	1,227	
Increase in other post-employment benefits obligations	(106,570)	
Total additional expenditures		(111,481)
Change in net assets of governmental activities		$ 210,206

The notes to the financial statements are an integral part of this statement.

Statement of Net Assets
Proprietary Funds
June 30, 2008
(Expressed in thousands)

	Enterprise Funds			
	Higher Education	Workers' Compensation Commission	Non-Major Enterprise Funds	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 272,135	$ 23,173	$ 77,694	$ 373,002
Investments	321,359	135,919	192,775	650,053
Receivables, net				
Accounts	213,044	10,299	84,593	307,936
Loans	8,695			8,695
Interest	873	2,169	1,141	4,183
Due from other funds	7,921	529	1,423	9,873
Due from other governments	5,236		10,643	15,879
Inventories	20,987		15	21,002
Prepaid items	2,200	34	143	2,377
Deposits with bond trustee	3,839			3,839
Other current assets	7,396			7,396
Total current assets	863,685	172,123	368,427	1,404,235
Noncurrent assets:				
Cash and cash equivalents - restricted	51,550			51,550
Investments				
Endowment	22,164			22,164
Restricted	3,696	105	100,156	103,957
Unrestricted	217,636			217,636
Receivables, net	53,035			53,035
Capital assets:				
Land	105,534	580	2,973	109,087
Infrastructure	209,494		22	209,516
Buildings	2,874,831	2,273	24,719	2,901,823
Equipment	609,362	1,420	6,936	617,718
Improvements other than building	14,331			14,331
Leasehold improvements	75			75
Construction in progress	422,282		374	422,656
Other depreciable assets	160,124	119	2,210	162,453
Less accumulated depreciation	(1,696,105)	(2,505)	(17,119)	(1,715,729)
External portion of investment pool	1,109,467			1,109,467
Advances to other funds			5,959	5,959
Loans receivable - restricted			318,647	318,647
Deposits with bond trustee	123,853			123,853
Deposits with component unit		202		202
Financial assurance instruments		6,650		6,650
Other noncurrent assets	6,767		612	7,379
Total noncurrent assets	4,288,096	8,844	445,489	4,742,429
Total assets	$ 5,151,781	$ 180,967	$ 813,916	$ 6,146,664

Statement of Net Assets
Proprietary Funds
June 30, 2008
(Expressed in thousands)

	Enterprise Funds			
	Higher Education	Workers' Compensation Commission	Non-Major Enterprise Funds	Total
Liabilities				
Current liabilities:				
Cash overdraft	$	$	$ 357	$ 357
Accounts payable	41,498	7	58,782	100,287
Accrued interest payable	7,233	14	291	7,538
Accrued and other current liabilities	116,263	323	1,567	118,153
Advances from other funds	461			461
Due to other funds	12,243	11	911	13,165
Due to other governments			3,641	3,641
Funds held in trust for others	7,374			7,374
Workers' compensation benefits payable		17,462		17,462
Bonds, notes, and leases payable	61,770	185	6,525	68,480
Net post employment benefits payable	3,643			3,643
Claims, judgments, and compensated absences	23,554	79	22,696	46,329
Deferred revenue	36,625		4,466	41,091
Total current liabilities	310,664	18,081	99,236	427,981
Noncurrent liabilities:				
Workers' compensation benefits payable		233,803		233,803
External portion of investment pool	1,109,467			1,109,467
Advances from other funds	5,873			5,873
Bonds, notes, and leases payable	1,271,322	810	66,266	1,338,398
Net post employment benefits payable	18,379	490	2,342	21,211
Claims, judgments, and compensated absences	71,846	540	3,124	75,510
Deferred revenue	989		1,256	2,245
Other noncurrent liabilities	10,770	6,650		17,420
Total noncurrent liabilities	2,488,646	242,293	72,988	2,803,927
Total liabilities	2,799,310	260,374	172,224	3,231,908
Net Assets				
Net assets:				
Invested in capital assets, net of related debt	1,480,303		20,115	1,500,418
Restricted for:				
Unemployment compensation			220,015	220,015
Debt service	20,752			20,752
Capital projects	36,305			36,305
Program requirements	3,495		363,834	367,329
Nonexpendable - endowments	94,963			94,963
Expendable - capital projects, debt service, loans, and other	215,297			215,297
Unrestricted	501,356	(79,407)	37,728	459,677
Total net assets (deficit)	2,352,471	(79,407)	641,692	2,914,756
Total liabilities and net assets	$ 5,151,781	$ 180,967	$ 813,916	$ 6,146,664

The notes to the financial statements are an integral part of this statement.

Statement of Revenues, Expenses, and Changes in Fund Net Assets
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Enterprise Funds			
	Higher Education	Workers' Compensation Commission	Non-Major Enterprise Funds	Total
Operating revenues:				
Charges for sales and services	$ 987,842	$	$ 243,699	$ 1,231,541
Licenses, permits, and fees	357,941		3,335	361,276
Grants and contributions	341,062			341,062
Investment earnings			11,382	11,382
Miscellaneous	114,772	83	6,434	121,289
Total operating revenues	1,801,617	83	264,850	2,066,550
Operating expenses:				
Cost of sales and services			3,847	3,847
Compensation and benefits	1,755,419	8,821	39,154	1,803,394
Supplies and services	746,373	770	33,331	780,474
General and administrative expenses	2,478	613	3,605	6,696
Scholarships and fellowships	128,170	40		128,210
Benefit and aid payments		43,549	587,904	631,453
Depreciation and amortization	165,220	128	1,454	166,802
Amortization of bond costs			131	131
Interest			3,659	3,659
Total operating expenses	2,797,660	53,921	673,085	3,524,666
Operating income (loss)	(996,043)	(53,838)	(408,235)	(1,458,116)
Nonoperating revenues (expenses):				
Investment earnings	27,250	6,957	11,540	45,747
Unrealized gains/losses on investments	(65)			(65)
Taxes	24,661		263,119	287,780
Insurance tax		22,948		22,948
Grants and contributions	133,992		151,991	285,983
Interest and amortization expense	(50,088)	(46)		(50,134)
Loss on sale of fixed assets	(3,392)		(21)	(3,413)
Other nonoperating revenue (expense)	14,867		(4,049)	10,818
Total nonoperating revenues (expenses)	147,225	29,859	422,580	599,664
Income (loss) before transfers and contributions	(848,818)	(23,979)	14,345	(858,452)
Transfers in	1,026,098	1	7,201	1,033,300
Transfers out	(74,842)	(3)	(7,432)	(82,277)
Capital grants and contributions	72,795			72,795
Change in net assets	175,233	(23,981)	14,114	165,366
Total net assets(deficit) - beginning	2,177,238	(55,426)	627,578	2,749,390
Total net assets(deficit) - ending	$ 2,352,471	$ (79,407)	$ 641,692	$ 2,914,756

The notes to the financial statements are an integral part of this statement.

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Enterprise Funds			
	Higher Education	Workers' Compensation Commission	Non-major Enterprise Funds	Total
Cash flows from operating activities:				
Cash received from customers	$ 353,025	$	$ 244,480	$ 597,505
Cash received from other government agencies	339,980			339,980
Auxiliary enterprise charges	979,017			979,017
Payments to employees	(1,360,273)	(8,370)	(36,514)	(1,405,157)
Payments of benefits	(231,619)	(15,391)	(583,316)	(830,326)
Payments to suppliers	(749,290)	(1,422)	(42,701)	(793,413)
Interest received (paid)	5,640		7,108	12,748
Loan administration received (paid)	(7,101)		(14,499)	(21,600)
Other receipts (payments)	(137,302)	83	6,783	(130,436)
Net cash used in operating activities	(807,923)	(25,100)	(418,659)	(1,251,682)
Cash flows from noncapital financing activities:				
Gifts and grants	90,948			90,948
Direct lending receipts	124,026			124,026
Direct lending payments	(124,008)		(5,810)	(129,818)
Taxes	19,951	22,566	260,577	303,094
Grants and contributions	31,028		148,761	179,789
Other receipts (payments)	1,651			1,651
Net transfers to other funds	951,373	(2)	(373)	950,998
Net cash provided by noncapital financing activities	1,094,969	22,564	403,155	1,520,688
Cash flows from capital and related financing activities:				
Principal paid on capital debts and leases	(58,183)	(180)		(58,363)
Interest paid on capital debts and leases	(50,199)	(48)		(50,247)
Acquisition and construction of capital assets	(372,214)	(9)	(1,363)	(373,586)
Proceeds from governmental sources	50,744			50,744
Proceeds from short-term borrowings			54	54
Proceeds from long-term borrowings	106,614			106,614
Proceeds from sale of capital assets	328			328
Other receipts (payments) *	(62,825)			(62,825)
Net cash used in capital and related financing activities	(385,735)	(237)	(1,309)	(387,281)
Cash flows from investing activities:				
Purchase of investments	(375,197)	(2,390)	(76,728)	(454,315)
Proceeds from sale and maturities of investments	437,226		76,595	513,821
Interest and dividends on investments	18,057	7,283	11,317	36,657
Advance repayments (disbursements)			(2,199)	(2,199)
Net cash provided by investing activities	80,086	4,893	8,985	93,964
Net increase (decrease) in cash and cash equivalents	(18,603)	2,120	(7,828)	(24,311)
Cash and cash equivalents - beginning	342,288	21,053	85,165	448,506
Cash and cash equivalents (cash overdrafts) - ending	$ 323,685	$ 23,173	$ 77,337	$ 424,195

* Includes items such as capital allocation of property taxes, bond escrow activity, and capital gifts and contributions.

Continued on the following page

Statement of Cash Flows
Proprietary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

Continued from the previous page

	Enterprise Funds			
	Higher Education	Workers' Compensation Commission	Non-major Enterprise Funds	Total
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	$ (996,043)	$ (53,838)	$ (408,235)	$ (1,458,116)
Adjustments to reconcile operating loss to				
net cash used in operating activities:				
Depreciation	165,221	128	1,454	166,803
Amortization			(1)	(1)
Net appreciation (depreciation) of investments			(782)	(782)
Loan principle and interest cancelled	158			158
Other operating activities	128			128
Prior year adjustment for capital asset capitalization			5	5
Net changes in assets and liabilities:				
Accounts receivable	(18,860)		505	(18,355)
Loans receivable	(32)		(14,495)	(14,527)
Inventory	(128)		(3)	(131)
Prepaid items		4		4
Other current assets	640		1,017	1,657
Current liabilities	(3,813)		395	(3,418)
Accounts payable and other accrued liabilities	12,643	28,187	(1,512)	39,318
Net other post employment benefits	22,022	490	2,343	24,855
Compensated absences	6,376	(71)	24	6,329
Deferred revenue	3,765		626	4,391
Net cash used in operating activities	$ (807,923)	$ (25,100)	$ (418,659)	$ (1,251,682)
Non-cash investing, capital, and financing activities:				
Decrease in fair value of investments	$ (14)			$ (14)
Borrowing under capital leases	(479)			(479)
Donated capital assets	2,307			2,307
Captial assets donated by other state agencies	(801)			(801)
Capital gifts	25,821			25,821
Fixed asset acquisition paid for by the State of Arkansas	18,937			18,937
Fixed asset acquisition directly from bond proceeds	9,292			9,292
Payments to bond trustee directly from bond proceeds	7,016			7,016
Proceeds from bond issue	3,348			3,348
Bond discount and issue costs	596			596
Capital assets acquired by incurring capital leases and notes payable	11,656			11,656
Interest on LTD paid directly by UA Foundation, Inc.	1,448			1,448
Principal on LTD paid directly by UA Foundation, Inc.	3,761			3,761
Insurance proceeds remitted directly to Dept of Finance & Admin	28			28
Principal on capital debt paid by trustee	2,595			2,595
Interest on capital debt paid by trustee	348			348

The notes to the financial statements are an integral part of this statement.

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2008
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 877,839	$ 25,617
Receivables:		
Employee	15,900	
Employer	54,561	
Interest and dividends	38,113	10
Advances to other funds	9,606	
Other	236,892	10
Due from other funds	2,126	
Total receivables	357,198	20
Investments at fair value:		
Certificates of deposit		42,614
Bonds, notes, mortgages, and preferred stock	1,884,415	72,191
Common stock	5,461,818	
Real estate	1,261,527	
International investments	1,949,199	
Mutual funds	490,907	
Pooled investment funds	4,651,109	
Corporate obligations	513,340	
Asset and mortgage backed securities	229,729	
Other	1,020,792	
Total investments	17,462,836	114,805
Securities lending collateral	1,530,563	
Financial assurance instruments		310,507
Capital assets	350	
Other assets	1,716	
Total assets	20,230,502	450,949
Liabilities		
Accounts payable and other liabilities	16,278	4
Investment principal payable	408,968	
Obligations under securities lending	1,530,563	
Post-employment benefit liability	472	
Due to other governments		116,835
Due to other funds	81	
Due to third parties		334,110
Total liabilities	1,956,362	450,949
Net Assets		
Held in trust for employees' pension benefits	18,274,140	
Total net assets	$ 18,274,140	$

The notes to the financial statements are an integral part of this statement.

Statement of Changes in Fiduciary Net Assets
Fiduciary Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Pension Trust Funds
Additions:	
Contributions:	
Members	$ 137,081
Employers	546,426
Supplemental contributions	6,908
Court fees	2,421
Reinstatement fees	1,532
Total contributions	694,368
Investment income:	
Net increase (decrease) in fair value of investments	(2,181,839)
Interest, dividends, and other	1,534,853
Real estate operating income	6,391
Securities lending income	86,999
Total investment (loss)	(553,596)
Less investment expense	144,028
Net investment (loss)	(697,624)
Miscellaneous	5,465
Total additions	2,209
Deductions:	
Benefits paid to participants or beneficiaries	945,497
Refunds of employee/employer contributions	9,578
Administrative expenses	11,910
Total deductions	966,985
Change in net assets held in trust for employees' pension benefits	(964,776)
Net assets - beginning	19,238,916
Net assets - ending	$ 18,274,140

The notes to the financial statements are an integral part of this statement.

Notes to the Financial Statements – Table of Contents

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting in the United States of America.

The basic financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prepared by various state agencies and departments based on independent or subsidiary accounting records maintained by them.

(b) Reporting Entity

For financial reporting purposes, the State of Arkansas (the State) includes all funds, departments, and agencies of the State as well as boards, commissions, authorities and colleges and universities for which the State is financially accountable. The State includes component units to the extent necessary for complete financial statement presentation.

(c) Component Units

Component units are those entities which are legally separate organizations for which the State's elected officials are financially accountable or are other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading or incomplete.

GAAP permits three methods of presentation: (1) blending the financial data of the component units' balances and transactions in a manner similar to the presentation of the State's balances and transactions (the State has no blended component units), (2) discrete presentation of the component units' financial data in columns separate from the State's balances and transactions, or (3) discrete presentation of the component units' financial data following the government-wide financial statements.

Two component units meet the criteria to be "discretely presented" in the financial statements, as described above. The State does not directly benefit from these funds, however, the State is financially accountable for these entities, is able to impose its will on their operations, and the board members are either appointed by the Governor or elected officials.

Arkansas Student Loan Authority (ASLA) – was established pursuant to Act 873 of 1977, as amended, and is comprised of seven Governor-appointed Board Members. The purpose of ASLA is to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. The students attend qualified Arkansas educational institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas.

Arkansas Development Finance Authority (ADFA) – was established pursuant to Act 1062 of 1985. ADFA provides financing through the issuance of taxable and tax-exempt bonds for housing, industry, local governments, education, agricultural enterprises, health care, infrastructure projects, jails, and prisons. ADFA also offers direct loans for housing, small minority businesses, agriculture, and exporting. The affairs of the Authority are governed by a board of directors composed of the State Treasurer, Director of the Department of Finance and Administration, and eleven public members appointed by the Governor.

Complete financial statements of each of the discretely presented component units can be obtained by contacting their respective administrative office.

Arkansas Student Loan Authority
3801 Woodland Heights Road, Suite 200
Little Rock, AR 72212

Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72201

In addition, two nonprofit foundations are included as discretely presented component units, following the government-wide financial statements. Although the State does not control the timing or amount of receipts from either of these foundations, the economic resources which the foundations hold and invest are almost entirely restricted by the donors for distribution and use benefiting the State and are significant to the state. As a result, these foundations are considered component units of the State in accordance with GASB Statement No. 39.

The University of Arkansas Foundation, Inc. operates for charitable, educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of directors of the foundation includes four members who are also former members of the University of Arkansas Board of Trustees.

The University of Arkansas Fayetteville Campus Foundation, Inc. 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 of Arkansas at Fayetteville.

Complete financial statements for each of the foundations can be obtained by contacting their administrative offices.

The University of Arkansas Foundation, Inc.
535 Research Center Blvd., Suite 120
Fayetteville, AR 72701

The University of Arkansas Fayetteville Campus Foundation, Inc.
700 Research Center Blvd.
Fayetteville, AR 72701

The foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards, including FASB Statement No. 117, *Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations financial information for these differences.

(d) Accounting Restatement

Governmental activities net assets, as previously reported on the statement of net assets for 2007, have been decreased by $20.5 million as follows (expressed in thousands):

Beginning Net Assets	$	11,240,574
Fixed Assets corrections		(20,550)
Restated Beginning Net Assets	$	11,220,024

(e) Measurement Focus and Basis of Accounting

The accrual basis of accounting, with a "flow of economic resources" measurement focus, is utilized in the government-wide financial statements, proprietary funds, fiduciary funds, and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Significant revenues susceptible to accrual include: individual and corporate income taxes, sales and use tax, gas and other taxes, federal reimbursements, federal grants, and other reimbursements for use of materials and services. In general, tax revenue is recognized on the government-wide statement of activities when assessed or levied.

The governmental fund financial statements are prepared using a flow of current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e. 45 days). Tax revenue is recognized to the extent that it is both measurable and available. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met, except for Medicaid revenues, which are recognized using a one-year availability criteria. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when consumed, and (2) principal and interest on long-term debt, claims and judgments, and compensated absences are recorded when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services or producing and delivering goods. All other revenues and expenses are reported as nonoperating revenues and expenses.

Private-sector standards of accounting and financial reporting, published by the FASB which were issued on or before November 30, 1989, are followed in the government-wide and proprietary fund financial statements to the extent that such standards do not conflict with standards issued by the GASB. As permitted by the GASB, the State has elected not to adopt FASB guidance issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations. New GASB Statements and Interpretations are adopted in the years they become effective.

For the pension trust funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

(f) Government-Wide Financial Statements

The statement of net assets and the statement of activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are identified as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

The statement of net assets presents the State's non-fiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

- Invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes, and other debt that are attributed to the acquisition, construction, or improvement of those assets.
- Restricted net assets result when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors, or the like, or imposed by law through constitutional provision or enabling legislation.
- Unrestricted net assets do not meet the definition of the two preceding categories and are generally available for government purposes.

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g. general government, education, health and human services, etc.) Direct expenses are those that are clearly identifiable with a specific function. Revenues are classified as either program or general revenues. Program revenues include: (1) charges to customers for goods, services, or privileges provided, (2) operating grants and contributions, and (3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than as program revenue. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue. Certain indirect costs are included in the program expenses reported for individual functions and activities.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are: (1) activities between funds reported as governmental activities and funds reported as business-type activities, and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

When both restricted and unrestricted resources are available for use, it is the State's policy to use restricted resources first, then unrestricted resources as they are needed.

(g) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e. the general fund), proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e. the Higher Education Fund and Workers' Compensation Commission) are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column for the proprietary funds.

In the fund financial statements, transfers represent flows of cash or assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides the revenue to the fund which expends the resources.

The following describes the major funds and categories used in the accompanying financial statements:

Governmental Fund

The General Fund is the major Governmental Fund of the State. As the general operating fund of the State, it is used to account for all financial resources obtained and spent for those services normally provided by the State, which are not accounted for in other funds.

The focus of Governmental Fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net assets, financial position, and cash flows, which is similar to a business. These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the state has decided that periodic determination of revenues earned, expenses incurred, and/or income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. The following is a description of the major proprietary funds of the State:

Higher Education Fund

The financial statements of the Higher Education Fund, which accounts for the activities of the State's Higher Education System, are prepared as a "business-type" activity with the accounting guidance and reporting practices applicable to colleges and universities.

Workers' Compensation Commission Fund

The Workers' Compensation Commission Fund accounts for the activities of the Workers' Compensation Commission (WCC), which is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment.

Non-Major Enterprise Funds

The non-major enterprise funds consist of the Department of Workforce Services, which is responsible for promoting employment security in the State of Arkansas; War Memorial Stadium Commission, which is responsible for the operation of the War Memorial Stadium; the Construction Assistance Revolving Loan Fund, which is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities; the Other Revolving Loan Funds, which are responsible for the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation for water systems and for the financing of capitalizable educational and general projects for community and technical colleges; and the Public School Employee Health and Life Benefit Plan, which is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the State. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the State's own programs. These funds include pension trust and agency funds. The pension trust funds account for the activities of the Arkansas Judicial Retirement Plan, the Arkansas State Highway Employees Retirement Plan, the Arkansas State Police Retirement Plan, the Arkansas Teacher Retirement Plan, and the Arkansas Public Employee Retirement Plan, which accumulate resources required to be held in trust for members and beneficiaries of the respective plans. Agency funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

(h) Assets, Liabilities, and Net Assets or Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less. Short-term investments for the Arkansas State Highway Employees Retirement System are stated at amortized cost. All other short-term investments are stated at fair value.

Investments

Investments include U.S. Government and government agency obligations, repurchase agreements, mutual funds, real estate, limited partnerships, foreign currency contracts, asset backed securities, guaranteed investment contracts, state and local government obligations, and corporate debt and equity obligations. Investments are reported at fair value.

Investments in the pension trust funds are reported at fair value as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Securities on loan for cash collateral are reported in the statement of net assets. Liabilities resulting from security lending transactions are provided in Note 4.

Unrealized gains and losses on investments are included in investment earnings on the respective operating statements.

The University of Arkansas System (the System) has established an external investment pool (the Pool). The investments in the Pool are governed by the System Investment Policy, which was established by the University of Arkansas Board of Trustees. The Pool is exempt from registration with the SEC. The University of Arkansas Board of Trustees and the University of Arkansas Foundation, Inc. Board of Trustees are the sponsors of this investment pool and are responsible for the operation and oversight of it. Participation in the Pool is voluntary. At June 30, 2008, five universities, the University of Arkansas Cooperative Extension Service, and four foundations participated in the Pool. The foundations hold approximately $1.11 billion (external portion) of the investments in the Pool, which are reported separately along with the related liability in the Higher Education Fund and in the business-type activities column of the government-wide financial statements. Participation in or withdrawal from the Pool is based on the daily market value of the units within the Pool. Income from the Pool is allocated to the participants in the Pool based on the market value from the previous day. The Pool issues a publicly available financial report, which may be obtained by writing or calling the University of Arkansas System, 2404 North University Avenue, Little Rock, Arkansas, 72207, (501) 686-2500.

Interfund Receivables and Payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (current portion) or "advances to/from other funds" (noncurrent portion). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in the general fund to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventories and Prepaid Items

Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded using the consumption method which records expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Inventory and prepaid balances, as reported in the general fund financial statements, are recorded as a reserve of fund balance indicating that they do not constitute "available, spendable financial resources."

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, maintain sinking or reserve funds, or purchase capital or other noncurrent assets are classified as noncurrent assets in the statement of net assets. Cash, cash equivalents, and investments relating to university endowments are also reflected as noncurrent assets in the statement of net assets.

Capital Assets

Methods Used to Value Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure items (e.g. roads, bridges, ramps, and similar items), are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

Capitalization Policies

All land and other nondepreciable assets are capitalized, regardless of cost. All other capital assets, including equipment, are capitalized when the individual item's cost exceeds $2,500 and the estimated useful life exceeds one year.

The cost of normal maintenance and repairs that do not significantly add to the value of assets or materially extend asset lives are not capitalized.

The State reported a significant portion of their infrastructure assets for the first time in fiscal year 2002. Estimated costs were retroactive to 1971. The State's current policy is to record new infrastructure acquisitions at historical cost, and to use the depreciation method in reporting long-term infrastructure assets.

Items not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as: statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings, and the like. GASB Statement No. 34 does not require these items to be capitalized because (1) the items are held for reasons other than financial gain; (2) the items are protected, kept unencumbered, cared for, and preserved; and (3) the items are subject to a State policy requiring that the proceeds from the sales of collection items be used to acquire other items for collections. The State also acts as an agent for the tracking and disbursement of federal surplus property. The assigned value of this property at June 30, 2008, is $19.6 million and is not reflected in the financial statements.

Depreciation and Useful Lives

Applicable capital assets are depreciated using the straight-line method, with a full month charged for assets acquired in the first half of the month and a half-month charged for assets acquired in the second half of the month. Assets were assigned estimated useful lives most suitable for the particular assets. Estimated useful lives generally assigned are as follows:

	Years
Assets:	
Equipment	5-20
Buildings & building improvements	20-50
Infrastructure	10-30
Land improvements	10-40
Other capital assets	4-20

Accrued and Other Current Liabilities

The State has established a liability for both reported and unreported insured events in the government-wide financial statements, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information, and currently recognized trends affecting data specific to the State. Actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease, and inflation. The process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

The Internal Revenue Code of 1986 limits the amount of income issuers of certain tax-exempt bonds can earn from investing the bond proceeds. Such excess, called arbitrage rebates, must be remitted to the Federal Government. The Construction Assistance Revolving Loan Fund, ADFA, and ASLA make provisions for arbitrage rebates as they are incurred.

Income Tax Refunds Payable

Income tax refunds are accounted for as a reduction in the appropriate tax revenue category. The amount reported as income tax refunds payable at June 30, 2008, is related to projected refund estimates attributable to fiscal year 2008 tax revenues.

Compensated Absences

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as services are incurred and benefits accrue to employees.

In the governmental fund financial statements, liabilities for compensated absences are accrued only if they have matured and are recorded in the fund only for separations or transfers that occur before year-end.

Deferred Revenue

In the government-wide financial statements and proprietary fund financial statements, deferred revenue is recognized when cash or other assets are received prior to their being earned. In the governmental fund statements, deferred revenue is recognized when revenue is unearned or unavailable.

Bond-Related Items

In the government-wide financial statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums and discounts, as well as bond issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, bond premiums and discounts, as well as bond issuance costs, are recognized in the period of issuance. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financiang sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Net Assets/Fund Balance

The difference between total assets and total liabilities is presented as “Net Assets” on the government-wide, proprietary, and fiduciary fund financial statements and as “Fund Balance” on the governmental fund financial statements. Governmental fund financial statements report reservations of fund balance for amounts that are not available for appropriation or are legally segregated for a specific future use.

Restricted Assets/Net Assets

Assets and net assets are reported as restricted when constraints placed on the asset or net asset use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation. Restricted assets primarily consist of unemployment compensation, bond resolution programs, transportation programs, debt service, capital projects, and various other purposes and may only be used for the legally restricted purposes as allowed by law.

Net Assets Restricted by Enabling Legislation

Enabling legislation is limited to legislation that the government itself approves. It establishes restrictions "if it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation." Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purpose specified by the legislation. At June 30, 2008, the government-wide statement of net assets reported $864 million of restricted net assets for governmental activities, of which $213 million were restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $55.2 million on investments which are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Assets in accordance with the restriction of the gift instrument. Three sections of the Arkansas Code outline the restrictions placed on the endowment fund and the net appreciation. First, Arkansas Code Annotated §28-69-603 restricts the expenditure of endowment funds that the governing body determines to be prudent under the standard established by Arkansas Code Annotated §28-69-607 for the uses and purposes for which an endowment fund is established. This section does not limit the authority of the governing board to expend funds as permitted under other law, the terms of the applicable gift instrument, or the charter of the institution. Second, Arkansas Code Annotated §28-69-604 rule of construction states the restriction on the expenditures may not be implied for endowment funds. Third, Arkansas Code Annotated §28-69-607 standard of conduct states that members of a governing board shall exercise ordinary business care and prudence in decision making and retaining investments and shall consider long and short term needs of the institution's financial requirements.

Reclassifications

Certain amounts presented in the prior year data have been reclassified in order to be consistent with the current year presentation.

(i) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

(j) New Accounting Pronouncements Not Yet Required to be Adopted

GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, establishes standards to enhance the usefulness and comparability of pollution remediation obligation information reported by state and local governments by setting uniform standards requiring more timely and complete reporting of these obligations. Additionally, the standard requires all governments to account for pollution remediation obligations in the same manner, including required reporting of pollution remediation obligations that previously may not have been reported. The requirements of this statement are effective for financial statements for periods beginning after December 15, 2007 (i.e. fiscal year 2009).

GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets*, establishes standards for reporting and accounting for intangible assets by local and state governments, particularly in the areas of recognition, initial measurement, and amortization. Additionally, this statement establishes a specified-conditions approach to recognizing intangible assets that are internally generated. The requirements of this statement are effective for financial statements for periods after June 15, 2009 (i.e. fiscal year 2010). The provisions of this statement generally must be applied retroactively to years ending after June 30, 1980.

GASB Statement No. 52, *Land and Other Real Estate Held as Investments by Endowments*, established consistent standards for the reporting of land and other real estate held as investments by essentially similar entities. The standard requires endowments to report their land and other real estate investments at fair value. Governments also are required to report the changes in fair value as investment income and to disclose the methods and significant assumptions employed to determine fair value, and other information that they currently present for other investments reported at fair value. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2008 (i.e. fiscal year 2009).

GASB Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, establishes standards for reporting and accounting for derivative instruments by local and state governments, particularly in the areas of recognition and measurement. The statement requires that most derivative instruments be reported in the financial statements at their fair value. Additionally, this statement provides guidance for hedge accounting disclosures. The requirements of this statement are effective for financial statements for periods after June 15, 2009 (i.e. fiscal year 2010).

(2) Deposits and Investments

The deposits and investments of the State are exposed to risks that have the potential to result in losses. The following information discloses risks related to credit, interest rate, and foreign currency risks, as well as policies related to these risks. The higher education component units are not included in the following information. The foundations are private nonprofit organizations that report under Financial Accounting Standards Board standards and are not required to report under Governmental Accounting Standards Board standards. As such, the foundations are not required to report deposit and investment risks.

(a) Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the State's deposits may not be returned to it.

The State's Board of Finance policy states that collateralizing deposits with securities pledged to a cash fund agency by a financial institution to be held by a third party custodian should be required to protect public funds in case of a default by the financial institution. Institutions of higher education do not have a deposit policy for custodial credit risk. The retirement systems' policy is to place deposits only in collateralized or insured accounts.

At June 30, 2008, the reported bank balances of the general fund were $1,240,691,358. Of this amount, $2,214,573 was uninsured and uncollateralized, $16,507,068 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name, and $5,955,458 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2008, the reported bank balances of the enterprise funds were $471,543,581. Of this amount, $5,654,464 was uninsured and uncollateralized, $40,395,277 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name, and $15,617,671 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2008, the reported bank balances of the fiduciary funds were $95,721,628. Of this amount, $5,708,436 was uninsured and uncollateralized and $70,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name, and $64,696 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2008, the reported bank balances of the component units were $11,349,246. Of this amount, $6,120,000 was uninsured and uncollateralized, and $466,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

(b) Investments

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

The State Treasury's interest rate risk policy is that the investments will not exceed a maturity of five years except securities used as collateral in repurchase agreements, Arkansas Capital Corporation Bonds, and State Board of Finance and State Building Services Certificates of Indebtedness. The investment policy for funds managed by the State Treasurer for the State Money Management Trust Fund states that the average maturity of the portfolio will not exceed ninety days; and the expected maturity of any security will not exceed thirteen months except securities used as collateral in repurchase agreements. The State Board of Finance requires that every effort should be made to match maturity of investments with expenditure requirements. The institutions of higher education and the retirement systems do not have a formal investment policy that limits the investment maturities as a means of managing the exposure to fair value losses arising from increased interest rates.

As of June 30, 2008, the State of Arkansas had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
General Fund					
U S Treasuries	$ 1,093	$ 1,093	$	$	$
U S Treasury STRIPS	2	1	1		
U S Government Agencies	966,355	106,973	851,002	307	8,073
Municipal Bonds	1	1			
Negotiable Certificates of Deposit	1,098	708	390		
Domestic Corporate Bonds	119,003	16,120	102,583		300
Repurchase Agreements	2,600	2,600			
Other Loans	37,068	17,469	19,599		
Subtotal	1,127,220	144,965	973,575	307	8,373
Enterprise Funds					
U S Treasuries	10,515	7,647	2,795	73	
U S Government Agencies	162,543	65,960	93,055	2,001	1,527
Negotiable Certificates of Deposit	4,771	4,771			
Corporate Bonds	20,389	2,948	13,659	3,129	653
Mutual Bond Fund	2,089	2,089			
Short-Term Common Fund	6,314	6,314			
Preferred Stock	5				5
Other Loans	11,603	2,159	7,270	2,174	
Subtotal	218,229	91,888	116,779	7,377	2,185
Fiduciary Funds					
U S Treasuries	166,277		58,269	70,582	37,426
U S Government TIPS	8,784	4,057	4,727		
U S Government Agencies	799,434	8,856	147,260	105,659	537,659
Convertible Bonds	473,900	14,239	132,119	96,752	230,790
Collateralized Obligations	307,363	17	13,840	24,082	269,424
Municipal Bonds	9,164			2,270	6,894
Corporate Bonds	655,309	45,562	321,235	156,093	132,419
Domestic Fixed Income Commingled	135,032			135,032	
International Fixed Income Commingled	10,904		10,904		
High Yield Income Fund	35,466		35,466		
Emerging Markets Bond Fund	13,109			13,109	
Commercial Loans	26,596		19,257	5,700	1,639
International Corporate Fixed	2,747	793		1,954	
International Government Fixed	13,826	4	4,103	7,313	2,406
Emerging Markets	25,467	2,137	12,105	8,836	2,389
U S Corporate Floating Rate	293,495	50,104	243,391		
Bank Obligations	115,191	50,048	65,143		
Certificates of Deposit	139,168	129,129	10,039		
Money Market	90,014	90,014			
Time Deposits	35,133	35,133			
Asset Backed Securities	146,534	111,049	9,050	4,594	21,841
External Investment Pools	2,861,823	1,011,143	311,391	1,364,651	174,638
Repurchase Agreements	6,516	6,516			
Mortgage Loans	50,174	26,699	7,356	16,119	
Other Loans	1,795	1,032	763		
Subtotal	6,423,221	1,586,532	1,406,418	2,012,746	1,417,525
Component Units					
U S Treasuries	38,566	17,392	20,414	685	75
U S Government Agencies	35,698	12,454	15,631	7,613	
Municipal Bonds	453		453		
Guaranteed Investment Contracts	344,740	16,800	270,550	26,612	30,778
Money Market Mutual Fund	128,388	128,388			
Mortgage Backed Securities	590,040	32		1,650	588,358
Other Loans & Notes	5	3	2		
Subtotal	1,137,890	175,069	307,050	36,560	619,211
Total	$ 8,906,560	$ 1,998,454	$ 2,803,822	$ 2,056,990	$ 2,047,294

Corporate Bonds

As of June 30, 2008, the Arkansas Public Employees Retirement System (APERS) held corporate bonds with a fair value of $245,080,286. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity, and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. Of the $245,080,286 total bonds held by APERS at June 30, 2008, $920,000 are considered highly sensitive to interest rate changes.

Issuer	Trade Date	Cost	Maturity Date	Rate Calculation	Reset Date	Market Value
Bear Stearns	2/2/2007	$ 995,000	2/2/2017	*	*	$ 920,000

* The coupons is fixed at 7% until February 2009 and then resets to 7.9 times the difference between the 10 year and 2 year yields. The maximum coupon over the life of the note is 11% and the minimum is 4%.

Convertible Corporate Bonds

As of June 30, 2008, the Arkansas Public Employees Retirement System (APERS) held convertible bonds with a fair value of $163,374,858. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates. Of the $163,374,858 total bonds held by APERS at June 30, 2008, $4,204,131 are considered highly sensitive to interest rate changes.

Issuer	Trade Date	Cost	Maturity Date	Rate Calculation	Reset Date	Market Value
Lockheed Martin	1/15/2008	$ 2,438,955	8/15/2033	3-Month LIBOR - 25%	Quarterly	$ 2,570,211
Wyeth	1/10/2008	1,732,401	1/15/2024	3-Month LIBOR - 50%	Quarterly	1,633,920
		$ 4,171,356				$ 4,204,131

Credit Risk

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The Arkansas State Police Retirement Fund's policy is to provide for a minimum overall portfolio rating of A or better. The Arkansas State Highway Employees Retirement System's policy is that debt securities purchased shall carry an investment rating of Baa or better by Moody's Investors Service, and a rating of BBB or better by Standard and Poor's. Energy bonds may be purchased that are below investment grade. The other retirement systems, institutions of higher education, and the State Board of Finance do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2008, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General Fund			
AAA	$ 2,055,751	Aaa	$ 2,054,570
AA	118,704	Aa2	1
Unrated	41,011	Aa3	118,703
		Unrated	42,192
Subtotal	2,215,466		2,215,466
Enterprise Funds			
AAA	374,005	Aaa	320,699
AA	21,594	Aa	10,271
A	7,827	A	3,190
BBB	24	B and Below	553
B and Below	928	Unrated	461,532
Unrated	391,867		
Subtotal	796,245		796,245
Fiduciary Funds			
AGY	332,139	AGY	322,930
AAA	890,489	Aaa	789,674
AA	338,956	Aa	399,154
A	315,951	A	250,393
A-1	264,413	P-1	264,413
BBB	358,321	Baa	351,230
BB	151,418	Ba	101,157
B	101,741	B	71,872
CCC or Lower	19,201	C or Lower	20,801
Unrated	3,480,796	Unrated	3,681,801
Subtotal	6,253,425		6,253,425
Component Units			
AAA	754,126	Aaa	754,579
Unrated	458	Unrated	5
Subtotal	754,584		754,584
Total	$ 10,019,720		$ 10,019,720

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The State Board of Finance requires that investment instruments should be held in safekeeping by financial institutions, and the cash fund manager should obtain safekeeping receipts. The institutions of higher education do not have a formal custodial credit risk policy.

At June 30, 2008, the reported amount of the enterprise funds' investments was $1,123,330,935. Of this amount, $603,215 was uninsured and unregistered with securities held by the counterparty.

At June 30, 2008, the reported amount of general funds' investments was $2,237,259,760. Of this amount, $2,599,774 was uninsured and unregistered with securities held by the counterparty.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5 percent or more of total investments.

The State Treasury's concentration of credit risk policy is that the investments, exclusive of funds managed by security lending agent, will not exceed the following percentages of the total portfolio: 15% in Bankers Acceptances, 15% in Commercial Paper and 10% in Certificates of Deposit. Investment policies for funds managed by the State Treasurer for the State Treasury Certificate of Deposit Investment Program state that an institution can receive no more that 10% of the total distribution.

The State places no limit on the amount the State Treasury may invest in U.S. government agency securities. The State Treasury's investments in Federal Home Loan Bank securities represent $849,727,753 or 37.9% of the general fund and $102,192,772 or 9.10% of the enterprise funds' total investment.

The general fund investment in domestic corporate bonds without a call option from Transamerica Life/Aegon represent $118,702,612 or 5.3% of total general fund investments.

Arkansas Development Finance Authority (ADFA), a component unit of the State, places no limit on the amount that may be invested in any one issuer. ADFA's investments in Natixis Funding and FNMA-mortgage backed securities represented $227,089,000 or 20% and $66,026,446 or 6% , respectively, of total component units' investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The State does not have a formal investment policy for foreign currency risk.

The exposure to foreign currency risk for investments and deposits at June 30, 2008, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Foreign Currency Contract	Cash
Australian Dollar	$ 31,826	$ 893	$ 30,812	$ (655)	$ 776
Brazilian Real	9,808	797	8,787		224
British Pound Sterling	170,518	5,679	223,296	(56,140)	(2,317)
Canadian Dollar	46,267	249	46,105	(248)	161
Danish Krone	10,040		4,081	5,954	5
Egyptian Pound	266	266			
Euro	260,949	9,542	328,834	(80,150)	2,723
Hong Kong Dollar	28,998		63,077	(34,327)	248
Hungarian Forint	172	1,902		(1,730)	
Indian Rupee	782				782
Indonesian Rupiah	18,056		18,056		
Japanese Yen	233,687		192,740	40,129	818
Malaysian Ringgit	2,698		2,698		
Mexico Nuevo Peso	7,394	1,875		5,443	76
New Taiwan Dollar	18,121		17,583		538
New Zealand Dollar	53	1,061		(1,011)	3
Norwegian Krone	8,358		6,760	1,129	469
Polish Zloty	25	2,400		(2,375)	
Singapore Dollar	27,534		27,227		307
South African Rand	7,815		2,476	5,329	10
South Korean Won	3,070		3,070		
Swedish Krona	37,994		6,218	31,775	1
Swiss Franc	139,816		111,865	26,955	996
Thailand Baht	4,634		4,634		
Total Fair Value	$ 1,068,881	$ 24,664	$ 1,098,319	$ (59,922)	$ 5,820

Note - For Foreign Currency Contracts, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number therefore represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

(3) Derivatives

Primary Government

Forward Currency Contracts

Arkansas Public Employees Retirement System (APERS) and Arkansas State Teacher Retirement System (Teacher) enter into forward-exchange contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward-exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated rate. Risks associated with such contracts include movement in the value of the foreign currency in relation to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in the value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net assets. The realized gain or loss on closed forward currency contracts represents the difference between the original value of the original contracts and the closing value of such contracts and is included in the net increase (decrease) in fair value of investments in the statement of changes in plan net assets. At June 30, 2008, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $149.1 million, collectively. Market values of these outstanding contracts were $147.8 million resulting in a net unrealized loss of $1.3 million. The retirement systems also had outstanding foreign contracts to sell foreign currency with contract amounts of $206.5 million at June 30, 2008. Market values of these contracts were $207.7 million resulting in an unrealized loss of approximately $1.2 million.

To Be Announced Short Contracts

Teacher participates in To Be Announced Short Contracts (TBAs) as part of the overall diversification investment plan by their fixed income managers. TBAs are underlying contracts on mortgage-backed securities to buy or sell mortgage-backed securities which will be delivered at an agreed-upon date in the future. The maturity dates of the TBAs are over ten years. At June 30, 2008, the costs of these TBAs were $105.2 million, collectively. Market values were $105.2 million effectively resulting in neither a net unrealized gain nor loss.

Short Option Contracts

Teacher participates in Short Option Contracts to provide exposure to positive market moves and limit exposure to interest rate and currency fluctuations. An option contract gives the buyer the right, but not the obligation, to purchase or sell a financial instrument at a fixed or determinable price on a given date or any time on or before a given date. At June 30, 2008, Teacher had put option contracts with a cost of $8.3 million and a market value of $11.9 million resulting in an unrealized gain of approximately $3.6 million.

Mortgage-Backed Securities

APERS, Teacher, and Arkansas State Highway Employees Retirement System (ASHERS) invest in various asset-backed securities, mortgage-backed securities, and structured corporate debt. These securities are reported at fair value in the balance sheet. They are also included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of investment risk (see note 2 on Deposits and Investments). The retirement systems, referred to above, invest in these securities to enhance yields on investments. Changes in market interest rates affect the cash flows of these securities and may result in changes in fair value. The overall return or yield of these securities depends on the changes in interest and principal payment patterns and the market value of the underlying assets. As of June 30, 2008, the retirement systems held $388.6 million of mortgage-backed securities.

Asset-Backed Securities

As of June 30, 2008, APERS and Teacher held asset-backed securities with the fair value of $27.4 million and $32.8 million, respectively. These securities represent interest in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Pooled Funds

APERS, Arkansas Judicial Retirement System (Judicial), and State Police had approximately $710.8 million, $26 million, and $51.4 million, respectively, invested in international pooled funds. These entities could be indirectly exposed to credit and market risks associated with forward currency contracts to the extent that these pooled funds hold forward currency contracts for purposes of managing exposure to fluctuations in foreign exchange rates.

Component Units

Mortgage-Backed Securities

Arkansas Development Finance Authority (ADFA) invests in various asset and mortgage-backed securities. These securities are reported at the fair value in the statement of net assets. They are also included in the totals of government securities and corporate securities, depending on the issuer, in the disclosure of investment risk (see note 2 on Deposits and Investments). ADFA invests in these securities to enhance yields on investments. Changes in market interest rate affect the cash flows of these securities and may result in changes in fair value. The overall return on yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets. As of June 30, 2008, ADFA held $.6 million of mortgage-backed securities.

(4) Securities Lending Transactions

Arkansas State Police Retirement System, Arkansas Teacher Retirement System, and Arkansas Public Employees Retirement System participate in security lending programs, as authorized by Arkansas Code Annotated and the Board of Trustees policies, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents or other securities guaranteed by the U.S. Government or an agency thereof equal to at least 102% of the fair value of the security loaned to Arkansas State Police Retirement System and Arkansas Public Employees Retirement System, and at least 100% of fair value of the security loaned to Arkansas Teacher Retirement System. At all times during the term of each loan, the total value of the collateral is not to be less than the fair value of all securities on loan. The program is administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The type of securities on loan at June 30, 2008, includes asset backed securities, bank obligations, money markets, time deposits, certificates of deposits, U.S. corporate floating rates, and repurchase agreements. With the exception of cash collateral, the pension does not have the ability to pledge or sell the collateral unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the statement of plan net assets. As the pensions must return the cash collateral to the borrower upon expiration of the loan, a corresponding liability is recorded as obligations under securities lending. These securities have also been included in the preceding summary of deposits and investments (see note 2). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if insolvency causes the borrower to fail to return the securities lent or fail to pay the income on the securities to the trust while lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. The carrying value and fair value of the underlying securities is $1.6 billion. At June 30, 2008, the pension systems have no credit risk exposure to borrowers because the amount the pension systems owe the borrowers exceed the amounts the borrowers owe the pension systems.

(5) Receivables

Receivables at June 30, 2008, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes	Employee/ Employer	Medicaid	Capital Lease Receivable	Loans	Investment-Related	Other Receivables	Allowance for Uncollectibles	Total
General Fund	$ 254,160	$ 646,215 (1)	$	$ 204,546	$ 718 (2)	$ 241,251	$ 31,567	$ 38,874	$ (345,840)	$ 1,071,491
Higher Education Fund	541,019					70,571	873	6,357	(343,173)	275,647
Workers' Compensation Commission	10,299						2,169			12,468
Non-major Enterprise Funds	113,522					318,647	1,141		(28,929)	404,381
Pension Trust			70,461				38,113	236,892		345,466
Agency							10	10		20
Total	$ 919,000	$ 646,215	$ 70,461	$ 204,546	$ 718	$ 630,469	$ 73,873	$ 282,133	$ (717,942)	$ 2,109,473

(1) Receivable balances of $42,521 are not expected to be collected within one year of the date of the financial statements

(2) See Note 11 – Leases

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Other Receivables	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Student Loan Authority	$	$ 627,841	$	$ 17,084	$	$ 72	$ (1,725)	$ 643,272
Arkansas Development Finance Authority	1,217	341,453	140,901	5,782		13,210	(34,319)	468,244
University of Arkansas Foundation				2,732	45,982	123	(628)	48,209
Total	$ 1,217	$ 969,294	$ 140,901	$ 25,598	$ 45,982	$ 13,405	$ (36,672)	$ 1,159,725

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From					
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 11,966	$ 11	$ 905	$ 80	$ 12,962
Higher Education Fund	7,921					7,921
Workers' Compensation Commission	245	277		6	1	529
Non-Major Enterprise Funds	1,423					1,423
Pension Trust Funds	2,126					2,126
Total	$ 11,715	$ 12,243	$ 11	$ 911	$ 81	$ 24,961

Interfund receivables and payables include: (1) $11.9 million due from the Higher Education Fund to the General Fund for workers' compensation unemployment contributions, information technology services, grants, and includes $9.8 million of Medicaid provider payments; (2) $1.4 million due from the General Fund to the Department of Workforce Services for unemployment insurance program contributions; 3) $7.9 million due to the Higher Education Fund from the General Fund for college Technical Bond payment requisitions of $5.4 million and grants; (4) the $.9 million due from the Non-Major Enterprise Funds include $.3 million due from Department of Workforce Services to the General Fund for information technology services and $.4 million due from the Employee Benefit Fund for pharmacy rebates; (5) $2.1 million due from the General Fund to the Pension Fund for employers contributions. All amounts are expected to be repaid within one year.

Advances To/From Other Funds – Primary Government (expressed in thousands):

	Advances To		
Advances From	General Fund	Higher Education Fund	Total
General Fund	$	$ 375	$ 375
Non-Major Enterprise Funds		5,959	5,959
Pension Trust Funds	9,606		9,606
Total	$ 9,606	$ 6,334	$ 15,940

Advances include: (1) an outstanding balance of $9.6 million loaned to the General Fund, i.e. Department of Education, by the Teacher's Pension Trust Fund for the purchase of accounting software to be repaid over 15 years at 8% interest maturing in fiscal year 2012; and (2) advances to the Community/Technical College Revolving Loan program of $5.9 million to provide low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

Transfers (expressed in thousands):

	Transfers In				
Transfers Out	General Fund	Higher Education Fund	Workers' Compensation Commission	Non-major Enterprise Funds	Total
General Fund	$	$ 1,026,098	$ 1	$ 7,201	$ 1,033,300
Higher Education Fund	74,842				74,842
Workers' Compensation Commission	3				3
Non-Major Enterprise Funds	7,432				7,432
Total	$ 82,277	$ 1,026,098	$ 1	$ 7,201	$ 1,115,577

Transfers include: (1) the transfer of $1.027 billion from the General Fund to the Higher Education Fund for state funding of higher education institutions; (2) the transfer of $74.8 million from the Higher Education Fund includes $64 million to the Department of Human Services within the General Fund for the transfer of a portion of the state funding provided to the University of Arkansas Medical School to be used for the Medicaid Program; (3) Non-Major Enterprise Funds transfers include: The Arkansas Natural Resources Commission being reimbursed $.8 million from the Construction Assistance Loan Fund. $1.7 million was reimbursed from Arkansas Natural Resources Commission to Other Revolving Loan Funds for administrative expenses and monitoring of public drinking water facilities to ensure compliance with federal guidelines. The Department of Workforce Service transferred $1 million to the General Fund for personal services and operating expenses of the Arkansas Workforce Investment Board as well as interest from the Federal Unemployment Trust Fund. Another transfer of $2.9 million was from the Non-Major Enterprise Funds to reimburse $2.4 million to the Department of Health and $.5 million to Arkansas Natural Resources Commission for assistance in building clean drinking water facilities.

On the Government-wide financial statements, additional transfers are reported which represents: $432 thousand of capital assets transferred from the General Fund to the Higher Education Fund; a capital asset transfer from the Higher Education Fund to the General Fund of $314 thousand; and $4 million of capital assets transferred from the Non-Major Enterprises Funds to the General Fund. On the Enterprise Fund financial statements, the transfers in amounts were reported as capital contributions and transfers out amount as expense.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2008, was as follows (expressed in thousands):

	Balance July 1, 2007 (as restated) (1)	Adjustments/ Transfers (2)	Additions	Deletions	Balance June 30, 2008
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 518,951	$ 13,384	$ 61,752	$ (61)	$ 594,026
Construction in progress	1,912,563	(469,034)	444,420	(143)	1,887,806
Other non-depreciable assets	4,484	115	277		4,876
Total capital assets, not being depreciated	2,435,998	(455,535)	506,449	(204)	2,486,708
Capital assets, being depreciated:					
Land improvements	125,637	1,698	2,676	(130)	129,881
Infrastructure	9,983,592	392,421	2,100	(189,870)	10,188,243
Buildings	1,050,914	74,164	56,207	(3,718)	1,177,567
Equipment	690,929	(59,226)	54,940	(37,520)	649,123
Other depreciable assets	24,395	143	6,164	(13)	30,689
Total capital assets, being depreciated	11,875,467	409,200	122,087	(231,251)	12,175,503
Subtotal	14,311,465	(46,335)	628,536	(231,455)	14,662,211
Less accumulated depreciation for:					
Land improvements	(58,216)	76	(5,823)	91	(63,872)
Infrastructure	(4,344,805)	(4,896)	(324,105)	189,870	(4,483,936)
Buildings	(432,152)	8,135	(22,917)	3,152	(443,782)
Equipment	(466,839)	46,877	(46,036)	35,429	(430,569)
Other depreciable assets	(9,301)	(105)	(5,546)	6	(14,946)
Total accumulated depreciation	(5,311,313)	50,087	(404,427)	228,548	(5,437,105)
Governmental activities capital assets, net	$ 9,000,152	$ 3,752	$ 224,109	$ (2,907)	$ 9,225,106

(1) Balance July 1, 2007, restated by ($20,550)

(2) Includes transfers with the primary government, assets that were not previously reported, accounting errors, and other changes

	Balance July 1, 2007	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2008
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 100,549	$ 1,001	$ 7,683	$ (146)	$ 109,087
Construction in progress	408,564	(40,566)	297,609	(242,951)	422,656
Total capital assets, not being depreciated	509,113	(39,565)	305,292	(243,097)	531,743
Capital assets, being depreciated:					
Improvements other than building	17,003	(5,203)	2,548	(17)	14,331
Leasehold improvements	75				75
Buildings	2,643,603	50,118	212,234	(4,132)	2,901,823
Equipment	567,898	60	64,725	(14,965)	617,718
Other capital assets	142,915	5,739	14,808	(1,009)	162,453
Infrastructure	187,890	7,678	13,978	(30)	209,516
Total capital assets, being depreciated	3,559,384	58,392	308,293	(20,153)	3,905,916
Subtotal	4,068,497	18,827	613,585	(263,250)	4,437,659
Less accumulated depreciation for:					
Improvements other than building	(7,850)	2,571	(445)	7	(5,717)
Buildings	(999,445)	(119)	(87,822)	3,900	(1,083,486)
Equipment	(388,804)	210	(59,850)	13,555	(434,889)
Other capital assets	(98,321)	(117)	(10,422)	5,544	(103,316)
Infrastructure	(77,403)	(3,105)	(8,263)	450	(88,321)
Total accumulated depreciation	(1,571,823)	(560)	(166,802)	23,456	(1,715,729)
Business-type activities capital assets, net	$ 2,496,674	$ 18,267	$ 446,783	$ (239,794)	$ 2,721,930

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors, and other changes.

Component Units

Activity for ADFA for the year ended June 30, 2008, was as follows (expressed in thousands):

	Balance July 1, 2007	Additions/ Deletions	Balance June 30, 2008
ADFA:			
Capital assets being depreciated:			
Equipment	$ 677	$ 94	$ 771
Less accumulated depreciation for:			
Equipment	(500)	10	(490)
ADFA capital assets, net	$ 177	$ 104	$ 281

Activity for ASLA for the year ended June 30, 2008, was as follows (expressed in thousands):

	Balance July 1, 2007	Additions/ Deletions	Balance June 30, 2008
ASLA:			
Capital assets not being depreciated:			
Land	$ 670	$	$ 670
Capital assets being depreciated:			
Buildings and equipment	2,357	589	2,946
Less accumulated depreciation for:			
Buildings and equipment	(388)	(60)	(448)
ASLA capital assets, net	$ 2,639	$ 529	$ 3,168

Activity for U of A Foundation, Inc. for the year ended June 30, 2008, was as follows (expressed in thousands):

	Balance July 1, 2007	Additions/ Deletions	Balance June 30, 2008
U of A Foundation:			
Capital assets not being depreciated:			
Land	$ 522	$ (119)	$ 403
Capital assets being depreciated:			
Buildings and equipment	611	64	675
Less accumulated depreciation for:			
Buildings and equipment	(571)	(4)	(575)
Total Assets being depreciated, net	40	60	100
Total Assets U of A Foundation	$ 562	$ (59)	$ 503

Depreciation

Depreciation expense was charged to functions/programs of the primary government and component units as follows (expressed in thousands):

Primary Government

Governmental Activities:	
Education	$ 5,439
Health and human services	8,722
Transportation	333,401
Law, justice, and public safety	26,558
Recreation and resources development	16,401
General government	13,007
Regulation of business and professionals	899
Total depreciation expense – governmental activities	$ 404,427
Business-type Activities:	
Enterprise Funds	$ 166,802
Total depreciation expense – business-type activities	$ 166,802

Component Units

ADFA	$ 50
ASLA	60
U of A Foundation	45
Total depreciation expense – component units	$ 155

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2008, are summarized as follows (expressed in thousands):

	Balance July 1, 2007	Additions	Accretion on capital appreciation bonds	Reductions	Balance June 30, 2008	Due within one year	Due greater than one year
Governmental Activities:							
Bonds payable:							
General obligation	$ 972,191	$ 25,425	$ 794	$ 86,115	$ 912,295 ##	$ 71,972	$ 840,323
Revenue Bond Guaranty Fund	2,925	3,213 (2)		435	5,703	380	5,323
Add (deduct):							
Deferred bond refunding loss:							
General Obligation	(10,831)			(1,001)	(9,830)		(9,830)
Debt to Component Unit	(3,432)	(158)		(280)	(3,310)		(3,310)
Issuance premium (discount):							
General Obligation	15,521	(310)		2,375	12,836	2,334	10,502
Debt to Component Unit	3,168	5		223	2,950	221	2,729
Total bonds payable	979,542	28,175	794	87,867	920,644	74,907	845,737
Notes payable to component unit	121,645	9,992		14,247	117,390	8,395	108,995
Note payable to pension trust fund	11,580			1,974	9,606	2,132	7,474
Capital leases	3,520	3,000		1,934	4,586	1,700	2,886
Capital leases with component unit	111,450	29,046		8,704	131,792	6,906	124,886
Total notes and leases payable	248,195	42,038		26,859	263,374	19,133	244,241
Total bonds, notes, and leases payable	1,227,737	70,213	794	114,726	1,184,018	94,040	1,089,978
Installment sale with component unit		13,210			13,210	415	12,795
Claims and judgments	117,214	102,579		102,751	117,042	117,042	
Compensated absences	120,998	76,926		73,838	124,086	15,912	108,174
Total claims, judgments, and compensated absences	238,212	179,505		176,589	241,128	132,954	108,174
Net pension obligation	532			532			
Net OPEB obligation		106,570			106,570		106,570
Governmental activity total	$ 1,466,481	$ 369,498	$ 794	$ 291,847	$ 1,544,926	$ 227,409	$ 1,317,517

(1) Includes accretion on capital appreciation bonds of $ 22,350

(2) Represents assumed debt for which proceeds are not recorded in the fund statements

The compensated absences liabilities will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year	Due greater than one year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 78,775	$	$ 5,810	$ 72,965	$ 6,525	$ 66,440
College and University Revenue Bonds	1,197,070	115,425	66,420	1,246,075	42,475	1,203,600
Add (deduct):						
Deferred bond refunding loss	(3,979)	(76)	(376)	(3,679)	(376)	(3,303)
Issuance premiums/ (discounts)	12,891	535	440	12,986	818	12,168
Total bonds payable	1,284,757	115,884	72,294	1,328,347	49,442	1,278,905
Notes payable	22,920	26,873	17,777	32,016	11,858	20,158
Notes payable with component unit	5,857	3,037	5,376	3,518	466	3,052
Total notes payable	28,777	29,910	23,153	35,534	12,324	23,210
Capital leases	29,737	20,278	8,013	42,002	6,529	35,473
Capital leases with component unit	1,174		179	995	185	810
Total lease payable	30,911	20,278	8,192	42,997	6,714	36,283
Total bonds, notes, and leases payable	1,344,445	166,072	103,639	1,406,878	68,480	1,338,398
Claims and judgments	257,804	158,799	130,947	285,656	51,408	234,248
Compensated absences	81,380	58,045	51,977	87,448	12,383	75,065
Total claims, judgments, and compensated absences	339,184	216,844	182,924	373,104	63,791	309,313
Net OPEB obligation		24,854		24,854	3,643	21,211
Business-type activity total	$ 1,683,629	$ 407,770	$ 286,563	$ 1,804,836	$ 135,914	$ 1,668,922

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due within one year	Due greater than one year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable:						
Revenue	$ 753,780	$	$ 62,630	$ 691,150	$ 42,600	$ 648,550
Net OPEB Obligation		19		19		19
Arkansas Development Finance Authority:						
Bonds payable	1,133,632	101,608	150,300	1,084,940	43,512	1,041,428
Notes payable	220,751	134,579	149,607	205,723	77	205,646
Add: issuance premiums	2,686	417	152	2,951		2,951
Total bonds and notes payable ADFA	1,357,069	236,604	300,059	1,293,614	43,589	1,250,025
Net OPEB Obligation		198		198		198
U of A Foundation Annuity Obligations	19,606	931	2,175	18,362	1,366	16,996
Component units total	$ 2,130,455	$ 237,752	$ 364,864	$ 2,003,343	$ 87,555	$ 1,915,788

Primary Government

Governmental Activities

General Obligation Bonds – The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 2008, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds:			
2000A Series Federal Highway G.O. Bonds	2012	5.50	$ 107,800
2001A Series Federal Highway G.O. Bonds	2013	4.00-5.25	133,680
2002 Series Federal Highway G.O. Bonds	2015	3.50-5.00	190,065
Arkansas Natural Resources Commission Bonds:			
2001A Series Water, Waste, and Pollution	2011	4.65-6.30	3,495
2001B Series Water, Waste, and Pollution	2011	3.25-4.45	555
2002A Series Water, Waste, and Pollution	2026	4.00-5.00	11,665
2002B Series Water, Waste, and Pollution	2025	4.25-5.00	5,685
2002C Series Water, Waste, and Pollution	2020	3.50-5.00	6,305
2002D Series Water, Waste, and Pollution	2017	3.00-4.75	6,370
2002E Series Water, Waste, and Pollution	2012	2.75-5.80	930
2002F Series Water, Waste, and Pollution	2012	2.00-4.20	1,220
2002G Series Water, Waste, and Pollution	2035	2.85-4.95	4,740
2002H Series Water, Waste, and Pollution	2017	4.50-5.35	1,450
2002I Series Water, Waste, and Pollution	2026	3.00-4.75	9,300
2002K Series Water, Waste, and Pollution	2026	3.00-4.88	7,395
2003A Series Water, Waste, and Pollution	2020	2.25-5.30	1,860
2003B Series Water, Waste, and Pollution	2020	2.00-4.10	2,425
2003C Series Water, Waste, and Pollution	2033	2.50-4.75	16,295
2004A Series Water, Waste, and Pollution	2036	3.00-5.00	13,330
2005A Series Water, Waste, and Pollution	2025	3.25-4.35	5,175
2005B Series Water, Waste, and Pollution	2027	3.00-4.75	8,835
2006A Series Water, Waste, and Pollution	2016	5.00	15,505
2006B Series Water, Waste, and Pollution	2036	3.50-4.50	9,330
2006C Series Water, Waste, and Pollution	2033	4.13-4.63	4,645
2007 Series Water, Waste, and Pollution	2040	4.00-4.50	7,465
2008 Series Water, Waste, and Pollution	2042	3.50-4.60	25,425
College Savings Bonds:			
1993 Series, G.O. Bonds	2014	5.60	12,985
1996C Series, G.O. Bonds	2016	5.60	11,464
1997A Series, G.O. Bonds	2017	5.35	3,535
1997B Series, G.O. Bonds	2017	5.10-5.45	8,560
1998A Series, G.O. Bonds	2017	4.60-4.90	8,376
2005 Series, G.O. Bonds	2016	4.40-4.70	29,060
Higher Education Bonds:			
2007A Series, G. O. Bonds	2023	4.00-4.50	99,595
2007B Series, G. O. Bonds	2029	4.38-4.75	126,825
2007C Series, G. O. Bonds	2010	5.00-5.25	10,950
Total			$ 912,295

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2008, including accrued accreted interest of approximately $22,350 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 71,972	$ 42,900	$ 114,872
2010	75,501	38,860	114,361
2011	77,228	36,729	113,957
2012	79,576	32,503	112,079
2013	81,895	28,070	109,965
2014-2018	226,708	84,303	311,011
2019-2023	109,670	53,811	163,481
2024-2028	125,490	27,071	152,561
2029-2033	27,250	6,240	33,490
2034-2038	9,960	2,301	12,261
2039-2043	4,695	504	5,199
Total	$ 889,945	$ 353,292	$ 1,243,237

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds – Act 1027 of 1999 and a statewide election conducted June 15, 1999, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to $575 million to be issued in several series of various principal amounts. The bonds were issued to pay the cost of reconstructing and renovating the interstate highways and related facilities in the State of Arkansas. The bonds are payable primarily from Federal Interstate Maintenance Funds and by State revenues derived from the tax on diesel fuel at the rate of 4 cents per gallon. No bonds were issued under this act in the 2008 fiscal year.

State Water Resources Development General Obligation Bonds – Act 496 of 1981, as amended, authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) to issue State Water Resources Development General Obligation Bonds. All bonds issued under the authority of this Act are general obligations of the State of Arkansas and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The bonds were issued to provide financing for the development of water resources projects in the State of Arkansas approved and implemented by the Arkansas Soil and Water Conservation Commission. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. No bonds were issued under this act in the 2008 fiscal year.

State Waste Disposal and Pollution Abatement Facilities General Obligation Bonds – Act 686 of 1987, as amended, authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) to issue Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to $250 million with no more than $50 million being issued during any fiscal biennium unless the General Assembly by law authorizes a greater amount to be issued. The bonds are issued to provide financing for the development of waste disposal and pollution abatement facilities projects in the State of Arkansas. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. No bonds were issued under this act in the 2008 fiscal year.

State Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds – Act 607 of 1997 authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) to issue Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $300 million with no more than $60 million being issued during any fiscal biennium for nonrefunding purposes unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of water, waste disposal, pollution abatement, drainage and flood control, irrigation, and wetland preservation facilities projects in the state. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. In fiscal year 2008, $25.4 million of bonds were issued under this act.

College Savings General Obligation Bonds – Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $300 million with no more than $100 million being issued in any fiscal biennium unless the General Assembly of the State shall, by law, authorize a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2008 fiscal year.

Higher Education General Obligation Bonds – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $250 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and the College Savings Bond Act of 1989 shall not have scheduled debt service payments on a combined basis in excess of $24 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for state institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2008 fiscal year.

Revenue Bond Guaranty Fund **-** Under the Arkansas Development Finance Authority Bond Guaranty Act of 1985, the Arkansas Economic Development Commission (AEDC) may guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2008, total bonds guaranteed by the Revenue Bond Guaranty Fund amounted to $5.7 million, all of which are in default.

AEDC has security interest in property, plant, and equipment purchased with proceeds of revenue bonds guaranteed by the Revenue Bond Guaranty Fund. Assets held by AEDC, as a result of bankrupt companies defaulting on revenue bonds, are capitalized for financial statement purposes at an amount equal to the outstanding principal of the defaulted bond issue. AEDC maintains these facilities until a buyer can be found. At June 30, 2008, the equity interest in industrial facilities, which totaled approximately $1.8 million, were either rented or vacant.

The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2008, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate %	Balance
Revenue Bond Guaranty Fund	2021	3.45-5.75	$ 5,703

Future amounts required to pay principal and interest on Revenue Bond Guaranty Fund at June 30, 2008, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 380	$ 286	$ 666
2010	397	268	665
2011	413	249	662
2012	433	229	662
2013	455	207	662
2014-2018	2,645	649	3,294
2019-2023	980	117	1,097
Total	$ 5,703	$ 2,005	$ 7,708

Notes Payable to Component Units – Notes payable to component units consist of notes issued to ADFA for construction and renovation of various state agency facilities. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on notes payable to component units at June 30, 2008, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 8,395	$ 4,928	$ 13,323
2010	8,673	4,640	13,313
2011	8,197	4,349	12,546
2012	8,495	4,033	12,528
2013	8,832	3,684	12,516
2014-2018	41,935	12,474	54,409
2019-2023	20,015	5,436	25,451
2024-2028	10,633	1,774	12,407
2029-2033	2,215	105	2,320
Total	$ 117,390	$ 41,423	$ 158,813

Note Payable to Pension Trust Fund – The note payable to the pension trust fund consists of a note issued to the Arkansas Teacher Retirement System from the Department of Education (the Agency) for a statewide computer system capable of linking all public school district systems and the Department of Education's computer system. The note payable provides that interest for the loan(s) for this project shall be at the rate of eight percent (8%). The Agency borrowed $24.8 million in nine (9) installments between November 24, 1992, and July 17, 1996, to fund the project. Accrued interest totaled $5 million at June 30, 1997, and was paid on August 26, 1997.

The Agency signed a promissory note dated July 1, 1997, in which repayment of the loan was scheduled to begin on June 30, 1998, with an annual payment of $2.9 million. These annual payments are to continue for 14 years. A final payment of the unpaid principal and accrued interest is to be made on June 30, 2012. The Agency made its first annual payment on August 18, 1997.

Future amounts required to pay principal and interest on notes payable to pension trust fund at June 30, 2008, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 2,132	$ 768	$ 2,900
2010	2,302	598	2,900
2011	2,487	414	2,901
2012	2,685	215	2,900
Total	$ 9,606	$ 1,995	$ 11,601

Business-Type Activities

Special Obligation Bonds outstanding at June 30, 2008, issued pursuant to specific statutory provisions enacted by the legislature and paid from specifically dedicated fees and other revenues generated by a particular program and do not constitute general debt of the State, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Construction Assistance Revolving Loan Fund	2022	3.00-5.50	$ 72,965

Details of the Special Obligation Bonds outstanding are as follows:

Construction Assistance Revolving Loan Fund (the Fund) – ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments, and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal redemption price or interest on the bonds.

Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2008, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net assets due to unamortized discounts of approximately $174 thousand:

	Principal	Interest	Total
Year ending June 30:			
2009	$ 6,525	$ 3,426	$ 9,951
2010	6,850	3,146	9,996
2011	7,165	2,886	10,051
2012	7,255	2,577	9,832
2013	7,445	2,216	9,661
2014-2018	31,295	5,371	36,666
2019-2023	6,430	646	7,076
Total	$ 72,965	$ 20,268	$ 93,233

Higher Education Fund

Colleges and Universities – The boards of trustees of state-sponsored colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovation of buildings, and the acquisition of furnishings or equipment for any such buildings of all state colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

At June 30, 2008, college and university revenue bonds and notes payable outstanding were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net assets due to unamortized premiums of approximately $13,160 and unamortized deferred bond refunding losses of $3,679:

	Final maturity date	Interest rates %	Balance
Henderson State University	2036	1.00-7.00	$ 35,560
Southern Arkansas University-Magnolia	2037	1.40-5.35	26,277
Southern Arkansas University Tech-Camden	2016	5.00-6.02	710
Arkansas State University-Beebe	2036	3.00-6.60	30,565
Arkansas State University-Jonesboro	2037	1.60-6.00	123,019
Arkansas State University-Mountain Home	2033	1.60-4.50	9,055
Arkansas State University-Newport	2033	2.75-4.50	6,475
Arkansas Tech University	2039	1.10-5.65	47,087
University of Arkansas at Fayetteville	2038	Variable	355,675
University of Arkansas at Little Rock	2030	4.22-5.50	48,802
University of Arkansas for Medical Sciences	2036	2.00-5.05	266,125
University of Arkansas at Monticello	2036	Variable	12,375
University of Arkansas at Pine Bluff	2036	2.00-5.70	25,738
University of Central Arkansas	2038	2.00-7.75	97,800
University of Arkansas Community College at Hope	2021	3.80-4.33	5,295
University of Arkansas Community College at Batesville	2019	Variable	3,893
University of Arkansas Community College at Morrilton	2022	2.24-4.00	4,045
University of Arkansas at Fort Smith	2032	1.00-5.00	59,270
East Arkansas Community College	2013	3.00-6.00	715
National Park Community College	2033	3.00-4.70	12,800
Mid-South Community College	2039	3.70	15,365
Arkansas Northeastern College	2031	4.00-5.35	4,660
North Arkansas College	2037	3.00-3.50	4,535
Phillips Community College of the University of Arkansas	2018	3.58-5.00	4,519
Rich Mountain Community College	2023	2.25	1,575
Northwest Arkansas Community College	2030	3.00-5.00	21,980
Black River Technical College	2028	1.35-4.75	2,870
Pulaski Technical College	2037	3.6-4.89	52,295
Ouachita Technical College	2009	2.99	89
Ozarka College	2028	4.90	2,440
Total			$ 1,281,609

The variable rates of interest are calculated at periodic intervals. Such calculations are primarily based on the lenders' changes in the index determined by the Prime Rate or the LIBOR Rate. Other variable rates are calculated using the rate in effect at the financial statement date. Actual rates will vary.

Future amounts required to pay principal and interest on college and university revenue bonds and notes payable as of June 30, 2008, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 54,799	$ 58,051	$ 112,850
2010	62,203	55,720	117,923
2011	48,532	53,442	101,974
2012	47,548	51,498	99,046
2013	45,310	49,559	94,869
2014-2018	245,439	215,976	461,415
2019-2023	256,000	159,270	415,270
2024-2028	207,093	103,620	310,713
2029-2033	198,335	54,544	252,879
2034-2038	115,485	11,507	126,992
2039-2043	865	38	903
Total	$ 1,281,609	$ 813,225	$ 2,094,834

Component Units

Arkansas Student Loan Authority – Pursuant to Act 873 of 1977, revenue bonds are issued by ASLA to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. These revenue bonds do not constitute general debt of the State.

Revenue bonds outstanding at June 30, 2008, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Student Loan Revenue Bonds, Series 1994A	2009	2.91	$ 23,500
Student Loan Revenue Bonds, Series 1994B	2009	7.25	6,600
Student Loan Revenue Refunding Bonds, Series 1996A	2010	0.00	42,900
Student Loan Revenue Bonds, Series 1997A	2014	2.74	31,150
Student Loan Revenue Refunding Bonds, Series 2000 A-1	2030	5.38	50,000
Student Loan Revenue Refunding Bonds, Series 2000 A-2	2030	3.98	20,000
Student Loan Revenue Refunding Bonds, Series 2004 A-1/A-2	2038	3.85-3.95	110,550
Student Loan Revenue Refunding Bonds, Series 2004 A-3	2038	3.72	15,500
Student Loan Revenue Refunding Bonds, Series 2005 A-1/A-2/A-3	2039	5.38	187,350
Student Loan Revenue Bonds, Series 2006 A-1/A-2/A-3/B-1	2040	3.81-3.92	178,600
Student Loan Revenue Bonds, Series 2006 A-4	2040	0.00	25,000
Total			$ 691,150

Future amounts required to pay principal and interest on revenue bonds at June 30, 2008, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2009	$ 42,600	$ 21,335	$ 63,935
2010	44,800	21,005	65,805
2011	11,300	20,708	32,008
2012	18,550	20,066	38,616
2013		20,151	20,151
2014-2018	31,150	64,020	95,170
2019-2023		74,979	74,979
2024-2028	65,000	77,228	142,228
2029-2033		80,682	80,682
2034-2038		79,150	79,150
2039-2043	477,750	49,565	527,315
Total	$ 691,150	$ 528,889	$ 1,220,039

Arkansas Development Finance Authority (the Authority) – Pursuant to Act 1062, the Authority is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments, and industrial enterprises.

Bonds and other debt instruments issued by the Authority are special obligations of the Authority, payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal or redemption price of or interest on the bonds and other debt instruments. The Authority has no taxing power.

Conduit debt issued by the Authority is recorded on the Authority's balance sheet if either (a) the Authority has a vested interest in the residual value of the bond issue after its retirement or (b) the Authority guarantees the debt through the Bond Guaranty fund. Additionally, the Authority reports conduit debt obligations of entities that are included in the State of Arkansas reporting entity on its statement of net assets.

During the normal course of business, the Authority issues economic development revenue bonds and multi-family housing revenue bonds on behalf of private companies within the State of Arkansas. The bonds are payable solely from and secured by a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, are not obligations of the Authority or the State of Arkansas. At June 30, 2008, the bonds outstanding issued under these programs aggregated $ 227.2 million.

Bonds and notes payable at June 30, 2008, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Single Family Bonds Payable	2038	2.40-10.00	$ 756,717
Multi‑Family Bonds Payable	2035	3.75-9.75	69,927
Bond Guaranty Program	2024	2.70-7.45	55,965
State and Health Facilities Bonds Payable	2040	2.125-7.00	268,010
Economic Development Bonds and Notes Payable	2015	1.00-5.70	1,401
Tobacco Bond Payable	2046	3.80-5.50	89,112
General Fund Bonds and Note Payable	2041	2.33-4.51	49,531
Total			$ 1,290,663

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2008, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $2,951 less accreted interest of $92,899:

	Principal	Interest	Total
Year ending June 30:			
2009	$ 43,589	$ 55,110	$ 98,699
2010	249,760	50,620	300,380
2011	43,676	45,113	88,789
2012	42,022	42,960	84,982
2013	39,436	40,911	80,347
2014-2018	190,038	177,249	367,287
2019-2023	184,902	133,048	317,950
2024-2028	196,045	89,403	285,448
2029-2033	175,670	47,660	223,330
2034-2038	117,611	15,640	133,251
2039-2043	80,845	4,147	84,992
2044-2048	19,968		19,968
Total	$ 1,383,562	$ 701,861	$ 2,085,423

U of A Foundation – The U of A Foundation receives gifts in return for lifetime annuities from some of its contributors. The terms of these annuities vary depending upon the life expectancy of the recipients. The quarterly payments as of June 30, 2008, were $554,200 including interest ranging from 5% to 12%.

Aggregate annual maturities of annuity obligations at June 30, 2008, were as follows (expressed in thousands):

		Principal
Year ending June 30:		
2009	$	1,366
2010		1,322
2011		1,087
2012		1,001
2013		939
Thereafter		12,647
Total	$	18,362

The U of A Foundation is a private nonprofit organization that reports under FASB standards and is not required to report under GASB standards. As such, the U of A Foundation is not required to report future amounts related to interest on long-term liabilities.

Prior Defeasances

Primary Government

Governmental Activities

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $113 million were considered defeased at June 30, 2008.

Higher Education

In December 2001, the University of Arkansas Fort Smith Campus issued Student Fee revenue bonds, Series 2001 in the amount of $41.5 million with interest rates ranging from 2 to 5%. The primary portion of the proceeds was pledged to advance refund the outstanding balances of the 1999 and 1997 general obligation bonds, $9.7 million and $25.9 million, respectively. The required portion was deposited in an irrevocable trust to provide full funding for all future debt service payments on the old outstanding bonds. Final payment from the Defeasance Escrow Fund is scheduled for April 1, 2009. To date all payments have been made according to the schedule. Neither this defeased debt, nor the activity associated with it, is reported in the financial statements. The outstanding principal balance at June 30, 2008, was $8.4 million, all attributable to the 1999 issue, and the related escrow balance was $8.6 million.

On October 1, 2004, the University of Arkansas Fayetteville Campus issued $7.1 million in Various Facility Revenue Refunding Bonds. The bonds were issued with an average coupon rate of 3.677% in order to advance refund $6.6 million of Series 1997 Various Facility Revenue Bonds having an average interest rate of 5.198%. Proceeds in the amount of $7 million were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 1997 Series bonds. All outstanding refunded Series 1997 bonds were redeemed on November 1, 2007, and the escrow balance at June 30, 2008, was $10.

On March 1, 2005, the University of Arkansas Fayetteville Campus issued $60 million in Various Facility Revenue Refunding Bonds. Series 2005B bonds were issued with an average coupon rate of 4.408% in order to advance refund $44.2 million of Series 2002 Various Facility Revenue Bonds and $12.1 million of Series 2001 Various Facility Revenue Bonds. The refunded bonds have an average interest rate of 5.472%. Proceeds in the amount of $62.3 million, 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. 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 outstanding principal balance at June 30, 2008, was $56.3 million for these issues, and the related escrow balance at June 30, 2008, was $60.1 million.

On September 15, 2005, Arkansas State University issued $3.3 million in refunding bonds, for the Beebe campus, with interest rates of 2.8% to 4.15% to advance refund $3.3 million of outstanding bonds dated December 1, 1998, with interest rates of 3.85% to 5%. Net bond proceeds of $3.2 million, with a contribution from the University of $136,000, were used to advance refund the 1998 bonds. As a result, the 1998 bonds are considered to be defeased and the liability for these bonds has been removed from the long-term debt. An additional $4,693 was received by Arkansas State University as a result of the refunding to be applied for debt service of the new issue. The 1998 bonds were called for redemption on October 15, 2005. Arkansas State University advance refunded the bonds to reduce its total debt service payments over the next 19 years by $432,696 and to obtain an economic gain of $171,960. All outstanding refunded bonds were redeemed on April 1, 2008, and the escrow balance at June 30, 2008, was $0.

On September 15, 2005, Arkansas State University issued $19.2 million in refunding bonds, for the Jonesboro campus, with interest rates of 3% to 5% to advance refund $14.4 million of outstanding bonds dated May 1, 1999, and $4.9 million dated April 1, 2000, with interest rates of 3.5% to 6.125%. Net bond proceeds of $18.8 million, after payment of $382,184 bond issuance costs, and a premium of $1.5 million were remitted to an escrow agent to provide for all future payments of the defeased bonds. The May 1, 1999, bonds were called on April 1, 2007, and the April 1, 2000 bonds will be called on April 1, 2008. Arkansas State University advance refunded the bonds to reduce its total debt service payment by $1.1 million over the next 19 years and to obtain an economic gain of $1.1 million. Arkansas State University received accrued interest of $34,936 from the bond issue to apply toward the debt payments of the new issue. All outstanding refunded bonds were redeemed on April 1, 2008, and the escrow balance at June 30, 2008, was $0.

On October 12, 2005, the University of Arkansas Pine Bluff Campus issued $19.6 million in Various Facility Revenue Refunding and Construction Bonds, Series 2005A, and $3.3 million in Various Facility Revenue Refunding Bonds, Series 2005B. Series 2005A bonds were issued for the purpose of financing (1) the transfer of a student housing facility from Delta Student Housing, Inc. in exchange for $10.2 million to retire Delta's existing debt; (2) the refunding of the University's note to the Department of Education in the amount of $2.7 million; (3) the refunding of the University's note to the Arkansas Development Finance Authority in the amount of $668,968; (4) and the capital repairs and improvements to existing facilities on campus. Series 2005B bonds were issued with an average coupon rate of 3.53% in order to advance refund $3.3 million of Series 1997 Athletic Facilities Revenue Bonds having an average interest rate of 5.23%. Proceeds in the amount of $3.4 million were deposited in trust with an escrow agent to provide for all future debt service payments of the refunded 1997 Series bonds. All outstanding refunded bonds were redeemed on December 1, 2007, and the balance at June 30, 2008, was $0.

On April 27, 2006, the University of Central Arkansas issued $19.1 million in general obligation bonds collectively referred to as 2006D, 2006E, and 2006F and dated as April 1, 2006. The series 2006D bonds ($7.2 million) are secured by a pledge of a portion of auxiliary revenues and the proceeds will be used to fund the construction of a student health facility and to provide additional parking facilities. The series 2006E bonds ($3.8 million) are secured by a pledge of a portion of the general tuition and fee revenue and it will be used to construct and improve intramurals and practice fields for educational and general purposes. The series 2006F bonds ($8.1 million) are secured by a pledge of a portion of student housing revenues and will refund the series 2000 bonds of the College Square Retirement Center. This issuance created a net present value savings of $803,000 by the advance refunding of the 2000 Series bonds refunded through the 2006F Series bonds. The 2000 issue would have required principal and interest payments of $14.8 million.

On June 1, 2007, Arkansas State University issued $30.3 million in refunding and construction bonds, for the Jonesboro campus, with interest rates of 3.65% to 5%. A portion of the bond proceeds was utilized to advance refund outstanding bonds of $7.6 million dated March 1, 1999, with interest rates of 4.15% to 5.05%. Net bond proceeds of $7.8 million were remitted to an escrow agent to provide for all future payments of the defeased bonds. The March 1, 1999, bonds were called on August 1, 2007. The University advance refunded the bonds to reduce its total debt service payments by $240,091 over the next sixteen years and to obtain an economic gain of $194,821. The University received accrued interest of $19,056 from the bond issue to apply toward the debt payments of the new issue. All outstanding refunded bonds were redeemed on August 1, 2007, and the escrow balance at June 30, 2008, was $0.

On May 15, 2005, Northwest Arkansas Community College issued capital improvement and refunding bonds of $23.4 million with interest rate from 3% to 5%. A portion of the bond proceeds was utilized to advance refund outstanding bonds dated November 1, 2000, and October 1, 2002, with interest rates of 4.8 and 5.9% and 1.5% to 3.6% respectively. As a result, the bonds are considered defeased and the liability for these bonds has been removed from the financial statements. The final call dates of the 2000 and 2002 series bonds are November 15, 2010, and November 15, 2007, respectively. The outstanding principal balance at June 30, 2008, was $5.3 million for these issues, and the related escrow balance at June 30, 2008, was $5.5 million.

Component Units

In prior years, the Arkansas Development Finance Authority defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $53.8 million were considered defeased at June 30, 2008. The bonds include the 1979 Series A Single Family Conventional Bonds and the 1999 Series A State Agencies Facilities Revenue Bonds.

Current Refundings

Primary Government

Higher Education

On April 30, 2008, Arkansas State University issued $4.4 million in refunding bonds for the Newport campus with interest rates of 2.75% to 4.5% to advance refund $4.3 million of outstanding bonds dated May 1, 2003. Net bond proceeds of $4.3, after payment of $78,215 net bond issuance costs, and Arkansas State University contribution of $8,950 were remitted to an escrow agent to provide for all future payments of the defeased bonds. The May 1, 2003, bonds were called on June 1, 2008. Arkansas State University advance refunded the bonds to reduce its total debt service payment by $239,381 over the next 20 years.

On October 1, 2007, the University of Central Arkansas issued $21.4 million in refunding bonds referred to as the Board of Trustees of the University of Central Arkansas Student Housing Revenue Refunding Bonds, Series 2007C. The bonds were issued to provide funds for the advance refunding of the Housing System Revenue Bonds Series 1997A in the amount of $5.5 million and the Student Housing System Revenue Bonds Series 2004C of $15.2 million, as well as to pay the cost of issuance of the 2007C bonds. The advance refunding will reduce the total debt service payments by $1.5 million and result in an economic gain of $733,357.

(9) Pledged Revenues

Primary Government

Governmental Activities

The state has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the pledged gross revenues collected, principal, and interest paid during the fiscal year ended June 30, 2008, and the remaining principal and interest as of June 30, 2008 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment	Remaining Principal and Interest	FY08 Pledged Revenue	FY08 Principal and Interest
Motor vehicle transfer fees, lein fees, title fees	Construction and remodel of buildings	2014	$ 5,811	$ 1,800	$ 2,330
Permit fees	Construction of buildings	2041	38,117	11,711	670

Business-Type Activities

For purposes of extinguishing long-term debt issues, certain revenues have been pledged as security. The following is a summary of the pledged gross revenues collected, principal and interest paid during the fiscal year ended June 30, 2008, and the approximate amount of pledged revenues as of June 30, 2008 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	FY 2008 Pledged Revenue	FY 2008 Principal and Interest
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2035	$ 29,007	63%	$ 1,711	$ 1,275
	Student recreation center revenue	Construction of student recreation center	2032	13,090	68%	801	263
	Auxiliary revenue	Renovation and maintenance of other auxiliary services	2027	795	10%	413	89
Southern Arkansas University - Magnolia	Student fees	Capital improvements to facilities	2037	29,899	7%	15,439	772
	Housing system revenue	Construction and remodel of residence halls	2014	607	2%	5,532	84
	Auxiliary revenue	Capital improvements to facilities	2030	13,926	11%	5,970	644
Arkansas State University - Beebe	Student fees	Construction of facilities	2013	337	47%	144	33
	Student tuition & fee revenue	Construction, renovation and refinance of facilities	2036	50,751	34%	5,377	1,835
Arkansas State University - Jonesboro	Lessee rent	Construction of facilities	2010	256	11%	1,140	124
	Student tuition & fee revenue	Construction of facilities, property purchase and refinance facilities	2034	26,274	2%	54,660	1,666
	Housing fees	Construction of facilitiies and refinance facilities	2037	120,913	88%	4,716	4,124
	Student union fees	Refinance facilities	2025	19,501	51%	2,251	1,200
	Parking fees	Refinance facilities	2025	6,645	28%	1,394	409
	Recreation center fees	Construction of facilities	2037	30,680	94%	1,123	1,056
Arkansas State University - Mountain Home	Student fees	Construction of facilities	2033	8,320	15%	2,258	78
	Student fees and ad valorem tax	Refinance prior issue	2018	4,715	14%	3,332	552
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilitiies and refinance facilities	2033	9,837	14%	2,756	31
Arkansas Tech University	Food service fees	Renovation of cafeteria	2017	934	3%	4,105	107
	Housing fees	Construction of facilities and refunding of existing bond issue	2038	44,053	26%	5,666	1,631
	Student tuition & fee revenue	Construction of facilities, refunding of existing bond issue, upgrade computer system and software	2038	22,969	2%	30,998	1,595
	Athletic revenues	Construction of facilities	2037	6,873	7%	3,468	262
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues, land purchases	2038	497,341	9%	177,937	21,431
	Athletic fees	Construction of facilities and refunding of prior issues	2023	53,128	9%	41,608	4,958
University of Arkansas at Little Rock	Student fees	Refunding of prior issues and general improvements	2025	39,213	4%	54,296	4,546
	Housing fees	Construction of facilities	2030	26,286	42%	2,861	900
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refinance prior issues	2036	443,960	3%	488,488	17,383
	Parking fees	Parking deck construction	2035	30,792	53%	2,172	1,764
University of Arkansas at Monticello	Auxiliary revenue	Refunding of prior issues	2019	4,493	8%	5,289	410
	Student fees & auxiliary revenue	Capital improvements and refund loan with component unit	2036	15,828	4%	15,152	568
University of Arkansas at Pine Bluff	E&G funds	Refunding of prior issues and capital improvements	2036	38,015	5%	26,089	1,602
	Student fees	Construction of facilities	2014	563	1%	15,746	95
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	69,156	4%	60,805	2,929
	Housing fees	Construction of facilities and refunding of prior issues	2034	52,354	10%	20,991	2,515
	Auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2038	26,109	7%	12,151	1,967
University of Arkansas Community College - Hope	Student fees	Construction of facilities and refund of prior issues	2021	7,044	28%	1,910	586
University of Arkansas Community College - Batesville	Student fees	Construction of facilities	2019	3,395	12%	2,606	308
University of Arkansas Community College - Morrilton	Student fees	Construction of facilities and refund of prior issues	2022	5,364	10%	3,792	444
University of Arkansas at Fort Smith	Student fees	Construction of facilities and general improvments	2032	84,711	16%	22,506	4,987
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	20,610	23%	3,511	622
University of Arkansas Community College - Phillips	Student fees	Construction of facilities	2018	5,317	19%	2,780	506
Rich Mountain Community College	Tax revenue	Capital improvements	2023	2,212	45%	327	158
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities	2028	4,394	12%	1,884	219
Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities	2037	88,654	70%	4,344	3,362
Ozarka College	Student tuition & fee revenue	Construction of facilities	2027	3,800	9%	2,215	189

(10) Arbitrage Rebate and Excess Earnings Liability

Primary Government

The interest paid on most debt issued by state governments is exempt from federal income tax. State governments sometimes temporarily reinvest the proceeds of such tax-exempt debt in materially higher-yielding taxable securities. This practice is known as arbitrage. Any excess earnings resulting from arbitrage must be rebated to the federal government. Arbitrage is calculated and rebated at the end of each five-year period that the tax-exempt debt is outstanding (90% of the amount due), as well as at maturity. The State's outstanding bonds are subject to federal government yield and adjustment excess earnings laws, which limit the earnings rate on funds received by an organization, that issue tax exempt bonds. Additionally, all of the State's outstanding bonds are subject to federal government arbitrage rebate laws. At June 30, 2008, the State owed $40,000 in arbitrage rebate liability.

Component Units

The Arkansas Student Loan Authority's (ASLA) outstanding bonds are subject to federal government yield and adjustment excess earnings laws, which limit the earnings rate on funds received by an organization which issues tax exempt bonds. Additionally, all of the ASLA's outstanding bonds are subject to federal government arbitrage rebate laws. These laws limit the earnings rate on funds received by an organization which issues tax exempt bonds. A liability for revenues above the arbitrage rebate limit and for excess earnings over the allowable spread between the loan yield and bond yield have been included in accounts payable and accrued expenses in the amounts of approximately $3.6 million at June 30, 2008. The Series 2004A bonds currently have excess earnings provisions. The 2004A, 2005A, and 2006A & B currently have arbitrage rebate provisions.

The ASLA trust indentures require such excess earnings and arbitrage rebate provisions to be placed in the respective rebate funds and held until the amounts are due to the federal government, generally five years subsequent to the issuance of the bonds. The excess earnings are periodically adjusted when the calculations reveal changes in the current amount that may be due if the bonds were redeemed. There were no amounts remitted by the ASLA to the federal government related to its excess earnings liability during the year ending June 30, 2008.

The Internal Revenue Code of 1986 establishes rules and regulation for arbitrage rebates. The Arkansas Development Finance Authority (ADFA) has made provisions for revenues above the rebate limit which must be remitted to the federal government. The Internal Revenue Service limits the amount of interest rate spread that an issuer can earn on tax-exempt single family mortgage revenue bonds. Based on certain assumptions with regard to its variable rate demand obligations, ADFA could earn in excess of the allowed amount. In order to maintain compliance with the IRS, the excess is directed to bond issues earning less than the allowed amount. At June 30, 2008, the present value of excess subsidy was approximately $13.4 million. In the event the cost of long-term bonds exceeds the reserved or warehoused loan rates, ADFA would utilize this subsidy to limit losses.

(11) Leases

Capital Lease Receivables

In July of 2006, a capital lease receivable was entered into with the Arkansas Development Finance Authority, a discretely presented component unit of the State, and the Arkansas Economic Development Commission, a department of the State of Arkansas, as lessors, and Drew Foam Companies, Inc. as a lessee. The capital lease term continues until June 30, 2024. The amount of the lease is $750,000, to include land with all buildings, structures and other improvements now or in the future. The capital lease bears no interest rate and the future lease payments below represent only principal payments. There are no contingent rentals or unearned income at June 30, 2008.

Future amounts required to pay principal as of June 30, 2008, are as follows (expressed in thousands):

	Principal
Year ending June 30:	
2009	$ 28
2010	46
2011	46
2012	46
2013	46
2014-2018	230
2019-2023	230
2024-2028	46
Total	$ 718

Capital Lease Obligations

The State has entered into various lease agreements with the private sector, primarily for buildings and equipment. These agreements are for various terms with most containing clauses indicating that their continuation is subject to continuing appropriation by the Legislature.

The State has lease agreements for buildings and equipment which are accounted for as operating leases. The lease payments are recorded as expenditures or expenses over the life of the lease.

The State also has lease agreements for buildings and equipment which are accounted for as capital leases. FASB Statement No. 13, *Accounting for Leases*, requires a lease that transfers substantially all of the benefits and risks of ownership to the lessee to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee. Capital leases in the government-wide and proprietary fund statements are reported as long-term obligations in those funds along with the related assets. Capital leases for the governmental funds are reported as other financing sources and expenditures.

The State also has direct-financing lease agreements with the Arkansas Development Finance Authority. These leases and the related assets are reported separately from other capital leases in the notes to the government-wide financial statements.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

Assets acquired through capital leases were as follows (expressed in thousands):

	Governmental activities	Business-type activities
Assets:		
Land	$	$ 259
Buildings	290,351	20,979
Machinery and equipment	1,020	30,848
Less: Accumulated depreciation	(64,625)	(13,776)
Total	$ 226,746	$ 38,310

Future minimum commitments under operating and capital leases by fund type as of June 30, 2008, were as follows (expressed in thousands):

	Capital leases	
	Governmental activities	Business-type activities
Year ending June 30:		
2009	$ 1,833	$ 8,421
2010	1,452	7,301
2011	904	5,823
2012	600	4,157
2013		3,564
2014-2018		13,781
2019-2023		8,699
2024-2028		3,056
2029-2033		1,476
2034-2038		566
Total minimum lease payments	4,789	56,844
Less: Interest	(203)	(14,842)
Present value of future minimum lease payments	$ 4,586	$ 42,002

	Capital leases with component unit	
	Governmental activities	Business-type activities
Year ending June 30:		
2009	$ 12,962	$ 226
2010	12,956	225
2011	12,940	227
2012	10,858	224
2013	10,845	225
2014-2018	50,111	
2019-2023	41,205	
2024-2028	26,617	
2029-2033	19,923	
2034-2038	8,662	
2039-2043	2,827	
Total minimum lease payments	209,906	1,127
Less: Interest	(78,114)	(132)
Present value of future minimum lease payments	$ 131,792	$ 995

	Operating leases	
	Governmental activities	Business-type activities
Year ending June 30:		
2009	$ 28,119	$ 12,913
2010	19,770	8,106
2011	14,593	4,288
2012	8,402	2,425
2013	5,917	2,331
2014-2018	17,570	7,097
2019-2023	13,088	4,432
2024-2028	26,742	4,356
Total minimum lease payments	$ 134,201	$ 45,948
Total rental expenditure/ expense (2008)	$ 32,727	$ 18,106

(12) Fund Balance/Net Assets

Deficit Net Assets

The Workers' Compensation Commission (WCC) had a $79.4 million deficit in net assets as of June 30, 2008. The deficit is due to a change in actuarial assumptions during the fiscal year ended June 30, 1997. During 1987, the structure of the law changed by tying workers' compensation payments to the State's average weekly wage, beginning on January 1, 1989. However, the threshold at which the agency's Permanent and Total Disability Trust Fund takes over indemnity payments was not changed, and has remained static at $75,000 since 1981, although the state maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, has led to the deficit. A major step towards eliminating the deficit was taken during the latest legislative session with the passage of Act 1599 of 2007, which now sets the threshold to 325 times the maximum total disability rate, or $169,650.

(13) Pensions

(a) Plan Descriptions

The State contributed to three single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan (Judicial), Arkansas Highway and Transportation Retirement Plan (Highway), and Arkansas State Police Retirement System (State Police). State Police and Judicial are administered by Arkansas Public Employee Retirement System (APERS). Highway is administered by the plan itself. Each plan provides retirement, disability, and death benefits in accordance with benefit provisions established and amended by Arkansas Code Title 24. Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Judicial
Retirement Plan
One Union National Plaza
124 W. Capitol, Suite 400
Little Rock, AR 72201-1015
(501) 682-7800

Arkansas Highway and
Transportation Retirement Plan
10324 I-30
Little Rock, AR 72209
(501) 569-2000

Arkansas State Police
Retirement Plan
One Union National Plaza
124 W. Capitol, Suite 400
Little Rock, AR 72201-1015
(501) 682-7800

The State sponsors two cost-sharing multiple-employer defined benefit plans: Teacher, administered by the Arkansas Teacher Retirement System board of trustees, and APERS, administered by the Arkansas Public Employees Retirement System board of trustees, which provide retirement, disability and death benefits, and annual cost-of-living adjustments to plan members and beneficiaries. Benefit provisions are established and amended by Arkansas Code Title 24. Each plan issues a publicly available financial report, which may be obtained by writing or calling the appropriate plan:

Arkansas Teacher Retirement Plan
1400 West Third Street
Little Rock, AR 72201
(501) 682-1517

Arkansas Public Employees Retirement Plan
One Union National Plaza
124 W. Capitol, Suite 400
Little Rock, AR 72201-1015
(501) 682-7800

(b) Funding Policies

Arkansas Code establishes the contribution requirements of plan members and the State. The State's annual pension cost for the current year and related information for each plan is as follows:

	Teacher	APERS	Highway	State Police	Judicial
Number of participating employers/contributing entities	336	697	1	1	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	14.00%	4.00%-24.54%	12.90%	22.00%	12.00%
Legal or contractual maximum rates	14.00%	24.54%	12.90%	22.00%	12.00%
Covered Payroll (in thousands)	$ 2,268,000	$ 1,380,000	$ 119,000	$ 25,910	$ 18,074
State Plan Members - contributory plans	6.00%	5.00%	6.00%	9.25%	5.00% or 6.00%
Annual pension cost (in thousands)	$ 350,319	$ 173,462	$ 16,178	$ 10,043	$ 5,145
Contributions made (in thousands)	$ 350,319	$ 173,462	$ 16,178	$ 11,651	$ 5,145

The annual required contribution amounts and the percentage contributed is determined by the annual actuarial valuation as set forth in Arkansas Code for Teacher and APERS. The current year and each of the two preceding years are as follows (expressed in thousands):

Fiscal year	Plan	Annual Pension Cost	Percentage contributed
2008	Teacher	$ 350,319	100%
	APERS	$ 173,462	100%
2007	Teacher	$ 331,891	100%
	APERS	$ 163,224	100%
2006	Teacher	$ 311,714	100%
	APERS	$ 158,152	100%

The State Police plan consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plans, and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members after that date. All non-retired members of the State Police are now covered by noncontributory benefits. Act 1071 of 1997 created a second tier of benefits for new hires and prior members electing the new program. Act 1071 of 1997 also provided additional funding for State Police. Through June 30, 2003, the funding provided by Act 1071 enabled the Retirement System to meet the level percent-of-payroll financing objective. Act 1071 of 1997 was further amended by Act 1023 of 2005 to extend the maximum amortization period for unfunded actuarial accrued liabilities to an open 30-year period.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan, and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977, and was effective January 1, 1978. It automatically applied to all members hired between January 1, 1978, and June 30, 2005. Act 2084 of 2005 requires that beginning July 1, 2005, all new hires become APERS members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

Members of the Teacher plan contribute 6% of their salaries, with one exception. Those who became members before July 1, 1971, can contribute only on the first $7,800 of their annual salary. Effective July 1, 1993, all new members, including any former active members, were automatically enrolled as noncontributory members. By individual election, members of the Teacher plan may choose to contribute.

Active members of the Judicial plan contribute either 5% or 6% of their salaries depending upon the member's appointment date. Members of the Judicial plan with 20 or more years of service and members age 65 or older with 10 or more years of service do not contribute to the plan. Active members of the Highway plan contribute 6% of their salaries.

The Teacher, Highway, and Judicial plans did not have any investments of any commercial or industrial organization whose market value equaled 5% or more of the individual plan's net assets available for benefits.

Investment in the pension trust funds are reported at fair value as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

The State's 2008 contribution to APERS represented 100% of total contributions required of all participating entities. Beginning with the 1997 fiscal year, the State no longer contributes to the Teacher plan. As required by Act 1194 of 1995, the State increased the local state supported school appropriation so that such retirement contributions come directly from the school districts.

The State's annual pension cost and net pension obligation (asset) to State Police for the current year is as follows (expressed in thousands):

		State Police
Annual required contributions (ARC)	$	9,996
Interest on net pension obligations		163
Adjustment to annual required contributions		(116)
Annual pension cost		10,043
Contributions made		11,651
Change in net pension obligations (asset)		(1,608)
Net pension obligation (asset), beginning of year		532
Net pension obligation (asset), end of year	$	(1,076)

The net pension obligation (asset) for State Police is recorded in the governmental activities column in the government-wide financial statements.

No pension liability exists for Teacher, APERS, Highway, or Judicial as the State's contributions to each respective plan for the year ending June 30, 2008 was equal to the ARC.

Three-year trend information for Highway, State Police, and Judicial is as follows (expressed in thousands):

	Year ending	Annual pension cost (APC)	Percentage of APC contributed	Net pension obligation (asset)
Highway	6/30/2008	$ 16,178	100.00%	$
	6/30/2007	15,925	100.00%	
	6/30/2006	15,952	100.00%	
State Police	6/30/2008	10,043	116.01%	(1,076)
	6/30/2007	9,891	115.93%	532
	6/30/2006	9,984	96.60%	2,107
Judicial	6/30/2008	5,145	100.00%	
	6/30/2007	5,182	100.00%	
	6/30/2006	4,905	100.00%	

Historical trend information designed to provide information about each systems' progress made in accumulating sufficient assets to pay benefits when due is required supplementary information. Required supplementary information is located immediately following the notes of the State's financial statements.

The projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations.

(c) Funded Status

The funded status of the State's Highway, State Police and Judicial plans as of June 30, 2008 are as follows:

	Highway	State Police	Judicial
Actuarial accrued liability	$ 1,188,700	$ 320,100	$ 165,747
Acturial value of plan assets	1,206,900	238,040	169,061
Unfunded actuarial accrued liability (UAAL)	$ (18,200)	$ 82,060	$ (3,314)
Funded ratio	101.5%	74.4%	102.0%
Covered payroll	$ 119,000	$ 25,910	$ 18,074
UAAL as a percentage of covered payroll	-15.29%	316.71%	-18.31%

(d) Actuarial Assumptions

	Teacher	APERS	Highway	State Police	Judicial
Actuarial valuation date	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008	June 30, 2008
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Remaining amortization period	21 years	18 years	0 years	30 years	30 years
Asset valuation method	4 Year Smoothing 80%-120% Corridor	4 Year Smoothing Market	5 Year Smoothing Market	4 Year Smoothing Market	4 Year Smoothing Market
Actuarial assumptions:					
Inflation rate	4.00%	4.00%	3.50%	4.00%	3.00%
Investment rate of return*	8.00%	8.00%	8.00%	7.75%	7.50%
Projected salary increases*	4.00%-10.10%	4.7%-10.6%	4.75%-11.25%	3.75%	4.00%
Postretirement benefit increases	3.00% Simple	3.00% Compounded	3.00% Compounded	3.00% Compounded	(a)

* Includes assumed inflation.

(a) Pre-July 1, 1983, retiree's benefits are increased or decreased as the salary for the particular Judical office is increased or decreased. Post June 30, 1983, retiree's - 3.0% compounded.

(e) State Employee Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer receiving a portion of their salary until they become eligible for benefits at retirement, termination, death, or unforeseeable emergency. Amounts deferred are invested in custodial accounts or annuity contracts and deferrals and earnings on investments are not subject to state or federal income taxation until received by beneficiaries.

In 1991, the Attorney General opined (Opinion 91-088) that the annuity contracts purchased with the employees' deferred compensation were covered by the Arkansas Life and Disability Insurance Guaranty Association Act, as described in Arkansas Code Annotated Section 23-96-101 et. Seq. and liability for losses due to failure or nonperformance of contractual obligations due to impairment or insolvency of member insurers were insured under this act, to the extent of one-hundred thousand dollars ($100,000) per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to three-hundred thousand dollars ($300,000) per participating employee.

The assets of the plan are held in trust by the custodian, State Street Bank and Trust Company of Boston, Massachusetts, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is administered by Citistreet LLC, of Quincy, Massachusetts, acting under contract in an agency capacity for the Department of Finance and Administration – Employee Benefits Division to provide investment direction, asset transfer or withdrawal instruction or other instruction to the custodian. (On July 1, 2008, CitiStreet joined ING Institutional Plan Services.) In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the State's financial statements. According to the custodian, plan assets totaled $346.2 million at June 30, 2008.

(f) Higher Education

All active higher education employees who work 20 or more hours a week have the option of participating in either APERS, Teacher, the Variable Annuity Life Insurance Company (VALIC), the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Fidelity Fund, or other approved plans.

The board of trustees of each respective college or university established a defined contribution plan as set forth under Section 403(b) of the Internal Revenue Code. Participation in the plan is authorized under Arkansas Code and the plan is administered by the president of the college or university or his designee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The funds available under the plan primarily include VALIC, TIAA-CREF, and the Fidelity Fund.

Each college or university contributes a percentage of an employee's salary ranging from 5% to 14%, to a VALIC, TIAA-CREF, Fidelity Fund or other retirement account. These amounts are allocated between the funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 2008, total employer contributions to VALIC, TIAA-CREF, and Fidelity were $92.4 million while contributions to other plans were $.8 million. Employee contributions to VALIC, TIAA-CREF and the Fidelity Fund were $91.6 million while contributions to other plans were $.6 million.

(g) Component Units

The U of A Foundation has a defined contribution (money-purchase) retirement plan covering substantially all employees. The U of A Foundation's contributions to the plan are 5% of the participants' salaries. In addition, the U of A Foundation will match all contributions made by employees up to and including 5%. Contributions are limited to 10% of the total compensation paid to participants during the plan year. Participants' interests are immediately vested. Contributions to the plan were $109,234 in 2008.

(14) Postemployment Benefits Other Than Pensions

Governmental Activities

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* which became effective with the fiscal year ending June 30, 2008. The statement establishes standards for the measurement recognition, and display of Other Postemployment Benefits (OPEB). The statement has been implemented prospectively.

(a) Plan Descriptions

The state contributed to these single-employer defined benefit healthcare plans:

- Arkansas State Police Medical and Rx Plan (ASP) (administered by CoreSource, Inc.)
- Arkansas State Employee Health Insurance Plan (AEP) (administered by Department of Finance and Administration Employee Benefits Division)

Each plan provides medical and prescription drugs benefits to eligible state employees as established by State law:

- Arkansas State Police Medical and Rx Plan (ASP)
  - Arkansas Code 12-8-210
- Arkansas State Employee Health Insurance Plan (AEP)
  - Arkansas Code 21-5-401 to 21-5-414

Participants were as follows:

- ASP: 656 active employees and 349 retirees and beneficiaries
- AEP: 31,485 active employees and 7,619 retirees

(b) Funding Policies, Annual OPEB Cost, and Net OPEB Obligation

For both plans, the contribution requirements of plan members and the state are established and may be amended by the State Legislature. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2008, the State contributed $2.5 million to ASP and $32 million to AEP. Plan members receiving benefits contributed $1.6 million to ASP and $363.9 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree Only	224	204
Retiree & Spouse	350	486
Medicare Eligible		
Retiree Only	91	109
Retiree & Spouse	252	380

The State's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual pension cost for the current year and related information for each plan is as follows:

	ASP	AEP
Number of participating employers/contributing entities	1	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	100%	38%
Annual required contribution (ARC)	$ 4,389	$ 140,903
Interest on net OPEB obligation	74	
Adjustment to ARC		
Annual OPEB cost	4,463	140,903
Contribution made	(2,499)	(32,018)
Increase in net OPEB obligation	1,964	108,885
Net OPEB obligation - beginning of year		
Net OPEB obligation - end of year	$ 1,964	$ 108,885

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year for each of the plans are as follows (expressed in thousands):

Fiscal year	Plan	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
2008	ASP	$ 4,463	56%	$ 1,964
	AEP	140,903	23%	108,885

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows (expressed in thousands):

	ASP	AEP
Actuarial accrued liability	$ 76,505	$ 1,464,934
Actuarial value of plan assets		
Unfunded actuarial accrued liability (funding excess)	$ 76,505	$ 1,464,934
Funded ratio	0%	0%
Covered payroll	$ 40,568	$ 1,044,880
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	189%	140%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress presented as required supplementary information provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the State and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	ASP	AEP
Actuarial valuation date	January 1, 2008	July 1, 2008
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Straight-line	Straight-line
Remaining amortization period	30 years	30 years
Asset valuation method	N/A	N/A
Actuarial assumptions:		
Discount rate	4.00%	5.25%
Projected salary increases	2.00%	N/A
Healthcare inflation rate	8% initial	Initial: 8.75% pre-Medicare 9.75% post-Medicare
	5% ultimate	5% ultimate

(e) Reconciliation of net OPEB liability to amounts recorded on the financial statements:

Governmental	$	106,570
Business-type		24,854
Component units		217
Pensions		472
Total net OPEB obligation	$	132,113

Business-Type Activities

Higher Education

In June 2004, GASB issued Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*, which became effective with the fiscal year ending June 30, 2008. The Statement establishes standards for the measurement recognition, and display of other postemployment benefits (OPEB). The Statement has been implemented prospectively.

(a) Plan Descriptions

The State contributed to these single-employer defined benefit healthcare plans administered by the respective higher education institution except as noted:

- Arkansas Northeastern College Retirement Option (ANC)
- Arkansas State University System Retiree Benefits Plan (ASU)
- Arkansas Tech University Retiree Medical and Life Insurance Plan (ATU)
- Black River Technical College Health Insurance Plan (BRTC)
- Henderson State University Postemployment Benefit Plan (HSU) (administered by Health Advantage and MetLife)
- Northwest Arkansas Community College Healthcare Plan (NWACC) (administered by Arkansas Blue Cross and Blue Shield)
- Rich Mountain Community College Retirement Program (RMCC)
- South Arkansas Community College Post-Employment Benefits (SACC)
- Southern Arkansas University – Technical Campus Early Retirement Program (SAUT) (administered by BlueAdvantage)
- Southern Arkansas University Group Health Plan (SAU)
- University of Arkansas at Fort Smith Benefit Plan (UAFS)
- University of Arkansas System Self-Funded Plan (UAS1)
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 20,669 active employees and 2,186 retirees.

The State contributed to the following defined postemployment benefit plans which are affiliated with and administered by the Arkansas Higher Education Consortium (AHEC), an agent multi-employer defined benefit healthcare plan:

- Mid-South Community College Plan (MSCC)
- North Arkansas College Continued Health/Dental Insurance (NAC)
- National Park Community College Other Postemployment Benefits Policy (NPCC)
- Ozarka College Early Retirement Incentive Program (OC)
- Pulaski Technical College Postemployment Healthcare (PTC)
- University of Arkansas System AHEC Benefits (UAS2)

Participants in these plans included 1,551 active employees and 86 retirees.

Each institute of higher education has the authority to affiliate with AHEC and establish by policy the defined benefits and amount contributed by the employer to AHEC.

Benefits provided to retirees by the plans and eligibility requirements are established by policy by the Board of Trustees of each higher education institution. All plans include individual medical insurance and may include prescription drug programs, dental insurance, life insurance and dependent coverage. Benefits are provided through age 65 for all plans. After age 65, benefits may be reduced or terminated.

(b) Funding Policies

Contribution requirements are established and may be amended by each college's or university's board of trustees. The required contribution is based on projected pay-as-you-go financing requirements.

Participating retirees are required to pay from $0 to $1,099 per month.

The State's annual other postemployment benefit (OPEB) cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and related information for each plan is as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	OC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State Plan Members - retirees, (% of premium)	10%	33%	0%	0% up to age 65;100% after age 65	0% up to age 65;100% after age 65
Annual required contribution (ARC)	$ 107	$ 1,154	$ 1,093	$ 53	$ 31
Interest on net OPEB obligation					
Adjustment to ARC					
Annual OPEB cost	107	1,154	1,093	53	31
Contribution made	(30)	(415)	(392)	(12)	(19)
Increase in net OPEB obligation	77	739	701	41	12
Net OPEB obligation - beginning of year					
Net OPEB obligation - end of year	$ 77	$ 739	$ 701	$ 41	$ 12

	HSU	MSCC	NAC	NPCC	NWACC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State Plan Members - retirees, (% of premium)	7%	0%	100%	0% up to age 65;100% after age 65	68%
Annual required contribution (ARC)	$ 311	$ 61	$ 30	$ 108	$ 42
Interest on net OPEB obligation					
Adjustment to ARC					
Annual OPEB cost	311	61	30	108	42
Contribution made	(124)			(36)	(15)
Increase in net OPEB obligation	187	61	30	72	27
Net OPEB obligation - beginning of year					
Net OPEB obligation - end of year	$ 187	$ 61	$ 30	$ 72	$ 27

	PTC	RMCC	SACC	SAUT	SAU
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State Plan Members - retirees, (% of premium)	100%	100%	0% to 75%	0% to 75%	0% to 100%
Annual required contribution (ARC)	$ 115	$ 20	$ 41	$ 77	$ 377
Interest on net OPEB obligation					
Adjustment to ARC					
Annual OPEB cost	115	20	41	77	377
Contribution made	(6)		(16)	(6)	(33)
Increase in net OPEB obligation	109	20	25	71	344
Net OPEB obligation - beginning of year					
Net OPEB obligation - end of year	$ 109	$ 20	$ 25	$ 71	$ 344

	UAFS	UAS1	UAS2	UCA
Number of participating employers/contributing entities	1	8	4	1
Contribution rates for the fiscal year ended June 30, 2008 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State Plan Members - retirees, (% of premium)	100%	100%	0% to 100%	36%
Annual required contribution (ARC)	$ 105	$ 20,100	$ 584	$ 367
Interest on net OPEB obligation				
Adjustment to ARC				
Annual OPEB cost	105	20,100	584	367
Contribution made	(15)	(1,953)	(237)	(238)
Increase in net OPEB obligation	90	18,147	347	129
Net OPEB obligation - beginning of year				
Net OPEB obligation - end of year	$ 90	$ 18,147	$ 347	$ 129

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the current year for each of the plans are as follows (expressed in thousands):

Fiscal Year	Plan	Annual OPEB Cost	Percentage contributes	Net OPEB Obligation
2008	ANC	$ 107	28%	$ 77
	ASU	1,154	36%	739
	ATU	1,093	36%	701
	BRTC	53	23%	41
	OC	31	61%	12
	HSU	311	40%	187
	MSCC	61	0%	61
	NAC	30	0%	30
	NPCC	108	33%	72
	NWACC	42	37%	27
	PTC	115	4%	109
	RMCC	20	0%	20
	SACC	41	39%	25
	SAUT	77	8%	71
	SAU	377	9%	344
	UAFS	105	15%	90
	UAS1	20,100	10%	18,147
	UAS2	619	38%	382
	UCA	367	64%	129

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2008, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	OC
Actuarial accrued liability	$ 866	$ 8,081	$ 9,054	$ 454	$ 186
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 866	$ 8,081	$ 9,054	$ 454	$ 186
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,424	$ 87,213	$ 30,326	$ 4,948	$ 4,026
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	10%	9%	30%	9%	5%

	HSU	MSCC	NAC	NPCC	NWACC
Actuarial accrued liability	$ 2,668	$ 295	$ 225	686	$ 185
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 2,668	$ 295	$ 225	$ 686	$ 185
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 18,187	$ 6,314	$ 2,135	$ 9,443	$ 18,827
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	15%	5%	11%	7%	1%

	PTC	RMCC	SACC	SAUT	SAU
Actuarial accrued liability	$ 571	$ 131	$ 263	$ 468	$ 2,604
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 571	$ 131	$ 263	$ 468	$ 2,604
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 12,332	$ 385	$ 6,369	$ 5,853	$ 14,283
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	5%	34%	4%	8%	39%

	UAFS	UAS1	UAS2	UCA
Actuarial accrued liability	$ 644	$ 171,807	$ 5,110	$ 2,446
Actuarial value of plan assets				
Unfunded actuarial accrued liability (funding excess)	$ 644	$ 171,807	$ 5,110	$ 2,446
Funded ratio	0%	0%	0%	0%
Covered payroll	$ 24,674	$ 780,954	$ 20,969	$ 47,660
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	3%	22%	24%	5%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the valuation date and the historical pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	ANC, BRTC, MSCC, NAC, NPCC, NWACC, OC, RMCC, SACC, SAUT, UAFS, UAS2	ASU, HSU, SAU, UCA	ATU	PTC	UAS1
Actuarial valuation date	July 1, 2007	July 1, 2007	July 1, 2007	July 1, 2007	July 1, 2007
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar	Level Dollar	Level Dollar	Level percentage of payroll	Level percentage of payroll
Remaining amortization period	30 years	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A	N/A
Actuarial assumptions: Discount rate	6 00%	3 00%	5 00%	4 50%	4 50%
Projected salary increases	N/A	N/A	N/A	N/A	N/A
Healthcare inflation rate	10% initial	9% initial	10 5% initial	9% initial	9% medical initial, 4% dental initial
	5% ultimate	4 5% ultimate	5% ultimate	5% ultimate	5% medical ultimate, 3% dental ultimate

(15) Additional Information – Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments (P.L. 100-4) to the “Clean Water Act” (P.L. 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

Condensed Statement of Net Assets (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Assets	
Current assets	$ 52,738
Noncurrent assets	275,923
Total assets	328,661
Liabilities	
Current liabilities	7,309
Noncurrent liabilities	67,522
Total liabilities	74,831
Net Assets	
Restricted	253,830
Total net assets	$ 253,830

Condensed Statement of Revenues, Expenses, and Changes in Net Assets (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Licenses, permits, and fees	$ 2,368
Investment earnings (pledged against bonds)	8,775
Amortization expense	(131)
Other operating expense	(3,949)
Operating income (loss)	7,063
Nonoperating revenue/expenses:	
Operating grants and contributions	11,071
Transfers to other funds	(818)
Change in net assets	17,316
Total net assets, beginning of year	236,514
Total net assets, end of year	$ 253,830

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Net cash provided (used) by:	
Operating activities	$ (2,024)
Noncapital financing activities	4,608
Investing activities	(10,535)
Net increase (decrease)	(7,951)
Cash and cash equivalents, beginning	59,902
Cash and cash equivalents, end	$ 51,951

(16) Risk Management Program

The following describes the risk management programs administered by the State.

(a) Health and Life Plans

Primary Government

As required by Arkansas Code Annotated § 21-5-405, the State and Public School Life and Health Insurance Board (the Board) and the Executive Director of Employee Benefits Division (EBD) of the Department of Finance and Administration take a risk management approach in designing the State employee benefit programs. In addition, the Board ensures that the state employee health benefit programs are maintained on an actuarially sound basis as determined by actuarial standards established by the Board. Not included in this service are most higher education, state police, and some portion of the State's vocational and technical schools.

The Board provides the following employee benefits to state employees: a self-funded comprehensive major medical plan that includes basic dental, vision, and prescription drug benefits, a health savings account, a fully-funded mental health parity and employee assistance program, and a fully-funded basic and supplemental group term life insurance. Starting with the 2008 plan year (January 1, 2008) dental and vision were removed from the plan. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, state employees are given the option to participate in a deferred compensation plan.

Basic group term life insurance and accidental death and dismemberment coverage is offered to all state employees. Basic life insurance is provided to all full-time active state employees and is paid from the insurance trust fund. Coverage amounts and cost are based on the age of the employee. The basic life insurance premium for active state employees up to age 64 was $4.60 a month for a $10,000 benefit. For ages 65-69, the cost was $2.30 a month for a $5,000 benefit. Starting with the 2008 plan year (January 1, 2008) the rates changed for employees up to age 64 to $2.50 and ages 64-69 to $1.25. Supplemental coverage is offered to state employees for employee and dependent coverage. Supplemental life insurance premiums are based upon age and amount of coverage.

Claim liabilities for claims submitted after the close of the plan year or after plan termination of the self-insured medical health insurance plan and the prescription drug plan for state employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund. An analysis of changes in aggregate liabilities for claims and claims adjustment expenses for the current and prior fiscal year are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 19,675	$ 21,250
Incurred Claims:		
Provision for insured events of current year	192,391	191,446
Total incurred claims and claim adjustment expense	192,391	191,446
Payments:		
Claims payments attributed to insured events of current year	174,564	193,021
Claims payments attributed to insured events of prior years	16,002	
Total Payments	190,566	193,021
Claim liability, end of year	$ 21,500	$ 19,675

Enterprise Fund

Public School Employee Health and Life Benefit Plan

The State sponsors an insurance plan for participating public school employees. Public school employees are offered a self-funded comprehensive major medical plan that includes basic vision and dental benefits, prescription drug benefits, a health savings account, a fully-funded mental health parity benefit and employee assistance program, and a fully-funded basic and supplemental group term life insurance program. Starting with the 2008 plan year (October 1, 2007) dental and vision were removed from the plan. Each school district obtains its own cafeteria plan and any other benefits that are offered to public school employees by their school districts.

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured and the life component remained fully insured. The pharmacy plan has been self-insured since the inception of the plan. While the health plan was fully insured, most plan participants' premiums for health, life and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and the Department of Finance and Administration – Employee Benefits Division, respectively. Premiums for certain retirees and COBRA participants were collected by the Department of Finance and Administration – Employee Benefits Division, and the health and life components were paid to the health and life insurance companies, respectively. Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board, and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts with school district match being at least $131 for fiscal year 2008. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the State Legislature the authority to establish the minimum school district matching amount. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1 of 2007, Act 1420 of 2007 authorizes the Department of Education to pay an additional matching amount of $35 million per fiscal year to the Employee Benefits Division of the Department of Finance and Administration.

Basic group term life insurance and accidental death and dismemberment coverage are offered to all public school employees. Coverage amounts and cost are based on the age of the employee. Upon enrollment in the health insurance plan, public school employees are provided with basic life insurance in the amount of $5,000. The basic life insurance premium for public school employees is $.56 per month. Supplemental coverage is offered to public school employees for employee and dependent coverage. Supplemental life insurance premiums are based upon age and amount of coverage for public school employees.

Claim liabilities for claims submitted after the close of the plan year or after plan termination of the self-insured medical health plans and the prescription drug plan for public school employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the Public School Employee Health and Life Benefit Plan Enterprise Fund. An analysis of changes in aggregate liabilities for claims and claims adjustments expenses for the current and prior fiscal year (expressed in thousands) are as follows:

	2008	2007
Claim liability, beginning of year	$ 22,750	$ 21,750
Incurred Claims:		
Provision for insured events of current year	208,506	236,300
Total incurred claims and claim adjustment expense	208,506	236,300
Payments:		
Claims payments attributed to insured events of current year	191,003	213,885
Claims payments attributed to insured events of prior years	17,503	21,415
Total Payments	208,506	235,300
Claim liability, end of year	$ 22,750	$ 22,750

(b) Risk Management Office

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various state agencies. Accordingly, state agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those state buildings covered by commercial insurance, the building and contents are generally insured for replacement cost subject to $100,000 deductible from the Arkansas Multi Agency Trust Fund (AMAIT), Act 1762 of 2003, and varying deductible amounts up to $25,000 per occurrence for the state agency involved. Arkansas State University has a $100,000 deductible and does not participate in AMAIT. The University of Arkansas System has its own program that the State Risk Management Office does not oversee. Losses arising from earthquakes are generally insured for the full amount of losses subject to a deductible of 5% of the building's total value. Due to market conditions, very limited availability, and excessive cost, total earthquake coverage is limited to $100 million in all earthquake zones. The State has secured domestic and foreign terrorism insurance coverage. Certain state agencies have chosen not to purchase commercial insurance on certain buildings and, as such, losses for these buildings are recorded as expenditures in the General Fund when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30 million in Zone A ($500,000 deductible) to $100 million in Zone X ($100,000 deductible). Both earthquake and flood coverage limits are annual total maximum coverage for the State, not per occurrence and not per agency.

The State does not purchase liability insurance coverage for claims arising from third-party losses on state property as the State has sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those state vehicles covered by commercial insurance, each participating agency determines which, if any, vehicles to insure for physical damage and is subject to a deductible of $500 or $1,000. In addition, all losses are subject to a $25,000 liability and $25,000 physical damage deductible paid by AMAIT. Also, such commercial insurance generally provides coverage against liability losses up to $100,000 per occurrence in state and $1,000,000 per occurrence out of state. Seven higher education institutions have elected to purchase $1 million liability both in and out of state and 13 agencies have purchased $500,000 instate and $1 million out of state. Two state agencies have elected not to purchase commercial vehicle insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

The 2007 legislature upheld a Claims Commission award for $1.4 million above policy limits for a University of Central Arkansas auto accident. If a court awarded an amount in excess of policy limits, then a claim would be directed to the State Claims Commission.

(c) State Claims Commission

The State Claims Commission (the Commission) was established by State law to hear and adjudicate all claims against the State and its agencies and component units excluding those arising from workers' compensation law, employment security law, and the acts of the various retirement plans. According to State law, only claims for actual damages are allowed. The Commission may authorize awards for actual damages up to $10,000 without further approval, while amounts exceeding $10,000 must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the government-wide financial statements. The amount of claims at June 30, 2008 is $715,077.

(d) Public Employee's Claims Division of the Arkansas Insurance Department

The State's Workers' Compensation Program (the Program) was created by State law to provide benefits to state employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of state sponsored school districts in the State were also included in the plan, and the State continues to pay benefits to those employees injured prior to that date. Prior to July 1, 1986, employees of the counties and cities were included in the plan, and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability, and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each state agency is responsible for contributing to the Program each year an amount determined by the division based on past claims experience.

Changes in the balance of the State's workers' compensation claim liability for the current and prior fiscal year are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 74,888	$ 70,317
Incurred Claims:		
Provision for insured events of current year	16,665	16,001
Increase (decrease) in provision for insured events of prior years	(6,444)	73
Total incurred claims and claim adjustment expense	10,221	16,074
Payments:		
Claims payments attributed to insured events of current year	3,635	3,842
Claims payments attributed to insured events of prior years	7,779	7,661
Total Payments	11,414	11,503
Claim liability, end of year	$ 73,695	$ 74,888

(e) Special Funds Division of the Arkansas Workers' Compensation Commission

The State provides two forms of loss protection to employers and insurance companies operating in the State to minimize workers' compensation claims paid for wage losses. The first such plan was created by State law and is known as the Death & Permanent Total Disability Trust Fund (Disability Trust Fund). The second such plan was created by State law and is known as the Second Injury Trust Fund.

Death and Permanent Total Disability Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Generally, employers are liable for medical services and supplies for injured employees. Arkansas Code Annotated § 11-9-502 provides for the first $75,000 of weekly benefits (the indemnity threshold) for death or permanent total disability to be paid by the employer or its insurance carrier. Act 1599 of 2007 amended § 11-9-502 to move the indemnity threshold up to 325 times the maximum total disability rate, or $169,650 for 2008. All indemnity benefits in excess of the threshold are the liability of the agency. Accordingly, the Disability Trust Fund was established, in part, to administer this liability. The taxation rate is determined by the Workers' Compensation Commission in accordance with Arkansas Code Annotated § 11-9-306 which limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Claims liabilities are established based on the present value of future benefits for known cases currently receiving benefits, known cases to receive benefits in the future, and claims incurred but not reported. The following represents the changes in claims liabilities for the fund during the last two fiscal years (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 202,758	$ 194,221
Incurred Claims:		
Provision for insured events of current year	10,912	11,589
Increase (decrease) in provision for insured events of prior years	7,564	(21)
Increase due to decrease in discount period	9,820	9,406
Total incurred claims and claim adjustment expense	28,296	20,974
Payments:		
Claims payments attributed to insured events of prior years	12,951	12,437
Total Payments	12,951	12,437
Claim liability, end of year	$ 218,103	$ 202,758

Second Injury Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Arkansas Code Annotated § 11-9-525 provides that an employer employing a handicapped person will not, in the event the employee suffers an injury on the job, be held liable for a greater disability or impairment than actually occurred while the employee was employed. A liability arises to the agency to the extent of the additional disability or impairment where there has been previous disability or impairment, as determined by an agency administrative law judge or the Workers' Compensation Commission. Accordingly, the Workers' Compensation Commission, in accordance with Arkansas Code Annotated § 11-9-306, limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Act 1415 of 2007 amended Arkansas Code Annotated § 11-9-525 by prohibiting claims for second injuries being made under the provisions of § 11-9-525 after January 1, 2008. In effect, this act has eliminated the Second Injury Trust Fund with regard to claims made after January 1, 2008.

Changes in the claims liability for the Second Injury Trust Fund during the current and prior fiscal years are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 20,350	$ 20,882
Incurred Claims:		
Provision for insured events of current year	1,407	2,813
Increase (decrease) in provision for insured events of prior years	13,003	(1,598)
Increase due to decrease in discount period	954	976
Total incurred claims and claim adjustment expense	15,364	2,191
Payments:		
Claims payments attributed to insured events of prior years	2,552	2,723
Total Payments	2,552	2,723
Claim liability, end of year	$ 33,162	$ 20,350

(f) Petroleum Storage Tank Trust Fund/Arkansas Remedial Action Trust Fund

The Petroleum Storage Tank Trust Fund (Storage Tank Fund) was established according to State law to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund it must be registered with all fees paid and meet certain other requirements at the time of the release. The Storage Tank Fund will reimburse tank owners up to $1 million per occurrence with a $7,500 deductible as well as third-party property claims or bodily injury claims for damages up to $1 million per occurrence, also with a $7,500 deductible. The Storage Tank Fund is funded by an environmental assurance fee of three tenths of a cent for each gallon of fuel, collected at the wholesale level. The first-party claim liability is determined through the use of engineering estimates of the remaining corrective action for each site. The third-party claim liability is estimated at the plan limits for each third-party claim filed until actual damages are determined and the liability is recorded in the governmental activities.

The Arkansas Remedial Action Trust Fund (RATFA) was established by Act 479 of 1985 to provide funding for investigation and clean up of abandoned hazardous substance sites within the State of Arkansas. The State must provide funds to clean up abandoned sites unless qualification can be established for the Federal Superfund Program. Should this occur, the State is required to match 10% of the monies needed to clean up the site. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as any other fees assessed by RATFA if required. In addition to 100% of fees collected, other monies that fund RATFA are costs recovered from state funded site work and civil and administrative penalties assessed. Prior to the use of these funds at an abandoned hazardous substance site, the Arkansas Pollution Control & Ecology Commission (APC&EC) must approve the addition of the site to the Arkansas Remedial Action Trust Fund Hazardous Substance Site Priority List. This list is currently published as APC&EC Regulation Number 30.

Changes in the claim liability for the Storage Tank Fund and RATFA during the current and prior fiscal years are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 13,990	$ 15,265
Incurred Claims:		
Provision for insured events of current year	11,036	4,503
Total incurred claims and claim adjustment expense	11,036	4,503
Payments:		
Claims payments attributed to insured events of current year	6,046	5,778
Total Payments	6,046	5,778
Claim liability, end of year	$ 18,980	$ 13,990

(g) Higher Education Health Plans

The University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. Within the UA System, four four-year institutions, one two-year institution, the Medical Sciences campuses, and the Arkansas School for Mathematics, Sciences and the Arts participate in the health insurance programs, along with the UA System's divisions of Criminal Justice Institute, the Winthrop Rockefeller Center, Inc., Arkansas Archeological Survey, the Division of Agriculture, System Administration, and the University of Arkansas Foundation. Also, all ASU campuses participate in the health insurance programs, which are administered by third parties and are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full-time active employees, while retirees and former employees participate on a fully contributory basis.

Changes in the balance of the UA System and ASU claim liability during the current and prior fiscal years are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 10,547	$ 9,518
Incurred Claims:		
Provision for insured events of current year	114,755	96,732
Increase (decrease) in provision for insured events of prior years	160	(8)
Total incurred claims and claim adjustment expense	114,915	96,724
Payments:		
Claims payments attributed to insured events of current year	103,219	86,335
Claims payments attributed to insured events of prior years	10,617	9,360
Total Payments	113,836	95,695
Claim liability, end of year	$ 11,626	$ 10,547

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $750,000 and $125,000 for the UA System and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

(h) Arkansas State Police Health Insurance Plan

Pursuant to Arkansas Code Annotated § 12-8-210, the Arkansas State Police offers active uniformed members and retirees health care benefits. The Arkansas State Police Human Resource section serves as Plan Administrator. A contracted third party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the Plan. Health care benefits are funded by employer and retired employee contributions and Act 1500 of 2001. Act 1500 stipulates that for every Arkansas driver's license sold, six (6) dollars of the license fee is used to fund the Arkansas State Police Health Plan. The Plan is partially self-funded; reinsurance stop loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the Arkansas State Police with final approval by the Arkansas State Police Commission. The Arkansas State Police Commission is authorized by Arkansas Code Annotated § 12-8-210 to direct the Plan. The current monthly budgeted premium, set on July 1, 2008, is $350 per budgeted civilian position and $589 per budgeted commissioned position.

The Plan Administrator offers the following employee benefits to Arkansas State Police uniformed employees: a major medical plan that includes prescription drug benefits, a health savings account, and mental health benefits. Arkansas State Police offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, Arkansas State Police uniformed employees are given the option to participate in a deferred compensation plan. A stand alone vision and dental plan as well as a comprehensive group term life plan are available with the employee paying all premiums.

Liabilities for claims incurred but not reported are included in the Arkansas State Police Health Insurance Plan. These liabilities exist because of the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the agency across reporting periods. The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2008 are as follows (expressed in thousands):

	2008	2007
Claim liability, beginning of year	$ 1,702	$ 1,576
Incurred Claims:		
Provision for insured events of current year	7,738	7,194
Increase (decrease) in provision for insured events of prior years	978	935
Total incurred claims and claim adjustment expense	8,716	8,129
Payments:		
Claims payments attributed to insured events of current year	7,178	7,238
Claims payments attributed to insured events of prior years	1,659	765
Total Payments	8,837	8,003
Claim liability, end of year	$ 1,581	$ 1,702

(17) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, its agencies, and employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to: claims assessed against the State for property damage and personal injury, alleged inmate wrongs, and other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law, and other alleged violations of State and federal laws. Certain claims have been adjudicated against the State, but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $1.2 million for the payment of such claims. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $28 million.

Changes in the balance of litigation during the current and prior fiscal year are as follows (expressed in thousands):

	2008	2007
Litigation, beginning of year	$ 6,959	$ 50,842
Incurred litigation	813	1,654
Litigation payments/dismissals	(6,486)	(45,537)
Litigation, end of year	$ 1,286	$ 6,959

(b) Federal Grants

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulation, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the Federal Government or their designees. At June 30, 2008, the amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the State expects such amounts, if any, to be immaterial.

(c) Loan Forgiveness

In compliance with terms of the Little Rock School District desegregation case settlement agreement, the State had loaned $20 million to the Little Rock School District (LRSD) between the dates of July 1, 1989, and July 1, 1999. On March 19, 2001, the State and the Little Rock School District executed an agreement in which $15 million of the loans made to the LRSD was immediately forgiven and the remaining $5 million would be forgiven if the LRSD obtained complete unitary status and release from federal court supervision on or before July 1, 2004. The remaining loans were to be amortized over a 20 year period beginning seven (7) years following the execution of the loan with an interest rate of three percent (3%) per annum. As of June 30, 2008, the State's loan receivable is $4.1 million and is recorded in the General Fund.

(d) Construction and Other Commitments

At June 30, 2008, the State has commitments of approximately $477 million for construction and other contracts and approximately $49 million for professional service contracts. The Arkansas Natural Resources Commission has approved $108 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2008.

(e) Bond Guarantees

The Arkansas Economic Development Commission (AEDC) Bond Reserve Guaranty Fund is used to guarantee principal and interest on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2008, total bonds guaranteed by the AEDC Bond Guaranty Reserve Fund were approximately $62 million. In addition, AEDC has committed to guarantee approximately $6.4 million in industrial development revenue bonds that have not closed at June 30, 2008. As of June 30, 2008, two loans underlying these issues were in default. The aggregate principal amount outstanding under such agreements on such date was approximately $11.4 million. AEDC along with the component unit Arkansas Development Finance Authority have assumed this debt along with the related assets with each entity receiving $5.7 million.

(f) Tobacco Settlement

In November 1998, the Attorney General joined 46 other states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $206 billion over the next 25 years, and continues in perpetuity. All disbursements from the Master Settlement Agreement were initially deposited to the Tobacco Settlement Cash Holding Account. In 2001, funds were distributed to various accounts within the General Fund, including the Arkansas Healthy Century Trust Account, in the amount needed to bring the principal balance to $100 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5 million are required to be distributed to the Tobacco Settlement Debt Service Account, and the amounts remaining are distributed to the Tobacco Settlement Program Account.

The Arkansas Tobacco Settlement Commission created by The Arkansas Tobacco Settlement Funds Act of 2000 is directed to conduct monitoring and evaluation of programs established in the Tobacco Proceeds Act, to establish program goals for related programs, and to develop performance indicators to monitor programmatic functions to ensure optimal impact on improving the health of Arkansans. The programs include prevention and cessation programs, targeted State needs programs, health issues with specific emphasis on smoking and the use of tobacco products, and Medicaid Expansion program.

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, the State received $60,067,457 from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046 with the first $5 million dedicated to pay the debt service on the above bond issue. If debt service revenues would have been considered insufficient at June 30, 2008, the University would have incurred a liability of $26.6 million 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 State's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear; therefore, the financial statements only reflect the amounts that were earned in fiscal year 2008. In fiscal year 2008, the State recorded a total of $57.3 million with $5 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

Business-Type Activities

(a) Litigation

The State's business activities and employees may be defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to: claims assessed against the State for property damage and personal injury, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law, and other alleged violations of State and federal laws. At June 30, 2008, there was $15,000 in accrued liabilities for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $1.5 million.

Changes in the balance of litigation during the current fiscal year are as follows (expressed in thousands):

	2008	2007
Litigation, beginning of year	$ 1,399	$ 1,206
Incurred litigation	15	1,399
Litigation payments/dismissals	(1,399)	(1,206)
Litigation, end of year	$ 15	$ 1,399

(a) Construction and Other Commitments

At June 30, 2008, the State has commitments in its business-type activities of approximately $236 million for construction and other contracts and approximately $.4 million for professional service contracts.

(18) Subsequent Events

Primary Government

Governmental Activities

The Arkansas Game & Fish Commission (Game & Fish) signed gas leases on two of its wildlife management areas on July 28, 2008. The lease agreements are with Chesapeake Energy Corporation. Game & Fish has received initial lease payments totaling $29.5 million as of August 4, 2008. These five-year leases also call for 20% royalty payments over the next five years. Money from the leases will be used to fund many projects in the state including conservation programs, renovation of facilities as well as funding new and existing projects.

In October 2008 the Department of Correction (DOC) entered into an agreement with Arkansas Development Finance Authority, a component unit, to receive funds totaling $11.9 million. These funds, which were being held on the behalf of DOC, will be used to pay for the purchase of a jail facility, to construct a modular unit at an existing facility, and to construct and equip a special needs unit at an existing facility.

A contract was signed in October 2008, to construct a new headquarters in Hot Springs for Troop K of the Arkansas State Police. The contract price is $2.2 million and expected completion date is one year from the contract date.

Cross Oil Refining and Marketing, Inc. v Weiss, Union County Circuit Court, Sixth Division, Case Number DV-2008-0320-6 challenging Arkansas Gross Receipts Rule GR-55.1 was filed August 25, 2008. The issue in the case is whether natural gas used by Cross Oil as fuel in its refining (manufacturing) process is exempt as a chemical used in manufacturing. The Plaintiff is seeking a refund of $1.1 million in tax paid on purchases of natural gas. The State's answer was filed on September 16, 2008. The possibility exists of an outcome unfavorable to the State.

Business-Type Activities

Commonfund Short Term Fund Liquidity

Several of the institutions of higher education within the state have invested cash balances in excess of current requirements in the Commonfund Short Term Fund (the Fund). The Fund invests in securities with maturities from one day to five and one-half years, but is structured in a manner to allow funds to be available on a daily basis. Accordingly, these assets have been considered cash equivalents or current investments.

On September 29, 2008, Wachovia Bank, in its capacity as Trustee of the Commonfund Short Term Fund, gave notice of its decision to terminate 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 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 "Intermediate 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.

The following information is from the audited financial statements of each entity, and the dates relate to the respective audit reports:

On October 1, 2008, the University of Arkansas at Fayetteville had $152,366,148 invested in the Fund.

On October 6, 2008, UAMS had $59,053,000 invested in the Fund and assigned to the Intermediate/Longer Term Tranche.

On September 29, 2008, University of Central Arkansas had $5,500,000 invested in the Fund. On October 28, 2008, $2,647,288 remained invested in the Fund. The University is withdrawing funds as they become available.

On November 19, 2008, Arkansas State University had $3,747,714 invested in the Fund. The amount invested at June 30, 2008 was $6,313,622.

Under the terms of the Trustee agreement, Commonfund may designate a successor Trustee who may establish a fund substantially identical to the Fund. Upon establishment, the assets held by Wachovia in their capacity as Trustee, would be transferred to the successor Trustee. Commonfund has indicated its intent to name a successor Trustee as soon as possible, and to establish a substantially identical Fund. Future liquidity projections will likely be positively impacted when this action is completed and with stabilized or improved market conditions.

University of Arkansas at Fayetteville

(i) On August 20, 2008, the University of Arkansas at Fayetteville (UAF) closed on the Series 2008A Various Facilities Revenue Bonds (tax-exempt) with a par value of $36,750,000 and the Series 2008B Various Facilities Revenue Bond (taxable) with a par value of $15,210,000. The bonds will be used for the construction of a new parking facility, bookstore, and other capital projects.

(ii) Subsequent to June 30, 2008, UAF has drawn an additional $1.8 million on the financing agreement for the construction of a new softball stadium. Management anticipates drawing down the entire $6 million to complete construction.

(iii) In August 2008, UAF entered into a Letter of Agreement consenting to the assignment of the Sports Programming License Agreement between the University of Arkansas and KATV to International Sports Properties, Inc. The term of the license shall be for a period of 10 years, beginning July 1, 2008 and ending June 30, 2018. In consideration of the grant of certain exclusive rights under this Letter of Agreement and the subsequent license agreement, UAF shall receive an annual royalty which shall consist of fees and various other reimbursement stipends.

University of Arkansas Phillips Community College

On September 19, 2008, the Board of Trustees authorized the issuance of bonds with amounts not to exceed $12,305,000. These bonds are to help finance the Grand Prairie Center in Stuttgart, along with refunding the Student Fee Revenue Bonds, Series 1997. As of October 20, 2008, the bonds had not yet been offered.

University of Arkansas Community College at Hope

On October 2, 2008, the Community College at Hope closed on Series 2008 Student Fee Revenue Bonds with a par value of $2,685,000. These bonds are to help finance a Science and Technology Center.

Black River Technical College

A construction contract was issued on July 23, 2008, in the amount of $1.7 million for a new academic complex.

Southern Arkansas University

On July 1, 2008, $6.3 million in student fee secured capital improvement bonds were issued to build an exercise recreation facility and update two classroom buildings.

Pension Funds

The 2007 – 2008 financial and credit crisis continues to negatively impact the financial markets, which has caused the pension investments to decline in value overall, and to continue this decline since the fiscal year end.

Arkansas Teachers' Retirement System

The Arkansas Teachers' retirement investment portfolio had decreased in value by $1.2 billion to $9.6 billion between June 30 and September 30, 2008.

Arkansas Public Employees Retirement System

The Arkansas Public Employees Retirement investment portfolio had decreased in value by $632 million to $5 billion between June 30 and September 30, 2008.

Arkansas State Police Retirement System

The Arkansas State Police Retirement System investment portfolio had decreased in value by $22.5 million to $192.4 million between June 30 and September 30, 2008.

Arkansas State Highway Employees Retirement System

Arkansas State Highway Employees Retirement System investment portfolio had decreased in value by $158 million to $1.058 billion between June 30 and September 30, 2008.

Arkansas Judicial Retirement System

The Arkansas Judicial Retirement System investment portfolio had decreased in value by $13.2 million to $147 million between June 30 and September 30, 2008.

Component Unit

Arkansas Development Finance Authority

In July 2008, Arkansas Development Finance Authority (the Authority) executed a bond purchase agreement and agreed to sell $95 million in bonds as part of the Single Family Mortgage Revenue Bonds, Series 2008 A&B. In August 2008, the Authority executed a bond purchase agreement and agreed to sell $20 million in bonds as part of the Single Family Mortgage Revenue Bonds, Series 2008 C. In conjunction with the issuance of the 2008 Series A, B, and C bonds, the Authority utilized all excess subsidy. These bonds provided $84.5 million in proceeds to fund loans in the pipeline and warehoused mortgage-backed securities.

In September 2008, the Authority redeemed $214 million of the Single Family Note Program from assets within the trust estate.


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Required Supplmentary Information

The Missouri-Pacific Train Depot, a part of the Delta Cultural Center Museum, is located in Helena, Arkansas. The Train Depot was named to the National Register of Historic Places in 1987.

Required Supplementary Information
Pension Funds
Schedule of Funding Progress
(Expressed in thousands)

Plan	Fiscal year	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Highway	2008	6/30/2008	$ 1,206,900	$ 1,188,700	$ (18,200)	101.5%	$ 119,000	-15.2%
	2007	6/30/2007	1,132,300	1,145,900	13,600	99.0%	118,400	12.0%
	2006	6/30/2006	1,068,600	1,107,600	38,970	96.5%	118,500	32.9%
State Police	2008	6/30/2008	238,040	320,100	82,060	74.4%	25,910	316.7%
	2007	6/30/2007	233,130	307,660	74,530	76.0%	24,000	311.0%
	2006	6/30/2006	210,340	291,170	80,820	72.2%	23,380	345.7%
Judicial	2008	6/30/2008	169,061	165,747	(3,314)	102.0%	18,074	-18.3%
	2007	6/30/2007	159,590	157,370	(2,220)	101.0%	17,330	-12.8%
	2006	6/30/2006	145,050	156,510	11,459	92.7%	17,009	67.0%

Actuarial assumptions are presented in Note 13.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Budgeted amounts		Actual	Variance with final budget – positive
	Original	Final	amounts	(negative)
Expenditures*				
Current:				
General Government	$ 5,078,152	$ 6,786,196	$ 1,596,903	$ 5,189,293
Education	4,095,241	4,396,178	3,333,004	1,063,174
Health and Human Services	4,989,155	5,086,702	4,771,830	314,872
Law, Justice, and Public Safety	801,935	767,252	639,172	128,080
Recreation and Resource Development	365,065	424,753	225,207	199,546
Regulation of Business and Professionals	234,799	269,968	150,562	119,406
Transportation	451,257	489,852	314,153	175,699
Debt Service	206,779	219,730	175,655	44,075
Capital Outlay	1,073,217	1,515,863	535,918	979,945
Total Expenditures	$ 17,295,600	$ 19,956,494	$ 11,742,404	$ 8,214,090

* Expenditures were appropriated, amounts blocked determined available budget. Blocking is revised quarterly to match the forecast revisions. Expenditures may not exceed the lesser of budget or funds available.

Required Supplementary Information
Notes to Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2008

(a) Budgetary Basis of Accounting

The State's budget is adopted in accordance with a statutory cash basis of accounting, which is not in accordance with Generally Accepted Accounting Principles (GAAP). Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration (DFA). Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multiyear projects.

(b) Budgetary Basis Reporting – Budgetary Process

State finance law requires that a balanced budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly. The General Assembly, which has full authority to amend the budget, adopts a line item expenditure budget by appropriating monies in biennial appropriation acts. Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override.

The original appropriation may be adjusted by several items subsequent to the appropriation act. The adjustment items may be: supplemental appropriations or subsequent legislative acts, revisions to the forecast of revenues, restrictions on spending by Executive Order and carryforward provisions.

The State does not adopt a revenue budget but does monitor the revenues and forecast of revenues and makes appropriate revisions to the expenditure budget based on such forecasts. These forecasts are adjusted quarterly to reflect actual receipts of revenues.

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding appropriations in order to comply with the State law prohibiting deficit spending. The Governor may restrict spending to a level below appropriations amounts. The State uses specific funds (i.e., general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department, and judges), their staffs, and the DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DFA and 1½% of all special revenues collected by other agencies are first distributed to provide support for the State's elected officials, their staffs, and DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly establishes three levels of priority for general revenue spending levels, "A," "A1," and "B." Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

The majority of the State's appropriations are noncontinuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DFA. DFA utilizes quarterly allotments which restricts spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year. The funded portion of the quarterly allotment is then made available for expenditure, and the remainder is blocked.

DFA has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation classification basis. Appropriation classifications are subdivisions of appropriations, which define the purposes for which the appropriation can be used, and restrict the amount of expenditures for the various classifications to amounts established in the appropriation acts. Appropriation classifications may include regular salaries, extra help, overtime, maintenance and general operation, personal services matching, conference and travel expenses, professional fees, capital outlay, data processing, grants assistance and special aid, construction and permanent improvements, and other special classifications. Budgetary control is maintained through the Arkansas Administrative Statewide Information System (AASIS). AASIS ensures that expenditures are not processed if they exceed the appropriation classification total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, the Arkansas Law authorizes DFA to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

Budget is controlled at the appropriation line item (commitment item), which is the legal level of budgetary control. For financial reporting, the State groups these appropriation account categories by function to conform to its organization structure. The separately issued Budget Compliance Report tracks budget compliance at the funds center and commitment item level.

The following is a reconciliation of GAAP basis expenditures presented in the financial statements to the statutory cash basis expenditures of the General Fund (expressed in thousands):

Total GAAP basis expenditures General Fund	$	11,740,656
Less non-cash federal grant expenditures		(441,276)
Less non appropriated expenditures		(3,911,855)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		3,902,750
Refunds treated as reduction of revenue for financial statements purposes		511,052
New capital leases recorded in appropriated funds		(3,000)
Basis of accounting differences		(55,923)
Total statutory basis expenditures General Fund	$	11,742,404

Required Supplementary Information
Ten-Year Claims Development Information
Employee Benefits Division – Public School Employee Health and Life Benefit Plan

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Premium and Investment Revenues										
Premium Income	$ 134,445,361	$ 53,791,901	$ 30,953,691	$ 40,709,995	$ 45,694,279	$ 158,499,272	$ 209,344,487	$ 230,564,982	$ 230,141,726	$ 239,686,872
Investment Interest Income	89,879	69,154	81,458	32,734	68,853	233,550	586,801	1,570,234	2,352,048	2,482,253
Totals	$ 134 535 240	$ 53 861 055	$ 31 035 149	$ 40 742 729	$ 45 763 132	$ 158 732 822	$ 209 931 288	$ 232 135 216	$ 232 493 774	$ 242 169 125
Unallocated Expenses										
Operating Costs	$ 78,701	$ 201,512	$ 153,510	$ 317,988	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938	$ 4,288,268
Reinsurance Premium Expense	0	0	0	0	0	0	0	0	0	0
Totals	$ 78 701	$ 201 512	$ 153 510	$ 317 988	$ 675 968	$ 905 564	$ 1 234 945	$ 1 175 832	$ 1 703 938	$ 4 288 268
Estimated incurred claims and expenses, end of fiscal year	$ 109,313,745	$ 27,844,991	$ 32,226,064	$ 33,852,966	$ 35,916,834	$ 164,172,038	$ 198,727,802	$ 220,169,782	$ 236,300,587	$ 208,506,000
Paid (cumulative) claims and claims adjustment expenses										
End of Fiscal Year	N/A	N/A	N/A	N/A	34,316,834	148,172,038	181,727,802	198,419,782	213,550,587	185,756,000
One Year Later	N/A	N/A	N/A	N/A	35,916,834	163,888,838	198,426,902	219,834,832	235,854,687	
Two Years Later	N/A	N/A	N/A	N/A	N/A	164,172,038	198,678,502	220,245,907		
Reestimated incurred claims and expenses										
End of Fiscal Year	N/A	N/A	N/A	N/A	35,916,834	164,172,038	198,727,802	220,169,782	236,300,587	208,506,000
One Year Later	N/A	N/A	N/A	N/A	35,916,834	164,172,038	198,727,802	220,169,782	236,300,587	
Two Years Later	N/A	N/A	N/A	N/A	N/A	164,172,038	198,727,802	220,169,782		
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0	0	0	0	0	0	0
Increase (decrease) in net incurred claims and claim adjustment expenses from original estimate	0	0	0	0	0	0	0	0	0	0
Number of Plan Participants	N/A	N/A	N/A	N/A	43,632	44,797	45,463	47,268	48,846	50,370

Note 1 Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities* , effective for fiscal periods beginning after June 15, 1990, requires certain disclosures for public entity risk pools. Note 16 of the financial statements describes the Public School Employee Health and Life Benefit Plan and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10.

Note 2 Because the Public School Employee Health and Life Benefit Plan is not restating Claims IBNR each year, the reestimated incurred claims and expenses remain the original estimate.

N/A Information not available

Required Supplementary Information
Ten-Year Claims Development Information
Workers' Compensation Commission – Death and Permanent Total Disability Trust Fund

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Premium and Investment Revenues										
Premium Income	$ 11,257,847	$ 6,108,073	$ 9,037,845	$ 8,602,220	$ 12,640,933	$ 8,380,469	$ 9,236,142	$ 8,326,813	$ 7,536,378	$ 9,016,067
Investment Interest Income	5,861,911	6,374,169	7,331,078	4,556,109	2,036,317	1,672,189	1,932,354	4,055,947	6,098,515	6,325,923
Totals	$ 17 119 758	$ 12 482 242	$ 16 368 923	$ 13 158 329	$ 14 677 250	$ 10 052 658	$ 11 168 496	$ 12 382 760	$ 13 634 893	$ 15 341 990
Unallocated Expenses										
Operating Costs (2)	$ 171 410	$ 192 536	$ 194 940	$ 316 858	$ 334 881	$ 321 328	$ 324 698	$ 123 637	$ 129 292	$ 120 693
Estimated incurred claims and expenses, end of fiscal year	$ 7,463,918	$ 7,268,688	$ 7,787,442	$ 7,407,010	$ 7,707,310	$ 7,952,310	$ 9,343,245	$ 10,612,346	$ 11,605,274	$ 10,896,034
Paid (cumulative) claims and claims adjustment expenses										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	0	0	0	0	55,000	0	12,500	45,000	40,000	
Two Years Later	0	25,000	0	0	55,500	60,000	254,500	60,000		
Three Years Later	0	25,238	38,627	8,844	125,695	155,312	443,594			
Four Years Later	143,853	153,081	196,865	193,912	492,077	559,647				
Five Years Later	534,808	405,983	645,390	581,617	960,636					
Six Years Later	1,059,501	753,768	1,210,751	1,068,701						
Seven Years Later	1,681,033	1,195,515	2,082,517							
Eight Years Later	2,391,608	1,772,710								
Nine Years Later	3,111,230									
Reestimated incurred claims and expenses										
End of Fund Year	4,741,451	2,753,743	3,408,898	2,711,400	2,829,345	3,767,145	3,968,387	5,146,235	3,606,231	3,135,931
One Year Later	6,847,954	4,025,027	4,152,446	4,823,740	6,632,484	7,407,958	10,855,431	6,578,501	6,720,442	
Two Years Later	7,422,804	5,064,167	5,528,283	8,885,376	9,082,661	11,023,365	13,658,153	9,955,357		
Three Years Later	8,043,579	5,102,472	8,732,250	13,013,925	11,151,447	12,323,811	6,417,676			
Four Years Later	8,861,604	6,741,258	9,198,291	12,753,443	11,454,147	14,614,740				
Five Years Later	10,103,017	9,223,482	11,644,437	11,864,813	14,265,211					
Six Years Later	11,379,037	8,776,469	12,491,733	12,684,999						
Seven Years Later	12,465,964	9,040,233	13,311,322							
Eight Years Later	12,544,426	10,028,499								
Nine Years Later	12,582,799									
Increase (decrease) in estimated incurred claims and expense from end of policy year	5,118,881	2,759,811	5,523,880	5,277,989	6,557,901	6,662,430	(2,925,569)	(656,989)	(4,884,832)	(7,760,103)
Number of fund participants receiving benefits at end of year	1,136	1,229	1,280	1,293	1,336	1,347	1,324	1,336	1,342	1,356

Note 1 Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, effective for fiscal periods beginning after June 15, 1990, requires certain disclosures for public entity risk pools. Note 16 of the financial statements describes the Workers ' Compensation Death and Permanent Total Disability Fund and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10.

Note 2 The amounts reflected as operating costs of the program for the respective years which were paid from the Workers' Compensation Trust Fund.

Required Supplementary Information
Ten-Year Claims Development Information
Workers' Compensation Commission – Second Injury Trust Fund

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Premium and Investment Revenues										
Premium Taxes	$ 500	$ 1,000	$ 466	$ 4,982	$ 1,784,175	$ 1,186,860	$ 1,294,907	$ 3,620,160	$ 2,763,390	$ 1,327,517
Interest Income	704 237	662 251	659 587	344 714	142 761	80 943	60 958	74 445	101 278	91 863
Totals	$ 704 737	$ 663 251	$ 660 053	$ 349 696	$ 1 926 936	$ 1 267 803	$ 1 355 865	$ 3 694 605	$ 2 864 668	$ 1 419 380
Unallocated Expenses										
Operating Costs (2)	$ 527,391	$ 534,912	$ 546,985	$ 464,976	$ 480,666	$ 526,768	$ 544,817	$ 584,142	$ 583,796	$ 642,794
Estimated incurred claims and expenses, end of fiscal year (3)	$ 2,226,728	$ 2,684,791	$ 2,528,703	$ 2,290,639	$ 1,891,673	$ 2,148,018	$ 2,884,260	$ 3,120,030	$ 2,954,070	$ 1,406,700
Paid (cumulative) claims and claims adjustment expenses										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	12,375	45,650	83,050	25,106	208,690	70,605	34,500	51,755	169,875	
Two Years Later	303,855	248,145	439,698	673,422	814,873	299,505	751,613	449,159		
Three Years Later	631,343	674,745	1,194,737	1,215,361	1,348,617	1,219,840	1,044,728			
Four Years Later	979,363	868,031	1,441,469	1,507,797	1,273,914	1,542,077				
Five Years Later	1,146,518	1,132,344	1,741,288	1,732,228	1,368,925					
Six Years Later	1,285,688	1,345,166	1,935,324	1,861,762						
Seven Years Later	1,360,621	1,646,846	2,005,069							
Eight Years Later	1,402,789	1,747,061								
Nine Years Later	1,472,293									
Reestimated incurred claims and expenses										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	12,375	45,650	83,050	32,677	208,690	70,605	34,500	51,755	169,875	
Two Years Later	548,339	248,145	653,704	1,369,710	1,253,217	437,313	1,013,605	449,159		
Three Years Later	1,024,608	1,457,506	1,554,449	2,440,234	2,277,287	1,947,770	1,503,828			
Four Years Later	1,443,112	1,711,564	2,298,595	2,576,594	1,742,436	2,665,638				
Five Years Later	1,715,146	2,661,354	2,643,544	2,542,065	2,166,470					
Six Years Later	1,851,925	3,101,437	2,403,693	2,764,092						
Seven Years Later	1,954,076	3,323,033	2,350,972							
Eight Years Later	2,067,135	2,676,837								
Nine Years Later	2,106,154									
Increase (decrease) in estimated incurred claims and expense from end of policy year	(120,574)	(7,954)	(177,731)	473,453	274,797	517,620	(1,380,432)	(2,670,871)	(2,784,195)	(1,406,700)
Number of Fund Participants receiving benefits at end of year	96	95	98	97	102	111	122	128	119	112

Note 1 Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activitie* , effective for fiscal periods beginning after June 15, 1990, requires certain disclosures for public entity risk pools. Note 16 of the financial statements describes the Workers ' Compensation Second Injury Trust Fund and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10.

Note 2 The amounts reflected as operating costs of the program for the respective years which were paid from the Workmen's Compensation Trust Fund.

Note 3 Prior to the year ended June 30, 1999, there was no actuarial valuation of estimated incurred claims and expenses. The Workers' Compensation Commission (the Commission) recorded liabilities based on the present value of estimated future payment of orders and accepted liabilities of second injury cases rules on by the Commission. The information presented above on estimated incurred claims and expenses was developed by the actuarial firm Osborn, Carreiro and Associates, Inc.

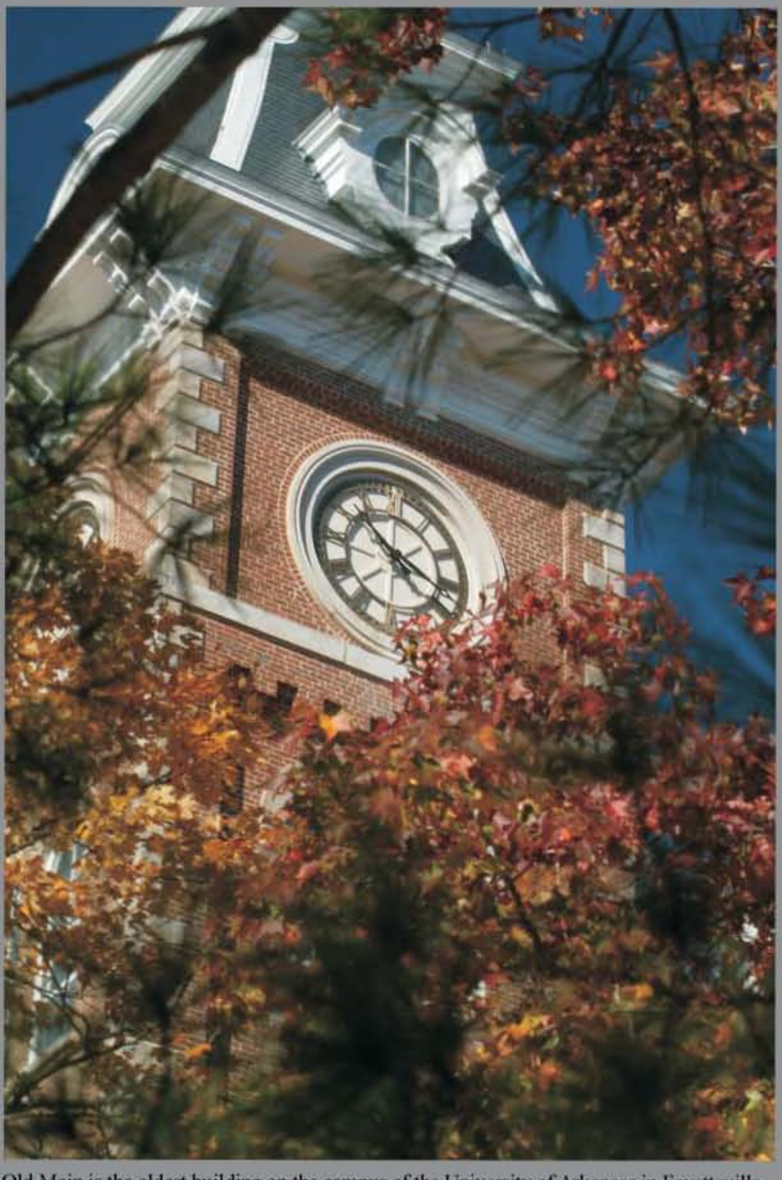
Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
(Expressed in thousands)

Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Arkansas Northeast College	7/1/2007	$ 0	$ 866	$ 866	0 0%	$ 8,424	10%
Arkansas State University	7/1/2007	0	8,081	8,081	0 0%	87,213	9%
Arkansas Tech University	7/1/2007	0	9,054	9,054	0 0%	30,326	30%
Black River Technical College	7/1/2007	0	454	454	0 0%	4,948	9%
Ozarka College	7/1/2007	0	186	186	0 0%	4,026	5%
Henderson State University	7/1/2007	0	2,668	2,668	0 0%	18,187	15%
Mid South Community College	7/1/2007	0	295	295	0 0%	6,314	5%
North Arkansas College	7/1/2007	0	225	225	0 0%	2,135	11%
National Park Community College	7/1/2007	0	686	686	0 0%	9,443	7%
Northwest Arkansas Community College	7/1/2007	0	185	185	0 0%	18,827	1%
Pulaski Technical College	7/1/2007	0	571	571	0 0%	12,332	5%
Rich Mountain Community College	7/1/2007	0	131	131	0 0%	385	34%
South Arkansas Community College	7/1/2007	0	263	263	0 0%	6,369	4%
Southern Arkansas University - Technical Branch	7/1/2007	0	468	468	0 0%	5,853	8%
Southern Arkansas University	7/1/2007	0	2,604	2,604	0 0%	14,283	18%
University of Arkansas of Fort Smith	7/1/2007	0	644	644	0 0%	24,674	3%
University of Arkansas System Self-Funded Plan	7/1/2007	0	171,807	171,807	0 0%	780,954	22%
University of Arkansas System AHEC Benefits	7/1/2007	0	5,110	5,110	0 0%	20,969	24%
University of Central Arkansas	7/1/2007	0	2,446	2,446	0 0%	47,660	5%
Arkansas State Police	1/1/2008	0	76,504	76,504	0 0%	40,568	189%
Arkansas Employee Benefits Plan	7/1/2007	0	1,464,934	1,464,934	0 0%	1,044,880	140%

Actuarial assumptions are presented in Note 14

Arkansas® THE NATURAL STATE

Combining Financial Statements



Old Main is the oldest building on the campus of the University of Arkansas in Fayetteville, Arkansas. The structure was listed on the National Register of Historic Places in 1970.

GREAT SEAL OF THE STATE OF ARKANSAS

NON-MAJOR ENTERPRISE FUNDS

The enterprise funds are used to account for operations of those state agencies and/or programs providing goods or services to the general public on a user-charge basis or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The non-major enterprise funds consist of the following:

Department of Workforce Services – This department is responsible for promoting employment security in the State of Arkansas by administering federally assisted programs that provide employment, placement, and training services through local public employment offices within the State and for administering the State of Arkansas Unemployment Insurance Program.

War Memorial Stadium Commission – This agency has exclusive jurisdiction for the operation of the facility known as War Memorial Stadium, which is for the use of all the schools, colleges, and universities of the State under the supervision of the agency.

Construction Assistance Revolving Loan Fund – This program is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities.

Public School Employee Health and Life Benefit Plan – This program is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees.

Other Revolving Loan Funds – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation of water systems and the financing of capitalizable educational and general projects for community and technical colleges.

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2008
(Expressed in thousands)

	Department of Workforce Services	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Assets						
Current assets:						
Cash and cash equivalents	$	$ 369	$ 51,951	$ 13,538	$ 11,836	$ 77,694
Investments	185,637	203			6,935	192,775
Receivables:						
Accounts	82,467		154	1,705	267	84,593
Interest	37		633	290	181	1,141
Due from other funds	1,423					1,423
Due from other governments	10,643					10,643
Inventories		15				15
Prepaid items	143					143
Total current assets	280,350	587	52,738	15,533	19,219	368,427
Noncurrent assets:						
Investments - restricted			44,737	55,419		100,156
Capital assets:						
Land	2,973					2,973
Infrastructure	22					22
Buildings	9,422	15,297				24,719
Equipment	6,067	775		94		6,936
Construction in progress		374				374
Other depreciable assets	2,210					2,210
Less accumulated depreciation	(10,453)	(6,654)		(12)		(17,119)
Advances to other funds					5,959	5,959
Loans receivable, net			230,574		88,073	318,647
Other noncurrent assets			612			612
Total noncurrent assets	10,241	9,792	275,923	55,501	94,032	445,489
Total assets	$ 290,591	$ 10,379	$ 328,661	$ 71,034	$ 113,251	$ 813,916

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2008
(Expressed in thousands)

	Department of Workforce Services	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Liabilities						
Current liabilities:						
Cash overdraft	$ 357	$	$	$	$	$ 357
Accounts payable	49,189	274	493	8,721	105	58,782
Accrued interest payable			291			291
Accrued and other current liabilities	1,493	74				1,567
Due to other funds	330	38		399	144	911
Due to other governments	3,641					3,641
Bonds payable			6,525			6,525
Claims, judgments, and compensated absences	384	8		22,304		22,696
Deferred revenue				1,468	2,998	4,466
Total current liabilities	55,394	394	7,309	32,892	3,247	99,236
Noncurrent liabilities:						
Bonds payable			66,266			66,266
Net postemployment benefits payable	2,320	22				2,342
Claims, judgments, and compensated absences	2,621	57		446		3,124
Deferred revenue			1,256			1,256
Total noncurrent liabilities	4,941	79	67,522	446		72,988
Total liabilities	60,335	473	74,831	33,338	3,247	172,224
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	10,241	9,792		82		20,115
Restricted for:						
Unemployment compensation	220,015					220,015
Program requirements			253,830		110,004	363,834
Unrestricted		114		37,614		37,728
Total net assets	230,256	9,906	253,830	37,696	110,004	641,692
Total liabilities and net assets	$ 290,591	$ 10,379	$ 328,661	$ 71,034	$ 113,251	$ 813,916

Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2008
(Expressed in thousands)

	Department of Workforce Services	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Operating revenues:						
Charges for sales and services	$	$ 1,860	$	$ 241,839	$	$ 243,699
Licenses, permits, and fees			2,361		974	3,335
Investment earnings			8,775		2,607	11,382
Miscellaneous	6,427		7			6,434
Total operating revenues	6,427	1,860	11,143	241,839	3,581	264,850
Operating expenses:						
Cost of sales and services		599		3,248		3,847
Compensation and benefits	38,642	512				39,154
Supplies and services	15,391	2,203		15,737		33,331
General and administrative expenses	3,012	180	290		123	3,605
Benefits and aid payments	374,642			213,262		587,904
Depreciation and amortization	953	496		5		1,454
Amortization of bond costs			131			131
Interest			3,659			3,659
Total operating expenses	432,640	3,990	4,080	232,252	123	673,085
Operating income (loss)	(426,213)	(2,130)	7,063	9,587	3,458	(408,235)
Nonoperating revenues (expenses):						
Investment earnings	8,547	28		2,965		11,540
Taxes	263,119					263,119
Grants and contributions	132,321	124	11,071		8,475	151,991
Loss on sale of fixed assets	(21)					(21)
Other expense	(4,049)					(4,049)
Total nonoperating revenues (expenses)	399,917	152	11,071	2,965	8,475	422,580
Income (loss) before transfers and contributions	(26,296)	(1,978)	18,134	12,552	11,933	14,345
Transfers in	4,406	1,086			1,709	7,201
Transfers out	(3,260)	(87)	(818)	(403)	(2,864)	(7,432)
Change in net assets	(25,150)	(979)	17,316	12,149	10,778	14,114
Total net assets - beginning	255,406	10,885	236,514	25,547	99,226	627,578
Total net assets - ending	$ 230,256	$ 9,906	$ 253,830	$ 37,696	$ 110,004	$ 641,692

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Department of Workforce Services	War Memorial Stadium Commission	Construction Assistance Revolving Loan Funds	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Cash flows from operating activities:						
Cash received from customers	$	$ 1,860	$	$ 242,620	$	$ 244,480
Payments to employees	(36,026)	(488)				(36,514)
Payments of benefits	(370,054)			(213,262)		(583,316)
Payments to suppliers	(18,456)	(2,986)	(315)	(20,832)	(112)	(42,701)
Interest received (paid)			4,470		2,638	7,108
Loan administration received (paid)			(8,266)		(6,233)	(14,499)
Other receipts (payments)	6,477		2,087	(3,248)	1,467	6,783
Net cash provided by (used in) operating activities	(418,059)	(1,614)	(2,024)	5,278	(2,240)	(418,659)
Cash flows from noncapital financing activities:						
Direct lending payments			(5,810)			(5,810)
Taxes	260,577					260,577
Grants and contributions	128,752	124	11,236		8,649	148,761
Net transfers to other funds	1,146	1,033	(818)	(403)	(1,331)	(373)
Net cash provided by (used in) noncapital financing activities	390,475	1,157	4,608	(403)	7,318	403,155
Cash flows from capital and related financing activities:						
Acquisition and construction of capital assets	(1,252)	(100)		(11)		(1,363)
Proceeds from short-term borrowings		54				54
Proceeds from long-term borrowings						
Net cash used in capital and related financing activities	(1,252)	(46)		(11)		(1,309)
Cash flows from investing activities:						
Purchase of investments		(98)	(67,215)	(2,489)	(6,926)	(76,728)
Proceeds from sale and maturities of investments	19,915		56,680			76,595
Interest and dividends on investments	8,614	28		2,675		11,317
Advance disbursements					(2,825)	(2,825)
Advance repayments					626	626
Net cash provided by (used in) investing activities	28,529	(70)	(10,535)	186	(9,125)	8,985
Net increase (decrease) in cash and cash equivalents	(307)	(573)	(7,951)	5,050	(4,047)	(7,828)
Cash and cash equivalents - beginning	(50)	942	59,902	8,488	15,883	85,165
Cash and cash equivalents (cash overdrafts) - ending	$ (357)	$ 369	$ 51,951	$ 13,538	$ 11,836	$ 77,337
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (426,213)	$ (2,130)	$ 7,063	$ 9,587	$ 3,458	$ (408,235)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	953	496		5		1,454
Amortization			131		(132)	(1)
Net appreciation (depreciation) of investments			(773)		(9)	(782)
Prior year adjustment for capital asset capitalization	5					5
Net changes in assets and liabilities:						
Accounts receivable			(13)	522	(4)	505
Loans receivable			(8,266)		(6,229)	(14,495)
Inventory		(3)				(3)
Other current assets	786		141	50	40	1,017
Current liabilities		(2)		397		395
Accounts payable and other accrued liabilities	4,067	1	(46)	(5,541)	7	(1,512)
Net OPEB	2,320	23				2,343
Compensated absences	23	1				24
Deferred revenue			(261)	258	629	626
Net cash provided by (used in) operating activities	$ (418,059)	$ (1,614)	$ (2,024)	$ 5,278	$ (2,240)	$ (418,659)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations, or other governments and/or funds. The trust and agency funds consist of the following:

> ***Pension Trust Funds*** – These funds are accounted for in essentially the same manner as proprietary funds and include Teacher, APERS, Highway, State Police, and Judicial retirement plans.
>
> ***Agency Funds*** – These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.

Combining Statement of Fiduciary Net Assets
Pension Trust Funds
June 30, 2008
(Expressed in thousands)

Assets	Teacher	APERS	Highway	State Police	Judicial	Total
Cash and cash equivalents	$ 546,768	$ 164,106	$ 163,435	$ 2,170	$ 1,360	$ 877,839
Receivables:						
Employee	15,888		12			15,900
Employer	53,080	1,481				54,561
Interest and dividends	18,131	13,575	6,282	71	54	38,113
Advances to other funds	9,606					9,606
Other	168,074	68,332	2	61	423	236,892
Due from other funds	2,125	1				2,126
Total receivables	266,904	83,389	6,296	132	477	357,198
Investments at fair value:						
Bonds, notes, mortgages and preferred stock	482,277	988,373	413,765			1,884,415
Common stock	2,717,791	1,970,881	658,900	54,298	59,948	5,461,818
Real estate	752,512	509,015				1,261,527
International investments	564,780	1,307,022		51,434	25,963	1,949,199
Mutual funds		490,907				490,907
Pooled investment funds	4,470,747			107,113	73,249	4,651,109
Corporate obligations	470,246	43,094				513,340
Asset and mortgage backed securities	32,797	196,932				229,729
Other	1,020,650	142				1,020,792
Total investments	10,511,800	5,506,366	1,072,665	212,845	159,160	17,462,836
Securities lending collateral	741,151	788,656		756		1,530,563
Capital assets	299	51				350
Other assets	116	1,600				1,716
Total assets	12,067,038	6,544,168	1,242,396	215,903	160,997	20,230,502
Liabilities						
Accounts payable and other liabilities	7,579	8,070	42	356	231	16,278
Investment principal payable	299,945	108,712		90	221	408,968
Obligations under securities lending	741,151	788,656		756		1,530,563
Postemployment benefit liability	264	208				472
Due to other funds	11	70				81
Total liabilities	1,048,950	905,716	42	1,202	452	1,956,362
Net assets						
Held in trust for employees' pension benefits	$ 11,018,088	$ 5,638,452	$ 1,242,354	$ 214,701	$ 160,545	$ 18,274,140

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Teacher	APERS	Highway	State Police	Judicial	District Judge	Total
Additions:							
Contributions							
Members	$ 108,872	$ 19,607	$ 7,715	$ 75	$ 812	$	$ 137,081
Employers	350,320	171,955	16,178	5,786	2,187		546,426
Supplemental contributions		1,665		3,133	2,110		6,908
Court fees				1,518	903		2,421
Reinstatement fees			393	1,139			1,532
Total contributions	459,192	193,227	24,286	11,651	6,012		694,368
Investment income:							
Net increase (decrease) in fair value of investments	(1,839,498)	(380,074)	72,298	(26,813)	(7,752)		(2,181,839)
Interest, dividends, and other	1,388,094	114,253	30,841	547	1,118		1,534,853
Real estate operating income (loss)	6,456	(65)					6,391
Securities lending income	50,597	36,240		162			86,999
Total investment income	(394,351)	(229,646)	103,139	(26,104)	(6,634)		(553,596)
Less investment expense	83,478	53,956	4,524	1,266	804		144,028
Net investment income	(477,829)	(283,602)	98,615	(27,370)	(7,438)		(697,624)
Local municipal judges retirement funds transfer		26,989				(26,989)	
Miscellaneous	249	5,559		(342)	(1)		5,465
Total additions (losses)	(18,388)	(57,827)	122,901	(16,061)	(1,427)	(26,989)	2,209
Deductions:							
Benefits paid to participants or beneficiaries	587,320	266,297	65,484	19,088	7,308		945,497
Refunds of employee/employer contributions	6,462	1,920	1,154		42		9,578
Administrative expenses	6,677	5,027	60	87	59		11,910
Total deductions	600,459	273,244	66,698	19,175	7,409		966,985
Change in net assets held in trust for employees' pension benefits	(618,847)	(331,071)	56,203	(35,236)	(8,836)	(26,989)	(964,776)
Net assets - beginning	11,636,935	5,969,523	1,186,151	249,937	169,381	26,989	19,238,916
Net assets - ending	$ 11,018,088	$ 5,638,452	$ 1,242,354	$ 214,701	$ 160,545	$	$ 18,274,140

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2008
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 3,766	$ 21,851	$ 25,617
Receivables:			
Interest and dividends	2	8	10
Other		10	10
Total receivables	2	18	20
Investments at fair value:			
Certificates of deposit	1,360	41,254	42,614
Bonds, government securities, notes, mortgages, and preferred stock		72,191	72,191
Total investments	1,360	113,445	114,805
Financial assurance instruments	304,804	5,703	310,507
Total assets	$ 309,932	$ 141,017	$ 450,949
Liabilities			
Accounts payable and other liabilities	$	$ 4	$ 4
Due to other governments		116,835	116,835
Due to third parties	309,932	24,178	334,110
Total liabilities	$ 309,932	$ 141,017	$ 450,949

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Insurance Department			
Assets	**Balance July 1, 2007**	**Additions**	**Reductions**	**Balance June 30, 2008**
Cash and cash equivalents	$ 3,825	$ 163	$ 222	$ 3,766
Receivables:				
Interest and dividends	2	2	2	2
Investments at fair value:				
Certificates of deposit	1,400		40	1,360
Financial assurance instruments	297,953	6,851		304,804
Total assets	$ 303,180	$ 7,016	$ 264	$ 309,932
Liabilities				
Due to third parties	$ 303,180	$ 7,016	$ 264	$ 309,932
Total liabilities	$ 303,180	$ 7,016	$ 264	$ 309,932

	Other Agencies			
Assets	**Balance July 1, 2007**	**Additions**	**Reductions**	**Balance June 30, 2008**
Cash and cash equivalents	$ 24,334	$ 1,572,443	$ 1,574,926	$ 21,851
Receivables:				
Interest and dividends	145	95	232	8
Other	67	168	225	10
Inventories	9	10	19	
Investments at fair value:				
Certificates of deposit	34,394	22,267	15,407	41,254
Bonds, government securities, notes, mortgages, and preferred stock	59,037	72,191	59,037	72,191
Financial assurance instruments	5,796	95	188	5,703
Total assets	$ 123,782	$ 1,667,269	$ 1,650,034	$ 141,017
Liabilities				
Accounts payable and other liabilities	$ 67	$ 15,535	$ 15,598	$ 4
Due to other governments	75,523	958,702	917,390	116,835
Due to third parties	48,192	763,334	787,348	24,178
Total liabilities	$ 123,782	$ 1,737,571	$ 1,720,336	$ 141,017

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2008
(Expressed in thousands)

	Total - All Agency Funds			
Assets	**Balance July 1, 2007**	**Additions**	**Reductions**	**Balance June 30, 2008**
Cash and cash equivalents	$ 28,159	$ 1,572,606	$ 1,575,148	$ 25,617
Receivables:				
Interest and dividends	147	97	234	10
Other	67	168	225	10
Inventories	9	10	19	
Investments at fair value:				
Certificates of deposit	35,794	22,267	15,447	42,614
Bonds, government securities, notes, mortgages, and preferred stock	59,037	72,191	59,037	72,191
Financial assurance instruments	303,749	6,946	188	310,507
Total assets	$ 426,962	$ 1,674,285	$ 1,650,298	$ 450,949
Liabilities				
Accounts payable and other liabilities	$ 67	$ 15,535	$ 15,598	$ 4
Due to other governments	75,523	958,702	917,390	116,835
Due to third parties	351,372	770,350	787,612	334,110
Total liabilities	$ 426,962	$ 1,744,587	$ 1,720,600	$ 450,949


GREAT SEAL OF THE STATE OF ARKANSAS
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Statistical Section

The Greene County Courthouse was constructed in 1888 and is located in Paragould, Arkansas. The structure was listed on the National Register of Historic Places in 1976.

Statistical Section – Table of Contents

Financial Trends - These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. The schedules presented from an entity wide perspective only include fiscal year 2002 and forward, coinciding with the implementation of GASB Statement No. 34. Fund perspective schedules are presented for the last ten years, except where noted. Schedules included are:

Revenue Capacity Information - These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information - These schedules contain trend information to help the reader understand the State's outstanding debt and the capacity to repay that debt.

Demographic and Economic Information - These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.

Operating Information - These schedules contain service and infrastructure data in relation to the services the State provides and the activities it performs.

Other Information

Schedule 1
Net Assets by Component (Unaudited)
Last Seven Fiscal Years
(Expressed in thousands)

	2008	2007	2006	2005	2004	2003	2002
Governmental Activities							
Invested in capital assets, net of related debt	$ 8,210,615	$ 7,937,210	$ 7,880,406	$ 7,563,452	$ 7,375,246	$ 7,009,304	$ 6,730,616
Restricted	863,721	812,989	672,391	506,508	231,314	178,871	179,988
Unrestricted	2,355,894	2,469,825	2,001,993	1,803,726	1,657,482	1,399,219	1,477,114
Total governmental activities net assets	11,430,230	11,220,024	10,554,790	9,873,686	9,264,042	8,587,394	8,387,718
Business-Type Activities							
Invested in capital assets, net of related debt	1,500,418	1,456,147	1,244,773	1,200,731	1,159,058	1,106,738	1,014,975
Restricted	954,661	882,865	879,536	760,011	649,458	567,056	663,139
Unrestricted	459,677	410,378	509,394	463,153	419,697	388,486	381,757
Total business-type activities net assets	2,914,756	2,749,390	2,633,703	2,423,895	2,228,213	2,062,280	2,059,871
Primary Government							
Invested in capital assets, net of related debt	9,711,033	9,393,357	9,125,179	8,764,183	8,534,304	8,116,042	7,745,591
Restricted	1,818,382	1,695,854	1,551,927	1,266,519	880,772	745,927	843,127
Unrestricted	2,815,571	2,880,203	2,511,387	2,266,879	2,077,179	1,787,705	1,858,871
Total primary government activities net assets	$ 14,344,986	$ 13,969,414	$ 13,188,493	$ 12,297,581	$ 11,492,255	$ 10,649,674	$ 10,447,589

Note: The State implemented Governmental Accounting Standards Board Statement No. 34 in fiscal year 2002; the relevant government-wide schedules are effective beginning in fiscal year 2002.

Schedule 2
Changes in Net Assets (Unaudited)
Last Seven Fiscal Years
(Expressed in thousands)

	2008	2007	2006	2005	2004	2003	2002
Governmental							
Expenses							
General government	$ 1,296,232	$ 1,156,301	$ 1,187,512	$ 1,042,440	$ 1,071,734	$ 1,048,805	$ 940,426
Education	3,291,054	3,153,653	3,048,477	2,881,337	2,342,543	2,326,854	2,236,210
Health and human services	5,195,317	4,855,759	4,663,898	4,538,242	4,100,830	3,785,128	3,304,714
Transportation	668,305	625,911	642,297	626,138	606,900	620,424	522,826
Law, justice, and public safety	631,793	587,413	620,905	518,579	529,693	441,258	428,701
Recreation and resources development	244,959	219,283	201,955	175,097	189,406	243,519	218,534
Regulation of business and professionals	105,620	119,225	115,887	117,525	130,349	115,983	98,494
Interest on long-term debt	57,923	56,143	59,501	60,101	56,906	55,677	51,215
Total Expenses	11,491,203	10,773,688	10,540,432	9,959,459	9,028,361	8,637,648	7,801,120
Program							
Charges for services							
General government	291,216	269,310	256,641	270,746	279,902	252,146	279,099
Education	16,638	14,322	13,501	9,217	4,617	10,057	6,948
Health and human services	244,706	234,181	217,429	214,646	124,321	173,949	202,307
Transportation	146,463	137,338	133,993	130,190	122,873	132,673	12,819
Law, justice, and public safety	72,066	64,666	63,251	60,540	61,163	24,350	9,262
Recreation and resources development	79,438	61,844	55,223	55,026	52,597	51,626	45,582
Regulation of business and professionals	81,585	86,721	89,950	76,026	67,172	75,160	68,180
Operating grants	4,410,782	4,180,653	4,150,897	3,997,615	3,805,225	3,802,814	3,425,029
Capital grants and contributions	413,055	422,270	392,744	431,739	454,668	15,419	6,707
Total Program Revenues	5,755,949	5,471,305	5,373,629	5,245,745	4,972,538	4,538,194	4,055,933
Net (Expense) Revenue	(5,735,254)	(5,302,383)	(5,166,803)	(4,713,714)	(4,055,823)	(4,099,454)	(3,745,187)
General Revenues and Transfers							
Taxes:							
Personal and corporate income	2,655,399	2,522,806	2,374,801	2,164,445	1,920,448	1,722,167	1,678,750
Consumer sales and use	2,544,356	2,618,936	2,509,664	2,380,921	1,956,032	1,788,327	1,780,774
Gas and motor carrier	456,223	462,732	456,223	450,281	449,960	439,483	477,384
Other	790,010	785,213	760,431	720,948	695,623	638,469	556,739
Investment earnings	172,081	162,603	96,369	58,348	36,651	46,139	63,121
Miscellaneous income	274,730	247,395	370,352	203,101	295,706	292,716	45,374
Loss on sale of fixed assets						(31,910)	(14,696)
Transfers-internal activities	(947,339)	(811,518)	(719,933)	(654,686)	(637,949)	(596,261)	(609,619)
Restatement		(20,550)			16,000		
Total General Revenues and Transfers	5,945,460	5,967,617	5,847,907	5,323,358	4,732,471	4,299,130	3,977,827
Total Governmental Activities Change in Net Assets	$ 210,206	$ 665,234	$ 681,104	$ 609,644	$ 676,648	$ 199,676	$ 232,640

Schedule 2
Changes in Net Assets (Unaudited)
Last Seven Fiscal Years
(Expressed in thousands)

	2008	2007	2006	2005	2004	2003	2002
Business-Type							
Expenses							
Higher Education	$ 2,851,140	$ 2,628,963	$ 2,422,557	$ 2,256,317	$ 2,121,960	$ 1,987,141	$ 1,856,264
Workers' Compensation	53,967	33,363	36,629	35,517	31,829	33,938	28,544
Workforce Services	432,661	384,313	322,205	325,595	310,539	482,669	479,834
War Memorial Stadium	3,990	3,293	4,310	1,830	1,726	1,799	1,623
Public School Employee Insurance Plan (1)	232,252	240,944	219,544	202,137			
Revolving loans	4,203	4,406	4,603	4,766	5,671	5,866	8,791
Total Expenses	3,578,213	3,295,282	3,009,848	2,826,162	2,471,725	2,511,413	2,375,056
Program							
Charges for Services							
Higher Education	1,345,783	1,196,351	1,160,194	1,054,808	991,698	915,015	1,160,109
Workforce Services						6	
War Memorial Stadium	1,860	1,980	1,436	746	1,349	1,556	1,365
Public School Employee Insurance Plan (1)	241,839	232,558	233,250	211,430			
Revolving loans	3,335	3,120	2,838	2,364			
Operating Grants	626,798	578,648	566,200	602,649	549,004	544,918	160,833
Capital Grants and Contributions	72,677	60,447	59,025	70,432	56,889	88,396	70,832
Total Program Revenues	2,292,292	2,073,104	2,022,943	1,942,429	1,598,940	1,549,891	1,393,139
Net (Expense) Revenue	(1,285,921)	(1,222,178)	(986,905)	(883,733)	(872,785)	(961,522)	(981,917)
Business-Type Revenues and Transfers							
Taxes:							
Other	310,728	306,019	326,343	310,431	318,555	265,911	249,225
Investment earnings	57,064	96,394	61,462	48,310	40,237	48,295	39,565
Miscellaneous income	136,156	123,934	88,975	65,988	35,119	58,436	65,672
Loss on sale of fixed assets						(4,972)	(1,956)
Transfers-internal activities	947,339	811,518	719,933	654,686	637,949	596,261	609,619
Restatement					6,858		
Total General Revenues and Transfers	1,451,287	1,337,865	1,196,713	1,079,415	1,038,718	963,931	962,125
Total Business-Type Activities Changes in Net Assets	165,366	115,687	209,808	195,682	165,933	2,409	(19,792)
Total Primary Government Change in Net Assets	$ 375,572	$ 780,921	$ 890,912	$ 805,326	$ 842,581	$ 202,085	$ 212,848

(1) Starting in fiscal year 2005, Public School Employee Insurance Plan revenues and expenditures were recorded in the Enterprise fund.

Note: The State implemented Governmental Accounting Standards Board Statement No. 34 in Fiscal Year 2002; the relevant government-wide schedules are effective beginning in Fiscal Year 2002.

Schedule 3
Fund Balances, Governmental Fund (Unaudited)
Last Ten Fiscal Years
(Expressed in thousands)

	2008	2007	2006	2005
General Fund				
Reserved	$ 1,257,856	$ 1,227,194	$ 954,015	$ 988,971
Unreserved	2,309,421	2,272,762	1,988,211	1,532,038
Total General Fund	3,567,277	3,499,956	2,942,226	2,521,009
Total Fund Balances, Govenmental Funds	$ 3,567,277	$ 3,499,956	$ 2,942,226	$ 2,521,009

2004	2003	2002	2001	2000	1999
$ 712,864	$ 769,067	$ 839,209	$ 361,718	$ 501,784	$ 282,416
1,384,917	973,152	839,121	1,462,693	1,411,661	1,407,377
2,097,781	1,742,219	1,678,330	1,824,411	1,913,445	1,689,793
$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411	$ 1,913,445	$ 1,689,793

Schedule 4
Changes in Net Assets, Governmental Fund (Unaudited)
Last Ten Fiscal Years
(Expressed in thousands)

	2008	2007	2006	2005
Revenues:				
Taxes:				
Personal and corporate income	$ 2,644,852	$ 2,515,958	$ 2,374,853	$ 2,169,849
Consumer sales and use	2,551,222	2,624,325	2,519,443	2,382,865
Gas and motor carrier	456,216	463,362	456,569	450,269
Other	790,122	784,936	760,799	721,144
Intergovernmental	4,832,649	4,594,212	4,540,408	4,418,148
Licenses, permits, and fees	957,424	886,106	853,616	836,688
Investment earnings	172,081	162,603	96,369	57,999
Miscellaneous	275,646	287,031	345,978	248,138
Total Revenues	12,680,212	12,318,533	11,948,035	11,285,100
Expenditures:				
Current:				
General government	1,190,857	1,213,597	1,137,458	1,058,514
Education	3,286,143	3,149,468	3,044,735	2,877,770
Health and human services	5,184,858	4,844,657	4,653,553	4,526,132
Transportation	338,062	297,816	320,417	319,140
Law, justice, and public safety	606,633	552,728	588,661	480,246
Recreation and resources development	228,663	187,970	186,137	159,709
Regulation of business and professionals	109,818	112,833	112,623	114,484
Debt service:				
Principal retirement (1)	107,070	103,782	97,583	46,723
Interest expense	59,671	59,752	61,065	58,866
Bond issuance costs	345	1,317	818	2,905
Capital outlay	628,536	611,567	673,624	704,117
Total Expenditures	11,740,656	11,135,487	10,876,674	10,348,606
Excess (deficiency) of revenues over expenditures	939,556	1,183,046	1,071,361	936,494
Other financing sources (uses):				
Issuance of debt	35,417	38,320	71,993	116,717
Proceeds from bond refunding		224,855	15,540	
Bond discounts/premiums	(306)	5,248	1,967	2,844
Payment to refunding escrow agent	(4,523)	(107,806)	(24,371)	(60,325)
Capital leases	32,047	22,855	2,223	80,010
Installment Sales	13,210			
Sale of Capital Assets	2,943	2,717	2,297	2,289
Transfers in	82,277	60,316	47,254	46,495
Transfers out	(1,033,300)	(871,821)	(767,047)	(701,296)
Restatement				
Total other financing sources and uses	(872,235)	(625,316)	(650,144)	(513,266)
Net change in fund balances	67,321	557,730	421,217	423,228
Fund balances-July 1	3,499,956	2,942,226	2,521,009	2,097,781
Decrease in reserve for inventory				
Fund balances-June 30	$ 3,567,277	$ 3,499,956	$ 2,942,226	$ 2,521,009
Debt Service as a percentage of noncapital expenditures:	1.50%	1.57%	1.56%	1.12%

(1) Prior to 2002, principal retirement, interest expense, and bond issuance costs were combined

	2004	2003	2002	2001	2000	1999
	$ 1,914,067	$ 1,714,603	$ 1,671,615	$ 1,704,226	$ 1,670,110	$ 1,873,980
	1,951,475	1,770,946	1,719,686	1,728,033	1,622,476	1,560,892
	450,444	439,614	430,735	257,407	285,113	386,503
	694,802	638,510	647,387	373,688	349,969	353,136
	4,249,189	3,823,171	3,417,665	2,882,725	2,613,654	2,459,368
	717,092	750,872	591,817	480,698	481,078	438,174
	36,651	46,139	63,167	107,074	102,158	108,000
	313,952	250,566	49,403	623,006	442,979	390,236
	10,327,672	9,434,421	8,591,475	8,156,857	7,567,537	7,570,289
	1,029,316	1,044,164	902,922	681,055	587,147	992,322
	2,336,813	2,324,631	2,231,401	2,172,021	2,098,860	1,959,309
	4,065,745	3,772,155	3,293,609	2,984,687	2,698,687	2,614,967
	312,688	346,282	257,976	788,416	622,061	559,572
	496,109	416,353	405,434	509,428	333,211	311,176
	159,895	221,987	196,731	196,734	203,358	170,619
	125,968	108,378	96,655	120,189	161,703	139,345
	36,809	40,066	49,478	69,841	77,244	57,917
	56,769	50,341	43,578			
	1,194	624	336			
	755,373	692,898	810,947	132,485	142,227	120,525
	9,376,679	9,017,879	8,289,067	7,654,856	6,924,498	6,925,752
	950,993	416,542	302,408	502,001	643,039	644,537
	24,974	224,020	185,000	31,874	198,083	2,115
		31,150	45,145			
	620	10,329	9,365			
		(32,737)	(44,393)			
	4,961	10,846	15,086	3,422	14,069	326
	2,296					
	49,099	5,266	757	658	229	162
	(677,381)	(601,527)	(610,376)	(614,579)	(634,118)	(606,285)
			(49,073)	(8,908)		
	(595,431)	(352,653)	(448,489)	(587,533)	(421,737)	(603,682)
	355,562	63,889	(146,081)	(85,532)	221,302	40,855
	1,742,219	1,678,330	1,824,411	1,913,445	1,689,793	1,645,100
				(3,502)	2,350	3,838
	$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411	$ 1,913,445	$ 1,689,793
	1.10%	1.09%	1.25%	0.93%	1.14%	0.85%

Schedule 5
Revenue Base (Unaudited)
Last Nine Fiscal Years (1)
(Expressed in thousands)

Industry	2008 Revenue Base	2008 Percent of Total	2007 Revenue Base	2007 Percent of Total	2006 Revenue Base	2006 Percent of Total	2005 Revenue Base	2005 Percent of Total
Agriculture, Forestry, Fishing, and Hunting	$ 105,304	0 25%	$ 108,964	0 27%	$ 103,605	0 26%	$ 110,174	0 29%
Mining	246,908	0 60%	224,806	0 55%	187,394	0 48%	154,114	0 41%
Utilities	4,708,255	11 40%	4,532,525	11 06%	4,380,370	11 17%	3,657,722	9 72%
Construction	529,727	1 28%	493,295	1 20%	466,170	1 19%	405,129	1 08%
Manufacturing	3,624,193	8 77%	3,670,740	8 96%	3,438,906	8 77%	3,362,676	8 94%
Wholesale Trade	4,218,275	10 21%	4,205,431	10 26%	3,982,576	10 16%	3,802,827	10 11%
Retail Trade	18,485,279	44 75%	18,655,946	45 51%	18,145,437	46 27%	17,778,800	47 25%
Transportation and Warehousing	362,152	0 88%	384,758	0 94%	281,285	0 72%	252,335	0 67%
Information	2,722,146	6 59%	2,653,893	6 47%	2,525,643	6 44%	2,454,873	6 53%
Finance and Insurance	57,703	0 14%	47,903	0 12%	46,611	0 12%	47,115	0 13%
Real Estate, Rental, and Leasing	832,469	2 02%	803,267	1 96%	724,694	1 85%	701,230	1 86%
Professional, Scientific, and Technical Services	112,101	0 27%	108,423	0 26%	99,865	0 25%	102,152	0 27%
Management of Companies and Enterprises	120	0 00%	293	0 00%	27	0 00%	38	0 00%
Administrative, Support, Waste Management, and Remediation Services	585,095	1 42%	550,851	1 34%	520,973	1 33%	481,704	1 28%
Educational Services	41,684	0 10%	41,719	0 10%	43,524	0 11%	50,060	0 13%
Health Care and Social Services	64,206	0 16%	62,036	0 15%	54,830	0 14%	62,941	0 17%
Arts, Entertainment, and Recreation	159,423	0 39%	161,053	0 39%	152,619	0 39%	151,894	0 40%
Accommodation and Food Services	3,198,652	7 74%	3,117,969	7 61%	2,975,856	7 59%	2,969,613	7 89%
Other Services (except Public Administration)	1,182,542	2 86%	1,102,308	2 69%	1,018,174	2 60%	1,024,751	2 72%
Public Administration	72,240	0 17%	65,026	0 16%	64,070	0 16%	56,261	0 15%
Total (2)	$ 41,308,474	100%	$ 40,991,206	100%	$ 39,212,629	100%	$ 37,626,409	100%
Direct Sales Tax Rate	6 00% (General) 3 00% (Food) 4 50% (Mfg Util Tax)		6 00%		6 00%		6 00%	

(1) Sales tax data not available prior to fiscal year 2000.
(2) Amounts do not include tax collected on automobile transactions.
Source: Department of Finance and Administration Revenue Division - Sales and Use Tax Section

2004		2003		2002		2001		2000	
Revenue Base	Percent of Total	Revenue Base	Percent of Total	Revenue Base	Percent of Total	Revenue Base	Percent of Total	Revenue Base	Percent of Total
$ 91,427	0 28%	$ 117,991	0 36%	$ 118,261	0 36%	$ 133,467	0 39%	$ 51,970	0 17%
111,126	0 34%	111,704	0 34%	114,489	0 35%	130,754	0 39%	39,416	0 13%
3,332,085	10 14%	3,176,490	9 63%	3,267,356	10 01%	3,581,231	10 53%		N/A
326,167	0 99%	347,510	1 05%	360,689	1 10%	353,743	1 04%	283,679	0 90%
2,729,986	8 30%	2,801,495	8 49%	3,180,714	9 74%	3,325,943	9 78%	2,511,858	7 98%
3,194,942	9 72%	3,314,094	10 04%	3,340,808	10 23%	3,545,906	10 43%	3,449,565	10 96%
16,013,365	48 71%	15,982,194	48 42%	15,297,593	46 84%	15,787,265	46 42%	17,099,865	54 32%
161,738	0 49%	392,981	1 19%	360,558	1 10%	378,654	1 11%	5,021,688	15 95%
2,342,534	7 12%	2,135,098	6 47%	2,164,729	6 63%	2,218,403	6 52%		N/A
44,144	0 13%	48,966	0 15%	36,207	0 11%	33,581	0 10%	48,765	0 15%
608,522	1 85%	591,972	1 79%	546,893	1 67%	572,744	1 68%		N/A
87,395	0 27%	86,886	0 26%	91,036	0 28%	90,755	0 27%		N/A
15	0 00%	5	0 00%	6	0 00%	16	0 00%		N/A
197,552	0 60%	168,243	0 51%	147,361	0 45%	146,809	0 43%		N/A
45,713	0 14%	50,875	0 16%	54,329	0 17%	54,150	0 16%		N/A
59,786	0 18%	67,447	0 20%	54,150	0 17%	52,233	0 15%		N/A
125,084	0 38%	128,727	0 39%	125,777	0 39%	126,740	0 37%		N/A
2,544,689	7 74%	2,588,666	7 84%	2,518,407	7 71%	2,578,530	7 58%		N/A
808,652	2 46%	842,348	2 55%	826,560	2 53%	856,825	2 52%	2,949,111	9 37%
50,974	0 16%	53,507	0 16%	51,198	0 16%	45,672	0 13%	22,536	0 07%
$ 32,875,896	100%	$ 33,007,199	100%	$ 32,657,121	100%	$ 34,013,421	100%	$ 31,478,453	100%
5 125% (07/03-02/04) 6 00% (03/04-06/04)		5 125%		5 125%		4 625% (07/00 - 12/00) 5 125% (01/01 - 06/01)		4 625%	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2001 (1)
(Expressed in thousands, except number of taxpayers)

	2008				2001	
Industry	Sales Tax Collected	Percent of Total	Number of Taxpayers	Percent of Total	Sales Tax Collected	Percent of Total
Agriculture, Forestry, Fishing, and Hunting	$ 6,298	0.27%	703	1.11%	$ 6,506	0.39%
Mining	14,710	0.62%	127	0.20%	6,374	0.39%
Utilities	282,002	11.93%	732	1.15%	174,566	10.53%
Construction	31,774	1.34%	1,863	2.93%	17,243	1.04%
Manufacturing	212,679	9.00%	4,723	7.43%	162,122	9.78%
Wholesale Trade	252,135	10.67%	6,718	10.57%	172,844	10.43%
Retail Trade	1,002,299	42.39%	24,670	38.82%	769,546	46.42%
Transportation and Warehousing	21,720	0.92%	1,671	2.63%	18,457	1.11%
Information	163,229	6.90%	1,031	1.62%	108,135	6.52%
Finance and Insurance	3,462	0.15%	278	0.44%	1,637	0.10%
Real Estate, Rental, and Leasing	49,918	2.11%	1,474	2.32%	27,918	1.68%
Professional, Scientific, and Technical Services	6,725	0.28%	1,343	2.11%	4,424	0.27%
Management of Companies and Enterprises	7	0.00%	5	0.01%	1	0.00%
Administrative, Support, Waste Management, and Remediation Services	35,099	1.49%	3,263	5.14%	7,156	0.43%
Educational Services	2,500	0.11%	242	0.38%	2,640	0.16%
Health Care and Social Services	3,848	0.16%	907	1.43%	2,546	0.15%
Arts, Entertainment, and Recreation	9,548	0.40%	834	1.31%	6,178	0.37%
Accommodation and Food Services	191,344	8.09%	6,273	9.87%	125,690	7.58%
Other Services (except Public Administration)	70,889	3.00%	6,639	10.45%	41,766	2.52%
Public Administration	4,127	0.17%	53	0.08%	2,226	0.13%
Total	$ 2,364,313	100%	63,549	100%	$ 1,657,975	100%

(1) Revenue data is available back to fiscal year 2000, however, this data is not comparable to fiscal year 2008 due to a change in sales tax industry codes in fiscal year 2001.

Source: Department of Finance and Administration Revenue Division - Sales and Use Tax Section

Schedule 7
Ratios of Outstanding Debt by Type (Unaudited)
Last Eight Fiscal Years (1)
(Expressed in thousands, except per capita amount)

	2008	2007	2006	2005	2004	2003	2002	2001
Governmental								
General	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986	$ 712,939	$ 552,834
Special			205	370	460	585	765	860
Revenue bond	5,703	2,925	2,988					
Add (deduct):								
Deferred bond refunding loss	(13,140)	(14,263)	(5,542)	(4,807)	(1,011)	(1,064)		
Issuance premiums/(discounts)	15,786	18,689	15,814	16,141	15,339	16,709	8,424	36
Other debt instruments						25	2,499	3,802
Notes payable to component unit	117,390	121,644	123,256	96,683	57,148	56,331	60,000	64,374
Notes payable to pension trust fund	9,606	11,580	13,408	15,100	16,667	18,118	19,461	20,705
Mortgage payable								1,550
Notes payable to healthcare financing administration				171	721	1,131	2,154	
Capital leases	4,586	3,520	4,420	6,927	9,536	11,862	14,567	21,646
Capital leases with component unit	131,792	111,450	97,824	107,522	70,582	76,041	77,153	69,167
Installment sale with component unit	13,210							
Total Governmental Activities Debt	1,197,228	1,227,738	1,152,775	1,182,965	1,092,615	1,100,724	897,962	734,974
Business-Type								
Special obligation:								
War Memorial Stadium Commission						940	1,835	2,690
Construction Assistance Revolving Loan Fund	72,965	78,775	83,955	88,910	93,530	103,275	108,115	112,135
College & University Revenue Bonds	1,246,075	1,197,070	1,155,673	895,910	661,551	637,229	497,060	466,488
Add (deduct): issuance premiums/(discounts)	9,307	8,912	8,803	100	(123)	(1,124)	(1,455)	(1,074)
Notes payable	32,016	22,920	17,930	17,128	14,519	22,281	22,028	
Notes payable with component unit	3,518	5,857	6,666	8,728	9,675	6,349	6,754	
Capital leases	42,002	29,737	25,092	21,470	17,450	8,114	9,921	11,271
Capital leases with component unit	995	1,174	1,354	1,665	1,960	2,240	2,574	2,803
Total Business-Type Activities Debt	1,406,878	1,344,445	1,299,473	1,033,911	798,562	779,304	646,832	594,313
Total Primary Government Debt	2,604,106	2,572,183	2,452,248	2,216,876	1,891,177	1,880,028	1,544,794	1,329,287
Debt Ratios: Primary Government								
Ratio of Primary Government Debt to Personal Income (2)	2 92%	3 11%	3 13%	2 94%	2 66%	2 83%	2 44%	2 15%
Per Capita (3)	$ 911	$ 908	$ 872	$ 797	$ 687	$ 689	$ 570	$ 493
Net General Obligation Bonded Debt								
Gross bonded debt (4)	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986	$ 712,939	552,834
Less: debt service funds	(255,139)	(248,143)	(111,587)	(100,166)	(37,561)	(27,639)	(35,462)	(45,974)
Net bonded debt	$ 657,156	$ 724,050	$ 788,815	$ 844,692	$ 885,612	$ 893,347	$ 677,477	506,860
Per Capita (3)	$ 230	$ 255	$ 280	$ 304	$ 322	$ 327	$ 250	$ 188
Supplementary Information								
Component Unit Debt								
Arkansas Student Loan Authority:								
Revenue bonds payable	691,150	753,780	753,780	580,700	404,650	313,780	320,640	271,845
Less: deferred bond refunding loss				(241)	(1,117)	(10)	(15)	
Notes payable						6,860		
Arkansas Development Finance Authority:								
Bonds payable	1,084,940	1,133,632	1,114,118	1,173,362	1,145,682	1,418,162	1,432,066	1,510,611
Notes payable	205,723	220,751	312,307	326,055	216,315			
Add (deduct): issuance premiums/(discounts)	2,951	2,686	(517)	(961)	(2,098)	(1,715)	(1,962)	(415)
U of A Foundation Annuity Obligations	18,362	19,606	18,524	16,783	15,376	14,748		
Total Component Unit Debt	2,003,126	2,130,455	2,198,212	2,095,698	1,778,808	1,751,825	1,750,729	1,782,041
Total Debt	$ 4,607,232	$ 4,702,638	$ 4,650,460	$ 4,312,574	$ 3,669,985	$ 3,631,853	$ 3,295,523	3,111,328
Debt Ratios								
Ratio of Total Debt to Personal Income (2)	5 16%	5 69%	5 93%	5 73%	5 17%	5 48%	5 21%	5 02%
Per Capita (3)	$ 1,611	$ 1,659	$ 1,653	$ 1,551	$ 1,333	$ 1,331	$ 1,217	$ 1,156

(1) Due to the implementation of GASB Statement No. 34, data available prior to fiscal year 2001 is not comparable to fiscal years 2001 through the current year.
(2) Personal income data can be found in schedule 9.
(3) Population can be found in schedule 9.
(4) Bond detail can be found in Note 8 to the financial statements.

Schedule 8
Pledged Revenue Coverage (Unaudited)
Last Ten Years
(Expressed in thousands)

Colleges and Universities (1)	Gross revenue (2)	Direct operating expense	Net revenue available for debt service	Principal	Interest	Total debt service	Coverage
Refunding Bonds							
2008	$ 76,479	$ 61,641	$ 14,838	$ 5,300	$ 3,659	$ 8,959	1.66
2007	$ 63,172	$ 53,874	$ 9,298	$ 4,700	$ 3,023	$ 7,723	1.20
2006	$ 60,064	$ 51,039	$ 9,025	$ 3,925	$ 2,295	$ 6,220	1.45
Housing Bonds							
2008	$ 55,512	$ 35,237	$ 20,275	$ 3,075	$ 5,766	$ 8,841	2.29
2007	$ 27,940	$ 16,486	$ 11,454	$ 2,190	$ 4,627	$ 6,817	1.68
2006	$ 24,456	$ 17,323	$ 7,133	$ 1,400	$ 3,899	$ 5,299	1.35
Facilities Bonds							
2008	$ 1,023,312	$ 786,420	$ 236,892	$ 26,310	$ 40,342	$ 66,652	3.55
2007	$ 804,021	$ 615,582	$ 188,439	$ 29,260	$ 33,068	$ 62,328	3.02
2006	$ 719,119	$ 530,582	$ 188,537	$ 15,529	$ 25,911	$ 41,440	4.55
General Revenue and Other Bonds							
2008	$ 11,200	$ 5,978	$ 5,222	$ 1,645	$ 2,048	$ 3,693	1.41
2007	$ 8,042	$ 3,427	$ 4,615	$ 1,585	$ 1,708	$ 3,293	1.40
2006	$ 6,042	$ 1,755	$ 4,287	$ 1,310	$ 2,171	$ 3,481	1.23

Arkansas Student Loan Authority	Gross revenue	Direct operating expense	Net revenue available for debt service	Principal	Interest	Total debt service	Coverage
Year ended June 30:							
2008	$ 122,316	$ 5,986	$ 116,330	$ 62,630	$ 36,842	$ 99,472	1.17
2007	164,085	5,405	158,680	0	29,956	29,956	5.30
2006	138,668	5,316	133,352	30,520	19,493	50,013	2.67
2005	85,008	4,832	80,176	11,300	10,828	22,128	3.62
2004	67,473	4,069	63,404	7,180	5,543	12,723	4.98
2003	67,629	3,677	63,952	6,860	6,594	13,454	4.75
2002	61,654	3,597	58,057	13,005	7,769	20,774	2.79
2001	53,888	3,680	50,208	17,655	12,478	30,133	1.67
2000	44,630	2,902	41,728	4,730	10,353	15,083	2.77
1999	42,470	2,775	39,695	1,665	12,002	13,667	2.90

(1) Information not available prior to fiscal year 2006.
(2) Gross Revenues include student tuition and fees, housing fees, rent, athletic fees, millage revenue and other auxiliary revenues.
Source: Colleges and Universities; Arkansas Student Loan Authority

Schedule 9
Demographic and Economic Indicators (Unaudited)
Last Ten Years

Calendar year	Total population (in thousands)	Total personal income (in millions)	Per capita personal income	Unemployment rate
2008*	2,859	$ 89,291	$ 31,232	5.4%
2007	2,837	85,923	30,286	5.1%
2006	2,813	79,983	28,433	5.3%
2005	2,780	74,818	26,913	5.1%
2004	2,751	70,701	25,700	5.6%
2003	2,727	66,476	24,377	5.8%
2002	2,709	63,234	23,342	5.3%
2001	2,694	61,967	23,002	4.7%
2000	2,680	58,726	21,913	4.2%
1999	2,656	56,052	21,104	4.4%

* Projected numbers
Source: Arkansas Department of Finance and Administration Economic Analysis and Tax Research

Schedule 10
Principal Employers (Unaudited)
Current Year as Compared to 1999

2008	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	52,938	4.4%
2	Wal-Mart Stores, Inc.	46,815	3.9%
3	Tyson Foods, Inc.	22,739	1.9%
4	U.S. Federal Government	20,700	1.7%
5	Baptist Health	7,750	0.6%
6	J.B. Hunt Transportation Services, Inc.	7,500	0.6%
7	Community Health Systems, Inc.	5,533	0.5%
8	Sisters of Mercy Health System	4,910	0.4%
9	Pilgrim's Pride	4,088	0.3%
10	Kroger Co.	3,750	0.3%
		176,723	14.6%

1999	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	47,410	4.2%
2	Wal-Mart Stores, Inc.	37,800	3.4%
3	Tyson Foods, Inc.	23,841	2.1%
4	U.S. Federal Government	19,513	1.7%
5	Baptist Health	7,311	0.7%
6	Staffmark, Inc.	5,889	0.5%
7	ConAgra, Inc.	5,031	0.4%
8	Beverly Enterprises, Inc.	4,986	0.4%
9	Georgia-Pacific Corporation	4,800	0.4%
10	Alltel Corporation	4,800	0.4%
		161,381	14.2%

Source: Arkansas Business Publishing Group; Arkansas Department of Economic Development; and Arkansas Department of Finance and Administration

Schedule 11
State Employees by Function (Unaudited)
Last Six Fiscal Years

Full-Time Employees

	2008	2007	2006	2005	2004	2003
General Government						
Department of Finance and Administration-Revenue	1,443	1,420	1,370	1,371	1,352	1,319
All Other	2,816	2,764	2,741	2,678	2,632	2,720
Education						
Department of Workforce Education	493	494	498	503	501	503
Department of Education	371	346	359	318	317	391
All Other	979	965	954	877	882	885
Heath and Human Services						
Department of Human Services	7,617	7,524	7,324	7,244	7,222	7,146
Department of Health	2,907	2,887	2,763	2,771	2,757	2,854
All Other	473	458	458	409	404	394
Transportation						
Department of Highway and Transportation	3,576	3,614	3,676	3,749	3,755	3,698
Law, Justice and Public Safety						
Department of Correction	3,750	3,792	3,745	3,354	3,310	3,362
Arkansas State Police	985	966	934	903	843	818
All Other	2,786	2,553	2,546	2,386	2,351	2,074
Recreation and Resources Development						
Department of Parks and Tourism	1,291	1,298	1,214	1,138	1,127	1,138
Arkansas Game and Fish Commission	647	649	634	621	635	610
All Other	1,010	988	990	933	922	929
Regulation of Business and Professionals						
Department of Insurance	189	185	192	182	184	175
All Other	941	922	909	612	592	597
Proprietary Funds						
Colleges and Universities (2)	19,529	20,269	19,088	N/A	N/A	N/A
Workers Compensation Commission	127	135	137	141	141	138
Department of Workforce Services	976	907	852	702	750	881
War Memorial Stadium Commission (3)	32	25	21	29	N/A	N/A
State Total	52,938	53,161	51,405	30,921	30,677	30,632

(1) State employee data not available prior to 2003.
(2) Employee data for colleges and universities not available prior to 2006.
(3) Employee data for War memorial Stadium Commission not available prior to 2005.
Source: Department of Finance and Administration Office of Personnel Management; Department of Highway and Transportation; Colleges and Universities

Schedule 12
Operating Indicators by Function (Unaudited)
Last Ten Fiscal Years

	2008	2007	2006
General Government			
Department of Finance & Administration-Revenue			
Office of Driver Services			
Licenses and ID cards issued (calendar year) (2)	N/A	734,555	727,765
Registered Vehicles (calendar year) (2)	N/A	3,272,311	2,993,975
Income Tax Administration			
Total electronic tax filers (calendar year) (2)	N/A	751,085 (1)	676,504
EFT estimate payments by corporations	1,357 (1)	1,662	1,501
EFT withholding payments (calendar year)	122,858 (1)	140,678	125,999
Education			
Department of Education			
All school districts:			
Average Daily Membership (2)	N/A	459,865	457,490
Number of Certified Personnel (2)	N/A	36,112	35,371
Average Salary of K-12 Classroom full-time employees (2)	N/A	$ 44,493	$ 43,088
Per Pupil Expenditures (2)	N/A	N/A	$ 7,687
Foundation Aid per Student	$ 5,719	$ 5,662	$ 5,528
Assessed Valuation (in millions)	$ 35,970	$ 33,438	$ 31,275
Higher Education			
Public Institutions			
Fall net enrollment	121,182	118,722	118,127
Undergraduate degrees awarded (2)	N/A	19,848	19,038
Graduate degrees awarded (2)	N/A	3,737	3,585
Private Institutions			
Fall net enrollment	13,817	13,381	12,150
Undergraduate degrees awarded	N/A	2,286	2,420
Graduate degrees awarded	N/A	482	455
Health and Human Services			
Department of Health and Human Services			
Foster Care Recipients	6,974	7,194	6,809
Percent of Population	0.24%	0.25%	0.24%
Food Stamp Recipients	556,735	553,618	558,521
Percent of Population	19.54%	19.60%	19.94%
Medicaid Recipients	744,269	742,965	729,800
Percent of Population	26.13%	26.30%	26.06%
Women, Infants and Children Nutrition Program (WIC)	163,766	160,687	158,393
Percent of Population	5.75%	5.69%	5.66%
Doses of Vaccine Administered (3)	N/A	N/A	N/A

(1) As of 9-30-08
(2) Fiscal year 2008 figures not available as of print date
(3) In fiscal year 2001 new regulations required second dose of measles, varicella and hepatitis B vaccines

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Arkansas Departments of Revenue, Education, Higher Ed, Health and Human Services, Highway and Transportation, Correction, Parks and Tourism and Insurance

2005	2004	2003	2002	2001	2000	1999
731,155	736,200	702,810	683,237	662,870	678,597	657,283
2,907,650	2,810,529	2,742,630	2,685,507	2,650,512	N/A	N/A
620,490	598,127	535,150	495,842	430,072	350,955	272,711
1,185	1,068	902	N/A	N/A	N/A	N/A
103,356	91,536	93,888	N/A	N/A	N/A	N/A
450,910	447,872	439,742	444,709	444,978	445,739	447,892
35,201	34,024	33,014	33,780	33,405	33,466	33,121
$ 41,489	$ 39,266	$ 37,536	$ 36,026	$ 34,729	$ 33,888	$ 32,819
$ 7,307	$ 6,475	$ 6,168	$ 5,867	$ 5,531	$ 4,945	$ 4,679
$ 5,400	$ 4,721	$ 4,688	$ 4,542	$ 4,492	$ 4,301	$ 4,099
$ 29,274	$ 27,748	$ 26,346	$ 25,269	$ 23,941	$ 22,683	$ 21,682
115,203	113,100	108,844	103,715	100,207	98,989	97,742
18,225	17,046	16,933	15,133	14,090	13,747	13,028
3,525	3,248	3,016	3,131	2,852	2,927	2,829
11,546	11,378	12,629	11,890	11,483	11,015	10,781
2,394	2,309	2,204	2,108	2,057	1,633	1,874
306	271	236	184	118	108	87
6,401	6,502	6,202	6,471	6,670	5,486	5,129
0.23%	0.24%	0.23%	0.24%	0.25%	0.20%	0.19%
544,752	490,641	457,888	433,716	402,119	391,787	398,564
19.62%	17.82%	16.79%	16.02%	14.94%	14.63%	15.03%
688,150	663,920	626,036	582,379	535,798	498,669	459,782
24.79%	24.12%	22.95%	21.51%	19.90%	18.62%	17.34%
156,654	153,570	149,063	145,447	144,006	145,418	147,966
5.64%	5.58%	5.46%	5.37%	5.35%	5.43%	5.58%
725,981	710,929	666,308	715,547	1,024,848	715,995	698,831

Continued on the following page

Schedule 12
Operating Indicators by Function (Unaudited)
Last Ten Fiscal Years

Continued from the previous page

	2008	2007	2006
Transportation			
Highway and Transportation Department			
Miles of State Highway Maintained (2)	N/A	16,438	16,440
Law, Justice and Public Safety			
Department of Correction			
Custody Population Count	13,293	12,828	12,690
Staff Members	4,701	4,375	4,375
Inmate Cost per day	$ 54.82	$ 54.82	$ 54.82
Operating Capacity	12,723	12,552	12,403
Inmate Care/Custody Operating Expenses (in thousands)	$ 272,844	$ 253,888	$ 243,208
Arkansas State Police			
Number of Homicides Investigated	199	219	196
Total Citations Issued	271,125	243,234	244,649
Total Motorist Assists	21,380	21,069	21,167
Total Number of Traffic Accidents	16,759	16,561	16,556
Total Criminal Investigations	3,251	2,688	2,119
Recreation and Resources Development			
Department of Parks and Tourism			
Acres of State Parks Maintained	54,623	53,741	53,402
Game and Fish Commission			
Fishing Licenses sold	680,770	748,184	719,411
Hunting Licenses sold	417,560	408,238	375,834
Lifetime Licenses sold	23,241	21,997	19,467
Other Licenses sold	21,774	24,268	22,880
Regulation of Business and Professionals			
Department of Insurance			
Number of active licensed insurance agents	77,310	66,987	60,933
Total consumer complaints received	2,976	3,080	2,850
Total consumer complaints closed	3,068	2,927	2,901
Total dollars recovered for consumers (in thousands)	$ 8,768	$ 5,161	$ 5,913

2005	2004	2003	2002	2001	2000	1999
16,444	16,419	16,383	16,379	16,369	16,367	16,351
12,568	12,675	11,672	11,223	11,072	10,872	10,712
4,270	4,270	3,666	3,666	3,486	3,486	3,288
$ 54.82	$ 54.82	$ 54.82	$ 54.82	$ 54.82	$ 54.82	$ 54.82
12,178	11,640	11,124	10,968	10,576	10,426	10,416
$ 215,042	$ 209,543	$ 185,682	$ 182,188	$ 175,718	$ 164,025	$ 151,336
171	167	224	210	224	N/A	N/A
258,627	211,023	192,379	211,965	N/A	N/A	N/A
23,946	23,173	22,633	21,176	N/A	N/A	N/A
18,726	18,143	18,029	17,166	N/A	N/A	N/A
2,883	3,375	3,215	3,090	2,641	N/A	N/A
52,747	52,553	52,517	52,605	51,632	51,387	51,235
747,756	726,592	734,236	729,291	750,833	731,767	757,708
410,606	413,723	431,615	458,412	443,432	429,441	542,633
20,657	22,284	10,143	9,659	9,535	10,150	9,799
25,829	27,767	26,975	27,342	26,699	24,736	26,923
49,087	33,970	25,866	20,555	16,369	14,032	11,890
3,157	3,320	3,661	3,874	4,044	3,802	3,621
3,132	3,416	3,345	3,808	3,924	3,855	3,532
$ 5,955	$ 5,433	$ 2,573	$ 4,265	$ 2,000	$ 20,203	$ 2,630

Schedule 13
Capital Asset Statistics by Function (Unaudited)
Last Seven Fiscal Years

	2008	2007	2006	2005	2004	2003	2002
General Government							
Dept of Finance and Administration-Revenue							
Vehicles	177	180	188	168	162	146	145
Education							
Department of Education							
Vehicles	207	217	255	244	229	206	207
Higher Education							
Campuses (public institutions)	33	33	33	33	33	33	33
Health and Human Services							
Department of Human Services							
Buildings (1)	449	459	457	456	417	439	441
Vehicles (2)	496	486	482	488	491	492	546
Department of Health							
Buildings (1)	8	8	9	8	8	8	8
Vehicles (2)	134	148	142	142	142	143	143
Transportation							
Highway and Transportation Department							
Passenger vehicles	2,718	2,635	2,686	2,713	2,714	2,764	2,671
Law, Justice and Public Safety							
Department of Correction							
Correctional units	20	20	20	19	19	18	18
Vehicles (2)	384	399	406	391	387	335	334
Arkansas State Police							
Police stations	12	12	12	12	12	12	12
Commissioned officers	550	544	527	529	533	492	592
Vehicles	885	854	860	745	685	742	847
Recreation and Resources Devleopment							
Department of Parks and Tourism							
State parks and museums	52	52	52	52	52	52	52
Vehicles (2)	342	464	592	548	537	514	289
Game and Fish Commission							
Hatcheries	5	5	5	5	5	5	5
Vehicles (2)	960	1,025	1,029	1,054	1,033	1,090	1,048
Boats	572	568	570	560	560	508	497
Regulation of Business and Professionals							
Vehicles (2)	105	98	94	93	92	88	83

(1) Restated to include only structural buildings.
(2) Restated to include only motorized vehicles.

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Arkansas Highway and Transportation Department; Arkansas Departments of Education, Higher Education, Correction, Parks and Tourism, and Finance and Administration-Office of Accounting

Schedule 14
Miscellaneous Statistics (Unaudited)

State Capital	Little Rock
Statehood	June 15, 1836
Nickname	The Natural State
Motto	Regnat populus (The people rule)
Land Area	34,036,700 Acres
Counties	75
Largest Cities	Little Rock, Fort Smith, Fayetteville, Springdale, Jonesboro
Highest Elevation Point	Mount Magazine, 2,753 feet
Lowest Elevation Point	Ouachita River, 54 feet
State Flower	Apple Blossom
State Tree	Pine Tree
State Bird	Mockingbird
State Insect	Honeybee
State Gem	Diamond
State Song	"Arkansas"

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

MERCY

JUSTICE


GREAT SEAL OF T
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