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INDEPENDENT AUDITORS' REPORT

The Honorable Mike Huckabee, Governor
of the State of Arkansas

We have audited the accompanying general purpose financial statements of the State of Arkansas (the "State"), as of June 30, 2001, and for the year then ended, listed in the foregoing table of contents. These general purpose financial statements are the responsibility of the management of the State. Our responsibility is to express an opinion on these general purpose financial statements based on our audit. We did not audit the financial statements of the Arkansas Student Loan Authority, which represent total assets of $301.4 million as of June 30, 2001, and total revenues of $21.8 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for those activities, is based solely on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose 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 report of other auditors provide a reasonable basis for our opinion.

In our opinion, based upon our audit and the report of other auditors, the general purpose financial statements referred to above present fairly, in all material respects, the financial position of the State as of June 30, 2001, and the results of its operations and the cash flows of its proprietary fund type and discretely presented component units for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Our audit was performed for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The combining and individual fund and account group financial statements and schedules, listed in the foregoing table of contents, are presented for the purpose of additional analysis and are not a required part of the general purpose financial statements of the State. These financial statements and schedules are also the responsibility of the management of the State. Such additional information has been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, based on our audit and the reports of other auditors, in our opinion, is fairly stated in all material respects when considered in relation to the general purpose financial statements taken as a whole.

The introductory and statistical data listed in the foregoing table of contents are presented for purposes of additional analysis and are not a required part of the general purpose financial statements of the State. Such additional information has not been subjected to the auditing procedures applied in our audit of the general purpose financial statements and, accordingly, we express no opinion on it.

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November 20, 2001