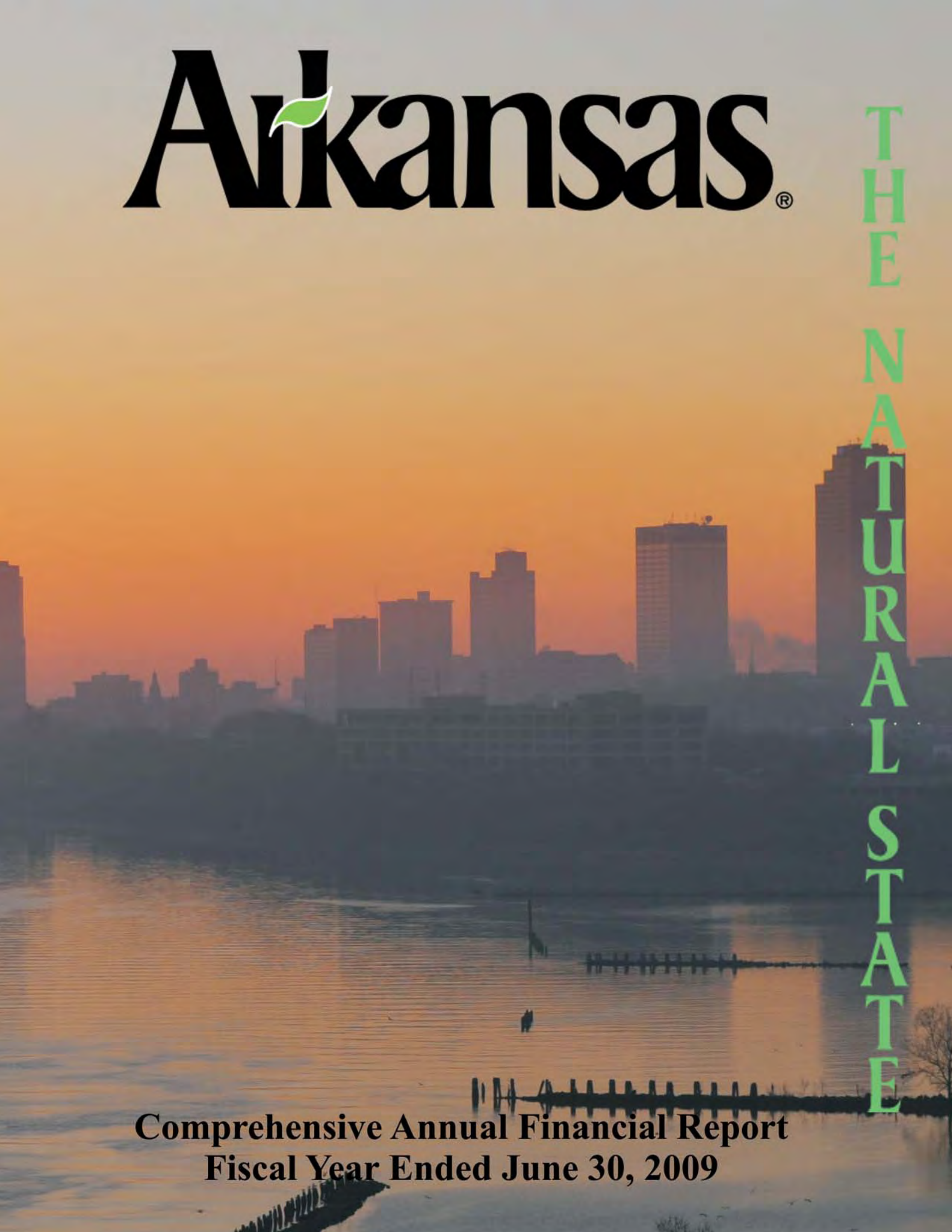

Arkansas®

THE NATURAL STATE

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2009

Arkansas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2009

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 Mark Wagner. The photograph of Governor Mike Beebe is courtesy of the Governor's Office.

The photographs on the cover and throughout the report are various skyline scenes of the Arkansas River at Little Rock.

Governor Mike Beebe

STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

December 23, 2009

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 demonstrates our commitment to accurate and timely financial reporting. The financial statements and accompanying disclosures provide detailed information of Arkansas's financial status to the national credit markets on an annual basis.

I am pleased to report that the Fiscal Year 2008 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award eleven 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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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, 2009

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Arkansas®

Introductory Section

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

MERCY

JUSTICE

STATE OF ARKANSAS
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December 23, 2009

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, 2009.

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, 2009. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditor's 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 auditor.

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 February of every 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.

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 nationwide economic downturn, Arkansas has continued to attract new businesses. Snack food manufacturer Schulze and Burch Biscuit Co.; steel and fiberglass manufacturer Boyd Metal; wholesale supplier of outerwear American Spirit Wear; construction equipment manufacturer Caterpillar; wind turbine manufacturer Nordex; beauty product company Alberto Culver; fishing lure manufacturer Pradco-Fishing; as well as Nice-Pak; Bad Boy Mowers; LM Glass Fiber; Dynamics General Dynamics Armament; QualServ Corporation and Umarex USA are some of the corporations that took action to locate or expand facilities in Arkansas during fiscal year 2009.

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, 22 businesses have signed financial incentive agreements with the State, bringing in a total investment of $68.1 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 $90.109 billion in fiscal year 2009. This represented an increase of $2.062 billion or 2.3 percent over fiscal year 2008.

Fiscal year 2010 is estimated at $91.541 billion (current dollars), an increase of $1.432 billion or 1.6 percent over fiscal year 2009.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary disbursements reached $44.105 billion in fiscal year 2009, an increase of $540 million or 1.2 percent over fiscal year 2008.

Fiscal year 2010 is estimated at $43.996 billion (current dollars), a decrease of $109.1 million or -0.2 percent from fiscal year 2009.

Employment: In fiscal year 2009, wage and salary employment in Arkansas fell to 1,191,680 jobs. This represented a decrease of 14,050 jobs or 1.2 percent compared to fiscal year 2008. In fiscal year 2010, wage and salary employment is expected to average 1,167,880 jobs. This represents a projected decrease of 23,800 jobs or -2.0 percent from fiscal year 2009.

Fiscal Year 2009 Net Available General Revenues: Actual net available general revenues collected totaled $4,434.7 million. The net available distribution was $82.0 million or 1.9 percent above the net available distribution of fiscal year 2008. The general revenue distribution included a one-time transfer of $3.4 million from the General Improvement Fund.

Fiscal year 2010 net available general revenue collections are estimated at $4,408.8 million, a decrease of $25.9 million or 0.6 percent from fiscal year 2009. Fiscal year 2010 net available general revenue collections include $61 million in a one-time transfer from the Revenue Allotment Reserve Fund and a $10 million deposit from Unclaimed Property proceeds.

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 Educational Adequacy Fund to provide an adequate education system. In fiscal year 2009, $433.1 million was distributed to the Education Adequacy Fund, with the fiscal year 2010 distribution estimated to be $414.1 million.

American Recovery and Reinvestment Act: On February 13, 2009, Congress passed the American Recover and Reinvestment Act (ARRA) of 2009. Four days later, the President signed the legislation into law. The Recovery Act's three main goals are: create and save jobs; spur economic activity and invest in long-term economic growth; and foster unprecedented levels of accountability and transparency in government spending. The state of Arkansas is currently projected to receive $2.9 billion in one-time additional federal revenues, as administered by the state, split over 27 months from this act. The distribution of these funds is being undertaken with responsibility, transparency and appropriate oversight. The Governor's Recovery Cabinet is working to identify the specific dollars that Arkansas will receive. Much of the funding has been designated to enhance established programs within the state agencies.

Department of Workforce Services: The primary impact to the Department of Workforce Services (DWS) in regards to the American Recovery and Reinvestment Act of 2009 (ARRA) in fiscal year 2009 was in the Unemployment Insurance Program. The ARRA established or extended several programs to aid unemployed Arkansans to include the $25 Federal Additional Compensation program, the Emergency Unemployment Compensation 08 program, the Extended Benefits program and the Unemployment Insurance Modernization Benefits and Administration program. With the exception of the Extended Benefits program and the Unemployment Insurance Modernization Benefits program, all other ARRA programs will extend through most of fiscal year 2010. Other DWS programs impacted by the ARRA were the Workforce Investment Act program, which received additional funding for Youth, Adult and Dislocated Worker services; the Wagner Peyser Employment Service and Re-employment Service programs, which provide employment related services to unemployed Arkansans; and the Temporary Assistance for Needy Families program, which will benefit from the extension of supplemental funding that was set to expire at September 30, 2009.

Department of Education: The Arkansas Department of Education (ADE) received and distributed to the local education agencies (LEAs) the first of the American Recovery and Reinvestment Act (ARRA) funding during the last five weeks of the fiscal year. The amount received by June 30, 2009, totaled just over $1 million.

Total formula-based ARRA funding allocated for use by the LEAs before September 30, 2011, will amount to approximately $563 million. (For comparative purposes, the total amount of non-ARRA Federal funds received in fiscal year 2009 was $492 million.) The majority of the ARRA funds to be distributed by the ADE are allocated to state education agencies by formula and must be used for the following purposes: improving academic performance for underperforming students in accordance with Title I guidelines ($111 million); providing additional special education and related services to students with disabilities ($118 million); and creative and innovative projects leading to academic achievements for all students, including enhancements to existing programs and new construction, modernization, renovation and repair of education facilities ($334 million).

In addition to the formula-based funds, other ARRA funds will be made available to the states on a competitive basis. These include $31.4 million in school improvement grants available for low-performing schools. Other competitive grants for which no information is currently available regarding amounts to be awarded include Race to the Top funding (targets improved graduation rates and enhanced preparation for post secondary education) and grants for improving statewide data systems.

Highway and Transportation: The Arkansas State Highway and Transportation Department was the recipient of $351.5 million from the nation's American Recovery and Reinvestment Act of 2009. The funding is being used to improve highway safety and mobility in the state. The Department is utilizing the funding on 111 projects that include work ranging from resurfacing to new traffic signals to new passing lanes. The first projects were let to contract in April of 2009. Among the projects included are the second phase of the Interstate 630/430 interchange in Little Rock, construction of a segment of Highway 67 north of Newport, work on the Russellville and Vilonia Bypasses, work on future Interstate 49, widening on Highway 167 in El Dorado and work on Highway 71 in Texarkana.

Human Services: During fiscal year 2009, applications and enrollment for many social programs showed significant increases. The participation in the Supplemental Nutrition Assistance Program (SNAP) increased by more than 14,000 cases while enrollment in Medicaid added 7,200 new cases to its rolls. In response to the national economic recession, the American Recovery and Reinvestment Act (ARRA) provided $670 million dollars to Department of Human Services (DHS) to stimulate a lagging economy and to support increased demand in social services. An additional $269 million dollars is being provided to enhance SNAP benefits to Arkansans. Because of this infusion of funding, DHS will be able to shore up the budget demands in Medicaid as well as invest in systems transformation. Core automation projects such as document imaging and electronic health records will be completed much sooner than originally expected. Other reform measures in child welfare and juvenile justice have also been expedited by this funding. While a much needed relief for citizens and agencies, the funding is accompanied by its own set of tracking and reporting procedures. Much of the DHS's resources have been put into building and maintaining a duplicate accounting process customized for the ARRA creating an increased workload onto fiscal, program, and quality improvement staff.

Department of Finance and Administration - Office of Child Support Enforcement: The Office of Child Support Enforcement was able to use the funding provided through the American Recovery and Reinvestment Act (ARRA) to help maintain the cost of operating expenses during 2009. Looking forward to fiscal year 2010 there are several planned projects for the ARRA funding. Improvements will be made to the customer service website which will increase communication, improve security processes and reduce costs by sending and receiving forms electronically that are currently completed manually. The Arkansas Child Support Information System will undergo a green initiative document imaging project that will minimize the manual paper files that are produced as a by-product of the child support enforcement work flow and that will increase the efficiency in its support of case work.

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 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 the year, 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 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: The Arkansas Department of Education is proud to partner with the state’s Work Force Cabinet to embrace a common definition of college and career-readiness.

Through its Smart Arkansas Initiative, the Arkansas Department of Education has aligned all of its efforts – be it professional development or curriculum design, teacher licensure processes or school improvement interventions – to support a single goal, and that goal is to provide all Arkansas public school students with the knowledge and skills they will need to succeed in two or four-year college classrooms or in workplace training programs where the jobs promise a path to continued growth and self-sufficiency.

The Arkansas Department of Education’s efforts will be enhanced by the cohesive approach to these same goals by the Work Force Cabinet, which espouses the following definition for college and career readiness in Arkansas: readiness for college and readiness for careers require the same academic foundation. Every Arkansas high school graduate should have this foundation.

College and career-readiness in Arkansas means that students are prepared for success in entry-level, credit-bearing courses at two-year and four-year colleges and universities, in technical postsecondary training, and in career pathways, all of which lead to the well-paying jobs necessary to support individuals, their families, and their communities. To be college and career-ready, students need to be adept problem-solvers and critical thinkers who can contribute and apply their knowledge in novel contexts and unforeseen situations. This level of readiness requires access to a rigorous high school curriculum which includes Smart Core:

- Four units of mathematics, including Algebra I, Geometry, Algebra II and a fourth unit of higher-level mathematics such as statistics or Calculus
- Four units of English
- Three units of laboratory-based science
- Three units of social studies

Smart Core is the foundation for college and career-readiness. All students should supplement with additional rigorous coursework within their career focus.

Highway and Transportation: The creation of Arkansas's Blue Ribbon Committee on Highway Finance was developed in 2009. Act 374 of 2009 created the Committee with a purpose of studying issues relating to transportation revenues and costs and to recommend the best methods for raising adequate revenues to address our constantly growing transportation needs in our state. The Committee hopes to propose legislation that can be brought before the General Assembly in 2011 – meaningful legislation that may dramatically change the way Arkansas funds state highways, county roads and city streets.

The Arkansas Highway and Transportation Department (AHTD) completed a number of construction projects in each of its ten districts this year. Among the construction projects completed were: a new railroad overpass on Highway 38 in Cabot; another section of Highway 65 was widened to four lanes, this one between Harrison and the Missouri state line; a new Arkansas Welcome Center was opened at Blytheville in August; a 1.25-mile section of Highway 133 in Crossett was widened to five lanes and opened in July; and a new passing lane opened on Highway 23 just south of Eureka Springs.

State Parks: There are 52 state parks encompassing 54,146 acres of wetlands, forests, fish and wildlife habitat, recreational facilities and unique historic and cultural resources. Within the parks are 1,799 campsites, four lodges, over 191 fully-equipped cabins, nine marinas, 11 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 8.2 million visitors came to our parks last year. Over 701,519 visitors participated in more than 45,588 educational and recreational programs and special events throughout the park system.

2008 marked the 75th Anniversary of the Arkansas State Parks system and the theme was "Making Memories." Programs and special events took place throughout the park system commemorating the anniversary, and included: Park Cache Challenge (a geocaching program working with the Arkansas Geocachers Association), History Timeline and "Tell-Us-Your-Story Blog" on www.arkansasstateparks.com, and a 75th Anniversary video, "Making Memories" that can be viewed on the website.

Over $120 million in capital improvements and major renovations have been completed throughout the Arkansas State Park system since the passage of the 1/8% Conservation Tax in 1996.

May 27, 2009, the new Hobbs State Park-Conservation Area Visitor Center was dedicated. The 17,531 square-foot facility is a candidate for Leadership in Energy and Environmental Design (LEED) Certification. The new facility will address the growing environmental education needs of 60,000 plus students within an hour's drive and features state of the art exhibits and classroom/meeting space. The building also houses a retail sales area and the park's administrative offices. The Hobbs State Park is Arkansas's largest state park at 12,045 acres and is jointly managed by Arkansas State Parks, Arkansas Natural Heritage Commission and Arkansas Game and Fish Commission.

Tourism: Arkansas's tourism industry is holding steady with over 23 million travelers visiting Arkansas in fiscal year 2009. Collections of the state's 2% tourism tax were down 0.7%. Several new attractions were unveiled, including the Hobbs State Park-Conservation Area Visitor Center, the Arkansas Delta Music Trail: Sounds from the Soil and Soul, and the new Heifer Village located at the Heifer International campus in downtown Little Rock. New welcome centers at Blytheville and Lake Village opened in fiscal year 2009 while planning for a replacement facility in West Memphis and Helena are now underway. The Welcome Center 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 1.3 million Arkansans each year with 7,500 employees located in 86 sites around the state.

DHS launched several core initiatives to further the agency's mission of improving the quality of life of all Arkansans by protecting the vulnerable, fostering independence, and promoting better health. Some of these include:

Reform in Child Welfare – During the 2009 regular session legislators approved $4.3 million dollars in additional funding for the Division of Children and Family Services (DCFS). The Governor has since released another $13.6 million in stimulus and other one-time funds. These resources will assist DCFS in many ways including putting 143 more staff in the field, funding a Structured Decision Making model for workers, accelerating new training, recruiting and retaining foster homes, and offering Intensive Family Services to 500 families at imminent risk of separation.

Systems Transformation **–** The department is using some stimulus funding to invest in program upgrades that will continue to yield savings over time. Expansion of home and community based options for long term care for the elderly and people with disabilities is just one example of this initiative. Projects such as online application (Access Arkansas), automated travel reimbursement, and document imaging are all part of a broader effort to reduce errors and manpower by using technology to maximize productivity.

System of Care – Since 2006, the department has led a broad-based stakeholder planning effort that created the Children's Behavioral Health Commission. A family-centered effort, the commission is addressing gaps in children's mental health services.

Quality Assurance – the Office of Quality Assurance brings together and analyzes quantitative program data housed in multiple databases and divisions across DHS to identify trends, performance, and links across multiple programs. The office is constructing a data warehouse that will enable DHS to look across different data systems to spot emerging trends or issues.

DHS is investing in technology and prevention to maximize limited resources while maintaining quality services that support the welfare of all Arkansans.

Information Technology: Arkansas remains a leader in electronic government. The Arkansas Department of Information Systems (DIS) is consistently working to improve access to new technologies for state agencies, boards, and commissions; to work more efficiently across state government; and to use our state IT dollars more wisely.

DIS has identified and is addressing several trends in today's world of technology. There is currently a need for highly reliable technology, to protect critical information, to share information across state government, to apply green IT initiatives, and to provide services for every generation. There are several key initiatives underway within DIS to address these needs, such as improvements in the State Data Center, the use of satellite technology, providing redundant email services, implementing and providing content management and collaboration services, unified communications, connecting rural areas of the state through broadband, virtualization, and establishing Enterprise Architecture.

The Arkansas Wireless Information Network (AWIN) is a multi-phased program to leverage new and existing wireless resources to create a statewide interoperable wireless communication system for emergency responders and Arkansas public service entities. In fiscal year 2009, the AWIN system demonstrated consistent reliability during the ice storm that blanketed the north half of the state.

The Arkansas Geographic Information Office (AGIO) serves as a statewide source of mapping and geographic information technology and coordinates with federal agencies on state components of the National Spatial Data Infrastructure. Act 244 of the 87th general assembly declared that the State Geographic Information Officer will now report directly to the Governor.

The State Cyber Security Office of DIS continues to oversee the Arkansas Continuity of Operations Program (ACOOP) to ensure that Arkansas Government is prepared for any potential disaster whether natural or man-made. All DIS 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 250 public entities at 800 locations. ACOOP staff trains and supports 1,200 planners for the development and maintenance of their continuity of operations and pandemic plans and exercises. DIS is the lead agency for the state Emergency Support Function (ESF2) related to the restoration of communications for first responders, local governments, and hurricane evacuee support. DIS responded to several tornado, ice, and hurricane events in fiscal year 2008 and 2009, providing computer, telephone, and radio communications equipment and support to first responders, providing a call center infrastructure for disaster victims, and maintaining an Internet café for evacuees. The State Cyber Security Office (SCSO) also serves as the focal point for all cyber security issues, monitoring agencies on the state network for the presence of malware and infected computers. The SCSO maintains over 1,000 firewalls for public organizations on the state network in order to protect sensitive state information.

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. In fiscal year 2009, the Arkansas.gov portal was named one of the best web sites in the nation, receiving a third-place ranking by the Center for Digital Government in its annual competition, Best of the Web. Government web sites are evaluated based on innovation, web-based delivery of public services, efficiency, economy and functionality.

Arkansas Scholarship Lottery: In November 2008, Amendment 3 passed authorizing the legislature to establish a lottery, from which the proceeds would be used to fund scholarships for Arkansas students to Arkansas two-year and four-year higher education institutions. Acts 605 and 606 of the 87th General Assembly established the "Arkansas Scholarship Lottery." As of June 30, 2009, an advance of $6 million from general revenue had been recorded for start-up costs to be repaid by the net proceeds of lottery sales. Start-up costs expended as of June 30, 2009 have been consolidated within this report. Lottery sales commenced on September 28, 2009, and the first scholarships will be awarded for the fall semester of fiscal year 2010. The amount of the scholarship awards will be determined in the fiscal session, which will convene on February 8, 2010. More information on the Arkansas Scholarship Lottery can be found in the subsequent event section of the notes to the financial statements.

Statewide Trauma System: Act 180 of the 2009 regular session established an increase of the tax on cigarettes and other tobacco products. The tax increase took effect March 1, 2009. The increased tax revenue will be used to fund a statewide trauma system for the state of Arkansas. The trauma system will be an organized and coordinated plan within the state that is integrated with the local public health system and delivers the full range of care to patients with severe or life-threatening injuries. The care of the injured patients requires a system approach to ensure optimal care. A systematic approach is necessary within a facility; no one trauma center can do everything alone.

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, 2008. This was the eleventh 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, 2008

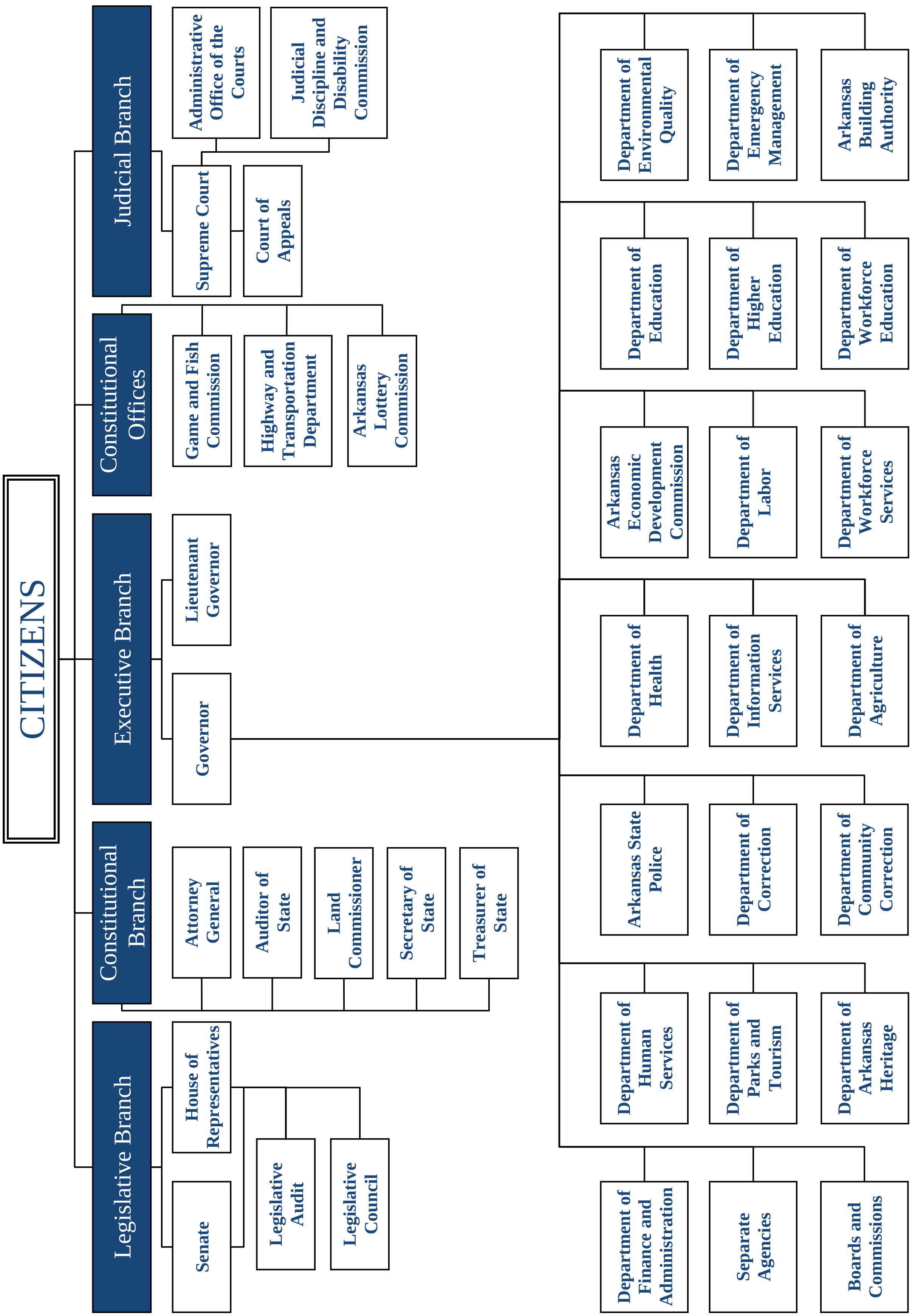
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

President

Executive Director

Arkansas

Organizational Chart



Principal Officials

Elected Officials

Governor

Mike Beebe

Lieutenant Governor

Bill Halter

Attorney General

Dustin McDaniel

Auditor of State

Jim Wood

Land Commissioner

Mark Wilcox

Secretary of State

Charlie Daniels

Treasurer of State

Martha Shoffner

Legislative Branch

President Pro Tempore

Senator Bob Johnson

Speaker of the House

Representative Robbie Wills

Supreme Court

Chief Justice

Jim Hannah

Associate Justice

Robert L. Brown

Associate Justice

Donald L. Corbin

Associate Justice

Elana Cunningham Wills

Associate Justice

Jim Gunter

Associate Justice

Annabelle Clinton Imber

Associate Justice

Paul E. Danielson

GREAT SEAL OF THE STATE OF ARKANSAS

Arkansas®

Financial Section

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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 (the State), as of and for the year ended June 30, 2009, 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's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the 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 19% of the assets and 34% of the revenues of the business-type activities opinion unit and 22% of the assets and 50% of the revenues of the Higher Education major enterprise fund opinion unit. We did not audit the financial statements of the Department of Workforce Services, a major enterprise fund, which represent 2% of the assets and 20% of the revenues of the business-type activities opinion unit and 100% of the assets and revenues of the Department of Workforce Services major enterprise fund opinion unit. We did not audit the financial statements of the Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds), which on a combined basis represent 8% of the assets and 1% of the revenues of the business-type activities opinion unit and 3% of the assets and less than 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 solely on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2009, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 12, the State adopted the provisions of Governmental Accounting Standards Board Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, as of July 1, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2009 on our consideration of the State of Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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's 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, 2009
CAFR00109

Arkansas®

Management's Discussion and Analysis


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, 2009. The State's June 30, 2009, 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 the 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, 2009, by $14.2 billion (presented as "Total net assets"). The net assets of the State decreased $144.2 million during the year. The governmental activities net assets increased by $34.2 million, while the business-type activities decreased by $178.4 million. Of the total net assets, $2.3 billion (16%) 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, $1.5 billion (10.5%), 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, $10.4 billion (73.5%), 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, 2009, was $2.6 billion. Additional debt totaling $194 million was entered into during the year. $115 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, 2009, the State's General Fund reported a fund balance of $3.6 billion. Of this balance, $1.3 billion or 36.4% of the total fund balance is reserved and $2.3 billion or 63.6% of the total fund balance is unreserved. The fund balance in the General Fund increased $7.9 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, Arkansas Lottery 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. 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 eight 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, Other Revolving Loan Funds (Safe Drinking Water and Community/Technical College Revolving Loan) and the Arkansas Lottery Commission.

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 schedules of funding progress, a schedule 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	
	2009	2008 (restated)	2009	2008	2009	2008 (restated)
Current Assets	$ 4,384,331	$ 4,407,028	$ 1,241,553	$ 1,390,609	$ 5,625,884	$ 5,797,637
Noncurrent Assets	234,155	231,981	1,693,451	2,014,626	1,927,606	2,246,607
Capital Assets	9,369,479	9,225,106	3,001,139	2,721,930	12,370,618	11,947,036
Total Assets	13,987,965	13,864,115	5,936,143	6,127,165	19,924,108	19,991,280
Current Liabilities	1,143,510	1,116,368	551,920	414,355	1,695,430	1,530,723
Long-Term Liabilities	1,386,561	1,324,097	2,647,889	2,798,054	4,034,450	4,122,151
Total Liabilities	2,530,071	2,440,465	3,199,809	3,212,409	5,729,880	5,652,874
Net Assets						
Invested in Capital Assets, Net of Related Debt	8,758,343	8,210,615	1,686,938	1,500,418	10,445,281	9,711,033
Restricted	761,591	863,721	723,800	954,661	1,485,391	1,818,382
Unrestricted	1,937,960	2,349,314	325,596	459,677	2,263,556	2,808,991
Total Net Assets	$ 11,457,894	$ 11,423,650	$ 2,736,334	$ 2,914,756	$ 14,194,228	$ 14,338,406

The net assets of the governmental activities increased $34.2 million, while the net assets of the business-type activities decreased $178.4 million. Although the economy has slowed down, the governmental activities continue to show an increase. Personal income taxes have decreased as evidenced by the decline in personal income in fiscal year 2009. Revenue from Federal grants has grown, indicating the additional services provided by the State as a result of increased funding provided by the American Recovery and Reinvestment Act. Revenue from sales tax has declined due to economy and market downturns. The offset to the growth in revenue in fiscal year 2009 are: expenses associated with the growth of Federal grants, increased fuel costs, and transfer to business-type activities. The business-type activities saw an increase in tuition received and transfers in from the governmental activities.

The book value of capital assets as of June 30, 2009, was $9.4 billion for governmental activities and $3 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 increased the State's net assets by $34.2 million and business-type activities decreased the State's net assets by $178.4 million. Key elements of these changes are as follows:

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

	Governmental Activities		Business-Type Activities		Totals	
	2009	2008 (restated)	2009	2008	2009	2008 (restated)
Program Revenues:						
Charges for services	$ 999,135	$ 932,112	$ 1,682,434	$ 1,592,817	$ 2,681,569	$ 2,524,929
Operating grants and contributions	4,943,264	4,410,782	928,570	626,798	5,871,834	5,037,580
Capital grants and contributions	455,765	413,055	52,438	72,677	508,203	485,732
General Revenues:						
Personal and corporate taxes	2,507,368	2,655,399			2,507,368	2,655,399
Sales and use taxes	2,487,944	2,544,356			2,487,944	2,544,356
Motor fuel taxes	444,496	456,223			444,496	456,223
Other taxes	815,206	790,010	320,271	310,728	1,135,477	1,100,738
Total Revenues	12,653,178	12,201,937	2,983,713	2,603,020	15,636,891	14,804,957
Expenses:						
Education	3,338,002	3,291,054			3,338,002	3,291,054
Health and human services	5,457,305	5,195,317			5,457,305	5,195,317
Transportation	699,737	668,305			699,737	668,305
Law, justice and public safety	820,960	631,793			820,960	631,793
Recreation and resources development	243,419	244,959			243,419	244,959
General government	1,310,341	1,296,232			1,310,341	1,296,232
Regulation of business and professionals	107,347	105,620			107,347	105,620
Business-type expenses:						
Higher Education			3,021,439	2,851,140	3,021,439	2,851,140
Workers' Compensation Commission			29,349	53,967	29,349	53,967
Department of Workforce Services			901,064	432,661	901,064	432,661
Lottery Commission			16		16	
War Memorial Stadium Commission			2,585	3,990	2,585	3,990
Public School Employee Health and Life Benefit Plan			259,385	232,252	259,385	232,252
Revolving Loans			3,941	4,203	3,941	4,203
Interest expense	55,193	57,923			55,193	57,923
Total Expenses	12,032,304	11,491,203	4,217,779	3,578,213	16,250,083	15,069,416
Other:						
Unrestricted investment earnings	82,681	172,081	(8,628)	57,064	74,053	229,145
Miscellaneous Income	286,173	274,730	108,788	136,156	394,961	410,886
Total Other	368,854	446,811	100,160	193,220	469,014	640,031
Increase (decrease) in net assets before transfers and restatements	989,728	1,157,545	(1,133,906)	(781,973)	(144,178)	375,572
Transfers - internal activities	(955,484)	(947,339)	955,484	947,339		
Restatements		(6,580)				(6,580)
Total Transfers and Restatements	(955,484)	(953,919)	955,484	947,339		(6,580)
Increase (decrease) in net assets	34,244	203,626	(178,422)	165,366	(144,178)	368,992
Net Assets - Beginning, as restated	11,423,650	11,220,024	2,914,756	2,749,390	14,338,406	13,969,414
Net Assets - Ending	$ 11,457,894	$ 11,423,650	$ 2,736,334	$ 2,914,756	$ 14,194,228	$ 14,338,406

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $5.6 billion were funded by normal State taxing activities.

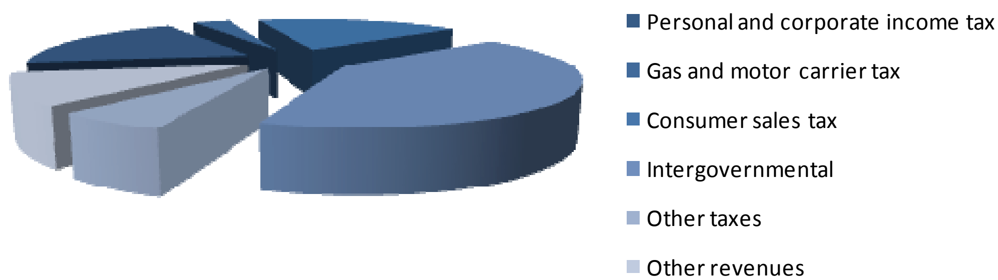
FUND HIGHLIGHTS AND ANALYSIS

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 law, justice and public safety and health and human services. The following charts present actual General Fund revenues and expenditures for the fiscal years ended June 30, 2009 and 2008 (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

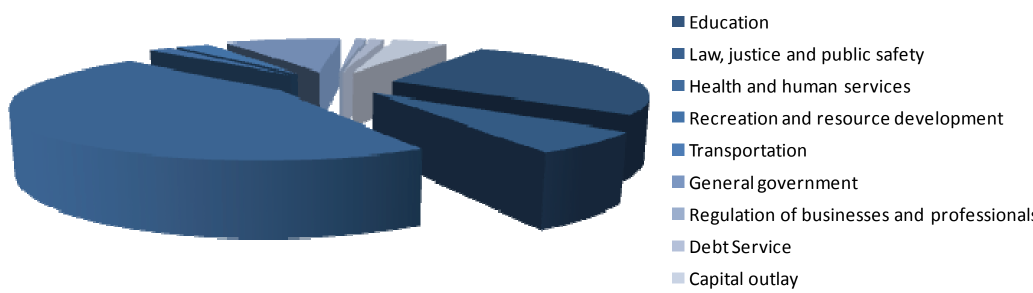
Revenues	2009	2008	Increase (Decrease) Percent
Personal and corporate income tax	$ 2,549,965	$ 2,644,852	-3.59%
Gas and motor carrier tax	444,573	456,216	-2.55%
Consumer sales tax	2,502,403	2,551,222	-1.91%
Intergovernmental	5,394,538	4,832,649	11.63%
Other taxes	813,733	790,122	2.99%
Other revenues	1,392,295	1,405,151	-0.91%
Total	$ 13,097,507	$ 12,680,212	3.29%



Governmental revenues increased by 3.29%. Personal and corporate income tax revenue decreased by $95 million due to decline in personal income as a result of economic and market downturns. Federal grant revenue and reimbursements increased by $562 million primarily because of increased Medicaid revenues which were a result of rate changes and increased utilization of the program provided for by the American Recovery and Reinvestment Act.

Expenditures by Source - General Fund

Expenditures	2009	2008	Increase (Decrease) Percent
Education	$ 3,333,875	$ 3,286,143	1.45%
Law, justice and public safety	794,793	606,633	31.02%
Health and human services	5,441,822	5,184,858	4.96%
Recreation and resource development	225,461	228,663	-1.40%
Transportation	348,665	338,062	3.14%
General government	1,190,436	1,190,857	-0.04%
Regulation of businesses and professionals	105,752	109,818	-3.70%
Debt Service	157,226	167,086	-5.90%
Capital outlay	561,354	628,536	-10.69%
Total	$ 12,159,384	$ 11,740,656	3.57%



The State's agencies expenditures increased for the fiscal year 2009 by 3.57%. Generally there were three areas of growth: personnel expenses, grants and aid, and professional services. Health and Human Services increased $257 million with Medicaid expenditures accounting for most of the change which was a result of increased utilization of the program provided for by the American Recovery and Reinvestment Act. Law, justice and public safety increased $188 million, with disaster relief accounting for most of the change, which was a result of seven (7) federally declared disasters. Debt service decreased by $10 million as a result of excess debt requirements in fiscal year 2008 by the Department of Higher Education for the 1998 Series bonds. Capital outlay decreased by $67 million as a result of the Department of Corrections, Department of Human Services, Game and Fish Commission and Highway and Transportation Department having large capital asset purchases in the prior year without equivalent acquisitions in the current year.

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 2009, the State's General Fund reported an ending fund balance of $3.6 billion, which is an increase of $7.9 million in comparison to fiscal year 2008.

Approximately $2.3 billion or 63.6% 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 36.4%, 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 $20.1 billion and the accumulated depreciation was $7.7 billion at June 30, 2009. The net book value was $12.4 billion. Depreciation expense was $420 million for the governmental activities and $185.7 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 $11.7 million for a facility in Malvern.
- The Department of Finance and Administration recorded current costs of $5.3 million for Sales and Use tax software.
- The State Military Department spent $13.1 million on the construction of a Regional Training Institute and supply facilities.
- The Department of Parks and Tourism recorded current costs of $3.7 million for the design, new construction and repairs for the entire park system including projects for water and sewer systems, erosion control, landscaping, trails, exhibits and studies.
- The Department of Highway and Transportation constructed roads and bridges for $386 million.
- Business-type activities recorded additions of $282 million for construction in progress and $348 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 Aaa 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 $1.115 billion in bonds, notes payable, installment sales payable and capital leases outstanding at June 30, 2009, versus $1.197 billion at June 30, 2008. The net decrease is approximately $82 million. Significant increases in bonds, notes payable, installment sales payable and capital leases are as follows:

- The Arkansas Natural Resources Commission issued $15.3 million of Series 2009 Pollution General Obligation Bonds.
- The Department of Correction incurred an additional $2.6 million on the capital lease with Arkansas Development Finance Authority for the construction of the Malvern facility.
- The Department of Corrections issued $2.7 million of Series 2009 Construction Facilities Bonds.
- The Department of Education entered into a capital lease for $1.3 million for software acquisition.

Notes payable, installment sales payable and capital leases to component units decreased $15.9 million in fiscal year 2009. During fiscal year 2009, bonds payable decreased $61.5 million with $75.1 million paid toward principal payments. Notes payable and capital leases to outside entities decreased $4.8 million.

The State's governmental activities had approximately $117.6 million of claims and judgments outstanding at June 30, 2009, compared to $112.7 million (restated) at June 30, 2008. Other obligations include accrued sick leave and vacation pay of $132.6 million at June 30, 2009. The State's governmental activities also had $235 million recorded for net postemployment benefits obligation at June 30, 2009 as a result of implementing GASB Statement No. 45. In fiscal year 2009, governmental activities included $15.7 million recorded for pollution remediation as a result of implementing GASB Statement No. 49.

Business-type Activities

The State's business-type activities had $1.484 billion in bonds, notes payable, and capital leases outstanding at June 30, 2009, versus $1.407 billion at June 30, 2008. The net increase was approximately $77 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:

- $92 million in revenue bonds were issued by the University of Arkansas System.
- Other revenue bonds issued were:
  - Arkansas State University, $9.3 million;
  - Arkansas Tech University, $7.3 million;
  - Southern Arkansas University, $6.4 million

The colleges and universities also entered into capital leases totaling $19.2 million, as well as notes payable totaling $25.1 million. Bonds, notes payable and capital leases decreased $94.2 million due to principal payments made during the year.

The State's business-type activities had approximately $290.7 million of claims and judgments outstanding at June 30, 2009, compared to $285.7 million at June 30, 2008. Other obligations included accrued sick leave and vacation pay of $92.7 million at June 30, 2009. The State's business-type activities also had $38.4 million recorded for net postemployment benefits obligation at June 30, 2009 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	$ 5,507,722	$ 7,239,776	$ 1,764,485
Education	4,130,824	4,168,689	3,399,203
Health and human services	5,272,724	5,273,713	4,920,655
Law, justice and public safety	826,682	970,002	809,896
Recreation and resources development	334,255	360,384	223,094
Regulation of business and professionals	233,708	235,201	148,330
Transportation	1,060,708	501,064	332,773
Debt service	158,635	163,936	128,250
Capital outlay	1,040,065	1,306,196	513,246
Total	$ 18,565,323	$ 20,218,961	$ 12,239,932

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's finances for all of Arkansas's 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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JUSTICE

Arkansas®

Basic Financial Statements

Statement of Net Assets
June 30, 2009
(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	$ 553,950	$ 475,073	$ 1,029,023	$ 2,395	$ 183,705
Investments	2,802,809	354,332	3,157,141	25,308	10,094
Receivables, net:					
Accounts	117,191	328,873	446,064		620
Taxes	400,190		400,190		
Medicaid	241,936		241,936		
Loans	18,136	7,791	25,927	13,422	1,021
Leases	81		81		
Interest	17,646	2,233	19,879	15,160	4,673
Other	30,271		30,271	113	
Internal balances	(7,294)	7,294			
Note receivable component unit	23,000		23,000		
Due from other governments	113,157	20,184	133,341		
Prepaid items	17,758	3,001	20,759		
Inventories	55,051	27,236	82,287		
Deposits with bond trustee		7,492	7,492		
Current deferred charges	440		440		
Other current assets	9	8,044	8,053		
Total current assets	4,384,331	1,241,553	5,625,884	56,398	200,113
Noncurrent assets:					
Cash and cash equivalents, restricted		56,894	56,894		
Deposits with component unit	30,816	201	31,017		
Deposits with bond trustee		117,669	117,669		
Investments	56	278,970	279,026	49,186	687,965
Receivables, net		52,458	52,458		
Loans and mortgages receivable	194,021	331,780	525,801	572,984	189,395
Loans and capital leases receivable from primary government					237,547
Capital leases receivable	1,533		1,533		7,110
External portion of investment pool		839,990	839,990		
Installment sale agreement with primary government					12,795
Deferred charges	5,500		5,500	10,546	5,776
Financial assurance instruments		7,150	7,150		
Net pension asset	2,707		2,707		
Internal balances	(478)	478			
Other noncurrent assets		7,861	7,861	451	902
Total noncurrent assets	234,155	1,693,451	1,927,606	633,167	1,141,490
Capital assets (net of accumulated depreciation):					
Land	632,470	115,488	747,958	670	
Land improvements	75,722		75,722		
Infrastructure	5,892,251	126,778	6,019,029		
Buildings	759,540	2,152,531	2,912,071	1,901	
Equipment	219,423	192,844	412,267	521	258
Improvements other than building		8,365	8,365		
Leasehold improvements		1,100	1,100		
Construction in progress	1,768,257	327,012	2,095,269		
Other capital assets	21,816	77,021	98,837		
Total capital assets, net of depreciation	9,369,479	3,001,139	12,370,618	3,092	258
Total noncurrent assets and capital assets	9,603,634	4,694,590	14,298,224	636,259	1,141,748
Total assets	$ 13,987,965	$ 5,936,143	$ 19,924,108	$ 692,657	$ 1,341,861

Statement of Net Assets
June 30, 2009
(Expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Liabilities					
Current liabilities:					
Accounts payable	$ 56,051	$ 174,675	$ 230,726	$ 8,809	$ 10,670
Accrued interest	10,421	6,172	16,593		18,389
Accrued and other current liabilities	139,989	97,947	237,936		
Medicaid claims payable	326,124		326,124		
Income tax refunds payable	324,645		324,645		
Due to other governments	18,554	74,045	92,599		
Workers' compensation benefits payable		16,765	16,765		
Funds held in trust for others		10,145	10,145		
Bonds, notes, and leases payable	96,624	79,574	176,198	44,800	44,187
Installment sales payable	455		455		
Claims, judgments, arbitrage and compensated absences	131,768	48,837	180,605		
Pollution remediation obligation	435		435		
Deferred revenue	38,444	43,760	82,204		
Total current liabilities	1,143,510	551,920	1,695,430	53,609	73,246
Long-term liabilities:					
Workers' compensation benefits payable		236,838	236,838		
External portion of investment pool		839,990	839,990		
Bonds, notes, and leases payable	1,005,602	1,404,344	2,409,946	567,600	1,038,716
Installment sales payable	12,340		12,340		
Note payable to primary government				23,000	
Claims, judgments, arbitrage and compensated absences	118,346	80,902	199,248		
Pollution remediation obligation	15,268		15,268		
Net post employment benefits obligation	235,005	38,387	273,392	42	438
Deposits held on behalf of primary government					31,017
Other noncurrent liabilities		45,607	45,607		3,159
Deferred revenue		1,821	1,821		6,776
Total long-term liabilities	1,386,561	2,647,889	4,034,450	590,642	1,080,106
Total liabilities	2,530,071	3,199,809	5,729,880	644,251	1,153,352
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	8,758,343	1,686,938	10,445,281	3,092	258
Restricted for:					
Debt service	174,979	23,948	198,927		
Other capital projects	99,010	38,767	137,777		
Bond and resolution program					83,925
Program requirements	382,602	390,584	773,186		
Tobacco settlement	105,000		105,000		
Non-expendable - endowment		75,043	75,043		
Expendable-capital projects, debt service, loans, and other		195,458	195,458	45,314	
Unrestricted	1,937,960	325,596	2,263,556		104,326
Total net assets	11,457,894	2,736,334	14,194,228	48,406	188,509
Total liabilities and net assets	$ 13,987,965	$ 5,936,143	$ 19,924,108	$ 692,657	$ 1,341,861

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, 2009
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $841	$	48,325
Interest receivable		1,836
Notes and other receivables		109
Cash value of life insurance		611
Land		467
Investments		511,171
Total assets	$	562,519
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	4,473
Annuity obligations		15,443
Total liabilities		19,916
Net Assets:		
Unrestricted		58,604
Temporarily restricted		122,865
Permanently restricted		361,134
Total net assets		542,603
Total liabilities and net assets	$	562,519

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, 2009
(Expressed in thousands)

Assets		
Investments	$	356,636
Net Assets		
Temporarily restricted	$	17,999
Permanently restricted		338,637
Total net assets	$	356,636

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

Statement of Activities
For the Fiscal Year Ended June 30, 2009
(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	$ 1,310,341	$ 276,112	$ 151,669	$
Education	3,338,002	18,637	559,113	632
Health and human services	5,457,305	303,174	3,948,329	
Transportation	699,737	147,267		440,221
Law, justice and public safety	820,960	70,262	247,324	14,263
Recreation and resources development	243,419	106,988	34,845	649
Regulation of business and professionals	107,347	76,695	1,984	
Interest expense	55,193			
Total governmental activities	12,032,304	999,135	4,943,264	455,765
Business-type activities:				
Higher Education	3,021,439	1,424,219	569,072	52,438
Workers' Compensation Commission	29,349			
Department of Workforce Services	901,064		341,446	
Lottery Commission	16			
War Memorial Stadium Commission	2,585	1,803	128	
Public School Employee Health and Life Benefit Plan	259,385	252,927		
Revolving Loans	3,941	3,485	17,924	
Total business-type activities	4,217,779	1,682,434	928,570	52,438
Total primary government	$ 16,250,083	$ 2,681,569	$ 5,871,834	$ 508,203
Component units:				
Arkansas Student Loan Authority	$ 31,177	$ 34,966	$	
Arkansas Development Finance Authority	71,683	98,537	10,317	
Total component units	$ 102,860	$ 133,503	$ 10,317	

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
	$ (882,560)	$	$ (882,560)		
	(2,759,620)		(2,759,620)		
	(1,205,802)		(1,205,802)		
	(112,249)		(112,249)		
	(489,111)		(489,111)		
	(100,937)		(100,937)		
	(28,668)		(28,668)		
	(55,193)		(55,193)		
	(5,634,140)		(5,634,140)		
		(975,710)	(975,710)		
		(29,349)	(29,349)		
		(559,618)	(559,618)		
		(16)	(16)		
		(654)	(654)		
		(6,458)	(6,458)		
		17,468	17,468		
		(1,554,337)	(1,554,337)		
	(5,634,140)	(1,554,337)	(7,188,477)		
				$ 3,789	$
					37,171
				3,789	37,171
	2,507,368		2,507,368		
	2,487,944		2,487,944		
	444,496		444,496		
	815,206	320,271	1,135,477		
	6,255,014	320,271	6,575,285		
	82,681	(8,628)	74,053		
	286,173	108,788	394,961	2,608	
	(955,484)	955,484			
	5,668,384	1,375,915	7,044,299	2,608	
	34,244	(178,422)	(144,178)	6,397	37,171
	11,423,650	2,914,756	14,338,406	42,009	151,338
	$ 11,457,894	$ 2,736,334	$ 14,194,228	$ 48,406	$ 188,509

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 9,991	$ 34,366	$ 16,958	$ 61,315
Sponsored programs	1,282	522		1,804
Interest and dividends	7,998	5,675	377	14,050
Net realized and unrealized gains (losses) on long-term investments	(4,783)	11,439	(136,769)	(130,113)
Other	299	126		425
Net assets released from restrictions	49,587	(49,587)		
Total revenues, gains and other support	64,374	2,541	(119,434)	(52,519)
Expenses and losses:				
Program services:				
Construction	17,349			17,349
Research	11,067			11,067
Faculty/staff support	13,784			13,784
Scholarships and awards	7,895			7,895
Public/staff relations	3,471			3,471
Equipment	3,024			3,024
Sponsored programs	1,698			1,698
Other	13,220			13,220
Total program services	71,508			71,508
Supporting services:				
Management and general	673			673
Fund raising	2,033			2,033
Change in value of split-interest agreements			1,809	1,809
Provision for loss on uncollectible pledges	(1)	456	258	713
Total supporting services	2,705	456	2,067	5,228
Total expenses and losses	74,213	456	2,067	76,736
Change in net assets	(9,839)	2,085	(121,501)	(129,255)
Net assets - beginning	68,443	120,780	482,635	671,858
Net assets - ending	$ 58,604	$ 122,865	$ 361,134	$ 542,603

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, 2009
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 2,867	$ 243	$ 3,110
Net realized and unrealized gains				
(losses) on long-term investments		15,555	(133,924)	(118,369)
Net assets released from restrictions	14,958	(14,958)		
Total revenues, gains and other support	14,958	3,464	(133,681)	(115,259)
Expenses and losses:				
Program services:				
Research	1,000			1,000
Faculty/staff support	1,600			1,600
Scholarships and awards	10,105			10,105
Equipment and technology	1,553			1,553
Other	700			700
Total program services	14,958			14,958
Change in net assets		3,464	(133,681)	(130,217)
Net assets - beginning		14,535	472,318	486,853
Net assets - ending	$	$ 17,999	$ 338,637	$ 356,636

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

Balance Sheet
Governmental Fund
June 30, 2009
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	553,950
Investments		2,802,865
Receivable, net:		
Accounts		117,191
Taxes		400,190
Medicaid		241,936
Loans		212,157
Leases		1,614
Interest		17,646
Other		30,271
Note receivable from component unit		23,000
Due from other funds		2,907
Advances to other funds		6,175
Due from other governments		113,157
Prepaid items		17,758
Inventories		55,051
Deposits with component unit		30,816
Other assets		9
Total assets	$	4,626,693
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	53,948
Accrued and other current liabilities		139,989
Deferred revenue		161,820
Income tax refunds payable		324,645
Due to other governments		18,554
Due to other funds		18,957
Advances from other funds		7,474
Medicaid claims payable		326,124
Total liabilities		1,051,511
Fund balance:		
Reserved for:		
Prepaid items		17,758
Inventories		55,051
Debt service		183,325
Loans		212,157
Leases		1,614
Note receivable from component unit		23,000
Grant programs		314,881
Capital projects		71,685
Transportation programs		252,597
Tobacco settlement		170,900
Unreserved		2,272,214
Total fund balance		3,575,182
Total liabilities and fund balance	$	4,626,693

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, 2009
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 3,575,182
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	$ 777,967	
Infrastructure assets	10,702,529	
Other capital assets	3,680,565	
Accumulated depreciation	(5,791,582)	
Total capital assets		9,369,479
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.		5,940
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.		2,707
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.		123,376
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	$ (1,093,990)	
Installment sales payable	(12,795)	
Claims, judgments, arbitrage and compensated absences	(250,114)	
Net OPEB obligation	(235,005)	
Pollution remediation obligation	(15,703)	
Loss of early retirement	11,852	
Unamortized bond issue premium	(15,368)	
Accrued interest on bonds, notes, installment sales payable and leases	(10,421)	
Unamortized bond issue discounts	2,754	
Total long-term liabilities		(1,618,790)
Net assets of governmental activities		$ 11,457,894

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, 2009
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	2,549,965
Consumers sales and use		2,502,403
Gas and motor carrier		444,573
Other		813,733
Intergovernmental		5,394,538
Licenses, permits and fees		1,031,568
Investment earnings		82,681
Miscellaneous		278,046
Total revenues		13,097,507
Expenditures:		
Current:		
General government		1,190,436
Education		3,333,875
Health and human services		5,441,822
Transportation		348,665
Law, justice and public safety		794,793
Recreation and resources development		225,461
Regulation of business and professionals		105,752
Debt service:		
Principal retirement		101,054
Interest		55,766
Bond issuance costs		406
Capital outlay		561,354
Total expenditures		12,159,384
Excess of revenues over expenditures		938,123
Other financing sources (uses):		
Issuance of debt		18,721
Bond discounts		(618)
Capital leases		3,892
Sale of capital assets		2,924
Transfers in		72,467
Transfers out		(1,027,604)
Total other financing sources and uses		(930,218)
Net change in fund balance		7,905
Fund balance - beginning		3,567,277
Fund balance - ending	$	3,575,182

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, 2009
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 7,905
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	$ 561,354	
Depreciation expense	(419,964)	
Excess of capital outlay over depreciation expense		141,390
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.		4,130
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets.		(18,721)
Bonds issued at a discount reduce current financial resources to governmental funds, but decrease the long-term liabilities in the statement of net assets.		618
Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the statement of net assets.		406
Loss on early retirement of bonds		(1,288)
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.		(3,892)
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		101,054
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.		(50,262)
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	$ (250)	
Increase in claims, judgments, arbitrage and compensated absences	(13,356)	
Change in net pension assets	1,631	
Amortization of bond premium and discount	2,554	
Amortization of bond issuance costs	(437)	
Increase in pollution remediation obligations	(4,752)	
Loss on sale of capital assets	(5,357)	
Decrease in accrued interest	1,306	
Increase in other postemployment benefits obligations	(128,435)	
Total additional expenditures		(147,096)
Change in net assets of governmental activities		$ 34,244

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

Statement of Net Assets
Proprietary Funds
June 30, 2009
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services *	Lottery Commission	Non-Major Enterprise Funds	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 321,790	$ 19,717	$ 31,327	$ 5,988	$ 96,251	$ 475,073
Investments	213,467	139,183			1,682	354,332
Receivables, net						
Accounts	235,486	9,384	82,705		1,298	328,873
Loans	7,791					7,791
Interest	558	961	25		689	2,233
Due from other funds	13,825	553	2,262		455	17,095
Due from other governments	4,627		15,557			20,184
Inventories	27,225				11	27,236
Prepaid items	2,573	38	390			3,001
Deposits with bond trustee	7,492					7,492
Other current assets	8,044					8,044
Total current assets	842,878	169,836	132,266	5,988	100,386	1,251,354
Noncurrent assets:						
Cash and cash equivalents - restricted	56,894					56,894
Investments						
Endowment	16,702					16,702
Restricted	10,362	106			88,739	99,207
Unrestricted	163,061					163,061
Receivables, net	52,458					52,458
Capital assets:						
Land	111,935	580	2,973			115,488
Infrastructure	225,210		22			225,232
Buildings	3,307,860	2,272	9,442		15,297	3,334,871
Equipment	655,285	816	6,273		1,068	663,442
Improvements other than building	14,108		2		446	14,556
Leasehold improvements	1,100					1,100
Construction in progress	326,692				320	327,012
Other depreciable assets	243,392	121	3,481			246,994
Less accumulated depreciation	(1,907,520)	(2,013)	(10,832)		(7,191)	(1,927,556)
External portion of investment pool	839,990					839,990
Advances to other funds					6,405	6,405
Loans receivable - restricted					331,780	331,780
Deposits with bond trustee	117,669					117,669
Deposits with component unit		201				201
Financial assurance instruments		7,150				7,150
Other noncurrent assets	7,303				558	7,861
Total noncurrent assets	4,242,501	9,233	11,361		437,422	4,700,517
Total assets	$ 5,085,379	$ 179,069	$ 143,627	$ 5,988	$ 537,808	$ 5,951,871

* Previously reported as a non-major enterprise fund

Statement of Net Assets
Proprietary Funds
June 30, 2009
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services *	Lottery Commission	Non-Major Enterprise Funds	Total
Liabilities						
Current liabilities:						
Accounts payable	$ 62,885	$ 5	$ 102,395	$	$ 9,390	$ 174,675
Accrued interest	5,906	11			255	6,172
Accrued and other current liabilities	95,792	344	1,786		25	97,947
Advances from other funds	653			6,000		6,653
Due to other funds	2,702	18	167	4	257	3,148
Due to other governments			74,045			74,045
Funds held in trust for others	10,145					10,145
Workers' compensation benefits payable		16,765				16,765
Bonds, notes and leases payable	72,074	190			7,310	79,574
Claims, judgments and compensated absences	24,531	83	286		23,937	48,837
Deferred revenue	39,187				4,573	43,760
Total current liabilities	313,875	17,416	178,679	6,004	45,747	561,721
Noncurrent liabilities:						
Workers' compensation benefits payable		236,838				236,838
External portion of investment pool	839,990					839,990
Advances from other funds	5,927					5,927
Bonds, notes and leases payable	1,345,411	620			58,313	1,404,344
Net postemployment benefits payable	33,547	1,081	3,710		49	38,387
Claims, judgments and compensated absences	77,769	563	1,946		624	80,902
Deferred revenue	807				1,014	1,821
Other noncurrent liabilities	38,457	7,150				45,607
Total noncurrent liabilities	2,341,908	246,252	5,656		60,000	2,653,816
Total liabilities	2,655,783	263,668	184,335	6,004	105,747	3,215,537
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	1,664,905	966	11,361		9,706	1,686,938
Restricted for:						
Expendable						
Debt service	23,948					23,948
Capital projects	38,767					38,767
Program requirements	2,203				388,381	390,584
Other	195,458					195,458
Nonexpendable - endowments	75,043					75,043
Unrestricted	429,272	(85,565)	(52,069)	(16)	33,974	325,596
Total net assets (deficit)	2,429,596	(84,599)	(40,708)	(16)	432,061	2,736,334
Total liabilities and net assets	$ 5,085,379	$ 179,069	$ 143,627	$ 5,988	$ 537,808	$ 5,951,871

* Previously reported as a non-major enterprise fund

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, 2009
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services *	Lottery Commission	Non-Major Enterprise Funds	Total
Operating revenues:						
Charges for sales and services	$ 1,039,881	$	$	$	$ 254,730	$ 1,294,611
Licenses, permits and fees	384,338				3,485	387,823
Grants and contributions	322,596					322,596
Investment earnings					9,347	9,347
Miscellaneous	99,655	1,019	6,418		3	107,095
Total operating revenues	1,846,470	1,019	6,418		267,565	2,121,472
Operating expenses:						
Cost of sales and services					4,073	4,073
Compensation and benefits	1,844,900	9,012	31,791		536	1,886,239
Supplies and services	774,380	735	19,157	9	15,353	809,634
General and administrative expenses	10,196	588	3,543	7	573	14,907
Scholarships and fellowships	139,868	40				139,908
Benefit and aid payments		18,812	845,900		241,325	1,106,037
Depreciation and amortization	184,423	123	673		526	185,745
Amortization of bond costs					114	114
Interest					3,411	3,411
Total operating expenses	2,953,767	29,310	901,064	16	265,911	4,150,068
Operating income (loss)	(1,107,297)	(28,291)	(894,646)	(16)	1,654	(2,028,596)
Nonoperating revenues (expenses):						
Investment earnings	(26,166)	3,474	4,433		799	(17,460)
Unrealized gains/losses on investments	(515)					(515)
Taxes	27,745		272,863			300,608
Insurance tax		19,663				19,663
Grants and contributions	246,476		341,446		18,052	605,974
Interest and amortization expense	(58,883)	(39)				(58,922)
Loss on sale of fixed assets	(2,048)					(2,048)
Other nonoperating revenue (expense)	(6,741)		1,693			(5,048)
Total nonoperating revenues (expenses)	179,868	23,098	620,435		18,851	842,252
Income (loss) before transfers and contributions	(927,429)	(5,193)	(274,211)	(16)	20,505	(1,186,344)
Transfers in	1,018,929	1	4,032		4,642	1,027,604
Transfers out	(66,916)		(1,029)		(4,522)	(72,467)
Capital grants and contributions	52,541		244			52,785
Change in net assets	77,125	(5,192)	(270,964)	(16)	20,625	(178,422)
Total net assets(deficit) - beginning	2,352,471	(79,407)	230,256		411,436	2,914,756
Total net assets(deficit) - ending	$ 2,429,596	$ (84,599)	$ (40,708)	$ (16)	$ 432,061	$ 2,736,334

* Previously reported as a non-major enterprise fund

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, 2009
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services *	Lottery Commission	Non-major Enterprise Funds	Total
Cash flows from operating activities:						
Cash received from customers	$ 398,559	$	$	$	$ 255,728	$ 654,287
Cash received from other government agencies	311,179					311,179
Auxiliary enterprise charges	984,661					984,661
Payments to employees	(1,446,294)	(8,371)	(31,175)		(509)	(1,486,349)
Payments of benefits	(245,371)	(16,475)	(722,293)		(239,575)	(1,223,714)
Payments to suppliers	(795,384)	(1,370)	(22,668)	(12)	(17,575)	(837,009)
Interest received (paid)	5,479				6,209	11,688
Loan administration received (paid)	(4,575)				(13,133)	(17,708)
Other receipts (payments)	(152,222)	1,019	27,382		18	(123,803)
Net cash used in operating activities	(943,968)	(25,197)	(748,754)	(12)	(8,837)	(1,726,768)
Cash flows from noncapital financing activities:						
Gifts and grants	210,498					210,498
Direct lending receipts	171,673				65	171,738
Direct lending payments	(171,608)				(21,125)	(192,733)
Taxes	23,230	20,561	246,759			290,550
Grants and contributions	18,444		343,184		17,862	379,490
Proceeds from bond issuance					13,650	13,650
Advances from other funds				6,000		6,000
Other receipts (payments)	24,997		(1,000)			23,997
Tranfers in	1,011,293	1	4,276		4,642	1,020,212
Transfers out	(66,916)		(1,070)		(4,500)	(72,486)
Net cash provided by noncapital financing activities	1,221,611	20,562	592,149	6,000	10,594	1,850,916
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(53,595)	(185)				(53,780)
Interest paid on capital debts and leases	(48,028)	(42)				(48,070)
Acquisition and construction of capital assets	(397,780)	(13)	(1,793)		(757)	(400,343)
Proceeds from governmental sources	45,939					45,939
Proceeds from long-term borrowings	133,590					133,590
Proceeds from sale of capital assets	474					474
Other receipts (payments) **	(62,812)					(62,812)
Net cash used in capital and related financing activities	(382,212)	(240)	(1,793)		(757)	(385,002)
Cash flows from investing activities:						
Purchase of investments	(318,393)	(3,265)			(31,091)	(352,749)
Proceeds from sale and maturities of investments	467,090		185,637		48,190	700,917
Interest and dividends on investments	9,535	4,684	4,445		904	19,568
Advance disbursements	1,336				(1,000)	336
Advance repayments					554	554
Net cash provided by investing activities	159,568	1,419	190,082		17,557	368,626
Net increase (decrease) in cash and cash equivalents	54,999	(3,456)	31,684	5,988	18,557	107,772
Cash and cash equivalents - beginning	323,685	23,173	(357)		77,694	424,195
Cash and cash equivalents (cash overdrafts) - ending	$ 378,684	$ 19,717	$ 31,327	$ 5,988	$ 96,251	$ 531,967

* Previously reported as a non-major enterprise fund

** 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, 2009
(Expressed in thousands)

Continued from the previous page

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services *	Lottery Commission	Non-major Enterprise Funds	Total
Reconciliation of operating loss to net cash used in operating activities:						
Operating income (loss)	$ (1,107,297)	$ (28,291)	$ (894,646)	$ (16)	$ 1,654	$ (2,028,596)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation	184,423	123	673		526	185,745
Amortization					(46)	(46)
Net appreciation (depreciation) of investments					(218)	(218)
Loan principal and interest cancelled	141					141
Other operating activities	25					25
Prior year adjustment for notes payable					115	115
Prior year adjustment for capital asset capitalization					(107)	(107)
Net changes in assets and liabilities:						
Accounts receivable	(23,180)				1,015	(22,165)
Loans receivable	44				(13,133)	(13,089)
Inventory	(6,260)				3	(6,257)
Prepaid items		(4)	(247)			(251)
Other current assets	(1,112)				313	(799)
Current liabilities	(4,771)			4	(799)	(5,566)
Accounts payable and other accrued liabilities	(4,723)	2,356	144,850		1,790	144,273
Net other postemployment benefits	10,466	592	1,390		27	12,475
Compensated absences	5,886	27	(774)		(5)	5,134
Deferred revenue	2,390				28	2,418
Net cash used in operating activities	$ (943,968)	$ (25,197)	$ (748,754)	$ (12)	$ (8,837)	$ (1,726,768)
Non-cash investing, capital, and financing activities:						
Decrease in fair value of investments	$ 643					$ 643
Donated capital assets	4,836					4,836
Captial assets donated by other state agencies	221					221
Capital gifts	19,556					19,556
Fixed asset acquisition paid for by the State of Arkansas	19,532					19,532
Fixed asset acquisition directly from bond proceeds	10,129					10,129
Payments to bond escrow directly from bond proceeds	3,855					3,855
Payments to bond trustee directly from bond proceeds	8,907					8,907
Proceeds from bond issue	7,216					7,216
Bond discount and issue costs	1,050					1,050
Capital assets acquired by incurring capital leases and notes payable	16,768					16,768
Principal on LTD paid directly by UA Foundation, Inc.	1,433					1,433
Principal on capital debt paid by trustee	1,890					1,890
Interest on capital debt paid by trustee	4,320					4,320
Accrued interest	13					13
Capital outlay paid directly from proceeds of Act 1282 of 2005	9,235					9,235
Capital outlay paid directly from proceeds of UofA long term debt instruments	3,021					3,021

* Previously reported as a non-major enterprise fund

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2009
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 401,193	$ 32,714
Receivables:		
Employee	15,147	
Employer	48,971	
Interest and dividends	35,790	20
Advances to other funds	7,474	
Other	332,374	27
Due from other funds	2,206	
Total receivables	441,962	47
Investments at fair value:		
Certificates of deposit		37,142
Bonds, notes, mortgages and preferred stock	1,072,919	71,926
Common stock	3,931,339	
Real estate	582,497	
International investments	1,249,714	
Mutual funds	379,334	
Pooled investment funds	4,047,505	
Corporate obligations	667,233	
Asset and mortgage backed securities	245,197	
Other	1,719,644	
Total investments	13,895,382	109,068
Securities lending collateral	1,248,850	
Financial assurance instruments		312,424
Capital assets	403	
Other assets	212	
Total assets	15,988,002	454,253
Liabilities		
Accounts payable and other liabilities	15,778	
Investment principal payable	244,462	
Obligations under securities lending	1,248,850	
Postemployment benefit liability	1,055	
Due to other governments		111,609
Due to other funds	103	
Due to third parties		342,644
Total liabilities	1,510,248	454,253
Net Assets		
Held in trust for employees' pension benefits	14,477,754	
Total net assets	$ 14,477,754	$

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, 2009
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	144,185
Employers		542,441
Supplemental contributions		6,056
Court fees		2,421
Reinstatement fees		1,136
Total contributions		696,239
Investment income:		
Net increase (decrease) in fair value of investments		(3,710,803)
Interest, dividends and other		303,363
Real estate operating income		6,574
Securities lending income		28,799
Total investment (loss)		(3,372,067)
Less investment expense		77,479
Net investment (loss)		(3,449,546)
Miscellaneous		10,055
Total additions		(2,743,252)
Deductions:		
Benefits paid to participants or beneficiaries		1,030,730
Refunds of employee/employer contributions		9,952
Administrative expenses		12,452
Total deductions		1,053,134
Change in net assets held in trust for employees' pension benefits		(3,796,386)
Net assets - beginning		18,274,140
Net assets - ending	$	14,477,754

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 also 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 transaction (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 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.
535 Research Center Blvd,
Suite 120
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 2008, have been decreased by $6.6 million due to the implementation of GASB Statement No. 49 (GASBS 49), *Accounting and Financial Reporting for Pollution Remediation Obligations*. The provisions of GASBS 49 require the measurement of pollution remediation liabilities at July 1, 2008, and this has resulted in the restatement of net assets as follows (expressed in thousands):

Beginning Net Assets	$	11,430,230
Pollution Remediation Liability Adjustment		(6,580)
Restated Beginning Net Assets	$	11,423,650

(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 and State Children's Health Insurance Program 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, 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, Workers' Compensation Commission, Department of Workforce Services and the Arkansas Lottery 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.

Department of Workforce Services Fund

The Department of Workforce Services Fund 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. This fund was previously reported as a non-major enterprise fund.

Arkansas Lottery Commission Fund

The Arkansas Lottery Commission Fund's primary purpose is to supplement higher education scholarships with net proceeds from the State lotteries.

Non-Major Enterprise Funds

The non-major enterprise funds consist of the War Memorial Stadium Commission, which is responsible for the operation of the War Memorial Stadium, a facility available for use to all the schools, colleges and universities in the State under the supervision of the agency; 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 System, the Arkansas State Highway Employees Retirement System, the Arkansas State Police Retirement System, the Arkansas Teacher Retirement System, and the Arkansas Public Employee Retirement System, 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, 2009, five universities, the University of Arkansas Cooperative Extension Service, and four foundations participated in the Pool. The foundations hold approximately $840 million (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, to maintain sinking or reserve funds, or to 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 costs 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, 2009, is $59.3 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 claim 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, 2009, is related to projected refund estimates attributable to fiscal year 2009 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 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 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 financing 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 provision 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 restriction "if it includes a legally enforceable requirement that those resources by 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, 2009, the government-wide statement of net assets reported $762 million in restricted net assets for governmental activities, of which $235 million were restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $32.5 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 statement 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. 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 beginning 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. 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 beginning after June 15, 2009 (i.e., fiscal year 2010).

GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, establishes accounting and financial reporting standards for all governments that report governmental funds. The statement establishes criteria for classifying fund balances into specifically defined classifications and clarifies definitions of governmental fund types. The requirements of this statement are effective for financial statements for periods beginning after June 15, 2010 (i.e., fiscal year 2011).

(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, 2009, the reported bank balances of the general fund were $1,106,331,214. Of this amount, $258,722 was uninsured and uncollateralized, $2,816,455 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 $18,566,969 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2009, the reported bank balances of the enterprise funds were $538,898,677. Of this amount, $808,364 was uninsured and uncollateralized, $41,154,369 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 $22,998,677 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2009, the reported bank balances of the fiduciary funds were $95,723,684. Of this amount, $4,517,548 was uninsured and uncollateralized.

At June 30, 2009, the reported bank balances of the component units were $23,850,860. Of this amount, $17,279,000 was uninsured and uncollateralized and $1,464,000 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, 2009, 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					
Domestic Corporate Bonds	$ 47,479	$ 47,479	$	$	$
Foreign Bond with Call Option	109		109		
Negotiable Certificates of Deposit	3,171	1,392	1,779		
Other Loans	37,935		10,281	27,654	
U.S. Government Agencies	906,676	11,837	884,034	218	10,587
U.S. Treasuries	8,512	3,025	5,487		
Subtotal	1,003,882	63,733	901,690	27,872	10,587
Enterprise Funds					
Corporate Bonds	16,855	7,237	6,998	2,344	276
Guaranteed Investment Contracts	2,097		531	1,566	
Mutual Bond Fund	1,478	1,437	41		
Negotiable Certificates of Deposit	3,613	3,613			
Other Loans	8,260	313	5,715	2,232	
Preferred Stock	5				5
Short-Term Common Fund	1,030	1,030			
U.S. Government Agencies	127,425	34,069	91,071	1,254	1,031
U.S. Treasuries	10,886	5,854	3,388		1,644
Subtotal	171,649	53,553	107,744	7,396	2,956
Fiduciary Funds					
Asset Backed Securities	28,998		12,478	4,291	12,229
Collateralized Obligations	216,200		22,687	15,805	177,708
Commercial Loans	43,914	422	41,489	2,003	
Convertible Bonds	433,538	2,753	192,452	25,585	212,748
Corporate Bonds	917,149	23,412	464,017	284,012	145,708
Domestic Fixed Income Commingled	110,295			110,295	
Emerging Markets	14,847	390	8,571	2,447	3,439
Emerging Markets Collateralized Obligations	937		607	330	
External Investment Pools	2,189,083	983,586	248,077	813,249	144,171
High Yield Income Fund	42,208			42,208	
International Corporate Fixed	5,156	140	3,152	1,864	
International Government Fixed	13,469	435	6,605	6,319	110
Municipal Bonds	12,439	543	1,725	1,780	8,391
Other Loans	50,367		2,164	23,098	25,105
U.S. Government Agencies	493,398	1,145	61,314	56,919	374,020
U.S. Government Securities	79,110		14,939	30,737	33,434
U.S. Government TIPS	4,488		1,292	3,196	
U.S. Treasuries	58,760	661	11,515	9,933	36,651
Subtotal	4,714,356	1,013,487	1,093,084	1,434,071	1,173,714
Component Units					
Guaranteed Investment Contracts	77,814		46,240	13,936	17,638
Mortgage Backed Securities	612,665			5,080	607,585
Municipal Bonds	340		340		
Mutual Bond Funds	976	976			
Other Loans & Notes	4		1	3	
U.S. Government Agencies	22,401	9,128	11,856	1,417	
U.S. Treasuries	31,749	10,144	15,527	6,040	38
Subtotal	745,949	20,248	73,964	26,476	625,261
Total	$ 6,635,836	$ 1,151,021	$ 2,176,482	$ 1,495,815	$ 1,812,518

Corporate Bonds

As of June 30, 2009, the Arkansas Public Employees Retirement System (APERS) and Arkansas Highway Retirement System both held corporate bonds with a fair value of $301,391,448 and $286,794,201, respectively. 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. As of June 30, 2009, none of the Highway Retirement System's bonds were considered highly sensitive to interest rate changes and APERS held the following security that was considered highly sensitive to changes in interest rates.

Issuer	Trade Date	Rate Calculation	Reset Date	Market Value
Bear Stearns	2/1/2007	*	*	$ 965,000

* The coupon was fixed at 7% until February 2009 and reset 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, 2009, APERS and the Arkansas Highway Retirement System held convertible bonds with a fair value of $135,055,273 and $33,021,250, respectively. 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. As of June 30, 2009, neither retirement system held convertible securities that were considered highly sensitive to changes in interest rates.

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, 2009, is as follows (expressed in thousands):

Standard and Poor's Rating	Fair Value	Moody's Investor's Service Rating	Fair Value
General Fund			
AAA	$ 2,314,364	Aaa	$ 2,314,364
AA	47,479	A1	47,479
A	110	A2	110
Unrated	42,277	Unrated	42,277
Subtotal	2,404,230		2,404,230
Enterprise Funds			
AAA	370,505	Aaa	356,643
AA	54,107	Aa	1,199
A	13,338	A	2,119
BBB	1,036	Baa and Below	1,158
BB	364	Unrated	120,090
B and Below	891		
Unrated	40,968		
Subtotal	481,209		481,209
Fiduciary Funds			
AGY	372,633	AGY	372,633
AAA	577,416	Aaa	452,486
AA	200,123	Aa	313,717
AA2	62,532	Aa1	62,532
A	424,900	A	337,215
A-1	47,763	A-2	47,763
BBB	453,398	Baa	429,625
BB	189,462	Ba	154,739
B	156,161	B	123,197
CCC or Lower	51,673	Caa or Lower	50,830
Unrated	2,455,552	Unrated	2,646,876
Subtotal	4,991,613		4,991,613
Component Units			
AAA	864,259	Aaa	864,649
AA	11,180	Aa	7,967
A	9,721	A	9,883
Unrated	20,112	P-1	654
		Unrated	22,119
Subtotal	905,272		905,272
Total	$ 8,782,324		$ 8,782,324

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, 2009, the reported amount of the enterprise funds' investments was $767,343,739. Of this amount $1,601,712 was uninsured and unregistered with securities held by the counterparty's trust department but not in the government's name, and $3,379,664 was uninsured and unregistered with securities held by the counterparty.

At June 30, 2009, the reported amount of the general fund's investments was $2,422,828,502. Of this amount $109,730 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% 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 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 total investments in Federal Home Loan Bank, Federal Home Loan Mortgage Corporation and Federal Farm Credit Bank securities represented $895,555,891 or 36.96% of the general fund and $114,758,503 or 15.05% of the enterprise funds' total investments.

The 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 FNMA-mortgage backed securities represented $74,385,000 or 7.94% 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, 2009, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Foreign Currency Contract	Cash
Australian Dollar	$ 27,590	$ 740	$ 21,543	$ 5,301	$ 6
Brazilian Real	10,462		10,667	(208)	3
British Pound Sterling	127,930	1,467	143,087	(17,226)	602
Canadian Dollar	24,528	628	1,302	22,590	8
Danish Krone	5,468		7,022	(1,555)	1
Euro	215,943	13,322	185,522	14,109	2,990
Hong Kong Dollar	25,752		35,826	(10,100)	26
Hungarian Forint	1,785	936	1,322	(474)	1
Indian Rupee	702				702
Indonesian Rupiah	16,547		16,547		
Israeli Shekel	2,794		2,794		
Japanese Yen	135,585		159,979	(24,972)	578
Malaysian Ringgit	1,765		1,765		
Mexico Nuevo Peso	3,510		5,743	(2,234)	1
New Taiwan Dollar	15,303		14,942		361
New Zealand Dollar	310	1,274		(967)	3
Norwegian Krone	6,436	447	13,087	(7,192)	94
Polish Zloty	154	767		(622)	9
Renminbi Yuan	(25)				(25)
Singapore Dollar	8,029		15,194	(7,165)	
South African Rand	11,807		6,097	5,683	27
South Korean Won	3,955		3,955		
Swedish Krona	24,594	402	2,863	21,329	
Swiss Franc	46,109	1,056	56,983	(11,995)	65
Thailand Baht	3,710		8,173	(4,524)	61
Total Fair Value	$ 720,743	$ 21,039	$ 714,413	$ (20,222)	$ 5,513

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 Teacher Retirement System (ATRS) 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, 2009, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $88.1 million, collectively. Market values of these outstanding contracts were $87.9 million resulting in an unrealized loss of $.2 million. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $107.5 million at June 30, 2009. Market values of these contracts were $108.1 million resulting in an unrealized loss of approximately $.6 million.

Mortgage-Backed Securities

APERS, ATRS 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, 2009, the retirement systems held $180.9 million of mortgage-backed securities.

Asset-Backed Securities

As of June 30, 2009, APERS and ATRS held asset-backed securities with the fair value of $40.3 million and $23.9 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 and Arkansas State Police Retirement System had approximately $449 million, $18 million, and $34.7 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, 2009, ADFA held $.6 million of mortgage-backed securities.

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS), Arkansas State Police Retirement System (ASPRS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs, as authorized by Arkansas Code Annotated § 24-3-412 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 100% of the fair value of the securities loaned for ATRS and equal to at least 102% of domestic loans and 105% of international loans for APERS and ASPRS. 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 programs are administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The types of securities on loan at June 30, 2009, include 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 pensions do 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 statements 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. As of June 30, 2009, the carrying value and fair value of the underlying securities is $1.2 billion. At June 30, 2009, the pension systems have no credit risk exposure to borrowers because the amounts the pension systems owe the borrowers exceed the amounts the borrowers owe the pension systems.

(5) Receivables

Receivables at June 30, 2009, 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	$ 262,183	$ 670,408 (1)	$	$ 241,936	$ 1,614 (2)	$ 270,197	$ 17,646	$ 31,039	$ (451,018)	$ 1,044,005
Higher Education Fund	674,630					69,337	558	7,011	(455,243)	296,293
Workers' Compensation Commission	9,384						961			10,345
Dept of Workforce Services	110,811						25		(28,106)	82,730
Non-major Enterprise Funds	1,369					331,780	689		(71)	333,767
Pension Trust			64,118				35,790	332,374		432,282
Agency							20	27		47
Total	$ 1,058,377	$ 670,408	$ 64,118	$ 241,936	$ 1,614	$ 671,314	$ 55,689	$ 370,451	$ (934,438)	$ 2,199,469

(1) Receivable balances of $7,854 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	$	$ 588,069	$	$ 15,160	$	$ 113	$ (1,663)	$ 601,679
Arkansas Development Finance Authority	620	339,313	131,720	4,673		12,795	(35,960)	453,161
University of Arkansas Foundation				1,836	49,165	109	(840)	50,270
Total	$ 620	$ 927,382	$ 131,720	$ 21,669	$ 49,165	$ 13,017	$ (38,463)	$ 1,105,110

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From							
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Arkansas Lottery Commission	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 2,365	$ 18	$ 167	$ 4	$ 251	$ 102	$ 2,907
Higher Education Fund	13,825							13,825
Workers' Compensation Commission	255	291				6	1	553
Department of Workforce Services	2,262							2,262
Non-Major Enterprise Funds	455							455
Pension Trust Funds	2,160	46						2,206
Total	$ 18,957	$ 2,702	$ 18	$ 167	$ 4	$ 257	$ 103	$ 22,208

Interfund receivables and payables include: (1) $2.4 million due from the Higher Education Fund to the General Fund for workers' compensation unemployment contributions, information technology services, grants and includes $.6 million of Medicaid provider payments; (2) $2.3 million due from the General Fund to the Department of Workforce Services for unemployment insurance program contributions; 3) $13.8 million due to the Higher Education Fund from the General Fund for college Technical Bond payment requisitions of $9.6 million and grants; (4) $.2 million due from Department of Workforce Services to the General Fund for information technology services; (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**	**Arkansas Lottery Commission**	**Total**
General Fund	$	$ 175	$ 6,000	$ 6,175
Non-Major Enterprise Funds		6,405		6,405
Pension Trust Funds	7,474			7,474
Total	$ 7,474	$ 6,580	$ 6,000	$ 20,054

Advances include: (1) an outstanding balance of $7.5 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; (2) advances to the Community/Technical College Revolving Loan program of $6.4 million to provide low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates; and (3) advance of $6 million to the Arkansas Scholarship Lottery for start-up costs, to be repaid with net proceeds of lottery sales.

Transfers (expressed in thousands):

	Transfer In					
Transfers Out	**General Fund**	**Higher Education Fund**	**Workers Compensation Commission**	**Department of Workforce Services**	**Non-major Enterprise Funds**	**Total**
General Fund	$	$ 1,018,929	$ 1	$ 4,032	$ 4,642	$ 1,027,604
Higher Education Fund	66,916					66,916
Department of Workforce Services	1,029					1,029
Non-Major Enterprise Funds	4,522					4,522
Total	$ 72,467	$ 1,018,929	$ 1	$ 4,032	$ 4,642	$ 1,100,071

Transfers include: (1) the transfer of $1.019 billion from the General Fund to the Higher Education Fund for state funding of higher education institutions; (2) the transfer of $66.9 million from the Higher Education Fund includes $62 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) The Department of Workforce Service transferred $.8 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; (4) Non-Major Enterprise Funds transfers include: The Arkansas Natural Resources Commission being reimbursed $1.4 million from the Construction Assistance Loan Fund. $1.8 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. Another transfer of $2.7 million was from the Non-Major Enterprise Funds to reimburse $2 million to the Department of Health and $.7 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: $103 thousand of capital assets transferred from the General Fund to the Higher Education Fund and $244 thousand of capital assets transferred from the General Fund to the Department of Workforce Services. On the Enterprise Fund financial statements, the transfer in amounts were reported as capital contributions.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2009, was as follows (expressed in thousands):

	Balance July 1, 2008	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2009
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 594,026	$ 364	$ 38,182	$ (102)	$ 632,470
Construction in progress	1,887,806	(560,162)	440,779	(166)	1,768,257
Other non-depreciable assets	4,876	10	314		5,200
Total capital assets, not being depreciated	2,486,708	(559,788)	479,275	(268)	2,405,927
Capital assets, being depreciated:					
Land improvements	129,881	11,878	3,861	(124)	145,496
Infrastructure	10,188,243	523,546	4,579	(13,839)	10,702,529
Buildings	1,177,567	35,990	16,332	(3,800)	1,226,089
Equipment	649,123	1,618	50,849	(58,225)	643,365
Other depreciable assets	30,689	640	6,458	(132)	37,655
Total capital assets, being depreciated	12,175,503	573,672	82,079	(76,120)	12,755,134
Subtotal	14,662,211	13,884	561,354	(76,388)	15,161,061
Less accumulated depreciation for:					
Land improvements	(63,872)	(4)	(6,024)	126	(69,774)
Infrastructure	(4,483,936)	(3,936)	(336,245)	13,839	(4,810,278)
Buildings	(443,782)	141	(24,869)	1,961	(466,549)
Equipment	(430,569)	(923)	(46,668)	54,218	(423,942)
Other depreciable assets	(14,946)	(57)	(6,159)	123	(21,039)
Total accumulated depreciation	(5,437,105)	(4,779)	(419,965)	70,267	(5,791,582)
Governmental activities capital assets, net	$ 9,225,106	$ 9,105	$ 141,389	$ (6,121)	$ 9,369,479

	Balance July 1, 2008	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2009
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 109,087	$ 53	$ 6,605	$ (257)	$ 115,488
Construction in progress	422,656	(96,029)	282,046	(281,661)	327,012
Total capital assets, not being depreciated	531,743	(95,976)	288,651	(281,918)	442,500
Capital assets, being depreciated:					
Improvements other than building	14,331	(823)	1,048		14,556
Leasehold improvements	75	1,023	28	(26)	1,100
Buildings	2,901,823	90,215	348,200	(5,367)	3,334,871
Equipment	617,718	338	72,718	(27,332)	663,442
Other capital assets	162,453	65,868	24,183	(5,510)	246,994
Infrastructure	209,516	5,118	10,746	(148)	225,232
Total capital assets, being depreciated	3,905,916	161,739	456,923	(38,383)	4,486,195
Subtotal	4,437,659	65,763	745,574	(320,301)	4,928,695
Less accumulated depreciation for:					
Improvements other than building	(5,717)	1	(484)	9	(6,191)
Buildings	(1,083,486)	(104)	(102,178)	3,428	(1,182,340)
Equipment	(434,889)	(6,387)	(55,709)	26,387	(470,598)
Other capital assets	(103,316)	(53,148)	(17,139)	3,630	(169,973)
Infrastructure	(88,321)	31	(10,235)	71	(98,454)
Total accumulated depreciation	(1,715,729)	(59,607)	(185,745)	33,525	(1,927,556)
Business-type activities capital assets, net	$ 2,721,930	$ 6,156	$ 559,829	$ (286,776)	$ 3,001,139

(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, 2009, was as follows (expressed in thousands):

	Balance July 1, 2008	Additions/ Deletions	Balance June 30, 2009
ADFA:			
Capital assets being depreciated:			
Equipment	$ 771	$ 21	$ 792
Less accumulated depreciation for:			
Equipment	(490)	(44)	(534)
ADFA capital assets, net	$ 281	$ (23)	$ 258

Activity for ASLA for the year ended June 30, 2009, was as follows (expressed in thousands):

	Balance July 1, 2008	Additions/ Deletions	Balance June 30, 2009
ASLA:			
Capital assets not being depreciated:			
Land	$ 670	$	$ 670
Capital assets being depreciated:			
Buildings and equipment	2,946	10	2,956
Less accumulated depreciation for:			
Buildings and equipment	(448)	(86)	(534)
ASLA capital assets, net	$ 3,168	$ (76)	$ 3,092

Activity for U of A Foundation, Inc. for the year ended June 30, 2009, was as follows (expressed in thousands):

	Balance July 1, 2008	Additions/ Deletions	Balance June 30, 2009
U of A Foundation:			
Capital assets not being depreciated:			
Land	$ 403	$ 64	$ 467
Capital assets being depreciated:			
Buildings and equipment	675	(100)	575
Less accumulated depreciation for:			
Buildings and equipment	(575)		(575)
Total Assets being depreciated, net	100	(100)	0
Total Assets U of A Foundation	$ 503	$ (36)	$ 467

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	$	4,237
Health and human services		8,749
Transportation		346,050
Law, justice, and public safety		28,148
Recreation and resources development		16,674
General government		15,177
Regulation of business and professionals		930
Total depreciation expense – governmental activities	$	419,965
Business-type Activities:		
Enterprise Funds	$	185,745
Total depreciation expense – business-type activities	$	185,745

Component Units

Component Units:		
ADFA	$	44
ASLA		86
Total depreciation expense – component units	$	130

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2009, are summarized as follows (expressed in thousands):

	Restated Balance July 1, 2008	Additions	Accretion on capital appreciation bonds	Reductions	Balance June 30, 2009	Due within one year	Due greater than one year
Governmental Activities:							
Bonds payable:							
General obligation	$ 912,295	$ 15,275	$ 250	$ 71,972	$ 855,848 (1)	$ 75,864	$ 779,984
Revenue Bond Guaranty Fund	5,703			3,128	2,575	147	2,428
Add (deduct):							
Deferred bond refunding loss:							
General Obligation	(9,830)			(1,001)	(8,829)		(8,829)
Debt to Component Unit	(3,310)			(287)	(3,023)		(3,023)
Issuance premium (discount):							
General Obligation	12,836	(147)		2,334	10,355	2,291	8,064
Debt to Component Unit	2,950	(471)		220	2,259	206	2,053
Total bonds payable	920,644	14,657	250	76,366	859,185	78,508	780,677
Notes payable to component unit	117,390	3,446		10,943	109,893	9,262	100,631
Note payable to pension trust fund	9,606			2,132	7,474	2,302	5,172
Capital leases	4,586	1,313		4,025	1,874	1,181	693
Capital leases with component unit	131,792	2,579		10,571	123,800	5,371	118,429
Total notes and leases payable	263,374	7,338		27,671	243,041	18,116	224,925
Total bonds, notes and leases payable	1,184,018	21,995	250	104,037	1,102,226	96,624	1,005,602
Installment sale with component unit	13,210			415	12,795	455	12,340
Claims, judgments and arbitrage (2)	112,672	238,457		233,579	117,550	114,800	2,750
Compensated absences	124,086	99,021		90,543	132,564	16,968	115,596
Total claims, judgments, arbitrage and compensated absences	236,758	337,478		324,122	250,114	131,768	118,346
Pollution remediation (3)	10,950	5,230		477	15,703	435	15,268
Net OPEB obligation	106,570	128,435			235,005		235,005
Governmental activities total	$ 1,551,506	$ 493,138	$ 250	$ 429,051	$ 1,615,843	$ 229,282	$ 1,386,561

(1) Includes accretion on capital appreciation bonds of $ 22,600.
(2) Reclassed $4.370 million from claims IBNR to Pollution Remediation
(3) Added $6.580 million to Pollution Remediation for restatement of beginning balance.

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, 2008 as reclassified	Additions	Reductions	Balance June 30, 2009	Due within one year	Due greater than one year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 72,965	$ 13,280	$ 21,125	$ 65,120	$ 7,210	$ 57,910
College and University Revenue Bonds	1,246,075	114,675	46,455	1,314,295	53,489	1,260,806
Add (deduct):						
Deferred bond refunding loss	(3,679)		(376)	(3,303)	(376)	(2,927)
Issuance premiums/ (discounts)	12,986	(557)	762	11,667	146	11,521
Total bonds payable	1,328,347	127,398	67,966	1,387,779	60,469	1,327,310
Notes payable	39,092 (1)	25,124	16,931	47,285	10,811	36,474
Notes payable with component unit	3,518		476	3,042	493	2,549
Total notes payable	42,610	25,124	17,407	50,327	11,304	39,023
Capital leases	34,926 (1)	19,194	9,118	45,002	7,611	37,391
Capital leases with component unit	995		185	810	190	620
Total leases payable	35,921	19,194	9,303	45,812	7,801	38,011
Total bonds, notes and leases payable	1,406,878	171,716	94,676	1,483,918	79,574	1,404,344
Claims and judgments	285,656	370,764	365,750	290,670	53,261	237,409
Compensated absences	87,448	61,444	56,220	92,672	12,341	80,331
Total claims, judgments and compensated absences	373,104	432,208	421,970	383,342	65,602	317,740
Net OPEB obligation	24,854	13,533		38,387		38,387
Business-type activities total	$ 1,804,836	$ 617,457	$ 516,646	$ 1,905,647	$ 145,176	$ 1,760,471

(1) $7,076 reclassified from capital leases to notes payable.

	Balance July 1, 2008	Additions	Reductions	Balance June 30, 2009	Due within one year	Due greater than one year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable:						
Revenue	$ 691,150	$	$ 78,750	$ 612,400	$ 44,800	$ 567,600
Net OPEB obligation	19	23		42		42
Arkansas Development Finance Authority:						
Bonds payable	1,084,940	187,241	191,510	1,080,671	44,187	1,036,484
Notes payable	205,723	36,987	242,710			
Add: issuance premiums	2,951	(368)	351	2,232		2,232
Total bonds and notes payable ADFA	1,293,614	223,860	434,571	1,082,903	44,187	1,038,716
Net OPEB obligation	198	240		438		438
U of A Foundation						
Annuity obligations	18,362		2,919	15,443	1,165	14,278
Component units total	$ 2,003,343	$ 224,123	$ 516,240	$ 1,711,226	$ 90,152	$ 1,621,074

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, 2009, 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	2011	5.25 - 5.50	$ 83,000
2001A Series Federal Highway G.O. Bonds	2012	4.00 - 5.25	114,895
2002 Series Federal Highway G.O. Bonds	2014	3.50 - 5.00	180,965
Arkansas Natural Resources Commission Bonds:			
2001A Series Water, Waste, and Pollution	2011	4.65 - 6.30	2,400
2001B Series Water, Waste, and Pollution	2011	3.25 - 4.45	160
2002A Series Water, Waste, and Pollution	2026	4.00 - 5.00	11,230
2002B Series Water, Waste, and Pollution	2025	4.25 - 5.00	5,455
2002C Series Water, Waste, and Pollution	2020	3.50 - 5.00	5,900
2002D Series Water, Waste, and Pollution	2017	3.00 - 4.75	5,775
2002E Series Water, Waste, and Pollution	2012	2.75 - 5.80	715
2002F Series Water, Waste, and Pollution	2012	2.00 - 4.20	935
2002G Series Water, Waste, and Pollution	2035	2.85 - 4.95	4,645
2002H Series Water, Waste, and Pollution	2017	4.50 - 5.35	1,315
2002I Series Water, Waste, and Pollution	2026	3.00 - 4.75	8,935
2002K Series Water, Waste, and Pollution	2026	3.00 - 4.88	7,085
2003A Series Water, Waste, and Pollution	2020	2.25 - 5.30	1,745
2003B Series Water, Waste, and Pollution	2027	2.00 - 4.10	2,225
2003C Series Water, Waste, and Pollution	2033	2.50 - 4.75	15,310
2004A Series Water, Waste, and Pollution	2036	3.00 - 5.00	12,785
2005A Series Water, Waste, and Pollution	2025	3.25 - 4.35	4,950
2005B Series Water, Waste, and Pollution	2027	3.00 - 4.75	8,535
2006A Series Water, Waste, and Pollution	2016	5.00	13,890
2006B Series Water, Waste, and Pollution	2036	3.50 - 4.50	8,875
2006C Series Water, Waste, and Pollution	2033	4.13 - 4.63	4,535
2007A Series Water, Waste, and Pollution	2040	4.00 - 4.50	7,410
2008A Series Water, Waste, and Pollution	2042	3.50 - 4.60	25,055
2009A Series Water, Waste, and Pollution	2044	3.50 - 4.60	15,275
College Savings Bonds:			
1993 Series, G.O. Bonds	2014	5.85	12,246
1996C Series, G.O. Bonds	2016	5.65	11,464
1997A Series, G.O. Bonds	2017	5.70	2,602
1997B Series, G.O. Bonds	2017	5.15	8,720
1998A Series, G.O. Bonds	2017	4.90	8,376
2005 Series, G.O. Bonds	2016	3.00	26,475
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	5,545
Total			$ 855,848

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2009, including accrued accreted interest of approximately $22.6 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 75,811	$ 39,520	$ 115,331
2011	77,552	37,332	114,884
2012	79,906	33,100	113,006
2013	82,411	28,658	111,069
2014	84,960	22,524	107,484
2015-2019	165,778	77,669	243,447
2020-2024	115,035	51,112	166,147
2025-2029	116,875	23,295	140,170
2030-2034	17,650	6,509	24,159
2035-2039	11,885	2,808	14,693
2040-2044	5,385	558	5,943
Total	$ 833,248	$ 323,085	$ 1,156,333

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 2009 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 2009 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 2009 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 2009, $15.3 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 2009 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 2009 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, 2009, total bonds guaranteed by the Revenue Bond Guaranty Fund amounted to $2.6 million.

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, 2009, the equity interest in industrial facilities, which totaled approximately $615,000, was either rented or vacant.

The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2009, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate %	Balance
Revenue Bond Guaranty Fund	2021	3.45-5.75	$ 2,575

Future amounts required to pay principal and interest on Revenue Bond Guaranty Fund at June 30, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 147	$ 131	$ 278
2011	152	125	277
2012	160	118	278
2013	168	110	278
2014	175	102	277
2015-2019	1,018	361	1,379
2020-2024	755	66	821
Total	$ 2,575	$ 1,013	$ 3,588

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, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 9,262	$ 5,801	$ 15,063
2011	9,495	5,502	14,997
2012	9,102	5,176	14,278
2013	9,455	4,814	14,269
2014	9,153	4,393	13,546
2015-2019	35,771	10,238	46,009
2020-2024	17,995	4,191	22,186
2025-2029	8,900	1,325	10,225
2030-2034	760	17	777
Total	$ 109,893	$ 41,457	$ 151,350

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, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 2,302	$ 598	$ 2,900
2011	2,487	414	2,901
2012	2,685	215	2,900
Total	$ 7,474	$ 1,227	$ 8,701

Installment Sale with Component Units – The installment sale with component units consists of an agreement between the Arkansas Game and Fish Commission and the Arkansas Development Finance Authority to finance the acquisitions of land and interests in land to be utilized in the management and conservation of Arkansas wildlife resources. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on the installment sale with component units at June 30, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 455	$ 566	$ 1,021
2011	470	547	1,017
2012	490	528	1,018
2013	510	508	1,018
2014	530	488	1,018
2015-2019	3,000	2,083	5,083
2020-2024	3,695	1,358	5,053
2025-2029	3,645	376	4,021
Total	$ 12,795	$ 6,454	$ 19,249

Business-Type Activities

Special Obligation Bonds - Special Obligation Bonds outstanding at June 30, 2009, 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	2.50-5.50	$ 65,120

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, 2009, 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 $269 thousand:

	Principal	Interest	Total
Year ending June 30:			
2010	$ 7,210	$ 2,919	$ 10,129
2011	7,545	2,642	10,187
2012	7,645	2,323	9,968
2013	7,845	1,951	9,796
2014	7,900	1,568	9,468
2015-2019	25,830	2,618	28,448
2020-2024	1,145	31	1,176
Total	$ 65,120	$ 14,052	$ 79,172

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 renovations 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, 2009, business-type activity 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 $11,398 and unamortized deferred bond refunding losses of $3,303:

	Final maturity date	Interest rates %		Balance
Henderson State University	2032	3.15-7.00	$	34,200
Southern Arkansas University-Magnolia	2038	1.40-5.35		31,859
Southern Arkansas University Tech-Camden	2016	5.00-6.02		595
Arkansas State University-Beebe	2036	3.00-6.60		29,690
Arkansas State University-Jonesboro	2037	1.60-6.00		127,653
Arkansas State University-Mountain Home	2033	3.84-4.50		8,570
Arkansas State University-Newport	2033	2.75-4.50		6,255
Arkansas Tech University	2039	1.10-5.75		52,543
University of Arkansas at Fayetteville	2039	Variable		408,686
University of Arkansas at Little Rock	2030	4.22-5.50		44,873
University of Arkansas for Medical Sciences	2036	1.87-22.43		267,023
University of Arkansas at Monticello	2036	Variable		11,925
University of Arkansas at Pine Bluff	2036	2.00-5.70		26,413
University of Central Arkansas	2038	2.00-7.75		88,924
University of Arkansas Community College at Hope	2039	1.75-5.12		7,635
University of Arkansas Community College at Batesville	2019	3.10-5.00		3,560
University of Arkansas Community College at Morrilton	2022	2.25-5.25		3,780
University of Arkansas at Fort Smith	2035	1.00-5.00		81,650
East Arkansas Community College	2013	6.00		590
National Park Community College	2031	3.00-4.70		12,545
Mid-South Community College	2039	3.70-4.30		15,115
Arkansas Northeastern College	2031	4.00-5.35		4,545
North Arkansas College	2037	3.50-4.70		4,450
Phillips Community College of the University of Arkansas	2039	3.58-5.20		12,244
Rich Mountain Community College	2023	Variable		1,490
Northwest Arkansas Community College	2030	3.00-4.50		21,181
Black River Technical College	2028	1.35-4.75		2,770
Pulaski Technical College	2037	1.70-5.15		51,265
Ozarka College	2028	4.90		2,360
War Memorial Stadium	2011	2.25-3.00		233
Total			$	1,364,622

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 business-type activity revenue bonds and notes payable as of June 30, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 64,792	$ 62,620	$ 127,412
2011	52,857	59,813	112,670
2012	52,041	57,471	109,512
2013	50,151	55,387	105,538
2014	50,711	53,266	103,977
2015-2019	267,486	232,265	499,751
2020-2024	272,789	169,451	442,240
2025-2029	230,280	109,931	340,211
2030-2034	218,750	54,280	273,030
2035-2039	104,765	9,397	114,162
Total	$ 1,364,622	$ 863,881	$ 2,228,503

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, 2009, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Student Loan Revenue Refunding Bonds, Series 1996A	2010	0.683	$ 42,900
Student Loan Revenue Refunding Bonds, Series 1997A	2014	0.735	31,150
Student Loan Revenue Refunding Bonds, Series 2000 A-1	2030	0.63	45,550
Student Loan Revenue Refunding Bonds, Series 2000 A-2	2030	1.81	14,450
Student Loan Revenue Refunding Bonds, Series 2004 A-1/A-2	2038	0.00-0.613	102,500
Student Loan Revenue Bonds, Series 2005 A-1/A-2/A-3	2039	0.00-1.10	172,250
Student Loan Revenue Bonds, Series 2006 A-1/A-2/A-3/B-1	2040	0.77	178,600
Student Loan Revenue Bonds, Series 2006 A-4	2040	0.819	25,000
Total			$ 612,400

Future amounts required to pay principal and interest on revenue bonds at June 30, 2009, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2010	$ 44,800	$ 5,203	$ 50,003
2011		4,902	4,902
2012	29,850	4,902	34,752
2013		4,664	4,664
2014	31,150	4,664	35,814
2015-2019		18,397	18,397
2020-2024		18,397	18,397
2025-2029		18,397	18,397
2030-2034	59,450	18,397	77,847
2035-2039	82,600	18,397	100,997
2040-2044	364,550	18,399	382,949
Total	$ 612,400	$ 134,719	$ 747,119

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, 2009, the bonds outstanding issued under these programs aggregated $234.3 million.

Bonds and notes payable at June 30, 2009, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Single Family Bonds and Notes Payable	2038	1.32-10.00	$ 599,309
Multi-Family Bonds Payable	2034	3.85-7.30	57,551
Bond Guaranty Program	2024	3.00-7.45	57,400
State and Health Facilities Bonds Payable	2040	1.90-7.00	277,255
Economic Development Bonds and Note Payable	2015	5.51-5.70	551
Tobacco Bonds Payable	2046	4.00-5.50	88,374
General Fund Bond and Note Payable	2041	2.02-4.73	231
Total			$ 1,080,671

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2009, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $2,232 less accreted interest of $90,656:

	Principal	Interest	Total
Year ending June 30:			
2010	$ 44,187	$ 50,726	$ 94,913
2011	43,167	48,348	91,515
2012	43,322	46,233	89,555
2013	40,698	44,177	84,875
2014	38,323	42,278	80,601
2015-2019	190,855	184,860	375,715
2020-2024	201,260	139,438	340,698
2025-2029	206,980	92,482	299,462
2030-2034	192,350	47,579	239,929
2035-2039	125,402	11,243	136,645
2040-2044	29,805	313	30,118
2045-2049	14,978		14,978
Total	$ 1,171,327	$ 707,677	$ 1,879,004

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, 2009, were $513,200 including interest ranging from 5% to 12%.

Aggregate annual maturities of annuity obligations at June 30, 2009, were as follows (expressed in thousands):

		Principal
Year ending June 30:		
2010	$	1,165
2011		973
2012		930
2013		866
2014		800
2015-2019		3,414
2020-2024		2,647
2025-2029		1,571
2030-2034		1,112
2035-2039		1,965
Total	$	15,443

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 $96.9 million were considered defeased at June 30, 2009.

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 was made as scheduled on April 1, 2009. The escrow balance at June 30, 2009, was $0.

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, 2009, was $55.8 million for these issues, and the related escrow balance at June 30, 2009, was $59.3 million.

On April 27, 2006, the University of Central Arkansas issued $8.1 million in general obligation bonds referred to as 2006F. The series 2006F bonds are secured by a pledge of a portion of the student housing revenues and will refund the series 2000 bonds of the College Square Retirement Center. The 2000 issue will be held by the trustee until the debt is fully defeased on January 1, 2010, and the balance of the related escrow assets pledged to the retirement of the debt is $7.3 million. The outstanding principal of the 2000 bond issue was $7.1 million at June 30, 2009.

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 System 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 1997A issue was called on April 1, 2008. The 2004C bond issue will be held by the trustee until it is fully defeased on November 1, 2009, and the balance of the related escrow assets pledged to the retirement of the debt is $14.9 million. The outstanding principal of the 2004C bond issue was $14.8 million at June 30, 2009.

On May 15, 2005, Northwest Arkansas Community College issued capital improvement and refunding bonds of $23.5 million with interest rates 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% to 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. As of June 30, 2009, the escrow fund established to provide the retirement of the bonds being refunded had a balance of $5.4 million. The final payment on the 2002 bonds was November 15, 2007, and the remaining principal amount of the outstanding 2000 bonds considered defeased is $5.2 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 $50.9 million were considered defeased at June 30, 2009. The bonds include the 1979 Series A Single Family Conventional Bonds, the 1999 Series A State Agencies Facilities Revenue Bonds and 2003 Series A Correction Facilities Revenue Refunding Bonds.

Current Refundings

Primary Government

Higher Education

On February 1, 2009, the University of Arkansas – Phillips Community College, issued $12.0 million in Student Fee Refunding and Construction Revenue Bonds, Series 2009, with a net interest cost of 4.97%. The bonds were issued for the purpose of financing (1) the construction and equipping of the Grand Prairie Center Project on the Stuttgart campus, and (2) the current refunding of the University's Student Fee Revenue Bonds, Series 1997, in the amount of $3.9 million. Proceeds in the amount of $3.9 million were deposited in trust with an escrow agent to provide for the immediate defeasance of the refunded 1997 Series bonds. Final payment from the escrow fund was made on March 5, 2009. The escrow balance at June 30, 2009, was $0.

(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, 2009, and the remaining principal and interest as of June 30, 2009 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment	Remaining Principal and Interest	Fiscal Year 2009 Pledged Revenue	Fiscal Year 2009 Principal and Interest
Rental income	Purchase of building	2014	$ 1,830	$ 9,022	$ 373
Court filing fees	Construction of building	2026	8,530	691	485
License fees	Prison construction	2039	56,572	3,860	158
Motor vehicle fees	Construction and remodel of buildings	2020	3,217	1,659	2,080
State park revenue	Construction of state park facilites	2024	39,276	2,709	2,709
Permit fees	Construction of building	2040	36,397	11,373	1,149
Drivers license revenue	Wireless network	2018	19,284	2,870	2,162
Drivers license revenue	Construction of building	2018	27,152	3,893	3,047

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, 2009, and the approximate amount of pledged revenues as of June 30, 2009 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2009 Pledged Revenue	Fiscal Year 2009 Principal and Interest
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2035	$ 27,744	60%	$ 1,785	$ 1,285
	Student recreation center revenue	Construction of student recreation center	2032	12,544	81%	675	463
	Auxiliary revenue	Renovation and maintenance of other auxiliary services	2027	706	20%	194	94
Southern Arkansas University - Magnolia	Student fees	Capital improvements to facilities	2038	40,888	9%	16,458	1,488
	Housing system revenue	Construction and remodel of residence halls	2014	520	2%	5,716	86
	Auxiliary revenue	Capital improvements to facilities	2030	13,283	10%	6,115	642
Arkansas State University - Beebe	Student fees	Construction of facilities	2013	148	16%	238	34
	Student tuition & fee revenue	Construction, renovation and refinance of facilities	2036	50,770	21%	9,148	2,022
Arkansas State University - Jonesboro	Lessee rent	Construction of facilities	2010	133	12%	1,140	123
	Student tuition & fee revenue	Construction of facilities, property purchase and refinance facilities	2034	24,612	2%	61,751	1,662
	Housing fees	Construction of facilitiies and refinance facilities	2039	134,225	82%	5,457	4,396
	Student union fees	Refinance facilities	2025	18,301	49%	2,320	1,200
	Parking fees	Refinance facilities	2025	6,236	31%	1,269	409
	Recreation center fees	Construction of facilities	2037	29,623	91%	1,160	1,057
Arkansas State University - Mountain Home	Student fees and ad valorem tax	Construction of facilities and refinance facilities	2033	12,200	17%	3,008	830
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilitiies and refinance facilities	2033	9,364	11%	3,554	504
Arkansas Tech University	Food service fees	Renovation of cafeteria	2017	830	2%	4,174	104
	Housing fees	Construction of facilities and refunding of existing bond issue	2039	46,512	26%	5,855	1,714
	Student tuition & fee revenue	Construction of facilities, refunding of existing bond issue, upgrade computer system and software	2039	31,867	3%	33,004	1,922
	Athletic revenues	Construction of facilities	2037	6,607	7%	3,390	266
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues, land purchases	2039	575,471	10%	198,322	24,994
	Athletic fees	Construction of facilities and refunding of prior issues	2023	53,243	9%	43,919	5,547
University of Arkansas at Little Rock	Student fees	Refunding of prior issues and general improvements	2025	34,678	4%	59,134	4,535
	Housing fees	Construction of facilities	2030	25,336	40%	3,003	950
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refinance prior issues	2036	422,198	3%	516,621	17,393
	Parking fees	Parking deck construction	2035	29,031	36%	3,112	1,762
University of Arkansas at Monticello	Auxiliary revenue	Refunding of prior issues	2019	4,082	7%	5,832	412
	Student fees & auxiliary revenue	Capital improvements and refund loan with component unit	2036	15,261	3%	16,469	567
University of Arkansas at Pine Bluff	E&G funds	Refunding of prior issues and capital improvements	2036	37,502	4%	31,016	1,599
	Student fees	Construction of facilities	2014	471	0%	18,959	92
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	68,476	4%	57,635	3,711
	Housing fees	Construction of facilities and refunding of prior issues	2034	49,813	9%	21,746	2,541
	Auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2038	21,268	6%	13,081	1,534
University of Arkansas Community College - Hope	Student fees	Construction of facilities and refund of prior issues	2039	11,428	18%	2,079	625
University of Arkansas Community College - Batesville	Student fees	Construction of facilities	2019	3,089	10%	2,987	306
University of Arkansas Community College - Morrilton	Student fees	Construction of facilities and refund of prior issues	2022	4,925	8%	4,473	439
University of Arkansas at Fort Smith	Student fees	Construction of facilities and general improvments	2035	122,471	18%	26,191	5,135
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	19,735	30%	2,775	780
University of Arkansas Community College - Phillips	Student fees	Construction of facilities and refund of prior issues	2039	22,712	27%	2,781	182
Rich Mountain Community College	Tax revenue	Capital improvements	2023	2,052	55%	266	141
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities	2028	4,173	12%	1,873	222
Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities	2037	84,262	61%	4,903	3,362
Ozarka College	Student tuition & fee revenue	Construction and renovation of facilities	2027	3,609	8%	2,593	200
Northwest Arkansas Community College	Property Tax Revenue	Construction of facilities and refund of prior issues	2030	33,074	60%	2,607	1,575

(10) Arbitrage Rebate and Excess Earnings Liability

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 issues tax exempt bonds. Additionally, all of the State's outstanding bonds are subject to federal government arbitrage rebate laws.

Governmental Activities

At June 30, 2009, the governmental activities of the State had an arbitrage rebate liability of $1.75 million.

Component Units

The Arkansas Student Loan Authority's (ASLA) liability related to arbitrage rebate has been included in accounts payable and accrued expenses in the amounts of approximately $2.5 million at June 30, 2009. The determination of the arbitrage rebate and excess earnings liability is based on estimates that are susceptible to significant changes in market conditions. 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. 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, 2009.

The Arkansas Development Finance Authority (ADFA) has made provisions for revenues above the rebate limit. 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 federal arbitrage rebate laws, ADFA has directed the excess to bond issues earning less than the allowed amount. At June 30, 2009, the present value of excess subsidy was approximately $872,000. 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 (ADFA), a discretely presented component unit of the State, and the Arkansas Department of Economic Development (ADED), 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. In February of 2009, another capital lease receivable was entered into with ADFA and ADED, as lessors, and Victory Lumber, LLC, as a lessee. The capital lease term continues until February 29, 2024. The amount of the lease is $927,419, to include buildings, all movable property, fixtures, furniture, and equipment located on the premises. Both capital leases bear no interest rate and the future lease payments below represent only principal payments. There are no contingent rentals or unearned income at June 30, 2009.

Future amounts required to pay principal as of June 30, 2009, are as follows (expressed in thousands):

		Principal
Year ending June 30:		
2010	$	80
2011		111
2012		111
2013		111
2014		111
2015-2019		556
2020-2024		534
Total	$	1,614

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	163,728	27,327
Machinery and equipment	102	35,235
Intangibles	1,313	
Less: Accumulated depreciation	(21,560)	(14,263)
Total	$ 143,583	$ 48,558

Future minimum commitments under operating and capital leases by fund type as of June 30, 2009, were as follows (expressed in thousands):

	Capital leases	
	Governmental activities	Business-type activities
Year ending June 30:		
2010	$ 1,265	$ 9,620
2011	718	8,489
2012		7,094
2013		6,549
2014		5,100
2015-2019		14,966
2020-2024		1,589
2025-2029		1,476
2030-2034		1,476
2035-2039		270
Total minimum lease payments	1,983	56,629
Less: Interest	(109)	(11,627)
Present value of future minimum lease payments	$ 1,874	$ 45,002

	Capital leases with component unit	
	Governmental activities	Business-type activities
Year ending June 30:		
2010	$ 11,027	$ 225
2011	11,023	227
2012	10,857	223
2013	10,845	225
2014	10,434	
2015-2019	49,761	
2020-2024	38,207	
2025-2029	26,087	
2030-2034	19,942	
2035-2039	5,836	
2040-2044	1,658	
Total minimum lease payments	195,677	900
Less: Interest	(71,877)	(90)
Present value of future minimum lease payments	$ 123,800	$ 810

	Operating leases	
	Governmental activities	Business-type activities
Year ending June 30:		
2010	$ 28,724	$ 15,291
2011	21,159	9,443
2012	10,434	6,287
2013	7,157	5,240
2014	5,773	4,314
2015-2019	17,376	7,193
2020-2024	13,861	4,464
2025-2029	11,942	4,359
2030-2034	11,770	4,370
2035-2039		867
Total minimum lease payments	$ 128,196	$ 61,828
Total rental expenditure/ expense (2009)	$ 33,938	$ 18,503

(12) Pollution Remediation

NOTE: The prior year effect of applying GASB Statement No. 49 is disclosed in Note 1 and this Note replaces the second paragraph of prior year Footnote 16, (f).

Primary Government

Governmental Activities

During the fiscal year ended June 30, 2009, the State adopted GASB Statement No. 49, *Accounting and Financial reporting for Pollution Remediation Obligations* which provides standards for state and local governments in estimating and reporting the potential costs of pollution remediation. While GASB Statement No. 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when specified obligating events occur. Site investigation, planning and design, cleanup, and site monitoring are typical remediation activities currently underway. The standard requires the State to calculate pollution liabilities using the expected cash flow technique. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. Estimations of the liability for current remediation projects are based on historical data, adjusted for current costs. Recoveries are not expected. The remediation obligation estimates that appear in this report are subject to change over time because of: price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, recoveries, changes to statutes or regulations, and/or other factors.

Changes in the liability for pollution remediation obligations (net of expected recoveries) are, as follows (expressed in thousands):

Balance, beginning of year	$	10,950
Incurred Claims		5,230
Payments		(477)
Balance, end of year	$	15,703
Current portion	$	435
Non current portion		15,268
	$	15,703

The State's polluted sites are primarily from chemical and fuel spills, asbestos, and former landfills where pollution remediation has already commenced with monitoring being completed as necessary. The State is aware of approximately eight (8) sites that may result in pollution remediation liabilities; however, no liability has been recorded because the State cannot reasonably estimate a pollution remediation obligation.

Most of the above-mentioned obligations are covered by the Arkansas Remedial Action Trust Fund (RATFA) which was established by Act 479 of 1985 to provide for investigation and clean-up of abandoned hazardous substance sites within the State of Arkansas. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA if required. The Fund had a cash balance of about $12.5 million at June 30, 2009.

Higher Education Fund

On July 21, 2009, the University of Arkansas Fayetteville campus was awarded a grant in the amount of $1.9 million from the United States Department of Energy to conduct a study to determine what obligation, if any, the campus may have for potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR), including estimated remediation cost and development of a plan for necessary remediation. As of June 30, 2009, the University was under no obligation to complete the remediation of the site.

(13) Fund Balance/Net Assets

Deficit Net Assets

The Workers' Compensation Commission (WCC) had an $84.6 million deficit in net assets as of June 30, 2009. 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 2007 legislative session with the passage of Act 1599, which sets the threshold to 325 times the maximum total disability rate, or $169,650.

Arkansas Department of Workforce Services (ADWS) had a $40.7 million deficit in net assets as of June 30, 2009. The deficit is due primarily to the State's Unemployment Insurance Trust Fund (Fund), an enterprise fund of the State which had a $62.9 million deficit in net assets as of June 30, 2009. The Fund, which is managed by the ADWS, is designed to be self-supporting through employer contributions. Even with record levels of unemployment, the Fund remained solvent until March 9, 2009, when claims began to outpace accumulated employer contributions. Under provisions of Title XII of the Social Security Act, the State received $69.8 million in advances from the Federal Unemployment Account (FUA) through June 30, 2009, to cover eligible claims. The Federal American Recovery and Reinvestment Act (Public Law 111-5, enacted February 17, 2009) provides for interest forgiveness on all such advances through December 31, 2010. Although there are no current projections for the repayment of the advances, changes have been made to increase collections and decrease disbursements within the Fund. Effective January 1, 2010, the taxable wage base for Arkansas will increase from $10,000 to $12,000 per employee. This increase in the wage base is expected to raise approximately $50 million per year in additional funds. Also, effective July 1, 2009, the rules for eligibility of employees terminated for misconduct changed and this is expected to result in approximately $27 million per year in savings. The Fund has continued to receive additional advances after June 30, 2009. The balance as of December 10, 2009 was $190.6 million with the projected balance as of June 30, 2010 being $254.7 million.

The Arkansas Scholarship Lottery Commission was created by Acts 605 and 606 of the 87th General assembly in the 2009 regular session for the purpose of establishing, operating and regulating State lotteries as authorized by the Arkansas Constitution. The Lottery Commission Trust Fund had a $16,000 deficit in net assets as of June 30, 2009, due to start up costs. This deficit was expunged when lottery sales began on September 28, 2009.

(14) 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 are as follows:

	Teacher	APERS	Highway	State Police	Judicial
Number of participating employers/contributing entities	344	690	1	1	1
Contribution rates for the fiscal year ended June 30, 2009 (% of covered payroll):	14.00%	4.00%- 23.35%	12.90%	22.00%	27.43%
Legal or contractual maximum rates	14.00%	23.35%	12.90%	22.00%	27.43%
Covered Payroll (in thousands)	$ 2,318,000	$ 1,434,000	$ 122,800	$ 26,800	$ 18,875
State Plan Members - contributory plans	6.00%	5.00%	6.00%	9.25%	5.00% or 6.00%
Annual pension cost (in thousands)	$ 359,062	$ 159,232	$ 16,691	$ 10,512	$ 4,467
Contributions made (in thousands)	$ 359,062	$ 159,232	$ 16,691	$ 12,142	$ 4,467

The annual required contribution amounts and the percentage contributed are determined by the annual actuarial valuation as set forth in the 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
2009	Teacher	$ 359,062	100%
	APERS	$ 159,232	100%
2008	Teacher	$ 350,319	100%
	APERS	$ 173,462	100%
2007	Teacher	$ 331,891	100%
	APERS	$ 163,224	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 equals 5% or more of the individual plan’s net assets available for benefits.

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.

The State’s 2009 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)	$	10,535
Interest on net pension obligations		(83)
Adjustment to annual required contributions		59
Annual pension cost		10,511
Contributions made		12,142
Change in net pension obligations (asset)		(1,631)
Net pension obligation (asset), beginning of year		(1,076)
Net pension obligation (asset), end of year	$	(2,707)

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, 2009, 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	6/30/2009	$	16,691	100.00%	$	
	6/30/2008		16,178	100.00%		
	6/30/2007		15,925	100.00%		
State Police	6/30/2009		10,512	115.51%		(2,707)
	6/30/2008		10,043	116.01%		(1,076)
	6/30/2007		9,891	115.93%		532
Judicial	6/30/2009		4,467	100.00%		
	6/30/2008		5,145	100.00%		
	6/30/2007		5,182	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, 2009 is as follows:

	Highway	State Police	Judicial
Actuarial accrued liability	$ 1,235,800	$ 325,940	$ 180,166
Acturial value of plan assets	1,193,400	206,320	167,433
Unfunded actuarial accrued liability (UAAL)	$ 42,400	$ 119,620	$ 12,733
Funded ratio	96.6%	63.3%	92.9%
Covered payroll	$ 122,800	$ 26,800	$ 18,875
UAAL as a percentage of covered payroll	34.53%	446.34%	67.46%

(d) Actuarial Assumptions

	Teacher	APERS	Highway	State Police	Judicial
Actuarial valuation date	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009	June 30, 2009
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	45 years	30 years (State & Local Employees) 18 years (General Assembly Members)	7.4 years	30 years	30 years
Asset valuation method	4 Year Smoothing 80%-120% Corridor	4 Year Smoothing Market-25% Corridor	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%	8.00%	7.50%
Projected salary increases*	4.00%-10.10%	4.70%-10.6%	4.50%-11.50%	4.00%	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 ING Institutional Plan Services LLC, 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. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the agency's financial statements. According to the custodian, plan assets totaled $341.5 million at June 30, 2009.

(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 2009, total employer contributions to VALIC, TIAA-CREF, and Fidelity were $97.4 million while contributions to other plans were $4.2 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $95.8 million while contributions to other plans were $1.7 million.

(g) Component Units

The University of Arkansas Foundation has a defined contribution (money-purchase) retirement plan covering substantially all employees. The University of Arkansas Foundation's contributions to the plan are 5% of the participants' salaries. In addition, the University of Arkansas 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 $113,300 in 2009.

(15) 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: 680 active employees and 361 retirees and beneficiaries
- AEP: 32,760 active employees and 8,464 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 2009, the State contributed $3.3 million to ASP and $34.2 million to AEP. Plan members receiving benefits contributed $1.7 million to ASP and $25.4 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree Only	224	262
Retiree & Spouse	350	590
Medicare Eligible		
Retiree Only	91	135
Retiree & Spouse	252	452

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 OPEB cost for the current year and related information for each plan is as follows (expressed in thousands):

	ASP	AEP
Number of participating employers/contributing entities	1	1
Contribution rates for the fiscal year ended June 30, 2009 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	34%	43%
Annual required contribution (ARC)	$ 4,463	$ 166,793
Interest on net OPEB obligation	78	5,717
Adjustment to ARC	(72)	(7,287)
Annual OPEB cost	4,469	165,223
Contribution made	(3,287)	(34,173)
Increase in net OPEB obligation	1,182	131,050
Net OPEB obligation - beginning of year	1,964	108,885
Net OPEB obligation - end of year	$ 3,146	$ 239,935

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

Plan	Fiscal year		Annual OPEB Cost	Percentage contributed		Net OPEB Obligation
ASP	2008	$	4,463	56%	$	1,964
	2009	$	4,469	74%	$	3,146
AEP	2008	$	140,903	23%	$	108,885
	2009	$	165,223	21%	$	239,935

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2009, was as follows (expressed in thousands):

		ASP		AEP
Actuarial accrued liability	$	76,505	$	1,711,348
Actuarial value of plan assets				
Unfunded actuarial accrued liability (funding excess)	$	76,505	$	1,711,348
Funded ratio		0%		0%
Covered payroll	$	40,568	$	1,262,628
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		189%		136%

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, 2009
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%	4.00%
Projected salary increases	2.00%	N/A
Healthcare inflation rate	8% initial	Initial: 8% pre-Medicare 9% post-Medicare
	5% ultimate	4.5% ultimate

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

Governmental	$	235,005
Business-type		38,387
Component units		480
Pensions		1,055
Total net OPEB obligation	$	274,927

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 State University Self Insured Retiree Medical 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)
- Southern Arkansas University – Technical Campus Early Retirement Program (SAUT) (administered by Health Advantage)
- Southern Arkansas University Group Health Plan (SAU) (administered by Blue Advantage)
- 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 22,961 active employees and 1,487 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:

- Arkansas Northeastern College Retirement Option (ANC)
- East Arkansas Community College Post-Employment Benefit Plan (EACC)
- Mid-South Community College Plan (MSCC)
- North Arkansas College Continued Health/Dental Insurance (NAC)
- National Park Community College Other Post-Employment Benefits Policy (NPCC)
- Ozarka College Early Retirement Incentive Program (OC)
- Pulaski Technical College Post Employment Healthcare (PTC)
- Rich Mountain Community College Retirement Program (RMCC)
- South Arkansas Community College Post-Employment Benefits (SACC)
- University of Arkansas System AHEC Benefits (UAS2)

Participants in these plans included 1,928 active employees and 61 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 $1,087 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	EACC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2009 (% 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%	47%	0%	0% up to age 65;100% after age 65	0% to 75%
Annual required contribution (ARC)	$ 167	$ 1,291	$ 1,093	$ 53	$ 99
Interest on net OPEB obligation	5	22	35	2	1
Adjustment to ARC	(5)	(37)	(44)	(3)	(1)
Annual OPEB cost	167	1,276	1,084	52	99
Contribution made	(29)	(195)	(445)	(17)	(46)
Increase in net OPEB obligation	138	1,081	639	35	53
Net OPEB obligation - beginning of year	77	739	701	41	0
Net OPEB obligation - end of year	$ 215	$ 1,820	$ 1,340	$ 76	$ 53

	OC	HSU	MSCC	NAC	NPCC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2009 (% 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)	0% up to age 65;100% after age 65	19%	0%	100%	0% up to age 65;100% after age 65
Annual required contribution (ARC)	$ 31	$ 342	$ 61	$ 30	$ 108
Interest on net OPEB obligation	1	5	4	2	4
Adjustment to ARC	(1)	(9)	(4)	(2)	(4)
Annual OPEB cost	31	338	61	30	108
Contribution made	(10)	(131)	0	0	(61)
Increase in net OPEB obligation	21	207	61	30	47
Net OPEB obligation - beginning of year	12	187	61	30	72
Net OPEB obligation - end of year	$ 33	$ 394	$ 122	$ 60	$ 119

	NWACC	PTC	RMCC	SACC	SAUT
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2009 (% 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%	0% to 100%	10%	0% to 75%	33%
Annual required contribution (ARC)	$ 42	$ 115	$ 165	$ 41	$ 77
Interest on net OPEB obligation	3	5	7	2	4
Adjustment to ARC	(2)	(4)	(8)	(2)	(5)
Annual OPEB cost	43	116	164	41	76
Contribution made	(16)	(4)	(55)	(12)	(18)
Increase in net OPEB obligation	27	112	109	29	58
Net OPEB obligation - beginning of year	27	109	20	25	71
Net OPEB obligation - end of year	$ 54	$ 221	$ 129	$ 54	$ 129

	SAU	UAFS	UAS1	UAS2	UCA
Number of participating employers/contributing entities	1	1	9	3	1
Contribution rates for the fiscal year ended June 30, 2009 (% 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)	0% to 100%	100%	100%	0% to 100%	31%
Annual required contribution (ARC)	$ 434	$ 90	$ 9,198	$ 46	$ 413
Interest on net OPEB obligation	10	5	832	3	4
Adjustment to ARC	(17)	(6)	(690)	(3)	(7)
Annual OPEB cost	427	89	9,340	46	410
Contribution made	(49)	(17)	(2,058)	0	(218)
Increase in net OPEB obligation	378	72	7,282	46	192
Net OPEB obligation - beginning of year	344	90	18,448 *	46 *	129
Net OPEB obligation - end of year	$ 722	$ 162	$ 25,730	$ 92	$ 321

* Change in Net OPEB Obligation-beginning of year from fiscal year 2008 to fiscal year 2009 is due to a college changing from University of Arkansas System AHEC Benefits to University of Arkansas System Self-Funded Plan. Overall total is the same as fiscal year 2008.

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

Plan	Fiscal year	Annual OPEB Cost	Percentage contributed	Net OPEB Obligation
ANC	2008	$ 107	28%	$ 77
	2009	167	17%	215
ASU	2008	1,154	36%	739
	2009	1,276	15%	1,820
ATU	2008	1,093	36%	701
	2009	1,084	41%	1,340
BRTC	2008	53	23%	41
	2009	52	32%	76
EACC	2009	99	47%	53
OC	2008	31	61%	12
	2009	31	33%	33
HSU	2008	311	40%	187
	2009	338	39%	394
MSCC	2008	61	0%	61
	2009	61	0%	122
NAC	2008	30	0%	30
	2009	30	0%	60
NPCC	2008	108	33%	72
	2009	108	57%	119
NWACC	2008	42	37%	27
	2009	43	37%	54
PTC	2008	115	4%	109
	2009	116	4%	221
RMCC	2008	20	0%	20
	2009	164	34%	129
SACC	2008	41	39%	25
	2009	41	29%	54
SAUT	2008	77	8%	71
	2009	76	23%	129
SAU	2008	377	9%	344
	2009	427	11%	722
UAFS	2008	105	15%	90
	2009	89	19%	162
UAS1	2008	20,100	10%	18,448
	2009	9,340	22%	25,730
UAS2	2008	619	38%	46
	2009	46	0%	92
UCA	2008	367	64%	129
	2009	410	53%	321

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2009, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 866	$ 8,842	$ 9,054	$ 454	$ 389
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 866	$ 8,842	$ 9,054	$ 454	$ 389
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,424	$ 98,803	$ 30,326	$ 4,948	$ 7,214
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	10%	9%	30%	9%	5%

	OC	HSU	MSCC	NAC	NPCC
Actuarial accrued liability	$ 186	$ 2,809	$ 295	$ 225	$ 686
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 186	$ 2,809	$ 295	$ 225	$ 686
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 4,026	$ 18,240	$ 6,314	$ 2,135	$ 9,443
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	5%	15%	5%	11%	7%

	NWACC	PTC	RMCC	SACC	SAUT
Actuarial accrued liability	$ 185	$ 571	$ 725	$ 263	$ 468
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 185	$ 571	$ 725	$ 263	$ 468
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 18,827	$ 12,332	$ 3,052	$ 6,369	$ 5,853
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	1%	5%	24%	4%	8%

	SAU	UAFS	UAS1	UAS2	UCA
Actuarial accrued liability	$ 3,005	$ 644	$ 82,056	$ 255	$ 3,033
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 3,005	$ 644	$ 82,056	$ 255	$ 3,033
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 15,432	$ 24,674	$ 911,203	$ 13,847	$ 62,441
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	19%	3%	9% *	2% **	5%

* Decrease in % from fiscal year 2008 to fiscal year 2009 is due to change in the actuarial assumption of Post-65 (Medicare eligible) retiree claims cost. In fiscal year 2008, the actuarial accrued liability included Post-65 retiree's expected claim cost and in fiscal year 2009 the actuary concluded that Post-65 retiree contributions are sufficient to fully cover expected claims cost so it was excluded from the fiscal year 2009 actuarial valuation.

** Decrease in % from fiscal year 2008 to fiscal year 2009 is due to a college changing from UAS2 to UAS1. Total colleges in the UAS2 plan went from a total of four in fiscal year 2008 to three in fiscal year 2009, which caused the significant drop in %.

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, EACC, MSCC, NAC, NPCC, NWACC, OC, RMCC, SACC, SAUT, UAFS, UAS2	SAU	ASU, HSU, UCA	ATU	PTC	UAS1
Actuarial valuation date	July 1, 2007	July 1, 2008	July 1, 2008	July 1, 2007	July 1, 2007	July 1, 2008
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Entry Age Normal	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar	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	30 years
Asset valuation method	N/A	N/A	N/A	N/A	N/A	N/A
Actuarial assumptions:						
Discount rate	6.00%	3.00%	3.00%	5.00%	4.50%	4.50%
Projected salary increases	N/A	N/A	N/A	N/A	N/A	4%
Healthcare inflation rate	10% initial	9% initial	N/A*	10.5% initial	9% initial	10% initial
	5% ultimate	4.5% ultimate	N/A*	5% ultimate	5% ultimate	5% ultimate

* Trend rates are not used after 2008 because agencies have frozen employer contributions to the plan at fiscal 2008 levels.

(16) 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	$ 65,841
Noncurrent assets	263,571
Total assets	329,412
Liabilities	
Current liabilities	7,920
Noncurrent liabilities	59,193
Total liabilities	67,113
Net Assets	
Restricted	262,299
Total net assets	$ 262,299

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

	Construction Assistance Revolving Loan Fund
Licenses, permits, and fees	$ 2,402
Investment earnings (pledged against bonds)	6,822
Amortization expense	(114)
Other operating expense	(3,688)
Operating income (loss)	5,422
Nonoperating revenue/expenses:	
Grants and contributions	4,397
Transfers to other funds	(1,350)
Change in net assets	8,469
Total net assets, beginning of year	253,830
Total net assets, end of year	$ 262,299

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Net cash provided (used) by:	
Operating activities	$ 3,941
Noncapital financing activities	(4,428)
Investing activities	13,904
Net increase (decrease)	13,417
Cash and cash equivalents, beginning	51,951
Cash and cash equivalents, end	$ 65,368

(17) 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 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. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent day/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 $2.50 a month for a $10,000 benefit. For ages 65-69, the cost was $1.25 a month for a $5,000 benefit. 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):

	2009	2008
Claim liability, beginning of year	$ 21,500	$ 19,675
Incurred Claims:		
Provision for insured events of current year	203,338	192,391
Total incurred claims and claim adjustment expense	203,338	192,391
Payments:		
Claims payments attributed to insured events of current year	180,368	174,564
Claims payments attributed to insured events of prior years	22,970	16,002
Total Payments	203,338	190,566
Claim liability, end of year	$ 21,500	$ 21,500

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 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. 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. 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.

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 are as follows (expressed in thousands):

	2009	**2008**
Claim liability, beginning of year	$ 22,750	$ 22,750
Incurred Claims:		
Provision for insured events of current year	237,531	208,506
Total incurred claims and claim adjustment expense	237,531	208,506
Payments:		
Claims payments attributed to insured events of current year	209,752	191,003
Claims payments attributed to insured events of prior years	26,029	17,503
Total Payments	235,781	208,506
Claim liability, end of year	$ 24,500	$ 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 Insurance 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 high hazard 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 relies on 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 million per occurrence out of state. Nine higher education institutions have elected to purchase $1 million liability both in and out of state and eleven state agencies have purchased $500,000 in state and $1 million out of state coverage. 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.

(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, 2009, is $429,000. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

(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 during the current fiscal year are as follows (expressed in thousands):

	2009	2008
Claim liability, beginning of year	$ 73,695	$ 74,888
Incurred Claims:		
Provision for insured events of current year	17,356	16,665
Increase (decrease) in provision for insured events of prior years	(5,589)	(6,444)
Total incurred claims and claim adjustment expense	11,767	10,221
Payments:		
Claims payments attributed to insured events of current year	4,015	3,635
Claims payments attributed to insured events of prior years	7,383	7,779
Total Payments	11,398	11,414
Claim liability, end of year	$ 74,064	$ 73,695

(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 $182,650 for 2009. 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):

	2009	2008
Claim liability, beginning of year	$ 218,103	$ 202,758
Incurred Claims:		
Provision for insured events of current year	6,660	10,912
Increase (decrease) in provision for insured events of prior years	26	7,564
Increase due to decrease in discount period	10,562	9,820
Total incurred claims and claim adjustment expense	17,248	28,296
Payments:		
Claims payments attributed to insured events of prior years	13,903	12,951
Total Payments	13,903	12,951
Claim liability, end of year	$ 221,448	$ 218,103

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):

	2009	2008
Claim liability, beginning of year	$ 33,162	$ 20,350
Incurred Claims:		
Provision for insured events of current year		1,407
Increase (decrease) in provision for insured events of prior years	(61)	13,003
Increase due to decrease in discount period	1,595	954
Total incurred claims and claim adjustment expense	1,534	15,364
Payments:		
Claims payments attributed to insured events of prior years	2,541	2,552
Total Payments	2,541	2,552
Claim liability, end of year	$ 32,155	$ 33,162

(f) Petroleum Storage Tank 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 $1.5 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.

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

	2009	2008
Claim liability, beginning of year	$ 14,610	$ 12,320
Incurred Claims:		
Provision for insured events of current year	8,630	8,038
Total incurred claims and claim adjustment expense	8,630	8,038
Payments:		
Claims payments attributed to insured events of current year	6,055	5,748
Total Payments	6,055	5,748
Claim liability, end of year	$ 17,185	$ 14,610

The amounts for 2008 have been restated by $4.370 million due to the implementation of GASB Statement No. 49. The prior year effect of applying GASB Statement No. 49 is disclosed in Note 1 and the new pollution remediation note is Note 12.

(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, 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 that 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 fiscal year are as follows (expressed in thousands):

	2009	2008
Claim liability, beginning of year	$ 11,626	$ 10,547
Incurred Claims:		
Provision for insured events of current year	113,819	114,755
Increase (decrease) in provision for insured events of prior years	356	160
Total incurred claims and claim adjustment expense	114,175	114,915
Payments:		
Claims payments attributed to insured events of current year	101,661	103,219
Claims payments attributed to insured events of prior years	11,848	10,617
Total Payments	113,509	113,836
Claim liability, end of year	$ 12,292	$ 11,626

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 $175,000 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, 2009, is $390 per budgeted civilian position and $677 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 day/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 cross 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, 2009, are as follows (expressed in thousands):

	2009	2008
Claim liability, beginning of year	$ 1,581	$ 1,702
Incurred Claims:		
Provision for insured events of current year	10,216	7,738
Increase (decrease) in provision for insured events of prior years	1,326	978
Total incurred claims and claim adjustment expense	11,542	8,716
Payments:		
Claims payments attributed to insured events of current year	10,268	7,178
Claims payments attributed to insured events of prior years	1,233	1,659
Total Payments	11,501	8,837
Claim liability, end of year	$ 1,622	$ 1,581

(18) 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 $1.4 million for the repayment 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 $18.4 million.

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

	2009	2008
Litigation, beginning of year	$ 1,286	$ 6,959
Incurred litigation	1,429	813
Litigation payments/dismissals	(1,286)	(6,486)
Litigation, end of year	$ 1,429	$ 1,286

(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, 2009, 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 $20.0 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 $15.0 million of the loans made to the LRSD was immediately forgiven and the remaining $5.0 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, 2009, the State's loan receivable is $3.9 million and is recorded in the General Fund.

(d) Construction and Other Commitments

At June 30, 2009, the State has commitments of approximately $554.0 million for construction and other contracts and approximately $44.2 million for professional service contracts. The Arkansas Natural Resource Commission has approved $74.2 million in loans for projects for water systems, waste water or pollution abatement that have not been disbursed at June 30, 2009.

(e) Bond Guarantees

The Arkansas Economic Development Commission (AEDC) Bond Reserve Guarantee 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, 2009, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $55.0 million. In addition, AEDC has committed to guarantee approximately $7.1 million in industrial development revenue bonds that have not closed at June 30, 2009. As of June 30, 2009, one loan underlying these issues was in default. The aggregate principal amount outstanding under such agreement on June 30, 2009, was approximately $5.2 million. AEDC along with the component unit Arkansas Development Finance Authority have assumed this debt along with the related assets. The balance at June 30, 2009, for each entity, is $2.6 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 $206.0 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 $100.0 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5.0 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 $36.8 million 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 $22.2 million of serial bonds and beginning in 2036 through 2046 for $14.6 million of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the Debt Service Revenues are insufficient to make such payments. Management believes the Debt Service Revenues will be sufficient to service the entire principal and interest due. The latest *Global Insights USA, Inc.* report, prepared in August 2006, on the *Forecast of U.S. Cigarette Consumption (2004-2046)* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received $60.0 million from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046 with the first $5.0 million dedicated to pay the debt service on the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2009, the University would have incurred a liability of $42.7 million related to the issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest and other expenses related to the issue.

While Arkansas'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 2009. In fiscal year 2009, the State recorded a total of $62.7 million with $5.0 million being transferred to Arkansas Development Finance 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, 2009, there was $275,000 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 $150,000.

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

	2009	2008
Litigation, beginning of year	$ 15	$ 1,399
Incurred litigation	275	15
Litigation payments/dismissals	(15)	(1,399)
Litigation, end of year	$ 275	$ 15

(b) Construction and Other Commitments

At June 30, 2009, the State has commitments in its business type activities of approximately $149.7 million for construction and other contracts and approximately $.9 million for professional service contracts.

(19) Subsequent Events

Primary Government

Governmental Activities

Gary Herling (Estate of Amanda Herling) v. Arkansas Department of Human Services, docket number 10-0179-CC was filed July 28, 2009. The claim was filed for wrongful death, medical negligence and loss of consortium. Amanda Herling was a voluntary admit patient at Arkansas State Hospital. Ms. Herling was allegedly left unattended and hanged herself. On August 19, 2009, the Department of Human Services responded denying liability. The case is currently in discovery. A hearing has been set for March 10, 2010. The possibility exists of an outcome unfavorable to the State with a potential loss estimate of $200,000.

Wesley Don Yandell vs. Arkansas State Police, claim number 09-0052-CC was filed January 5, 2007. This claim was filed for personal injury negligence in the amount of $7.5 million against the Arkansas State Police. On July 17, 2009, the Claims Commission unanimously awarded a claim in the amount of $750,000 for the claimant's pain and suffering and will include the claim in a claims bill to the 88th Arkansas General Assembly, 2010 Legislative Session for subsequent approval and payment.

The General Fund budget for fiscal year 2010 was reduced by $100 million to $4.4 billion by Governor Mike Beebe's administration in October 2009. This is due to the revision of the Official Forecast of General Revenues for the fiscal year ending June 30, 2010.

As of December 3, 2009, the State's General Fund has received $263.5 million as a result of the American Recovery and Reinvestment Act since June 30, 2009.

Business-Type Activities

Arkansas Department of Workforce Services

The State's Unemployment Trust Fund, which is managed by the Arkansas Department of Workforce Services, has received Title XII advances since June 30, 2009. Additional information can be found in Note 13.

Arkansas Lottery Commission

The Arkansas Scholarship Lottery Commission (Lottery Commission) voted on August 5, 2009, to award three major contracts. The Legislative Oversight Committee favorably reviewed the three contracts on August 13, 2009.

(i) Intralot of Athens, Greece, was awarded the contract for online lottery game services and lottery gaming system and services. Intralot will be paid 2.45% of net sales.

(ii) Scientific Games International of Alpharetta, Georgia, was awarded the contract for scratch-off tickets and will be paid 1.75% of net sales.

(iii) The Communications Group of Little Rock, Arkansas, was awarded the contract for advertising, marketing and media services and will be paid a 5% commission on ads it places and various hourly rates for its employees' work.

The Arkansas State Lottery started on September 28, 2009, with $671,000 in tickets sold and $450,000 paid in prizes on that day. The first seven days of sales booked $2.4 million for scholarships based on $9.8 million in sales. As of December 7, 2009, the lottery sold more than $100 million in tickets resulting in $25 million raised for scholarships. The Lottery Commission had the authority to spend as much as $6 million borrowed from state tax revenue, but only used $2.8 million of that amount. The $2.8 million was repaid in full on Monday, October 19, 2009.

War Memorial Stadium Commission

The War Memorial Stadium Commission issued bonds on October 1, 2009, for $4 million. The funds will be used to renovate the press box at the stadium.

Arkansas State University

(i) On October 1, 2004, the University executed a financing note with the Arkansas State University Foundation to obtain funding for a student health center on the Jonesboro campus. The terms of this $465,046 note were for twenty years at a 6% annual rate of interest. On September 2, 2009, the University executed its option under the note agreement to retire this debt early. This action will result in savings of $204,891 in interest costs over the remaining fifteen years of the note term.

(ii) On October 1, 2009, the University retired the debt associated with the Arkansas Services Center and transferred operational and administrative authority over the center to Arkansas Building Authority. The University will complete the transfer of the center's assets and liabilities during the fiscal year ending June 30, 2010, and will continue to occupy and lease space in the center as a condition of the transfer agreement.

Arkansas Tech University

On August 13, 2009, the Board of Trustees authorized the issuance of bonds in the amount of $9.2 million for the purpose of funding the completion of Centenary Hall, the expansions of Corley and McEver Halls, retirement of an existing loan used to purchase Lake Point Conference Center and various other capital improvements.

Ozarka College

On December 3, 2009, the Board of Trustees authorized the issuance of the Series 2009 Student Tuition and Fee Revenue Refunding and Construction Bonds in the amount of $3.5 million. The proceeds will be used to finance all or a portion of the costs of acquiring, constructing and equipping capital improvements at the Mountain View campus, and to refund the Series 2002 Student Tuition and Fee Revenue Bonds.

Rich Mountain Community College

On April 9, 2009, a tornado struck the campus of Rich Mountain Community College located in Mena, Arkansas, causing an estimated $3.5 million in damages to facilities. Since June 30, 2009, the college has received $2.2 million in claims proceeds from Lexington Insurance Company for the repair of the Abernathy, Maddox, Spencer, Machine Tool Technology and Historic Armory buildings.

South Arkansas Community College

On October 1, 2009, South Arkansas Community College issued the Series 2009 South Arkansas Community College, Union County College District General Obligation Bonds (tax exempt) with a par value of $3.59 million. The bonds are secured by a pledge of revenues from a continuing annual tax of .5 millage on real and personal property.

Southern Arkansas University

On July 1, 2009, $2 million in Student Fee Secured Capital Improvement Bonds were issued to renovate Wilson and Overstreet Halls after the Science Department moves into its new building.

Southern Arkansas University Tech

On October 29, 2009, a tornado struck the campus of Southern Arkansas University Tech (SAUT) located in Camden, Arkansas, causing an estimated $4.1 million in damages to facilities, including the Gymnasium, Environmental Academy, Fire Academy and Business Building. SAUT is insured by the Lexington Insurance Company for the repair of the facilities. SAUT’s liability for this event will be a total deductable of $10,000 that covers all the damaged facilities.

University of Arkansas at Fayetteville

On September 4, 2009, the Board of Trustees of the University of Arkansas at Fayetteville adopted a resolution expressing its intention to issue bonds of no more than $59.1 million to finance the construction of various capital projects on the Fayetteville campus.

University of Arkansas at Little Rock

On September 4, 2009, the Board of Trustees authorized the issuance of bonds to finance various capital projects on the Little Rock campus including construction of a new Nanotechnology Sciences Center and a One-Stop Student Services Center. On October 7, 2009, the University closed on the Series 2009 Capital Improvement Revenue Bonds with a par value of $32 million.

Pension Funds

The continued improvement in the financial markets during the first quarter of fiscal year 2010 has caused the pension investment portfolio's to increase in value since June 30, 2009.

Arkansas Teachers' Retirement System

The Arkansas Teachers' Retirement investment portfolio had increased in value by $900 million to $9.7 billion between June 30 and September 30, 2009, due to continued improvement in the financial market, during the first quarter of fiscal year 2010.

Arkansas Public Employees Retirement System

The Arkansas Public Employees Retirement System (APERS) investment portfolio had increased in value by $680 million to $5 billion between June 30 and September 30, 2009. The increase in the value of the investments included a $548 million gain from investment returns and $132 million from net new investments, including the folding of the Arkansas State Police Retirement System's investments into the management of APERS. The transfer of all Arkansas State Police Retirement System assets to the Arkansas Public Employees Retirement System is due to the passage of Act 1242 and was effective July 1, 2009.

Arkansas State Highway Employees Retirement System

The Arkansas State Highway Employees Retirement System investment portfolio had increased in value by $96.6 million to $1.09 billion between June 30 and September 30, 2009, due to continued improvement in the financial market, during the first quarter of fiscal year 2010.

Arkansas Judicial Retirement System

The Arkansas Judicial Retirement System investment portfolio had increased in value by $12.8 million to $142.5 million between June 30 and September 30, 2009, due to continued improvement in the financial market, during the first quarter of fiscal year 2010.


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Required Supplementary Information

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	2009	6/30/2009	$ 1,193,400	$ 1,235,800	$ 42,400	96.6%	$ 122,800	34.6%
	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%
State Police	2009	6/30/2009	206,320	325,940	119,620	63.3%	26,800	446.4%
	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%
Judicial	2009	6/30/2009	167,433	180,166	12,733	92.9%	18,875	67.5%
	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%

Actuarial assumptions are presented in Note 14.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	Budgeted amounts		Actual	Variance with final budget – positive
	Original	Final	amounts	(negative)
Expenditures*				
Current:				
General Government	$ 5,507,722	$ 7,239,776	$ 1,764,485	$ 5,475,291
Education	4,130,824	4,168,689	3,399,203	769,486
Health and Human Services	5,272,724	5,273,713	4,920,655	353,058
Law, Justice, and Public Safety	826,682	970,002	809,896	160,106
Recreation and Resource Development	334,255	360,384	223,094	137,290
Regulation of Business and Professionals	233,708	235,201	148,330	86,871
Transportation	1,060,708	501,064	332,773	168,291
Debt Service	158,635	163,936	128,250	35,686
Capital Outlay	1,040,065	1,306,196	513,246	792,950
Total Expenditures	$ 18,565,323	$ 20,218,961	$ 12,239,932	$ 7,979,029

* 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, 2009

(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 annual 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	$	12,159,384
Less non-cash federal grant expenditures		(538,925)
Less non appropriated expenditures		(4,054,105)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		4,035,112
Refunds treated as reduction of revenue for financial statements purposes		655,079
New capital leases recorded in appropriated funds		(1,313)
Payroll expenditures allocated from an Enterprise Fund		(9,841)
Basis of accounting differences		(5,459)
Total statutory basis expenditures General Fund	$	12,239,932

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Premium and Investment Revenues:										
Premium Income	$ 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	$ 252,028,277
Investment Interest Income	69,154	81,458	32,734	68,853	233,550	586,801	1,570,234	2,352,048	2,482,253	1,322,380
Totals	$ 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	$ 253,350,657
Unallocated Expenses:										
Operating Costs	$ 201,512	$ 153,510	$ 317,988	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196
Reinsurance Premium Expense	0	0	0	0	0	0	0	0	0	0
Totals	$ 201,512	$ 153,510	$ 317,988	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196
Estimated incurred claims and expenses, end of fiscal year	$ 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	$ 235,781,000
Paid (cumulative) claims and claims adjustment expenses:										
End of Fiscal Year	N/A	N/A	N/A	34,316,834	148,172,038	181,727,802	198,419,782	213,550,587	185,756,000	211,281,000
One Year Later	N/A	N/A	N/A	35,916,834	163,888,838	198,426,902	219,834,832	235,854,687	207,975,925	
Two Years Later	N/A	N/A	N/A	N/A	164,172,038	198,678,502	220,245,907	236,359,737		
Re-estimated incurred claims and expenses (2):										
End of Fiscal Year	N/A	N/A	N/A	35,916,834	164,172,038	198,727,802	220,169,782	236,300,587	208,506,000	235,781,000
One Year Later	N/A	N/A	N/A	35,916,834	164,172,038	198,727,802	220,169,782	236,300,587	208,506,000	
Two Years Later	N/A	N/A	N/A	N/A	164,172,038	198,727,802	220,169,782	236,300,587		
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	43,632	44,797	45,463	47,268	48,846	50,370	50,277

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 17 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 re-estimated 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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Premium and Investment Revenues:										
Premium Income	$ 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	$ 9,075,784
Investment Interest Income	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	3,590,255
Totals	$ 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	$ 12,666,039
Unallocated Expenses:										
Operating Costs (2)	$ 192,536	$ 194,940	$ 316,858	$ 334,881	$ 321,328	$ 324,698	$ 123,637	$ 129,292	$ 120,693	$ 271,386
Estimated incurred claims and expenses, end of fiscal year	$ 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	$ 6,619,914
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	55,000	0	12,500	45,000	40,000	23,750	
Two Years Later	25,000	0	0	55,500	60,000	254,500	60,000	116,115		
Three Years Later	25,238	38,627	8,844	125,695	155,312	443,594	258,442			
Four Years Later	153,081	196,865	193,912	492,077	559,647	1,084,352				
Five Years Later	405,983	645,390	581,617	960,636	1,110,691					
Six Years Later	753,768	1,210,751	1,068,701	1,921,699						
Seven Years Later	1,195,515	2,082,517	1,704,187							
Eight Years Later	1,772,710	2,758,010								
Nine Years Later	2,340,861									
Re-estimated incurred claims and expenses:										
End of Fund Year	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	2,675,997
One Year Later	4,025,027	4,152,446	4,823,740	6,632,484	7,407,958	10,855,431	6,578,501	6,720,442	7,448,896	
Two Years Later	5,064,167	5,528,283	8,885,376	9,082,661	11,023,365	13,658,153	9,955,357	11,299,265		
Three Years Later	5,102,472	8,732,250	13,013,925	11,151,447	12,323,811	6,417,676	12,165,161			
Four Years Later	6,741,258	9,198,291	12,753,443	11,454,147	14,614,740	13,325,459				
Five Years Later	9,223,482	11,644,437	11,864,813	14,265,211	8,096,016					
Six Years Later	8,776,469	12,491,733	12,684,999	14,130,937						
Seven Years Later	9,040,233	13,311,322	12,126,528							
Eight Years Later	10,028,499	13,128,300								
Nine Years Later	10,650,421									
Increase (decrease) in estimated incurred claims and expense from end of policy year	3,381,733	5,340,858	4,719,518	6,423,627	143,706	3,982,214	1,552,815	(306,009)	(3,447,138)	(3,943,918)
Number of fund participants receiving benefits at end of year	1,229	1,280	1,293	1,336	1,347	1,324	1,336	1,342	1,356	1,349

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 17 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.

Arkansas

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

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
Premium and Investment Revenues:										
Premium Taxes	$ 1,000	$ 466	$ 4,982	$ 1,784,175	$ 1,186,860	$ 1,294,907	$ 3,620,160	$ 2,763,390	$ 1,327,517	$ 1,082,496
Interest Income	662,251	659,587	344,714	142,761	80,943	60,958	74,445	101,278	91,863	35,500
Totals	$ 663,251	$ 660,053	$ 349,696	$ 1,926,936	$ 1,267,803	$ 1,355,865	$ 3,694,605	$ 2,864,668	$ 1,419,380	$ 1,117,996
Unallocated Expenses:										
Operating Costs (2)	$ 534,912	$ 546,985	$ 464,976	$ 480,666	$ 526,768	$ 544,817	$ 584,142	$ 583,796	$ 642,794	$ 582,490
Estimated incurred claims and expenses, end of fiscal year	$ 2,819,030	$ 2,655,138	$ 2,405,171	$ 1,986,256	$ 2,255,419	$ 3,028,473	$ 3,276,031	$ 3,101,774	$ 1,477,035	$ 0
Paid (cumulative) claims and claims adjustment expenses:										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	45,650	83,050	25,106	208,690	70,605	34,500	51,755	169,875	0	
Two Years Later	248,145	439,698	673,422	814,873	299,505	751,613	449,159	625,574		
Three Years Later	674,745	1,194,737	1,215,361	1,348,617	1,219,840	1,044,728	766,086			
Four Years Later	868,031	1,441,469	1,507,797	1,273,914	1,542,077	1,269,810				
Five Years Later	1,132,344	1,741,288	1,732,228	1,368,925	1,720,501					
Six Years Later	1,345,166	1,935,324	1,861,762	1,457,445						
Seven Years Later	1,646,846	2,005,069	2,039,061							
Eight Years Later	1,747,061	2,234,005								
Nine Years Later	1,846,034									
Re-estimated incurred claims and expenses:										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	45,650	83,050	328,677	208,690	70,605	34,500	51,755	169,875	0	
Two Years Later	248,145	653,704	1,369,710	1,253,217	437,313	1,013,605	449,159	625,574		
Three Years Later	1,457,506	1,554,449	2,440,234	2,277,287	1,947,770	1,503,828	933,751			
Four Years Later	1,711,564	2,298,595	2,576,594	1,742,436	2,665,638	2,042,671				
Five Years Later	2,661,354	2,643,544	2,542,065	2,166,470	3,710,566					
Six Years Later	3,101,437	2,403,693	2,764,092	2,261,324						
Seven Years Later	3,323,033	2,350,972	2,861,592							
Eight Years Later	2,676,837	2,880,729								
Nine Years Later	3,232,100									
Increase (decrease) in estimated incurred claims and expense from end of policy year	413,070	225,591	456,421	275,068	1,455,147	(985,801)	(2,342,281)	(2,476,199)	(1,477,035)	0
Number of Fund Participants receiving benefits at end of year	95	98	97	102	111	122	128	119	112	109

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 17 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.

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%
	7/1/2008	0	8,842	8,842	0.0%	98,803	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%
East Arkansas Community College	7/1/2007	0	389	389	0.0%	7,214	5%
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%
	7/1/2008	0	2,809	2,809	0.0%	18,240	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	725	725	0.0%	3,052	24%
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%
	7/1/2008	0	3,005	3,005	0.0%	15,432	19%
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%
	7/1/2008	0	82,056	82,056	0.0%	911,203	9% *
University of Arkansas System AHEC Benefits	7/1/2007	0	255	255	0.0%	13,847	2% **
University of Central Arkansas	7/1/2007	0	2,446	2,446	0.0%	47,660	5%
	7/1/2008	0	3,033	3,033	0.0%	62,441	5%
Arkansas State Police	1/1/2008	0	76,505	76,505	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%
	7/1/2009	0	1,711,348	1,711,348	0.0%	1,262,628	136%

* Decrease in % from fiscal year 2008 to fiscal year 2009 is due to change in the actuarial assumption of Post-65 (Medicare eligible) retiree claims cost. In fiscal year 2008 the actuarial accrued liability included Post-65 retiree's expected claim cost and in fiscal year 2009 the actuary concluded that Post-65 retiree contributions are sufficient to fully cover expected claims cost so it was excluded from the fiscal year 2009 actuarial valuation.

** Decrease in % from fiscal year 2008 to fiscal year 2009 is due to a college changing from University of Arkansas System AHEC Benefits to University of Arkansas System Self-Funded Plan. Total colleges in the University of Arkansas System AHEC Benefits plan went from a total of four in fiscal year 2008 to three in fiscal year 2009, which caused the significant drop in %.

Actuarial assumptions are presented in Note 15.

Arkansas®

Combining Financial Statements

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

MERCY

JUSTICE

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:

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, 2009
(Expressed in thousands)

	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	$ 902	$ 65,368	$ 7,285	$ 22,696	$ 96,251
Investments	1,682				1,682
Receivables:					
Accounts		129	707	462	1,298
Interest		344	176	169	689
Due from other funds	1		454		455
Inventories	11				11
Total current assets	2,596	65,841	8,622	23,327	100,386
Noncurrent assets:					
Investments - restricted		30,985	57,754		88,739
Capital assets:					
Buildings	15,297				15,297
Equipment	974		94		1,068
Improvements other than building	446				446
Construction in progress	320				320
Less accumulated depreciation	(7,175)		(16)		(7,191)
Advances to other funds				6,405	6,405
Loans receivable, restricted		232,028		99,752	331,780
Other noncurrent assets		558			558
Total noncurrent assets	9,862	263,571	57,832	106,157	437,422
Total assets	$ 12,458	$ 329,412	$ 66,454	$ 129,484	$ 537,808

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2009
(Expressed in thousands)

	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:					
Accounts payable	$	$ 457	$ 8,840	$ 93	$ 9,390
Accrued interest	2	253			255
Accrued and other current liabilities	25				25
Due to other funds			53	204	257
Loans and bonds payable	100	7,210			7,310
Claims, judgments and compensated absences	8		23,929		23,937
Deferred revenue			1,468	3,105	4,573
Total current liabilities	135	7,920	34,290	3,402	45,747
Noncurrent liabilities:					
Loans and bonds payable	134	58,179			58,313
Net postemployment benefits payable	49				49
Claims, judgments and compensated absences	53		571		624
Deferred revenue		1,014			1,014
Total noncurrent liabilities	236	59,193	571		60,000
Total liabilities	371	67,113	34,861	3,402	105,747
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	9,628		78		9,706
Restricted for:					
Program requirements		262,299		126,082	388,381
Unrestricted	2,459		31,515		33,974
Total net assets	12,087	262,299	31,593	126,082	432,061
Total liabilities and net assets	$ 12,458	$ 329,412	$ 66,454	$ 129,484	$ 537,808

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2009
(Expressed in thousands)

	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	$ 1,803	$	$ 252,927	$	$ 254,730
Licenses, permits and fees		2,399		1,086	3,485
Investment earnings		6,822		2,525	9,347
Miscellaneous		3			3
Total operating revenues	1,803	9,224	252,927	3,611	267,565
Operating expenses:					
Cost of sales and services	722		3,351		4,073
Compensation and benefits	536				536
Supplies and services	649		14,704		15,353
General and administrative expenses	151	283		139	573
Benefits and aid payments			241,325		241,325
Depreciation and amortization	521		5		526
Amortization of bond costs		114			114
Interest	6	3,405			3,411
Total operating expenses	2,585	3,802	259,385	139	265,911
Operating income (loss)	(782)	5,422	(6,458)	3,472	1,654
Nonoperating revenues (expenses):					
Investment earnings	9		790		799
Grants and contributions	128	4,397		13,527	18,052
Total nonoperating revenues (expenses)	137	4,397	790	13,527	18,851
Income (loss) before transfers and contributions	(645)	9,819	(5,668)	16,999	20,505
Transfers in	2,878			1,764	4,642
Transfers out	(52)	(1,350)	(435)	(2,685)	(4,522)
Change in net assets	2,181	8,469	(6,103)	16,078	20,625
Total net assets - beginning	9,906	253,830	37,696	110,004	411,436
Total net assets - ending	$ 12,087	$ 262,299	$ 31,593	$ 126,082	$ 432,061

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	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	$ 1,803	$	$ 253,925	$	$ 255,728
Payments to employees	(509)				(509)
Payments of benefits			(239,575)		(239,575)
Payments to suppliers	(1,511)	(528)	(15,386)	(150)	(17,575)
Interest received (paid)	(4)	3,740		2,473	6,209
Loan administration received (paid)		(1,454)		(11,679)	(13,133)
Other receipts (payments)		2,183	(3,351)	1,186	18
Net cash provided by (used in) operating activities	(221)	3,941	(4,387)	(8,170)	(8,837)
Cash flows from noncapital financing activities:					
Direct lending receipts	65				65
Direct lending payments		(21,125)			(21,125)
Grants and contributions	128	4,397		13,337	17,862
Proceeds from bond issuance		13,650			13,650
Transfers in	2,878			1,764	4,642
Transfers out	(90)	(1,350)	(435)	(2,625)	(4,500)
Net cash provided by (used in) noncapital financing activities	2,981	(4,428)	(435)	12,476	10,594
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(757)				(757)
Net cash used in capital and related financing activities	(757)				(757)
Cash flows from investing activities:					
Purchase of investments	(1,479)	(27,277)	(2,335)		(31,091)
Proceeds from sale and maturities of investments	9	41,181		7,000	48,190
Interest and dividends on investments			904		904
Advance disbursements				(1,000)	(1,000)
Advance repayments				554	554
Net cash provided by (used in) investing activities	(1,470)	13,904	(1,431)	6,554	17,557
Net increase (decrease) in cash and cash equivalents	533	13,417	(6,253)	10,860	18,557
Cash and cash equivalents - beginning	369	51,951	13,538	11,836	77,694
Cash and cash equivalents (cash overdrafts) - ending	$ 902	$ 65,368	$ 7,285	$ 22,696	$ 96,251
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (782)	$ 5,422	$ (6,458)	$ 3,472	$ 1,654
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	521		5		526
Amortization		114		(160)	(46)
Net appreciation (depreciation) of investments		(153)		(65)	(218)
Prior year adjustment for notes payable	115				115
Prior year adjustment for capital asset capitalization	(107)				(107)
Net changes in assets and liabilities:					
Accounts receivable		25	998	(8)	1,015
Loans receivable		(1,454)		(11,679)	(13,133)
Inventory	3				3
Other current assets	1	300		12	313
Current liabilities	2		(801)		(799)
Accounts payable and other accrued liabilities	4	(74)	1,869	(9)	1,790
Net OPEB	27				27
Compensated absences	(5)				(5)
Deferred revenue		(239)		267	28
Net cash provided by (used in) operating activities	$ (221)	$ 3,941	$ (4,387)	$ (8,170)	$ (8,837)

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, 2009
(Expressed in thousands)

Assets	Teacher	APERS	Highway	State Police	Judicial	Total
Cash and cash equivalents	$ 186,230	$ 144,370	$ 64,541	$ 4,268	$ 1,784	$ 401,193
Receivables:						
Employee	14,556	583	3	5		15,147
Employer	47,115	1,617			239	48,971
Interest and dividends	17,734	12,487	5,462	51	56	35,790
Advances to other funds	7,474					7,474
Other	275,305	56,797	27	1	244	332,374
Due from other funds	2,180	26				2,206
Total receivables	364,364	71,510	5,492	57	539	441,962
Investments at fair value:						
Bonds, notes, mortgages and preferred stock	229,177	488,955	354,787			1,072,919
Common stock	1,779,125	1,499,257	565,610	38,197	49,150	3,931,339
Real estate	100,056	482,441				582,497
International investments	448,812	748,174		34,736	17,992	1,249,714
Mutual funds		379,334				379,334
Pooled investment funds	3,535,544	367,729		81,700	62,532	4,047,505
Corporate obligations	594,425	72,808				667,233
Asset and mortgage backed securities	114,045	126,100	5,052			245,197
Other	1,639,286	80,358				1,719,644
Total investments	8,440,470	4,245,156	925,449	154,633	129,674	13,895,382
Securities lending collateral	825,590	423,260				1,248,850
Capital assets	323	80				403
Other assets	85	127				212
Total assets	9,817,062	4,884,503	995,482	158,958	131,997	15,988,002
Liabilities						
Accounts payable and other liabilities	8,143	6,214	1,015	251	155	15,778
Investment principal payable	139,528	104,638			296	244,462
Obligations under securities lending	825,590	423,260				1,248,850
Postemployment benefit liability	580	475				1,055
Due to other funds	13	90				103
Total liabilities	973,854	534,677	1,015	251	451	1,510,248
Net assets						
Held in trust for employees' pension benefits	$ 8,843,208	$ 4,349,826	$ 994,467	$ 158,707	$ 131,546	$ 14,477,754

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	Teacher	APERS	Highway	State Police	Judicial	Total
Additions:						
Contributions:						
Members	$ 111,654	$ 23,723	$ 7,992	$	$ 816	$ 144,185
Employers	359,062	158,436	16,691	6,067	2,185	542,441
Supplemental contributions		1,391		3,349	1,316	6,056
Court fees				1,518	903	2,421
Reinstatement fees			47	1,089		1,136
Total contributions	470,716	183,550	24,730	12,023	5,220	696,239
Investment income:						
Net increase (decrease) in fair value of investments	(2,136,554)	(1,269,849)	(226,326)	(51,373)	(26,701)	(3,710,803)
Interest, dividends, and other	164,759	107,211	28,933	1,121	1,339	303,363
Real estate operating income (loss)	6,644	(70)				6,574
Securities lending income	18,117	10,671		11		28,799
Total investment income	(1,947,034)	(1,152,037)	(197,393)	(50,241)	(25,362)	(3,372,067)
Less investment expense	49,837	21,680	4,629	723	610	77,479
Net investment income	(1,996,871)	(1,173,717)	(202,022)	(50,964)	(25,972)	(3,449,546)
Miscellaneous	477	9,391		118	69	10,055
Total additions (losses)	(1,525,678)	(980,776)	(177,292)	(38,823)	(20,683)	(2,743,252)
Deductions:						
Benefits paid to participants or beneficiaries	635,879	299,897	69,636	17,082	8,236	1,030,730
Refunds of employee/employer contributions	6,409	2,661	861		21	9,952
Administrative expenses	6,914	5,292	98	89	59	12,452
Total deductions	649,202	307,850	70,595	17,171	8,316	1,053,134
Change in net assets held in trust for employees' pension benefits	(2,174,880)	(1,288,626)	(247,887)	(55,994)	(28,999)	(3,796,386)
Net assets - beginning	11,018,088	5,638,452	1,242,354	214,701	160,545	18,274,140
Net assets - ending	$ 8,843,208	$ 4,349,826	$ 994,467	$ 158,707	$ 131,546	$ 14,477,754

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2009
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 9,419	$ 23,295	$ 32,714
Receivables:			
Interest and dividends	3	17	20
Other		27	27
Total receivables	3	44	47
Investments at fair value:			
Certificates of deposit	1,260	35,882	37,142
Bonds, government securities, notes, mortgages and preferred stock		71,926	71,926
Total investments	1,260	107,808	109,068
Financial assurance instruments	306,325	6,099	312,424
Total assets	$ 317,007	$ 137,246	$ 454,253
Liabilities			
Due to other governments	$	$ 111,609	$ 111,609
Due to third parties	317,007	25,637	342,644
Total liabilities	$ 317,007	$ 137,246	$ 454,253

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	Insurance Department			
Assets	**Balance July 1, 2008**	**Additions**	**Reductions**	**Balance June 30, 2009**
Cash and cash equivalents	$ 3,766	$ 5,970	$ 317	$ 9,419
Receivables:				
Interest and dividends	2	3	2	3
Investments at fair value:				
Certificates of deposit	1,360	40	140	1,260
Financial assurance instruments	304,804	1,521		306,325
Total assets	$ 309,932	$ 7,534	$ 459	$ 317,007
Liabilities				
Due to third parties	$ 309,932	$ 7,534	$ 459	$ 317,007
Total liabilities	$ 309,932	$ 7,534	$ 459	$ 317,007

	Other Agencies			
Assets	**Balance July 1, 2008**	**Additions**	**Reductions**	**Balance June 30, 2009**
Cash and cash equivalents	$ 21,851	$ 1,629,923	$ 1,628,479	$ 23,295
Receivables:				
Interest and dividends	8	96	87	17
Other	10	184	167	27
Investments at fair value:				
Certificates of deposit	41,254	19,017	24,389	35,882
Bonds, government securities, notes, mortgages and preferred stock	72,191	71,835	72,100	71,926
Financial assurance instruments	5,703	803	407	6,099
Total assets	$ 141,017	$ 1,721,858	$ 1,725,629	$ 137,246
Liabilities				
Accounts payable and other liabilities	$ 4	$ 14,110	$ 14,114	$
Due to other governments	116,835	925,091	930,317	111,609
Due to third parties	24,178	811,013	809,554	25,637
Total liabilities	$ 141,017	$ 1,750,214	$ 1,753,985	$ 137,246

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2009
(Expressed in thousands)

	Total - All Agency Funds			
Assets	**Balance July 1, 2008**	**Additions**	**Reductions**	**Balance June 30, 2009**
Cash and cash equivalents	$ 25,617	$ 1,635,893	$ 1,628,796	$ 32,714
Receivables:				
Interest and dividends	10	99	89	20
Other	10	184	167	27
Investments at fair value:				
Certificates of deposit	42,614	19,057	24,529	37,142
Bonds, government securities, notes, mortgages, and preferred stock	72,191	71,835	72,100	71,926
Financial assurance instruments	310,507	2,324	407	312,424
Total assets	$ 450,949	$ 1,729,392	$ 1,726,088	$ 454,253
Liabilities				
Accounts payable and other liabilities	$ 4	$ 14,110	$ 14,114	$
Due to other governments	116,835	925,091	930,317	111,609
Due to third parties	334,110	818,547	810,013	342,644
Total liabilities	$ 450,949	$ 1,757,748	$ 1,754,444	$ 454,253


GREAT SEAL OF THE STATE OF ARKANSAS
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Statistical Section

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 Eight Fiscal Years
(Expressed in thousands)

Primary Government	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities								
Invested in capital assets, net of related debt	$ 8,758,343	$ 8,210,615	$ 7,937,210	$ 7,880,406	$ 7,563,452	$ 7,375,246	$ 7,009,304	$ 6,730,616
Restricted	761,591	863,721	812,989	672,391	506,508	231,314	178,871	179,988
Unrestricted	1,937,960	2,349,314	2,469,825	2,001,993	1,803,726	1,657,482	1,399,219	1,477,114
Total governmental activities net assets	11,457,894	11,423,650	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	1,686,938	1,500,418	1,456,147	1,244,773	1,200,731	1,159,058	1,106,738	1,014,975
Restricted	723,800	954,661	882,865	879,536	760,011	649,458	567,056	663,139
Unrestricted	325,596	459,677	410,378	509,394	463,153	419,697	388,486	381,757
Total business-type activities net assets	2,736,334	2,914,756	2,749,390	2,633,703	2,423,895	2,228,213	2,062,280	2,059,871
Total Primary Government								
Invested in capital assets, net of related debt	10,445,281	9,711,033	9,393,357	9,125,179	8,764,183	8,534,304	8,116,042	7,745,591
Restricted	1,485,391	1,818,382	1,695,854	1,551,927	1,266,519	880,772	745,927	843,127
Unrestricted	2,263,556	2,808,991	2,880,203	2,511,387	2,266,879	2,077,179	1,787,705	1,858,871
Total primary government activities net assets	$ 14,194,228	$ 14,338,406	$ 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 Eight Fiscal Years
(Expressed in thousands)

	2009	2008	2007	2006	2005	2004	2003	2002
Governmental								
Expenses								
General government	$ 1,310,341	$ 1,296,232	$ 1,156,301	$ 1,187,512	$ 1,042,440	$ 1,071,734	$ 1,048,805	$ 940,426
Education	3,338,002	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	5,457,305	5,195,317	4,855,759	4,663,898	4,538,242	4,100,830	3,785,128	3,304,714
Transportation	699,737	668,305	625,911	642,297	626,138	606,900	620,424	522,826
Law, justice and public safety	820,960	631,793	587,413	620,905	518,579	529,693	441,258	428,701
Recreation and resources development	243,419	244,959	219,283	201,955	175,097	189,406	243,519	218,534
Regulation of business and professionals	107,347	105,620	119,225	115,887	117,525	130,349	115,983	98,494
Interest on long-term debt	55,193	57,923	56,143	59,501	60,101	56,906	55,677	51,215
Total Expenses	12,032,304	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	276,112	291,216	269,310	256,641	270,746	279,902	252,146	279,099
Education	18,637	16,638	14,322	13,501	9,217	4,617	10,057	6,948
Health and human services	303,174	244,706	234,181	217,429	214,646	124,321	173,949	202,307
Transportation	147,267	146,463	137,338	133,993	130,190	122,873	132,673	12,819
Law, justice and public safety	70,262	72,066	64,666	63,251	60,540	61,163	24,350	9,262
Recreation and resources development	106,988	79,438	61,844	55,223	55,026	52,597	51,626	45,582
Regulation of business and professionals	76,695	81,585	86,721	89,950	76,026	67,172	75,160	68,180
Operating grants	4,943,264	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	455,765	413,055	422,270	392,744	431,739	454,668	15,419	6,707
Total Program Revenues	6,398,164	5,755,949	5,471,305	5,373,629	5,245,745	4,972,538	4,538,194	4,055,933
Net (Expense) Revenue	(5,634,140)	(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	2,507,368	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	2,487,944	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	444,496	456,223	462,732	456,223	450,281	449,960	439,483	477,384
Other	815,206	790,010	785,213	760,431	720,948	695,623	638,469	556,739
Investment earnings	82,681	172,081	162,603	96,369	58,348	36,651	46,139	63,121
Miscellaneous income	286,173	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	(955,484)	(947,339)	(811,518)	(719,933)	(654,686)	(637,949)	(596,261)	(609,619)
Restatement		(6,580)	(20,550)			16,000		
Total General Revenues and Transfers	5,668,384	5,938,880	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	$ 34,244	$ 203,626	$ 665,234	$ 681,104	$ 609,644	$ 676,648	$ 199,676	$ 232,640

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

	2009	2008	2007	2006	2005	2004	2003	2002
Business-Type								
Expenses								
Higher Education	$ 3,021,439	$ 2,851,140	$ 2,628,963	$ 2,422,557	$ 2,256,317	$ 2,121,960	$ 1,987,141	$ 1,856,264
Workers' Compensation Commission	29,349	53,967	33,363	36,629	35,517	31,829	33,938	28,544
Department of Workforce Services	901,064	432,661	384,313	322,205	325,595	310,539	482,669	479,834
Lottery Commission (1)	16							
War Memorial Stadium Commission	2,585	3,990	3,293	4,310	1,830	1,726	1,799	1,623
Public School Employee Health and Life								
Benefit Plan (2)	259,385	232,252	240,944	219,544	202,137			
Revolving loans	3,941	4,203	4,406	4,603	4,766	5,671	5,866	8,791
Total Expenses	4,217,779	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	1,424,219	1,345,783	1,196,351	1,160,194	1,054,808	991,698	915,015	1,160,109
Workers' Compensation Commission							6	
War Memorial Stadium Commission	1,803	1,860	1,980	1,436	746	1,349	1,556	1,365
Public School Employee Health and Life								
Benefit Plan (2)	252,927	241,839	232,558	233,250	211,430			
Revolving loans	3,485	3,335	3,120	2,838	2,364			
Operating grants	928,570	626,798	578,648	566,200	602,649	549,004	544,918	160,833
Capital grants and contributions	52,438	72,677	60,447	59,025	70,432	56,889	88,396	70,832
Total Program Revenues	2,663,442	2,292,292	2,073,104	2,022,943	1,942,429	1,598,940	1,549,891	1,393,139
Net (Expense) Revenue	(1,554,337)	(1,285,921)	(1,222,178)	(986,905)	(883,733)	(872,785)	(961,522)	(981,917)
Business-Type Revenues and Transfers								
Taxes:								
Other	320,271	310,728	306,019	326,343	310,431	318,555	265,911	249,225
Investment earnings	(8,628)	57,064	96,394	61,462	48,310	40,237	48,295	39,565
Miscellaneous income	108,788	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	955,484	947,339	811,518	719,933	654,686	637,949	596,261	609,619
Restatement						6,858		
Total General Revenues and Transfers	1,375,915	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	(178,422)	165,366	115,687	209,808	195,682	165,933	2,409	(19,792)
Total Primary Government Change in Net Assets	$ (144,178)	$ 368,992	$ 780,921	$ 890,912	$ 805,326	$ 842,581	$ 202,085	$ 212,848

(1) The Lottery Commission was created in 2009; operations will commence in 2010.

(2) Starting in fiscal year 2005, Public School Employee Health and Life Benefit 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)

	2009	2008	2007	2006
General Fund				
Reserved	$ 1,302,968	$ 1,257,856	$ 1,227,194	$ 954,015
Unreserved	2,272,214	2,309,421	2,272,762	1,988,211
Total General Fund	3,575,182	3,567,277	3,499,956	2,942,226
Total Fund Balances, Governmental Funds	$ 3,575,182	$ 3,567,277	$ 3,499,956	$ 2,942,226

	2005	2004	2003	2002	2001	2000
	$ 988,971	$ 712,864	$ 769,067	$ 839,209	$ 361,718	$ 501,784
	1,532,038	1,384,917	973,152	839,121	1,462,693	1,411,661
	2,521,009	2,097,781	1,742,219	1,678,330	1,824,411	1,913,445
	$ 2,521,009	$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411	$ 1,913,445

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

	2009	2008	2007	2006
Revenues:				
Taxes:				
Personal and corporate income	$ 2,549,965	$ 2,644,852	$ 2,515,958	$ 2,374,853
Consumer sales and use	2,502,403	2,551,222	2,624,325	2,519,443
Gas and motor carrier	444,573	456,216	463,362	456,569
Other	813,733	790,122	784,936	760,799
Intergovernmental	5,394,538	4,832,649	4,594,212	4,540,408
Licenses, permits and fees	1,031,568	957,424	886,106	853,616
Investment earnings	82,681	172,081	162,603	96,369
Miscellaneous	278,046	275,646	287,031	345,978
Total Revenues	13,097,507	12,680,212	12,318,533	11,948,035
Expenditures:				
Current:				
General government	1,190,436	1,190,857	1,213,597	1,137,458
Education	3,333,875	3,286,143	3,149,468	3,044,735
Health and human services	5,441,822	5,184,858	4,844,657	4,653,553
Transportation	348,665	338,062	297,816	320,417
Law, justice and public safety	794,793	606,633	552,728	588,661
Recreation and resources development	225,461	228,663	187,970	186,137
Regulation of business and professionals	105,752	109,818	112,833	112,623
Debt service:				
Principal retirement (1)	101,054	107,070	103,782	97,583
Interest expense	55,766	59,671	59,752	61,065
Bond issuance costs	406	345	1,317	818
Capital outlay	561,354	628,536	611,567	673,624
Total Expenditures	12,159,384	11,740,656	11,135,487	10,876,674
Excess (deficiency) of revenues over expenditures	938,123	939,556	1,183,046	1,071,361
Other financing sources (uses):				
Issuance of debt	18,721	35,417	38,320	71,993
Proceeds from bond refunding			224,855	15,540
Bond discounts/premiums	(618)	(306)	5,248	1,967
Payment to refunding escrow agent		(4,523)	(107,806)	(24,371)
Capital leases	3,892	32,047	22,855	2,223
Installment sales		13,210		
Sale of capital assets	2,924	2,943	2,717	2,297
Transfers in	72,467	82,277	60,316	47,254
Transfers out	(1,027,604)	(1,033,300)	(871,821)	(767,047)
Restatement				
Total other financing sources and uses	(930,218)	(872,235)	(625,316)	(650,144)
Net change in fund balances	7,905	67,321	557,730	421,217
Fund balances-July 1	3,567,277	3,499,956	2,942,226	2,521,009
Decrease in reserve for inventory				
Fund balances-June 30	$ 3,575,182	$ 3,567,277	$ 3,499,956	$ 2,942,226
Debt Service as a percentage of noncapital expenditures:	1.36%	1.50%	1.57%	1.56%

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

2005	2004	2003	2002	2001	2000
$ 2,169,849	$ 1,914,067	$ 1,714,603	$ 1,671,615	$ 1,704,226	$ 1,670,110
2,382,865	1,951,475	1,770,946	1,719,686	1,728,033	1,622,476
450,269	450,444	439,614	430,735	257,407	285,113
721,144	694,802	638,510	647,387	373,688	349,969
4,418,148	4,249,189	3,823,171	3,417,665	2,882,725	2,613,654
836,688	717,092	750,872	591,817	480,698	481,078
57,999	36,651	46,139	63,167	107,074	102,158
248,138	313,952	250,566	49,403	623,006	442,979
11,285,100	10,327,672	9,434,421	8,591,475	8,156,857	7,567,537
1,058,514	1,029,316	1,044,164	902,922	681,055	587,147
2,877,770	2,336,813	2,324,631	2,231,401	2,172,021	2,098,860
4,526,132	4,065,745	3,772,155	3,293,609	2,984,687	2,698,687
319,140	312,688	346,282	257,976	788,416	622,061
480,246	496,109	416,353	405,434	509,428	333,211
159,709	159,895	221,987	196,731	196,734	203,358
114,484	125,968	108,378	96,655	120,189	161,703
46,723	36,809	40,066	49,478	69,841	77,244
58,866	56,769	50,341	43,578		
2,905	1,194	624	336		
704,117	755,373	692,898	810,947	132,485	142,227
10,348,606	9,376,679	9,017,879	8,289,067	7,654,856	6,924,498
936,494	950,993	416,542	302,408	502,001	643,039
116,717	24,974	224,020	185,000	31,874	198,083
		31,150	45,145		
2,844	620	10,329	9,365		
(60,325)		(32,737)	(44,393)		
80,010	4,961	10,846	15,086	3,422	14,069
2,289	2,296				
46,495	49,099	5,266	757	658	229
(701,296)	(677,381)	(601,527)	(610,376)	(614,579)	(634,118)
			(49,073)	(8,908)	
(513,266)	(595,431)	(352,653)	(448,489)	(587,533)	(421,737)
423,228	355,562	63,889	(146,081)	(85,532)	221,302
2,097,781	1,742,219	1,678,330	1,824,411	1,913,445	1,689,793
				(3,502)	2,350
$ 2,521,009	$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411	$ 1,913,445
1.12%	1.10%	1.09%	1.25%	0.93%	1.14%

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

Industry	2009 Revenue Base	2009 Percent of Total	2008 Revenue Base	2008 Percent of Total	2007 Revenue Base	2007 Percent of Total	2006 Revenue Base	2006 Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 112,929	0.23%	$ 105,304	0.25%	$ 108,964	0.27%	$ 103,605	0.26%
Mining	311,266	0.62%	246,908	0.60%	224,806	0.55%	187,394	0.48%
Utilities	5,493,990	11.00%	4,708,255	11.40%	4,532,525	11.06%	4,380,370	11.17%
Construction	612,122	1.23%	529,727	1.28%	493,295	1.20%	466,170	1.19%
Manufacturing	3,864,172	7.73%	3,624,193	8.77%	3,670,740	8.96%	3,438,906	8.77%
Wholesale Trade	4,645,027	9.30%	4,218,275	10.21%	4,205,431	10.26%	3,982,576	10.16%
Retail Trade	21,901,249	43.85%	18,485,279	44.75%	18,655,946	45.51%	18,145,437	46.27%
Transportation and Warehousing	417,326	0.84%	362,152	0.88%	384,758	0.94%	281,285	0.72%
Information	5,253,774	10.52%	2,722,146	6.59%	2,653,893	6.47%	2,525,643	6.44%
Finance and Insurance	67,089	0.13%	57,703	0.14%	47,903	0.12%	46,611	0.12%
Real Estate, Rental and Leasing	957,993	1.92%	832,469	2.02%	803,267	1.96%	724,694	1.85%
Professional, Scientific and Technical Services	143,516	0.29%	112,101	0.27%	108,423	0.26%	99,865	0.25%
Management of Companies and Enterprises	56,835	0.11%	120	0.00%	293	0.00%	27	0.00%
Administrative, Support, Waste Management and Remediation Services	653,184	1.31%	585,095	1.42%	550,851	1.34%	520,973	1.33%
Educational Services	36,476	0.07%	41,684	0.10%	41,719	0.10%	43,524	0.11%
Health Care and Social Services	72,416	0.14%	64,206	0.16%	62,036	0.15%	54,830	0.14%
Arts, Entertainment and Recreation	177,186	0.35%	159,423	0.39%	161,053	0.39%	152,619	0.39%
Accommodation and Food Services	3,754,045	7.52%	3,198,652	7.74%	3,117,969	7.61%	2,975,856	7.59%
Other Services (except Public Administration)	1,342,494	2.69%	1,182,542	2.86%	1,102,308	2.69%	1,018,174	2.60%
Public Administration	74,436	0.15%	72,240	0.17%	65,026	0.16%	64,070	0.16%
Total (1)	$ 49,947,525 (2)	100%	$ 41,308,474	100%	$ 40,991,206	100%	$ 39,212,629	100%
Direct Sales Tax Rate	6.00% (General) 3.00% (Food) 4.00% (Mfg Util Tax)		6.00% (General) 3.00% (Food) 4.50% (Mfg Util Tax)		6.00%		6.00%	

(1) Amounts do not include tax collected on automobile transactions.
(2) State converted to new data base system in 2009 resulting in more accurate accumulation of data.

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

2005		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	Revenue Base	Percent of Total
$ 110,174	0.29%	$ 91,427	0.28%	$ 117,991	0.36%	$ 118,261	0.36%	$ 133,467	0.39%	$ 51,970	0.17%
154,114	0.41%	111,126	0.34%	111,704	0.34%	114,489	0.35%	130,754	0.39%	39,416	0.13%
3,657,722	9.72%	3,332,085	10.14%	3,176,490	9.63%	3,267,356	10.01%	3,581,231	10.53%		N/A
405,129	1.08%	326,167	0.99%	347,510	1.05%	360,689	1.10%	353,743	1.04%	283,679	0.90%
3,362,676	8.94%	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%
3,802,827	10.11%	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%
17,778,800	47.25%	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%
252,335	0.67%	161,738	0.49%	392,981	1.19%	360,558	1.10%	378,654	1.11%	5,021,688	15.95%
2,454,873	6.53%	2,342,534	7.12%	2,135,098	6.47%	2,164,729	6.63%	2,218,403	6.52%		N/A
47,115	0.13%	44,144	0.13%	48,966	0.15%	36,207	0.11%	33,581	0.10%	48,765	0.15%
701,230	1.86%	608,522	1.85%	591,972	1.79%	546,893	1.67%	572,744	1.68%		N/A
102,152	0.27%	87,395	0.27%	86,886	0.26%	91,036	0.28%	90,755	0.27%		N/A
38	0.00%	15	0.00%	5	0.00%	6	0.00%	16	0.00%		N/A
481,704	1.28%	197,552	0.60%	168,243	0.51%	147,361	0.45%	146,809	0.43%		N/A
50,060	0.13%	45,713	0.14%	50,875	0.16%	54,329	0.17%	54,150	0.16%		N/A
62,941	0.17%	59,786	0.18%	67,447	0.20%	54,150	0.17%	52,233	0.15%		N/A
151,894	0.40%	125,084	0.38%	128,727	0.39%	125,777	0.39%	126,740	0.37%		N/A
2,969,613	7.89%	2,544,689	7.74%	2,588,666	7.84%	2,518,407	7.71%	2,578,530	7.58%		N/A
1,024,751	2.72%	808,652	2.46%	842,348	2.55%	826,560	2.53%	856,825	2.52%	2,949,111	9.37%
56,261	0.15%	50,974	0.16%	53,507	0.16%	51,198	0.16%	45,672	0.13%	22,536	0.07%
$ 37,626,409	100%	$ 32,875,896	100%	$ 33,007,199	100%	$ 32,657,121	100%	$ 34,013,421	100%	$ 31,478,453	100%
6.00%		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)

	2009				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	$ 6,738	0.24%	626	1.07%	$ 6,506	0.39%
Mining	18,519	0.65%	120	0.20%	6,374	0.39%
Utilities	327,925	11.56%	745	1.27%	174,566	10.53%
Construction	36,711	1.29%	1,635	2.78%	17,243	1.04%
Manufacturing	222,285	7.83%	4,207	7.16%	162,122	9.78%
Wholesale Trade	276,950	9.76%	6,008	10.23%	172,844	10.43%
Retail Trade	1,169,858	41.22%	23,323	39.70%	769,546	46.42%
Transportation and Warehousing	25,034	0.88%	1,580	2.69%	18,457	1.11%
Information	315,117	11.10%	927	1.58%	108,135	6.52%
Finance and Insurance	4,025	0.14%	249	0.42%	1,637	0.10%
Real Estate, Rental and Leasing	57,452	2.03%	1,367	2.33%	27,918	1.68%
Professional, Scientific and Technical Services	8,611	0.30%	1,184	2.02%	4,424	0.27%
Management of Companies and Enterprises	3,410	0.12%	3	0.01%	1	0.00%
Administrative, Support, Waste Management and Remediation Services	39,187	1.38%	2,935	5.00%	7,156	0.43%
Educational Services	2,188	0.08%	228	0.39%	2,640	0.16%
Health Care and Social Services	4,339	0.15%	885	1.51%	2,546	0.15%
Arts, Entertainment and Recreation	10,614	0.37%	766	1.30%	6,178	0.37%
Accommodation and Food Services	224,588	7.91%	5,907	10.05%	125,690	7.58%
Other Services (except Public Administration)	80,483	2.84%	5,999	10.21%	41,766	2.52%
Public Administration	4,264	0.15%	49	0.08%	2,226	0.13%
Total	$ 2,838,298	100%	58,743	100%	$ 1,657,975	100%

(1) Revenue data is available back to fiscal year 2000; however, this data is not comparable to fiscal year 2009 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 Nine Fiscal Years (1)
(Expressed in thousands, except per capita amount)

	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental									
General	$ 855,848	$ 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	2,575	5,703	2,925	2,988					
Add (deduct):									
Deferred bond refunding loss	(11,852)	(13,140)	(14,263)	(5,542)	(4,807)	(1,011)	(1,064)		
Issuance premiums/(discounts)	12,614	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	109,893	117,390	121,644	123,256	96,683	57,148	56,331	60,000	64,374
Notes payable to pension trust fund	7,474	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	1,874	4,586	3,520	4,420	6,927	9,536	11,862	14,567	21,646
Capital leases with component unit	123,800	131,792	111,450	97,824	107,522	70,582	76,041	77,153	69,167
Installment sale with component unit	12,795	13,210							
Total Governmental Activities Debt	1,115,021	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	65,120	72,965	78,775	83,955	88,910	93,530	103,275	108,115	112,135
College & University Revenue Bonds	1,314,295	1,246,075	1,197,070	1,155,673	895,910	661,551	637,229	497,060	466,488
Add (deduct): issuance premiums/(discounts)	8,364	9,307	8,912	8,803	100	(123)	(1,124)	(1,455)	(1,074)
Notes payable	47,285	32,016	22,920	17,930	17,128	14,519	22,281	22,028	
Notes payable with component unit	3,042	3,518	5,857	6,666	8,728	9,675	6,349	6,754	
Capital leases	45,002	42,002	29,737	25,092	21,470	17,450	8,114	9,921	11,271
Capital leases with component unit	810	995	1,174	1,354	1,665	1,960	2,240	2,574	2,803
Total Business-Type Activities Debt	1,483,918	1,406,878	1,344,445	1,299,473	1,033,911	798,562	779,304	646,832	594,313
Total Primary Government Debt	2,598,939	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)	2.87%	2.92%	3.01%	3.07%	2.96%	2.67%	2.83%	2.44%	2.15%
Per Capita (3)	$ 902	$ 911	$ 908	$ 873	$ 799	$ 689	$ 691	$ 571	$ 494
Net General Obligation Bonded Debt									
Gross bonded debt (4)	$ 855,848	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986	$ 712,939	552,834
Less: debt service funds	(183,325)	(255,139)	(248,143)	(111,587)	(100,166)	(37,561)	(27,639)	(35,462)	(45,974)
Net bonded debt	$ 672,523	$ 657,156	$ 724,050	$ 788,815	$ 844,692	$ 885,612	$ 893,347	$ 677,477	506,860
Per Capita (3)	$ 234	$ 230	$ 255	$ 281	$ 304	$ 323	$ 328	$ 251	$ 188
Supplementary Information									
Component Unit Debt									
Arkansas Student Loan Authority:									
Revenue bonds payable	612,400	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	1,080,671	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)	2,232	2,951	2,686	(517)	(961)	(2,098)	(1,715)	(1,962)	(415)
U of A Foundation Annuity Obligations	15,443	18,362	19,606	18,524	16,783	15,376	14,748		
Total Component Unit Debt	1,710,746	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	$ 4,309,685	$ 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)	4.76%	5.16%	5.51%	5.82%	5.76%	5.19%	5.46%	5.21%	5.02%
Per Capita (3)	$ 1,496	$ 1,612	$ 1,659	$ 1,656	$ 1,554	$ 1,337	$ 1,335	$ 1,219	$ 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							
2009	$ 78,002	$ 3,361	$ 74,641	$ 6,086	$ 4,016	$ 10,102	7.39
2008	$ 76,479	$ 12,134	$ 64,345	$ 5,300	$ 3,659	$ 8,959	7.18
2007	$ 63,172	$ 8,086	$ 55,086	$ 4,700	$ 3,023	$ 7,723	7.13
2006	$ 60,064	$ 7,344	$ 52,720	$ 3,925	$ 2,295	$ 6,220	8.48
Housing Bonds							
2009	$ 60,375	$ 34,186	$ 26,189	$ 3,105	$ 6,410	$ 9,515	2.75
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							
2009	$ 1,055,983	$ 651,507	$ 404,476	$ 30,189	$ 45,362	$ 75,551	5.35
2008	$ 1,077,972	$ 786,420	$ 291,552	$ 26,310	$ 40,342	$ 66,652	4.37
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							
2009	$ 11,991	$ 6,631	$ 5,360	$ 1,710	$ 1,986	$ 3,696	1.45
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:							
2009	$ 94,811	$ 6,144	$ 88,667	$ 78,750	$ 14,967	$ 93,717	0.95
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

(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
2009*	2,880	$ 90,602	$ 31,454	8.0%
2008	2,858	89,277	31,235	5.1%
2007	2,834	85,419	30,142	5.1%
2006	2,808	79,845	28,437	5.2%
2005	2,776	74,859	26,966	5.1%
2004	2,744	70,701	25,767	5.6%
2003	2,721	66,476	24,433	5.8%
2002	2,704	63,234	23,387	5.3%
2001	2,691	61,967	23,027	4.7%
2000	2,680	58,726	21,916	4.2%

* Projected numbers

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

Schedule 10
Principal Employers (Unaudited)
Current Year as Compared to 2000

2009	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	55,871	4.8%
2	Wal-Mart Stores, Inc.	48,470	4.1%
3	Tyson Foods, Inc.	24,005	2.1%
4	U.S. Federal Government	20,939	1.8%
5	Baptist Health	7,400	0.6%
6	J.B. Hunt Transportation Services, Inc.	6,250	0.5%
7	Sisters of Mercy Health System	5,493	0.5%
8	Arkansas Children's Hospital	4,337	0.4%
9	Community Health Systems, Inc.	3,750	0.3%
10	Dillard's Inc.	3,750	0.3%
		180,265	15.4%

2000	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	49,553	4.3%
2	Wal-Mart Stores, Inc.	39,341	3.4%
3	Tyson Foods, Inc.	23,000	2.0%
4	U.S. Federal Government	20,774	1.8%
5	Baptist Health	7,144	0.6%
6	Alltel Corp	5,200	0.4%
7	ConAgra, Inc.	5,185	0.4%
8	Beverly Enterprises, Inc.	4,986	0.4%
9	Georgia-Pacific Corporation	4,957	0.4%
10	Whirlpool Corp	3,700	0.3%
		163,840	14.0%

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 Seven Fiscal Years

Full-Time Employees	2009	2008	2007	2006	2005	2004	2003
General Government							
Department of Finance and Administration-Revenue	1,473	1,443	1,420	1,370	1,371	1,352	1,319
All Other	2,913	2,816	2,764	2,741	2,678	2,632	2,720
Education							
Department of Workforce Education	490	493	494	498	503	501	503
Department of Education	384	371	346	359	318	317	391
All Other	914	979	965	954	877	882	885
Heath and Human Services							
Department of Human Services	7,755	7,617	7,524	7,324	7,244	7,222	7,146
Department of Health	2,926	2,907	2,887	2,763	2,771	2,757	2,854
All Other	548	473	458	458	409	404	394
Transportation							
Department of Highway and Transportation	3,587	3,576	3,614	3,676	3,749	3,755	3,698
Law, Justice and Public Safety							
Department of Correction	3,890	3,750	3,792	3,745	3,354	3,310	3,362
Arkansas State Police	972	985	966	934	903	843	818
All Other	2,784	2,786	2,553	2,546	2,386	2,351	2,074
Recreation and Resources Development							
Department of Parks and Tourism	1,321	1,291	1,298	1,214	1,138	1,127	1,138
Arkansas Game and Fish Commission	679	647	649	634	621	635	610
All Other	890	1,010	988	990	933	922	929
Regulation of Business and Professionals							
Department of Insurance	192	189	185	192	182	184	175
All Other	1,057	941	922	909	612	592	597
Proprietary Funds							
Colleges and Universities (2)	21,846	19,529	20,269	19,088	N/A	N/A	N/A
Workers Compensation Commission	123	127	135	137	141	141	138
Department of Workforce Services	1,102	976	907	852	702	750	881
War Memorial Stadium Commission (3)	25	32	25	21	29	N/A	N/A
State Total	55,871	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

	2009	2008	2007
General Government			
Department of Finance & Administration-Revenue			
Office of Driver Services			
Licenses and ID cards issued	820,155	728,893	734,555
Registered Vehicles	3,619,926	3,363,504	3,272,311
Income Tax Administration			
Total electronic tax filers	777,486	762,741	676,504
EFT estimate payments by corporations	1,769	1,697	1,662
EFT withholding payments	161,404	170,071	140,678
Education			
Department of Education			
All school districts:			
Average Daily Membership [(1)]	N/A	459,460	459,865
Number of Certified Personnel [(1)]	N/A	36,215	36,112
Average Salary of K-12 Classroom full-time employees [(1)]	N/A	45,368	$ 44,493
Per Pupil Expenditures [(1)]	N/A	8,256	7,992
Foundation Aid per Student	$ 5,789	$ 5,719	$ 5,662
Assessed Valuation (in millions)	$ 38,679	$ 35,970	$ 33,438
Higher Education			
Public Institutions			
Net enrollment	138,772	135,526	131,445
Undergraduate degrees awarded	23,687	21,166	19,938
Graduate degrees awarded	4,141	3,872	3,613
Private Institutions			
Fall net enrollment	14,952	14,496	13,981
Undergraduate degrees awarded	2,296	2,284	2,286
Graduate degrees awarded	532	520	491
Health and Human Services			
Department of Human Services			
Foster Care Recipients	7,979	6,974	7,194
Percent of Population	0.28%	0.24%	0.25%
Food Stamp Recipients	577,329	556,735	553,618
Percent of Population	20.09%	19.54%	19.60%
Medicaid Recipients	747,851	744,269	742,965
Percent of Population	26.03%	26.13%	26.30%
Department of Health			
Women, Infants and Children Nutrition Program (WIC)	187,880	163,766	160,687
Percent of Population	6.52%	5.75%	5.69%
Doses of Vaccine Administered	568,100	503,185	414,971
Inhome Patients Served	24,140	26,393	26,732

(1) Fiscal year 2009 figures not available as of print date

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

2006	2005	2004	2003	2002	2001	2000
727,765	731,155	736,200	702,810	683,237	662,870	678,597
2,993,975	2,907,650	2,810,529	2,742,630	2,685,507	2,650,512	N/A
620,490	598,127	538,528	495,842	430,072	350,955	272,711
1,501	1,185	1,068	902	N/A	N/A	N/A
125,999	103,356	91,536	93,888	N/A	N/A	N/A
457,490	450,910	447,872	439,742	444,709	444,978	445,739
35,371	35,201	34,024	33,014	33,780	33,405	33,466
$ 43,088	$ 41,489	$ 39,266	$ 37,536	$ 36,026	$ 34,729	$ 33,888
$ 7,687	$ 7,307	$ 6,475	$ 6,168	$ 5,867	$ 5,531	$ 4,945
$ 5,528	$ 5,400	$ 4,721	$ 4,688	$ 4,542	$ 4,492	$ 4,301
$ 31,275	$ 29,274	$ 27,748	$ 26,346	$ 25,269	$ 23,941	$ 22,683
127,419	123,462	119,963	114,366	109,067	105,014	103,501
19,038	18,225	17,046	16,933	15,133	14,090	13,747
3,585	3,525	3,248	3,016	3,131	2,852	2,927
13,536	12,333	11,885	11,477	10,254	10,560	9,982
2,420	2,394	2,309	2,204	2,108	2,057	1,633
455	306	271	236	184	118	108
6,809	6,401	6,502	6,202	6,471	6,670	5,486
0.24%	0.23%	0.24%	0.23%	0.24%	0.25%	0.20%
558,521	544,752	490,641	457,888	433,716	402,119	391,787
19.94%	19.62%	17.82%	16.79%	16.02%	14.94%	14.63%
729,800	688,150	663,920	626,036	582,379	535,798	498,669
26.06%	24.79%	24.12%	22.95%	21.51%	19.90%	18.62%
158,393	156,654	153,570	149,063	145,447	144,006	145,418
5.66%	5.64%	5.58%	5.46%	5.37%	5.35%	5.43%
420,359	499,075	464,491	480,150	522,722	786,131	500,633
27,374	24,844	27,499	26,575	28,965	27,390	28,581

Continued on the following page

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

Continued from the previous page

	2009	2008	2007
Transportation			
Highway and Transportation Department			
Miles of State Highway Maintained [1]	N/A	16,428	16,438
Law, Justice and Public Safety			
Department of Correction			
Custody Population Count	13,237	13,293	12,828
Staff Members	4,701	4,701	4,375
Inmate Cost per day	$ 58.00	$ 54.82	$ 52.64
Operating Capacity	12,723	12,723	12,552
Inmate Care/Custody Operating Expenses (in thousands)	$ 277,491	$ 272,844	$ 253,888
Arkansas State Police			
Commissioned Officers	542	550	544
Number of Homicides Investigated	214	199	219
Total Citations Issued	269,080	271,125	243,234
Total Motorist Assists	22,708	21,380	21,069
Total Number of Traffic Accidents	16,306	16,759	16,561
Total Criminal Investigations	3,367	3,251	2,688
Recreation and Resources Development			
Department of Parks and Tourism			
Acres of State Parks Maintained	54,166	54,623	53,741
Game and Fish Commission			
Fishing Licenses sold	692,366	680,770	748,184
Hunting Licenses sold	462,164	417,560	408,238
Lifetime Licenses sold	24,524	23,241	21,997
Other Licenses sold	28,879	21,774	24,268
Regulation of Business and Professionals			
Department of Insurance			
Number of active licensed insurance agents	82,123	77,310	66,987
Total consumer complaints received	2,881	2,976	3,080
Total consumer complaints closed	3,021	3,068	2,927
Total dollars recovered for consumers (in thousands)	$ 11,632	$ 8,768	$ 5,161

2006	2005	2004	2003	2002	2001	2000
16,440	16,444	16,419	16,383	16,379	16,369	16,367
12,690	12,568	12,675	11,672	11,223	11,072	10,872
4,375	4,270	4,270	3,666	3,666	3,486	3,486
$ 52.12	$ 48.24	$ 47.32	$ 44.11	$ 42.59	$ 40.79	$ 39.35
12,403	12,178	11,640	11,124	10,968	10,576	10,426
$ 243,208	$ 215,042	$ 209,543	$ 185,682	$ 182,188	$ 175,718	$ 164,025
527	529	533	492	592	556	N/A
196	171	167	224	210	224	N/A
244,649	258,627	211,023	192,379	211,965	N/A	N/A
21,167	23,946	23,173	22,633	21,176	N/A	N/A
16,556	18,726	18,143	18,029	17,166	N/A	N/A
2,119	2,883	3,375	3,215	3,090	2,641	N/A
53,402	52,747	52,553	52,517	52,605	51,632	51,387
719,411	747,756	726,592	734,236	729,291	750,833	731,767
375,834	410,606	413,723	431,615	458,412	443,432	429,441
19,467	20,657	22,284	10,143	9,659	9,535	10,150
22,880	25,829	27,767	26,975	27,342	26,699	24,736
60,933	49,087	33,970	25,866	20,555	16,369	14,032
2,850	3,157	3,320	3,661	3,874	4,044	3,802
2,901	3,132	3,416	3,345	3,808	3,924	3,855
$ 5,913	$ 5,955	$ 5,433	$ 2,573	$ 4,265	$ 2,000	$ 20,203

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

	2009	2008	2007	2006	2005	2004	2003	2002
General Government								
Dept of Finance and Administration-Revenue								
Vehicles	181	177	180	188	168	162	146	145
Education								
Department of Education								
Vehicles	219	207	217	255	244	229	206	207
Higher Education								
Campuses (public institutions)	33	33	33	33	33	33	33	33
Health and Human Services								
Department of Human Services								
Buildings	446	449	459	457	456	417	439	441
Vehicles	516	496	486	482	488	491	492	546
Department of Health								
Buildings	8	8	8	9	8	8	8	8
Vehicles	154	134	148	142	142	142	143	143
Transportation								
Highway and Transportation Department								
Passenger vehicles	2,683	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	20	19	19	18	18
Vehicles	430	384	399	406	391	387	335	334
Arkansas State Police								
Police stations	12	12	12	12	12	12	12	12
Vehicles	855	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	52
Vehicles	355	342	331	362	323	321	310	289
Game and Fish Commission								
Hatcheries	5	5	5	5	5	5	5	5
Vehicles	979	960	1,025	1,029	1,054	1,033	1,090	1,048
Boats	576	572	568	570	560	560	508	497
Regulation of Business and Professionals								
Vehicles	119	105	98	94	93	92	88	83

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 Capitol	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"
State Grain	Rice
State Nut	Pecan
State Mammal	White-tailed deer


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE