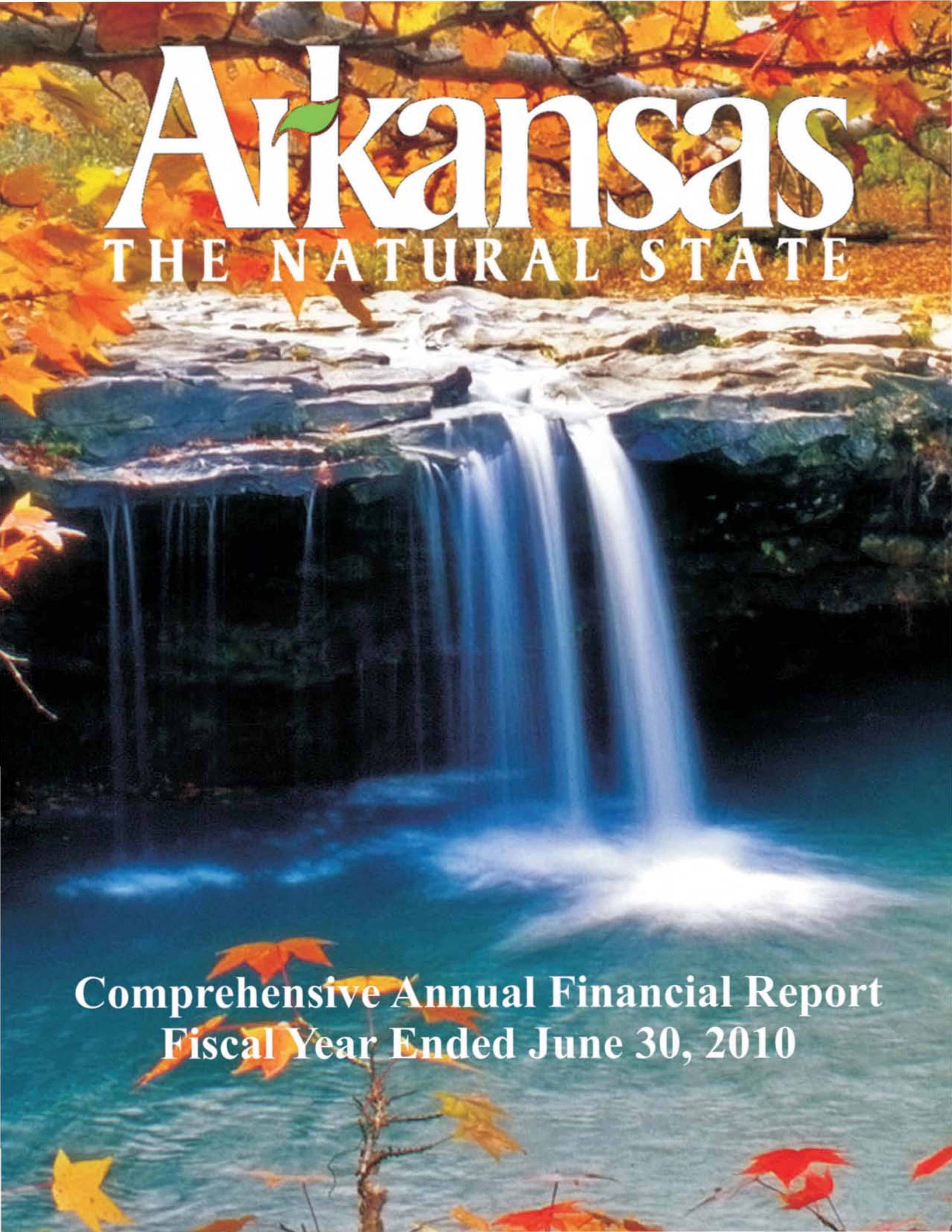

Comprehensive Annual Financial Report
Fiscal Year Ended June 30, 2010

Arkansas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2010

Mike Beebe
Governor

Richard A. Weiss
Director
Department of Finance and Administration

Prepared by
The Department of Finance and Administration
Office of Accounting

All photographs, except for the picture of the Governor, are courtesy of the Arkansass Department of Parks and Tourism. The photograph of Governor Mike Beebe is courtesy of the Governor's Office.

The photograph on the cover is of Falling Water Falls at Richland Creek in the Ozark National Forest.

Governor Mike Beebe

STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

December 22, 2010

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 about Arkansas's financial status to the national credit markets on an annual basis.

I am pleased to report that the Fiscal Year 2009 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award twelve 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, 2010

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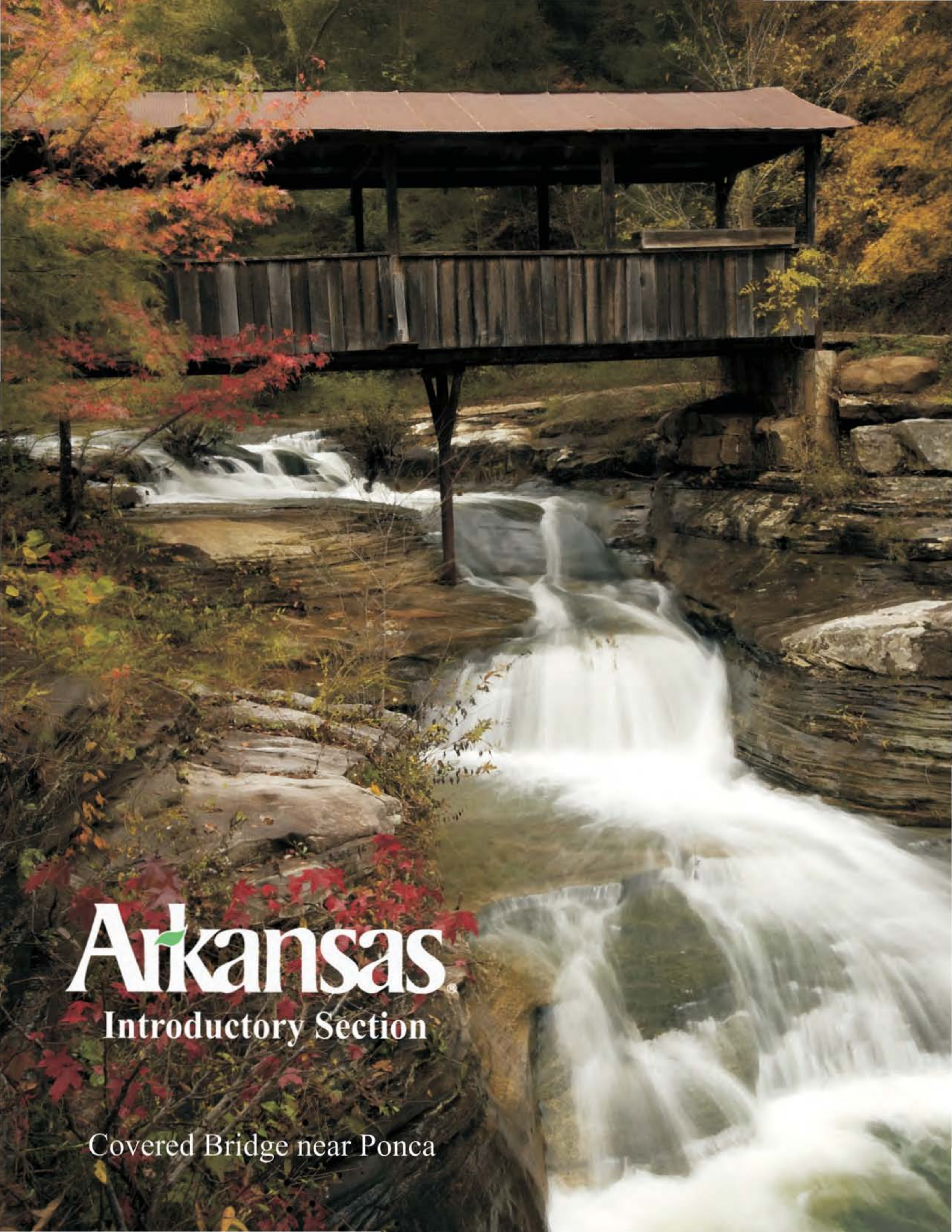

Arkansas
Introductory Section

Covered Bridge near Ponca


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

STATE OF ARKANSAS
Department of Finance and Administration

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December 22, 2010

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, 2010.

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, 2010. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

Management's Discussion and Analysis, or MD&A, introduces the basic financial statements and provides an analytical overview of the government's financial activities. This letter of transmittal complements MD&A and should be read in conjunction with it. The State's MD&A can be found in the financial section immediately following the report of the independent 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 2.9 million and industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear lakes and streams and an abundance of natural wildlife.

The Constitution of the State provides for three distinct departments. The executive department of Arkansas State government is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, State Treasurer, State Auditor, and State Land Commissioner; all of whom are elected by state-wide vote every four years. The legislative department is comprised of 35 State Senators and 100 State Representatives. Known collectively as The General Assembly, the Senators and Representatives begin the Legislative Session in January of every 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. Wind turbine manufacturer Mitsubishi Power Systems Americas, Inc.; Allied Wireless; HVAC manufacturer Airtherm; automotive supplier Saint Jean Industries; manufacturer of major steel component for wind turbines, Beckmann Volmer; manufacturer of highly conductive, ultralite ceramic proppants OxFrac™ and OxBall™, Oxane Materials, Inc.; as well as Evergreen Packaging; A Briggs Passport and Visa Expeditors*;* DAD'S Pet Care, REXAM; and Welspun Corp, LTD are some of the corporations that took action to locate or expand facilities in Arkansas during fiscal year 2010.

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 $94.762 billion in fiscal year 2010. This represented an increase of $1.135 billion or 1.2 percent over fiscal year 2009.

Fiscal year 2011 is estimated at $98.269 billion (current dollars), an increase of $3.506 billion or 3.7 percent over fiscal year 2010.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary disbursements fell to $44.097 billion in fiscal year 2010, a decrease of $352.7 million or -0.8 percent over fiscal year 2009.

Fiscal year 2011 is estimated at $45.217 billion (current dollars), an increase of $1.120 million or 2.5 percent from fiscal year 2010.

Employment: In fiscal year 2010, wage and salary employment in Arkansas fell to 1,158,170 jobs. This represented a decrease of 33,510 jobs or -2.8 percent compared to fiscal year 2009. In fiscal year 2011, wage and salary employment is expected to average 1,165,680 jobs. This represents a projected increase of 7,510 jobs or 0.6 percent from fiscal year 2010.

Fiscal Year 2010 Net Available General Revenues: Actual net available general revenues collected totaled $4,323.1 million. The net available distribution was $111.6 million or -2.5 percent below the net available distribution of fiscal year 2009. The general revenue distribution in fiscal year 2010 included a one-time transfer of $61.0 million from the Revenue Allotment Reserve Fund and a one-time deposit of $10 million from Unclaimed Property proceeds.

Fiscal year 2011 net available general revenue collections are estimated at $4,478.9 million, an increase of $155.8 million or 3.6 percent from fiscal year 2010.

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 2010, $411.3 million was distributed to the Education Adequacy Fund, with the fiscal year 2011 distribution estimated to be $429.1 million.

American Recovery and Reinvestment Act: On February 13, 2009, Congress passed the American Recovery 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 expected to receive $3.17 billion in one-time additional federal revenues, as administered by the state government, over the life of the Recovery Act. As of June 30, 2010, the state of Arkansas has received $1 billion in ARRA funds. The Recovery Act requires states like Arkansas meet unprecedented standards for accountability and transparency in tracking where and how Recovery Act funds are spent. Much of the funding made available to Arkansas must flow through existing federal programs, which limits where and how these funds can be used. Where possible, the state government has invested funds in projects and initiatives that will lay the groundwork for future economic growth in Arkansas.

Department of Workforce Services: The primary impact to the Department of Workforce Services (DWS) in regards to ARRA in fiscal year 2010 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 were extended 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 program, the Re-employment Service program, which provides 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, 2010.

Department of Education: The Arkansas Department of Education (ADE) received and distributed to the local education agencies $254 million of ARRA funding during the 2010 fiscal year, in addition to almost $1 million distributed during the latter part of the 2009 fiscal year when the funds first became available.

Total formula-based ARRA funding allocated for use by the local education agencies before September 30, 2011 will amount to approximately $622 million. (For comparative purposes, the total amount of non-ARRA Federal funds received in fiscal year 2009 was $492 million and in fiscal year 2010 was $462 million.) The majority of the ARRA funds to be distributed by the ADE are allocated to local 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 ($341 million).

In addition to the formula-based funds, other ARRA funds are made available to the states on a competitive basis. These include $34 million in school improvement grants available for low-performing schools, $7.1 million in education technology grants, $1.2 million in school lunch equipment grants, and $645,000 in grants to school districts to serve homeless children. A grant for use at the State Education Agency level in the amount of $9.8 million was received for the purpose of improving statewide data systems. Other competitive grants for which award amounts are not currently available include Race to the Top funding (targets improved graduation rates and enhanced preparation for post secondary education) and Education Jobs Funding (purpose is to save and create education jobs).

Department of Highway and Transportation: Since ARRA became law in February of 2009, the Arkansas State Highway and Transportation Department has utilized $421 million in funding to improve 296 miles of highways. The improvements come as the result of 130 projects to date.

Department of Human Services: Since ARRA became law in February of 2009, the Department of Human Services (DHS) received $526 million dollars to help stimulate the economy and to support the increased demand in social services. Because of this infusion of funding, DHS was 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.

Department of Finance and Administration - Office of Child Support Enforcement: The Office of Child Support Enforcement (OCSE) was able to use the funding provided through ARRA in fiscal year 2010 to begin an Information Systems project that focused on the following primary objectives:

1) Electronic Case Management-Green Initiative – to minimize the manual paper files that are created as a by-product of the child support enforcement workflow and to increase the efficiency of the Arkansas Child Support Information System in support of the child support enforcement casework.

2) Customer Service Website Project – to increase communication between OCSE and its customers, improve security processes, reduce the cost and effort of the state by sending and receiving forms electronically and increase the efficiency of the Arkansas Child Support Information System application in its support of case work.

3) Ease of Use / Americans with Disabilities Act (ADA) Compliance – to maximize the usability of the Arkansas Child Support Information System including increased usability by taking advantage of the new features provided in Internet Explorer 8, enabling users to maximize the Arkansas Child Support Information System windows to take advantage of the entire width of the 22” monitors.

4) Distribution of Child Support Collections – to increase the efficiency of the current distribution processes and minimize the number of exceptions and holds. In addition, the tasks in this project will simplify the distribution process, making the logic easier for the user to understand. As the project reduces the number of exceptions and holds, this will in turn streamline the flow of collections from the state disbursement unit to the customer and lessen the amount of time spent by field staff in handling the collections manually.

Arkansas State Police: The Arkansas State Police (ASP) was the recipient of $3.643 million from ARRA funds during 2010.

Of that amount, $3.5 million was used to purchase a new ASP helicopter. The new helicopter increases the number of missions ASP can accept to protect life, health and safety for the benefit of Arkansas citizens. ASP’s capacity to respond to missions to fight crime, assist victims, search for missing persons and provide life-saving capabilities during critical incidents has been greatly enhanced with the acquisition of the new helicopter.

The remaining $143 thousand primarily funded three new investigator positions in the Internet Crimes Against Children Division. The project is crucial to ASP’s ability to develop effective responses to online enticement of children by sexual predators, child exploitation and child obscenity/exploitation cases.

Department of Information Systems: The Department of Information Systems (DIS) received ARRA funding to increase the reliability of the Arkansas Wireless Information Network (AWIN). The amount expended during fiscal year 2010 totaled $1 million with a projected total grant award of $5.5 million, of which the majority of funds will be expended in fiscal year 2011.

The ARRA funds are being used to implement central call processing equipment for AWIN, upgrade the AWIN operating system and add capacity to AWIN. Voice traffic on AWIN is controlled by call processing equipment located at ASP Headquarters and DIS. In the event of failure at either of these locations, one half of the sites on AWIN revert to local traffic only with no statewide call processing capability. Of the $5.5 million above, $4.1 million is for the installation of additional controller equipment at the Arkansas Department of Emergency Management (ADEM) compound at Camp Robinson. The upgrade to the AWIN operating system consists of a software upgrade to the call processing equipment. Of the $5.5 million in ARRA funds, $650 thousand will go towards the system upgrade. Finally, capacity has been added to the remote AWIN sites that serve the central Arkansas metropolitan area to help ease the call congestion that can occur during high traffic hours. ARRA funding for this project is $750 thousand. These three ARRA projects will help to significantly increase the reliability of the AWIN system.

Department of Correction: The Arkansas Department of Correction (DOC) was awarded $4 million in ARRA funds, which was used to implement energy efficiency projects including replacement of old inefficient lamps/ballasts with more energy efficient lighting, as well as replacement of old HVAC systems with more efficient units at the Tucker, Wrightsville, Varner and Cummins Units. The lighting retrofits and HVAC upgrades identified qualified DOC to receive a rebate of $119 thousand from Entergy Arkansas's Large Commercial and Industrial Incentive Program that seeks energy savings in peak demand times. In addition, these improvements are projected to save DOC up to $700 thousand in annual energy costs.

Arkansas Rehabilitation Services: The Arkansas Rehabilitation Services was the recipient of $1.2 million in ARRA funds. The funding is being used to provide independent living services for individuals with disabilities. Funding is also being used in vocational rehabilitation services to states for new client software packages, new healthcare manager system software, as well as obtaining updated computers and related hardware to allow for adaption of systems in the central office, as well as out in the twenty offices throughout the state. The Vocational rehabilitation services hospital is also undergoing extensive renovation and the ARRA grant has provided for architectural services to manage the construction project.

Military Department: The State Military Department received an estimated $12.8 million in stimulus funding from ARRA. The majority of this money was used to fund needed renovations and updates to energy management control systems for several buildings and armories located on Camp Robinson and Fort Chaffee. In addition to the updates, lighting was renovated in several barracks, hot water heaters replaced and windows were replaced at Truman Hall. To date the stimulus package has provided funding for an estimated 41 projects some at 100% funding, while others provided 75% with 25% state funding. ARRA enabled the military department to accomplish these necessary projects in a much timelier manner.

Arkansas Natural Resources Commission: The Arkansas Natural Resources Commission (ANRC) was the recipient of $25.6 million in ARRA funds for the U.S. Environmental Protection Agency's Clean Water State Revolving Fund (CWSRF) program and $24.5 million in ARRA funds for the Drinking Water State Revolving Fund (DWSRF) program.

The CWSRF base program provides below market interest rate loans to qualifying entities for wastewater projects. The DWSRF base program provides below market interest rate loans to qualifying entities for water projects. The ARRA funding included new types of funding (additional subsidization) and new types of projects eligible for funding (Green Project Reserve). The subrecipient, their construction contractor and consulting engineer were required to comply with federal requirements that were not part of the base program (Buy American and Davis-Bacon). ARRA also required that entities receiving the funding sign a construction contract for the work within one year of enactment of ARRA (February 17, 2010).

ANRC was able to solicit for projects, complete all required reviews, bid the projects, close the loans and sign the construction contracts for all of the ARRA funds within the February 17, 2010 deadline. There are six wastewater projects receiving funding from the CWSRF (Batesville, Little Rock, Newport, Prairie Grove, Siloam Springs and U of A) and seven DWSRF projects (Buffalo Island RWD, Central Arkansas Water, Cotton Plant, East Prairie Co WA, Franklin Sebastian PWA, Glenwood and Hot Springs) receiving funding.

Arkansas Agriculture Department: The Aquaculture Division of the Arkansas Agriculture Department received $7.8 million of ARRA funding to assist aquaculture producers in recovering from losses associated with high feed costs during the 2008 calendar year. Previously, a number of catfish operations have exited the business since the department administered a similar program for catfish in 2007. This program extended to baitfish, goldfish, tilapia, hybrid, striped and largemouth bass, as well as catfish. This input of funding from ARRA grants helped Arkansas's aquaculture to begin to revitalize. It was determined that there were 65 jobs created and 255 jobs retained within the state's aquaculture industry in rural Arkansas.

The Forestry Commission (Forestry) received $3.6 million to reduce wildfire risk in north Arkansas. The funds allowed Forestry to contract for single engine air tankers, which dropped water on 46 wildfires that threatened 161 structures. Firefighting equipment was purchased for 285 volunteer fire departments. Arkansas Forestry Commission contracted with 11 private foresters who worked with 93 landowners to reduce wildfire hazard. This work included installing over 10 miles of fire lanes, reducing forest slash on 2,662 acres and prescribed burned 1,357 acres. Forestry conducted 16 wild land firefighting courses for fire departments. Six "tractor/plow units" (firefighting bulldozers with transport trucks) were purchased for Forestry Commission use.

Department of Finance and Administration's Office of Intergovernmental Services: The Office for Victims of Crime (VOCA) and the Office on Violence Against Women (STOP) made available $2.1 million (*excludes administrative funds*) in formula grant funds through ARRA. The funds enabled the Victims Justice Assistance to increase services to victims of crime by funding eight new subgrant organizations and to enhance/expand the services of 17 existing subgrant organizations. Services funded through ARRA began at the end of fiscal year 2009 and will continue until March 2011.

The ARRA Justice Assistance Grant (JAG) Program supported the cost of operations of 19 multi-jurisdictional Drug Task Forces (DTFs) throughout the state of Arkansas. These DTFs are specially equipped to conduct overt and covert operations aimed at decreasing drug trafficking and illegal drug abuse. So far ARRA JAG has been used to fund over 160 local and state-level projects.

The Arkansas Department of Finance and Administration's Office of Intergovernmental Services (DFA-IGS) is responsible for managing the ARRA State Fiscal Stabilization Fund-Government Services Fund formula grant for the Office of the Governor. Out of the $80.8 million Arkansas received for the program, which may fund public safety and other government services, including support for local education agencies (LEAs) and institutions of higher education (IHEs), $33.9 million is managed directly through DFA-IGS. Projects include construction, modernization, renovation, and repair projects for the Arkansas School for the Blind and Visually Impaired, Arkansas School for the Deaf, and the ACTI project for the Arkansas Department of Rehabilitation Services. Four private Universities also received funding for capital improvements. Capital projects were selected based on significant energy efficiency savings and those providing solid long term investments while creating and saving jobs. There were other sub-recipients whose projects consisted of various infrastructure and community support programs.

Department of Environmental Quality: In April of 2009, the Air Division of the Arkansas Department of Environmental Quality (ADEQ) received a total of $1.7 million in funds from ARRA State Clean Diesel Grant Program. These funds were administered through the U.S. Environmental Protection Agency (EPA), Region VI, in order to implement a diesel emissions reduction program for on-road and non-road vehicles/equipment. In July of 2009, ADEQ announced the grant program via press release. Funding was made available to public, private and nonprofit organizations through a competitive application process. 16 projects were funded and consisted of vehicle/equipment replacements, engine replacements, engine upgrades and the installation of idle reduction technology. To date, 12 projects are complete and the applicants with completed projects have been reimbursed.

ADEQ also received funds of $793 thousand under the EPA, Region VI, ARRA for the National Clean Diesel Funding Assistance Program in July of 2009. These funds are being used to reduce diesel emissions throughout the state. In administering these programs, ADEQ partnered with one city and fourteen counties to upgrade the engines of 24 types of vehicles/equipment consisting of motor graders, crawler tractors and loaders to meet Tier I emission levels. 13 projects have been completed, and the entities with these completed projects have been reimbursed. ADEQ has received positive responses from the entities the Department has worked with. These projects would not have occurred without the stimulus funding the Department received.

The Regulated Storage Tanks Division was awarded an ARRA grant in the amount of $1.7 million in July of 2009. The ARRA funds provide additional funding for either direct site work or for management/oversite activities at what are typically orphaned or abandoned sites where there are no viable responsible parties. ARRA funds have been used at the former Godsey's Exxon site in Osceola where a state contractor excavated and disposed of approximately 3,600 cubic yards of contaminated soils and purchased and installed a dual-phase extraction system and soil vapor extraction system. The construction/installation phase was completed on time and for a cost of approximately $650 thousand. A state contract was issued in July 2010 for operation and maintenance of the systems. Work plans have been approved to conduct a site investigation at the former Bobby's BP in Rector and for Free Product Removal at the former "The Fuel Stop" in Hot Springs Village. Work plans and cost estimates have been requested at three other petroleum release sites where ARRA funds will be used to investigate the level and extent of soil and ground water contamination. Without the ARRA grant, existing funding would not have been sufficient to address cleanup and investigations at these sites now or in the near future.

Arkansas Department of Higher Education: The Arkansas Department of Higher Education (ADHE) received $17.3 million in ARRA funds for the purpose of allocating these funds to public institutions of higher education to restore State support for the institutions to the greater of the fiscal year 2009 level. $12.9 million of these funds distributed to the institutions of higher education shall be used for education and general operating expenditures to help mitigate the need to raise tuition and fees for education of in-state students. $4.4 million of these funds distributed to the institutions of higher education shall be used for modernization, renovation and repairs consistent with a recognized green building rating system. The funds allocated shall be targeted for facilities whose primary mission is related to instruction, research or student housing. No funds shall be used for maintenance of facilities, systems, equipment or facilities primarily used for athletic contests or sectarian instruction.

Arkansas Development Finance Authority: The Arkansas Development Finance Authority (ADFA), a component unit of the state, has awarded over $113 million in ARRA funds. The funds comprised two programs offering to assist low income housing tax credit developments throughout the state. The first is the Tax Credit Assistance Program (TCAP). The TCAP utilizes HOME Housing Investment Partnerships funds to be used in conjunction with the Low Income Housing Tax Credit Program as cash equity. The second is the Exchange/Section 1602 Program. Under the Exchange/Section 1602 Program, ADFA swapped certain previous and current year Low Income Housing Tax Credits for cash to be infused into projects as equity.

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: Creating a Smart Arkansas is what the Arkansas Department of Education is all about. By supporting students, teachers and school district administrators through top-notch curriculum development and ongoing, research-based learning opportunities for educators, the state has already witnessed unprecedented gains in educational attainment of students.

- In 2010, scores on both the Arkansas Augmented Benchmark exams and Stanford Achievement Test again improved, with more than 60 percent of Arkansas's public school students at all grade levels scoring at grade level or higher on the benchmark exams. At some grades, more than 80 percent are scoring at grade level or higher.
- The achievement gap between majority and minority students narrowed for the fourth year in a row on the 2010 Arkansas Augmented Benchmark Exams.
- Scores and participation on the College Board’s Advanced Placement exams continue to climb for students as a whole and within subgroups.

In addition to repeated recognition from national organizations – Education Trust, the Council for Chief State School Officers, Achieve and the National Governors Association – all have lauded Arkansas for being a leader in successful education reform. Education Week’s Quality Counts issue for the last two years has ranked Arkansas 10th overall in terms of education policy when compared with all states and the District of Columbia.

Highways and Transportation: Arkansas’s Blue Ribbon Committee on Highway Finance held discussions on proposals, reports and concepts as it studied the best methods for raising adequate revenues to address growing transportation needs in the state. Five public meetings were also held by the committee. The committee divided itself into two subcommittees: The Revenue Transfer Subcommittee and the New Revenue Subcommittee. Subcommittee recommendations have been discussed but not fully debated by the full group. In addition, the group received a discussion paper from member Madison Murphy that included five options for gaining additional revenue for highways. The committee turned in an Interim Report to the Governor in July.

The Arkansas State Highway and Transportation Department completed a number of construction projects this year in each of its ten Districts across the state. Among the projects completed were a joint project with the Mississippi Department of Transportation to open the new Highway 82 Bridge over the Mississippi River near Lake Village, a railroad overpass on Highway 35 in Benton, the widening of four miles of Highway 412 east of Paragould and a new Arkansas Welcome Center at Lake Village.

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, 18 and 27 hole golf courses, over 120 miles of roads, hundreds of miles of utilities and an assortment of 129 hiking, mountain bike, backpack and multi-use trails covering 361 miles. Over 8.3 million visitors came to the state parks in fiscal year 2010. Over 928,138 visitors participated in more than 66,681 educational and recreational programs and special events throughout the park system.

Over $126.2 million in capital improvements and major maintenance projects have been completed throughout the Arkansas State Park system, funded by Amendment 75, the ⅛ % Conservation Tax.

20 construction and major renovation projects were completed in fiscal year 2010 totaling $11.4 million. A few examples of projects include: five new full service housekeeping cabins, parking and utilities at Moro Bay; log restoration and repair of various Civilian Conservation Corps (CCC) structures at Petit Jean; new fire station at Mt. Magazine; complete renovation of Area A campground at Bull Shoals; barrier free trail at Hobbs; and various road, parking and utilities improvements systemwide.

The popularity of our family of websites and social networking connecting friends, families and visitors to Arkansas State Parks (ASP) continues to grow, bringing visitors to park programs, events, etc. On Facebook, ASP has over 40,000 "friends" taking advantage of the benefits and values of their state park system. In regards to America's State Parks, ASP is second only to California in Facebook friends and that is California state parks foundation and not their agency. The social networking sites are great marketing tools that help utilization of park facilities, provide testimonials to others and connect visitors and stakeholders to program opportunities, etc.

Tourism: Fiscal year 2010 was a challenging one for Arkansas's tourism industry. While the national recession had ended, nobody bothered to tell the traveling public – and collections of the state's 2% tourism tax showed a decline of approximately 4.6%. As a result, the Tourism Division had to curtain some of its planned marketing activities in the last quarter of the fiscal year.

Several new attractions were unveiled last year. A new country music theater opened in Jonesboro and Texarkana began operation of an equine center which has drawn crowds from the four-state area. In north central Arkansas, a French couple began construction of the Ozark Medieval Fortress, an authentic 13th-century castle, using period tools and techniques.

Two new welcome centers, a joint effort with the Arkansas State Highway & Transportation Department, were announced. Also, several other major projects – to include the U. S. Marshals Museum in Fort Smith and the Crystal Bridges Museum of American Art in Bentonville – are moving forward. In addition, two pilot projects for tourism development – one targeting the Arkansas River Corridor and the other concentrating on southeast Arkansas – are underway.

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.

In 2010, Congress passed a piece of health care reform legislation titled the Patient Protection and Affordable Care Act. The new legislation introduces many changes to Medicaid. Provisions for this program will be largely federally funded but will also require increased financial obligations for states. The changes to public health insurance coverage outlined in the new law will expand eligibility, add new benefits, and change the structure of public health financing. It is anticipated that an estimated $250 thousand Arkansans will be added to the Medicaid system beginning in 2014.

In addition to the major changes to the national health landscape, the department continues to leverage the limited resources to maintain the current array of services but also to invest in strategies that improve services and generate savings. 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 digital government. The Arkansas Department of Information Systems (DIS) is consistently working to improve access to new technologies for state agencies, boards and commissions, work more efficiently across state government, and 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, protecting critical information, sharing information across state government, applying green IT initiatives and providing services for every generation. There are several key initiatives underway within DIS to address these needs that include: improving the State Data Center; using satellite technology; providing redundant email services; implementing and providing content management and collaboration services; utilizing unified communications; connecting rural areas of the state through broadband; incorporating 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 2010, the AWIN system demonstrated consistent reliability during winter storms in January, tornadoes in April and flooding in May.

The State Cyber Security Office of DIS continues to oversee the Arkansas Continuity of Operations Program (ACOOP) to ensure that state 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 over 400 public entities at 800 locations. ACOOP staff trains and supports over 1,800 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 flooding events in fiscal years 2009 and 2010, providing computer, telephone and radio communications equipment and support to first responders and providing a call center infrastructure for disaster victims. The State Cyber Security Office (SCSO) also serves as the focal point for all cyber security issues and also monitors organizations on the state network for the presence of malware and infected computers. The SCSO maintains over 1,100 firewalls for public organizations on the state network in order to protect sensitive state information.

After President Obama signed the American Recovery and Reinvestment Act (ARRA) in 2009, DIS went to work collaborating with other state agencies to assist in the state's ARRA efforts. DIS worked closely with the Department of Finance and Administration (DFA) to develop a system to meet federal reporting requirements and track recovery dollars received and spent on state projects. DIS developed an application for state agencies to enter information and report on ongoing projects using recovery dollars. Arkansas was one of the few states that developed its own application, doing so at a very reasonable cost. The application tracks 157 prime projects and more than 1,000 subprime projects. Through December 2009, the system tracked more than $160 million recovery dollars expended for projects within the state. The DIS ARRA Team also developed an interactive map search for the application using geospatial information to retrieve projects according to location or area of interest.

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 2010, the Arkansas.gov portal was named one of the best web sites in the nation receiving a second-place ranking by the Center for Digital Government in its annual competition, Best of the Web. In fiscal year 2009, the portal received a third-place ranking in the competition. 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 Lottery Commission (ALC) for the purpose of establishing, operating and regulating State lotteries as authorized by the Arkansas Constitution. The ALC is charged with overseeing the lottery operations of the state and consists of nine members with three members appointed by each of the following: the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. ALC commenced sales of instant scratch-off tickets, Powerball®, Cash 3 and Mega Millions®, on September 28, October 31, December 14, 2009 and January 31, 2010, respectively. From the start of operations to June 30, 2010, ALC had operating revenues of $384.5 million, paid gaming prizes of $247.7 million, paid selling commissions to Arkansas retailers of $21.6 million and provided $82.8 million in scholarship funds, after payment of other lottery expenses.

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. Act 393 of the 2009 regular session charged the Arkansas Department of Health with the responsibility of implementing the Trauma System. Funding commenced on July 1, 2009. 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. The Trauma Section has a number of other tasks which must be completed in order to have a fully functioning Trauma System. Some of these include: ensuring that grant funds reach hospitals and emergency service (EMS) providers; creating policies and procedures regarding both internal operation of the Section as well as the operation of the Trauma System throughout the State; creating a communications system to be used by hospitals and EMS providers (a contract is in place with Motorola, Inc. for this purpose); providing for an Arkansas Trauma Call Center to complete the communications component; ensuring that education is provided to those individuals and entities that will play crucial roles in the Trauma System; working closely with the Trauma Advisory Council, which provides guidance and advice to the ADH regarding Trauma System implementation; and conducting other liaison activities with a wide variety of individuals and groups having an interest in the new Trauma System.

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, 2009. This was the twelfth 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, 2009

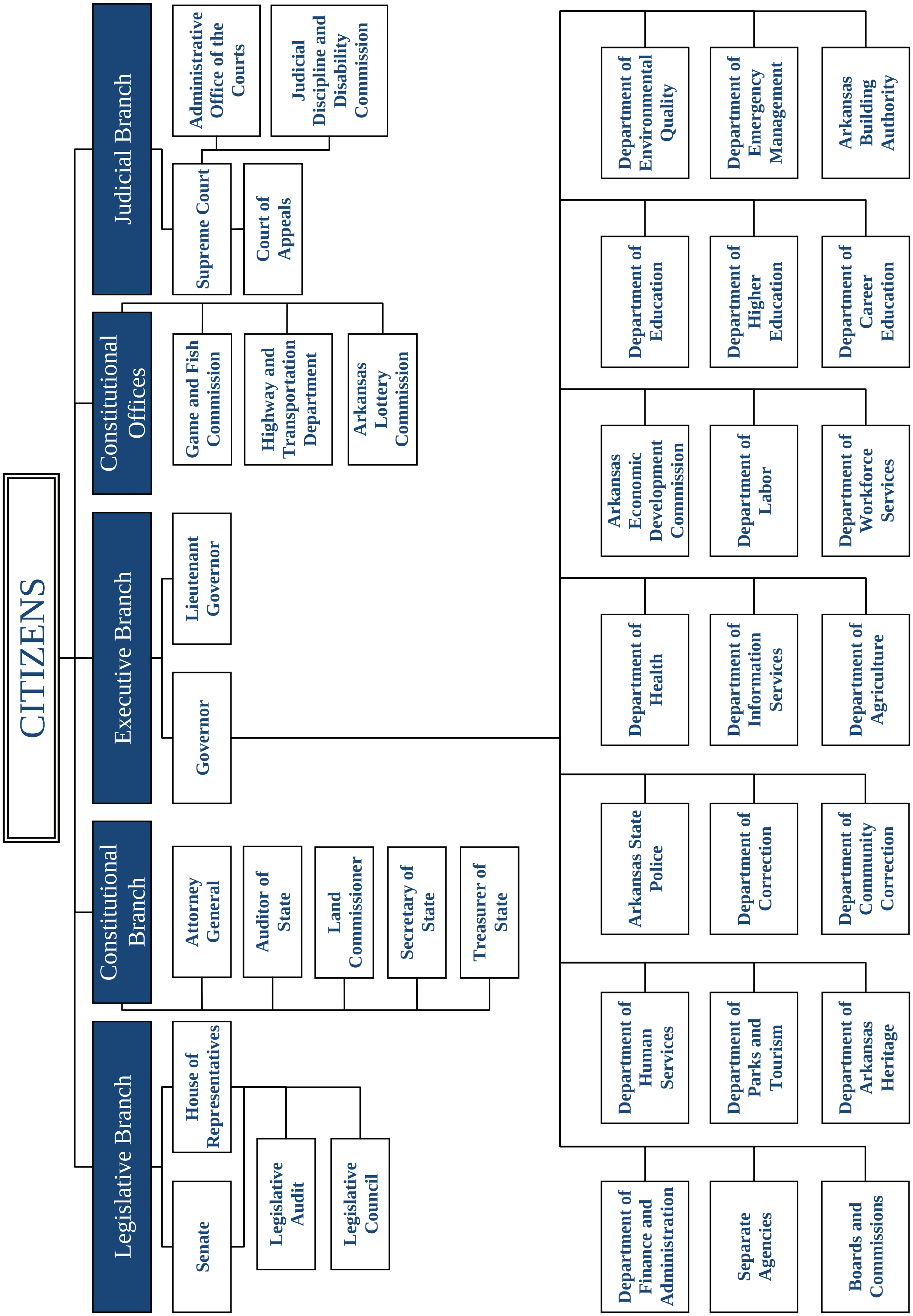
A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards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

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

President

Executive Director

Organizational Chart



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

Ron Sheffield

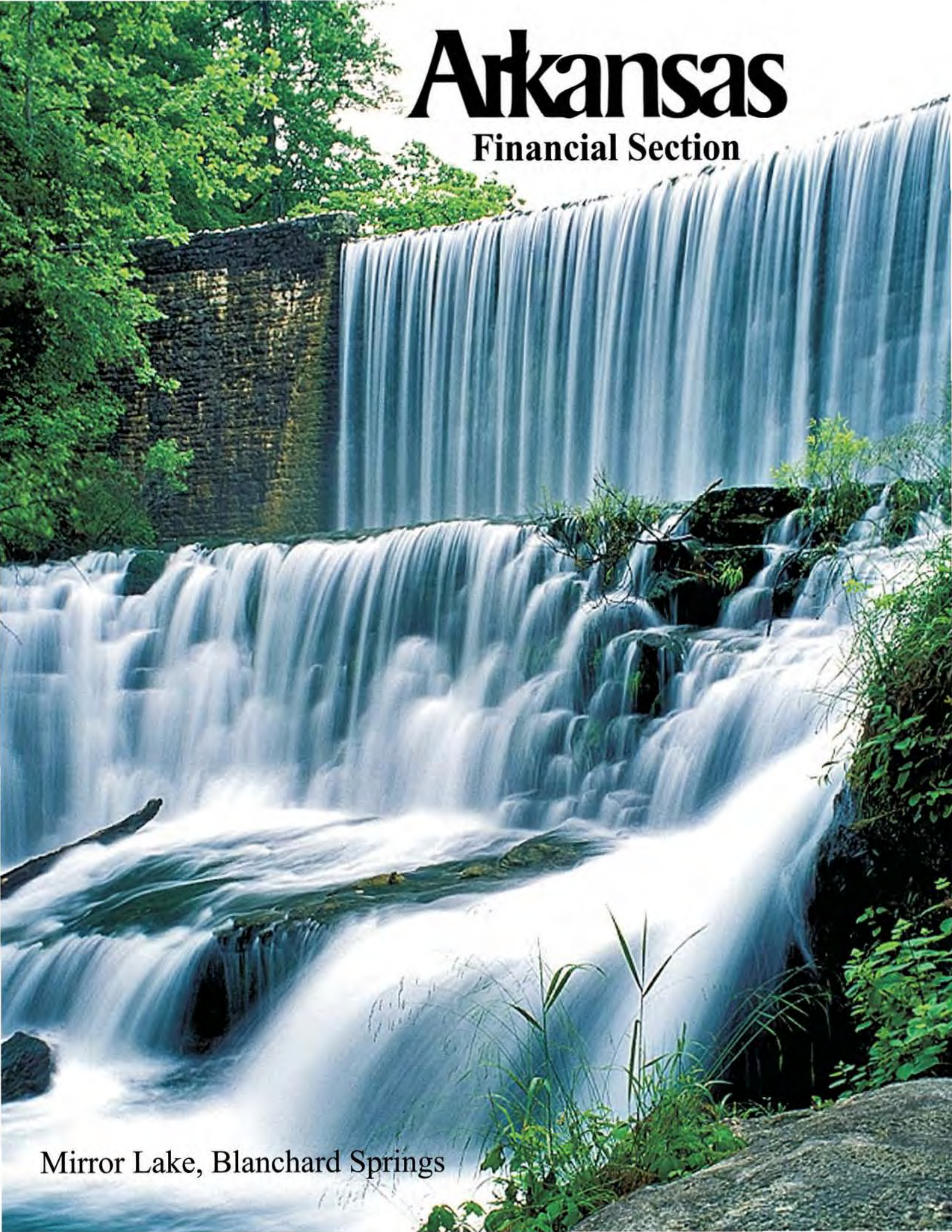
Associate Justice

Paul E. Danielson


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

Arkansas

Financial Section



Mirror Lake, Blanchard Springs


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

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, 2010, 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
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 17% of the assets and 27% of the revenues of the business-type activities opinion unit and 21% of the assets and 48% of the revenues of the Higher Education major enterprise fund opinion unit
- The Department of Workforce Services, a major enterprise fund, which represents 4% of the assets and 26% 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
- 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 1% of the revenues of the aggregate remaining fund information opinion unit

Financial statements for the above 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 funds and 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.

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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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 22, 2010 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.

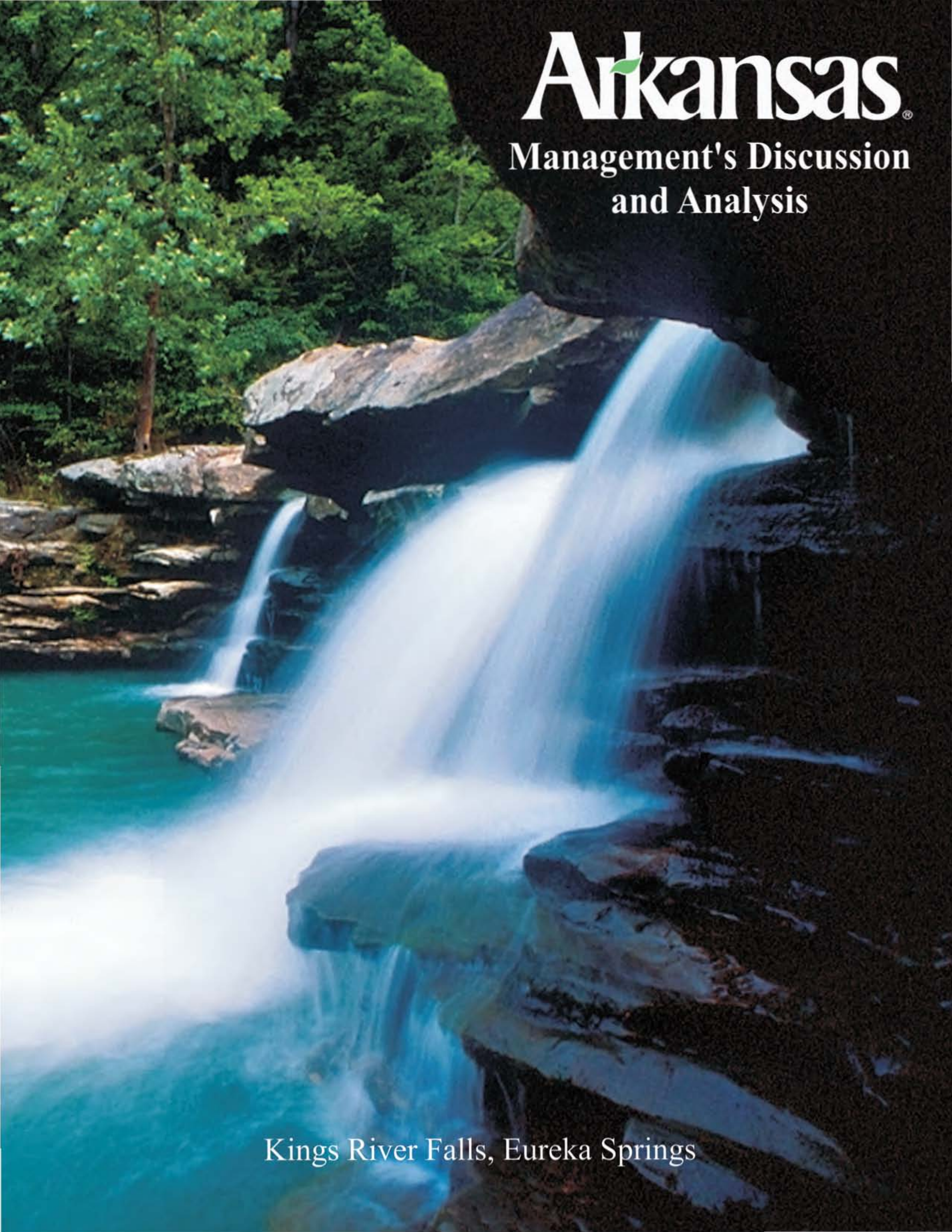
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Arkansas's basic financial statements. The introductory section, combining financial statements, and statistical section are presented for purposes of additional analysis and 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 22, 2010
CAFR00110

Arkansas
Management's Discussion and Analysis



Kings River Falls, Eureka Springs


GREAT SEAL OF THE STATE OF ARKANSAS
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MERCY
JUSTICE

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, 2010. The State's June 30, 2010, 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, 2010 by $14.3 billion (presented as "Total net assets"). The net assets of the State increased $154.9 million during the year. The governmental activities net assets increased by $40 million, while the business-type activities increased by $114.9 million. Of the total net assets, $1.7 billion (11.7%) 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, $2 billion (14%), 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, $10.6 billion (74.3%), reflects its investment in capital assets such as land, buildings, equipment, intangibles 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, 2010 was $2.8 billion. Additional debt totaling $606 million was entered into during the year. $230 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, 2010, the State's General Fund reported a fund balance of $3.7 billion. Of this balance, $1.9 billion or 50.3% of the total fund balance is reserved and $1.8 billion or 49.7% of the total fund balance is unreserved. The fund balance in the General Fund increased $120.2 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, Community/Technical College, Brownfields, CDBG for Affordable Housing Disaster, Assisted Living Incentive, Industrial Energy Technology and Venture Capital Investment Trust Fund) 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, Teacher, and Arkansas Public Employees Retirement Systems (which include Arkansas State Police Retirement System and District Judges); 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	
	2010	2009 (Restated)	2010	2009 (Restated)	2010	2009 (Restated)
Current assets	$ 4,509,123	$ 4,375,049	$ 1,454,917	$ 1,244,553	$ 5,964,040	$ 5,619,602
Noncurrent assets	250,477	234,155	1,886,846	1,693,451	2,137,323	1,927,606
Capital assets	9,545,677	9,377,426	3,156,494	3,004,362	12,702,171	12,381,788
Total Assets	14,305,277	13,986,630	6,498,257	5,942,366	20,803,534	19,928,996
Current liabilities	1,336,182	1,176,554	807,493	551,920	2,143,675	1,728,474
Long-Term liabilities	1,505,605	1,386,561	2,833,256	2,647,889	4,338,861	4,034,450
Total Liabilities	2,841,787	2,563,115	3,640,749	3,199,809	6,482,536	5,762,924
Net assets						
Invested in capital assets, net of related debt	8,867,290	8,766,290	1,768,138	1,690,161	10,635,428	10,456,451
Restricted	1,253,570	734,837	760,352	726,800	2,013,922	1,461,637
Unrestricted	1,342,630	1,922,388	329,018	325,596	1,671,648	2,247,984
Total Net Assets	$ 11,463,490	$ 11,423,515	$ 2,857,508	$ 2,742,557	$ 14,320,998	$ 14,166,072

The net assets of the governmental activities increased $40 million, while the net assets of the business-type activities increased $114.9 million. Although the economy has slowed down, both the governmental and business-type activities continue to show an increase. Personal and corporate income taxes have decreased as evidenced by the decline in personal and corporate income in fiscal year 2010. 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 and use tax has declined due to economy and market downturns. The offsets to the growth in revenue in fiscal year 2010 are: expenses associated with the growth of Federal grants, increased salary costs and professional services. The business-type activities saw an increase in tuition received and operating grants and contributions.

The book value of capital assets as of June 30, 2010, was $9.5 billion for governmental activities and $3.2 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 $40 million and business-type activities increased the State's net assets by $114.9 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	
	2010	**2009 (Restated)**	**2010**	**2009 (Restated)**	**2010**	**2009 (Restated)**
Program Revenues:						
Charges for services	$ 1,035,351	$ 999,135	$ 2,187,805	$ 1,682,434	$ 3,223,156	$ 2,681,569
Operating grants and contributions	5,868,623	4,943,264	1,498,215	928,570	7,366,838	5,871,834
Capital grants and contributions	493,064	455,765	33,052	52,438	526,116	508,203
General Revenues:						
Personal and corporate taxes	2,468,798	2,507,368			2,468,798	2,507,368
Sales and use taxes	2,376,891	2,487,944			2,376,891	2,487,944
Motor fuel taxes	449,274	444,496			449,274	444,496
Other taxes	903,113	815,206	377,460	320,271	1,280,573	1,135,477
Total Revenues	13,595,114	12,653,178	4,096,532	2,983,713	17,691,646	15,636,891
Expenses:						
Education	3,605,065	3,338,002			3,605,065	3,338,002
Health and human services	6,144,706	5,457,305			6,144,706	5,457,305
Transportation	731,317	699,737			731,317	699,737
Law, justice and public safety	779,374	820,960			779,374	820,960
Recreation and resources development	277,402	243,419			277,402	243,419
General government	1,356,657	1,310,341			1,356,657	1,310,341
Regulation of business and professionals	105,968	107,347			105,968	107,347
Business-type expenses:						
Higher Education			3,191,697	3,021,439	3,191,697	3,021,439
Workers' Compensation Commission			15,918	29,349	15,918	29,349
Department of Workforce Services			1,211,812	901,064	1,211,812	901,064
Lottery Commission			302,579	16	302,579	16
War Memorial Stadium Commission			3,439	2,585	3,439	2,585
Public School Employee Health and Life Benefit Plan			260,194	259,385	260,194	259,385
Revolving loans			18,675	3,941	18,675	3,941
Interest expense	52,145	55,193			52,145	55,193
Total Expenses	13,052,634	12,032,304	5,004,314	4,217,779	18,056,948	16,250,083
Other:						
Unrestricted investment earnings	52,809	82,681	54,846	(8,628)	107,655	74,053
Miscellaneous Income	330,397	286,173	82,176	108,788	412,573	394,961
Total Other	383,206	368,854	137,022	100,160	520,228	469,014
Increase (decrease) in net assets before transfers and restatements	925,686	989,728	(770,760)	(1,133,906)	154,926	(144,178)
Transfers - internal activities	(885,711)	(955,484)	885,711	955,484		
Restatements		(34,379)		6,223		(28,156)
Total Transfers and Restatements	(885,711)	(989,863)	885,711	961,707		(28,156)
Increase (decrease) in net assets	39,975	(135)	114,951	(172,199)	154,926	(172,334)
Net Assets - Beginning, as restated	11,423,515	11,423,650	2,742,557	2,914,756	14,166,072	14,338,406
Net Assets - Ending	$ 11,463,490	$ 11,423,515	$ 2,857,508	$ 2,742,557	$ 14,320,998	$ 14,166,072

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

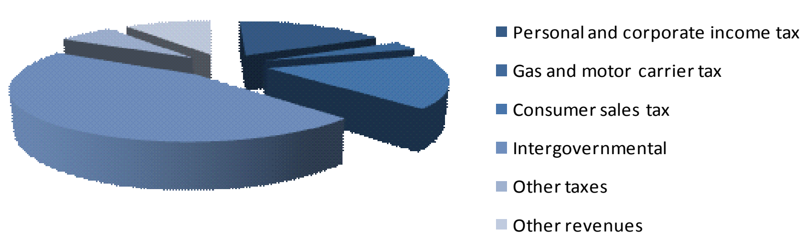
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenues in the General Fund are taxes and intergovernmental. The State's most significant areas of expenditures from the General Fund are the areas of 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, 2010 and 2009 (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

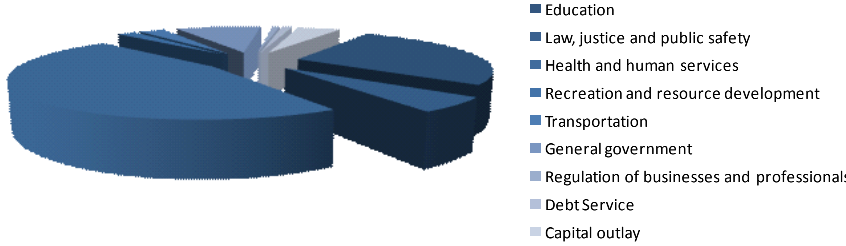
Revenues	2010	2009	Increase (Decrease) Percent
Personal and corporate income tax	$ 2,471,420	$ 2,549,965	-3.08%
Gas and motor carrier tax	449,754	444,573	1.17%
Consumer sales tax	2,390,819	2,502,403	-4.46%
Intergovernmental	6,364,695	5,394,538	17.98%
Other taxes	903,618	813,733	11.05%
Other revenues	1,445,277	1,392,295	3.81%
Total	$ 14,025,583	$ 13,097,507	7.09%



Governmental revenues increased by 7.09%. Personal and corporate income tax revenue decreased by $78.5 million due to decline in personal and corporate income as a result of economic and market downturns. Consumer sales tax decreased by $111.6 million also as a result of economic and market downturns. Federal grant revenue and reimbursements increased by $970.2 million primarily because of increased Medicaid revenues through the Department of Human Services, federal grant revenue to the Arkansas Highway and Transportation Department and federal grant revenue to the Department of Education, all of which were a result of increased utilization of the program provided for by the American Recovery and Reinvestment Act (ARRA). Other taxes increased by $89.9 million primarily as a result of increased tobacco tax and natural gas severance tax revenue.

Expenditures by Source - General Fund

Expenditures		2010		2009	Increase (Decrease) Percent
Education	$	3,600,560	$	3,333,875	8.00%
Law, justice and public safety		747,379		794,793	-5.97%
Health and human services		6,129,257		5,441,822	12.63%
Recreation and resource development		258,322		225,461	14.58%
Transportation		365,980		348,665	4.97%
General government		1,237,895		1,190,436	3.99%
Regulation of businesses and professionals		108,748		105,752	2.83%
Debt Service		150,902		157,226	-4.02%
Capital outlay		614,241		561,354	9.42%
Total	$	13,213,284	$	12,159,384	8.67%



The State's agencies expenditures increased for the fiscal year 2010 by 8.67%. Generally there were three areas of growth: grants and aid, personnel expenses and professional services. Health and Human Services increased $687 million with Medicaid expenditures accounting for most of the change which was a result of increased utilization of the program provided for by the ARRA. Education increased $267 million, with ARRA grant disbursements to the Local Education Agency's (LEA's) and network services accounting for most of the changes. General government increased by $47 million with an increase in large tax refunds, increase in health claims, increased general improvement payments and increased disaster relief efforts accounting for most of the change. Capital outlay increased by $53 million as a result of the Department of Human Services, Arkansas State Police, Arkansas Military Department, Arkansas Building Authority and Highway and Transportation Department having large capital asset purchases in the current year without equivalent acquisitions in the prior 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 2010, the State's General Fund reported an ending fund balance of $3.7 billion, which is an increase of $120.2 million in comparison to fiscal year 2009.

Approximately $1.9 billion or 50.3% 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 $1.8 billion or 49.7%, 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, intangibles, 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 $21 billion and the accumulated depreciation was $8.3 billion at June 30, 2010. The net book value was $12.7 billion. Depreciation expense was $443.6 million for the governmental activities and $201.5 million for the business-type activities.

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

- The Arkansas Building Authority purchased a building located at 900 W. Capitol for $19.2 million.
- The Department of Human Services expended $1.3 million of ARRA funds for the construction of the Division of Youth Services Juvenile Treatment Center.
- The Department of Human Services capitalized $4.9 million of internally generated software costs (intangibles) as required by implementation of GASB 51.
- The Department of Human Services purchased computer and equipment for $2.4 million with ARRA funds.
- The Arkansas State Police completed construction of Troop K Headquarters for $1.5 million.
- The Arkansas State Police purchased a helicopter for $3.7 million with ARRA funds.
- The Department of Highway and Transportation constructed roads, bridges and overlays for $417 million and purchased right-of-ways for $31 million.
- The State Military Department expended $7.9 million for the construction of the Northwest Arkansas Reserve Center.

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, Mid-South Community College, Arkansas Northeastern College, North Arkansas College, Rich Mountain Community College, South Arkansas Community College, Black River Technical College, Pulaski Technical College and Ozarka College.

Governmental Activities

The State's governmental activities had $1.207 billion in bonds, notes payable, installment sales payable and capital leases outstanding at June 30, 2010, versus $1.115 billion at June 30, 2009. The net increase is approximately $92 million. Significant increases in bonds, notes payable, installment sales payable and capital leases are as follows:

- The Arkansas Natural Resources Commission issued $70.1 million of Series 2010 Pollution General Obligation Bonds.
- The Arkansas Highway and Transportation Department issued $253.2 million of Series 2010 Federal Highway General Obligation Bonds to refund old issues 2000A, 2001A and 2002.

Notes payable, installment sales payable and capital leases to component units had a net increase of $4.6 million in fiscal year 2010. During fiscal year 2010, bonds payable had a net increase of $91.2 million with $239.6 million paid toward principal payments and refinancing. Notes payable and capital leases to outside entities had a net decrease of $3.5 million.

The State's governmental activities had approximately $113.6 million of claims and judgments outstanding at June 30, 2010, compared to $117.6 million at June 30, 2009. Other obligations include accrued sick leave and vacation pay of $140.9 million at June 30, 2010. The State's governmental activities also had $364 million recorded for net postemployment benefits obligation at June 30, 2010 as a result of implementing GASB Statement No. 45. In fiscal year 2010, governmental activities included $16.8 million recorded for pollution remediation as a result of implementing GASB Statement No. 49.

Business-type Activities

The State's business-type activities had $1.561 billion in bonds, notes payable, and capital leases outstanding at June 30, 2010, versus $1.484 billion at June 30, 2009. 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:

- The University of Arkansas Fayetteville Campus issued $52.4 million in Various Facilities Revenue Bonds, Series 2009A to finance the construction and or renovation of the Nanoscale Science and Engineering Building, Garland Avenue parking garage and retail shops, Peabody Hall, Pomfret, classroom and labs, Davis, Darby & Sharp Halls and various property purchases.
- The University of Arkansas Little Rock Campus issued $32.3 million in Capital Improvement Revenue Bonds, Series 2009 to finance the completion of the Engineering and Information Technology Building, modifications to elevator and HVAC systems and renovation of the Stella Boyle Smith Concert Hall.
- The University of Arkansas Fort Smith Campus issued $29.9 million in Student Fee Refunding Revenue Bonds, Series 2010 to refund Student Fee Revenue Bonds, Series 2001.
- The University of Arkansas Little Rock Campus issued $29.5 million in Auxiliary Enterprises Revenue Bonds, Series 2009 for construction of a 400-bed student housing complex and construction of a student recreation and sports complex.
- The University of Arkansas Fayetteville Campus issued $24 million in Athletic Facilities Revenue Refunding Bonds, Series 2010 (taxable) to refund Athletic Facilities Revenue Bonds, Series 1999.
- Southern Arkansas University issued $10.1 million in Auxiliary Revenue Secured Improvement and Refunding Bonds, Series 2010 to refund prior bond issues Series 1999, 2001 and 2003.

The colleges and universities also entered into capital leases totaling $3.5 million, as well as notes payable totaling $13.7 million. Bonds, notes payable and capital leases decreased $172.4 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $281.9 million of claims and judgments outstanding at June 30, 2010, compared to $290.7 million at June 30, 2009. Other obligations included accrued sick leave and vacation pay of $96.5 million at June 30, 2010. The State's business-type activities also had $51.1 million recorded for net postemployment benefits obligation at June 30, 2010 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)

Functions	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts
General government	$ 5,457,453	$ 5,702,362	$ 1,869,735
Education	4,358,579	4,399,930	3,637,878
Health and human services	6,114,440	6,029,625	5,504,995
Law, justice and public safety	919,701	1,000,680	806,497
Recreation and resources development	405,102	414,987	291,680
Regulation of business and professionals	244,598	268,900	166,865
Transportation	564,688	566,474	356,637
Debt service	163,656	170,807	127,466
Capital outlay	1,066,823	1,071,386	519,772
Total	$ 19,295,040	$ 19,625,151	$ 13,281,525

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.

The final budget exceeded the original budget by $330.1 million. The increases in Education, General government and Law, justice and public safety were primarily due to unanticipated federal grants received by the State after the original budget was established. The decrease in Health and human services was predominately due to excess appropriation that was included in the original budget for which sufficient funding was never received, therefore the excess appropriation was blocked.

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.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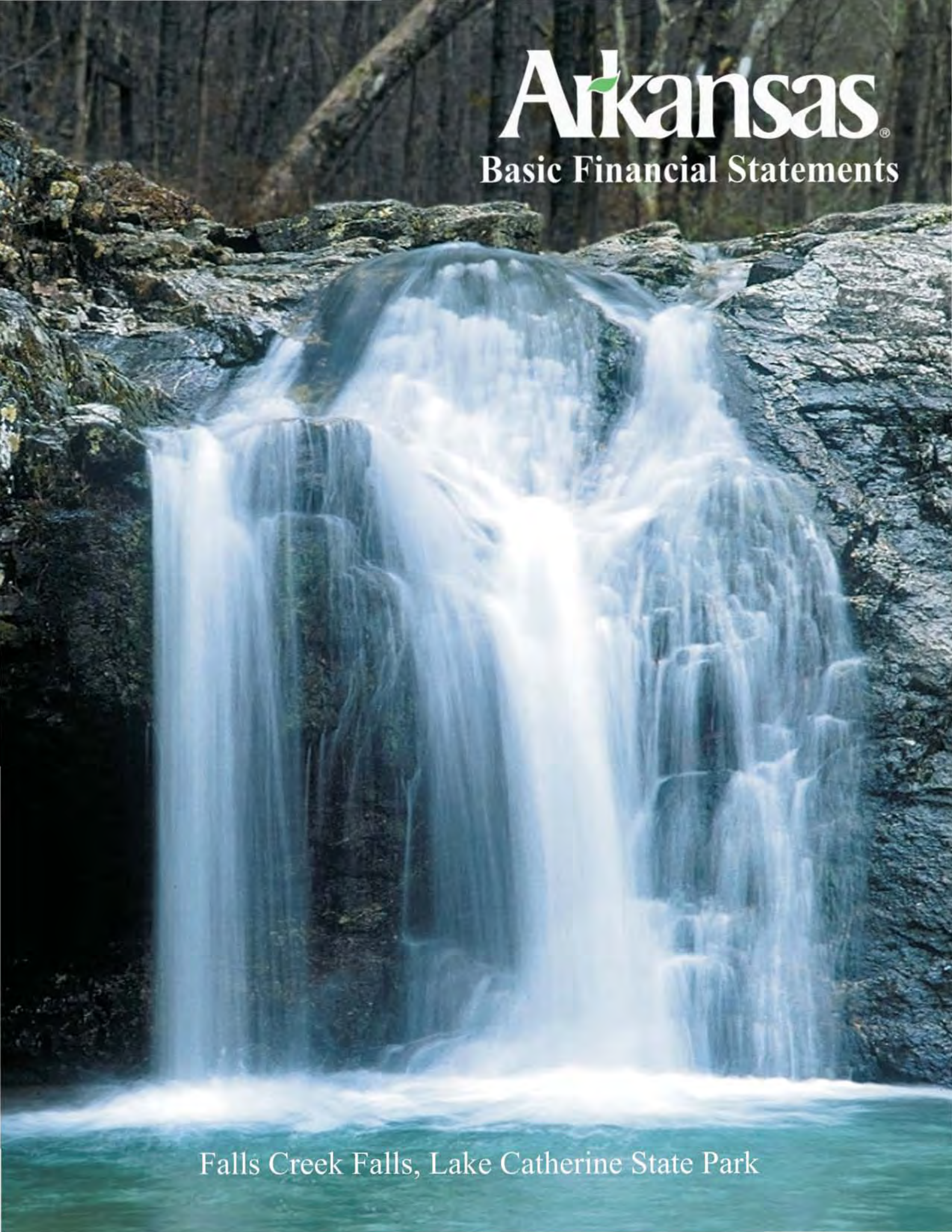
Basic Financial Statements



Falls Creek Falls, Lake Catherine State Park

Statement of Net Assets
June 30, 2010
(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	$ 651,879	$ 654,809	$ 1,306,688	$ 1,971	$ 340,818
Cash and cash equivalents - restricted		76,741	76,741		
Investments	2,722,820	347,520	3,070,340	266,178	2,074
Receivables, net:					
Accounts	121,928	377,215	499,143		818
Taxes	407,998		407,998		
Medicaid	244,715		244,715		
Loans	17,911	11,889	29,800	13,619	1,048
Leases	65		65		
Interest	21,194	2,069	23,263	13,428	4,196
Other	27,401		27,401	162	
Internal balances	76,739	(76,739)			
Note receivable component unit	24,000		24,000		
Due from other governments	117,543	15,142	132,685		
Prepaid items	16,650	3,099	19,749		
Inventories	57,553	30,013	87,566		
Deposits with bond trustee		4,882	4,882		
Current deferred charges	708		708		
Other current assets	19	8,277	8,296		
Total current assets	4,509,123	1,454,917	5,964,040	295,358	348,954
Noncurrent assets:					
Cash and cash equivalents, restricted		93,331	93,331		
Deposits with component unit	23,732	201	23,933		
Deposits with bond trustee		138,441	138,441		
Deposits with Multi-State Lottery Association		458	458		
Investments		282,830	282,830	12,280	643,283
Receivables, net		61,399	61,399		
Loans and mortgages receivable	219,564	358,132	577,696	536,186	188,496
Loans and capital leases receivable from primary government					241,907
Capital leases receivable	824		824		6,061
External portion of investment pool		935,111	935,111		
Installment sale agreement with primary government					12,340
Deferred charges	6,357		6,357	9,452	4,967
Financial assurance instruments		8,150	8,150		
Other noncurrent assets		8,793	8,793	338	928
Total noncurrent assets	250,477	1,886,846	2,137,323	558,256	1,097,982
Capital assets (net of accumulated depreciation):					
Land	675,562	113,380	788,942	670	
Land improvements	72,200		72,200		
Infrastructure	6,274,209	142,264	6,416,473		
Buildings	776,671	2,274,646	3,051,317	1,854	
Equipment	229,672	179,152	408,824	482	180
Improvements other than building		9,090	9,090		
Leasehold improvements		1,581	1,581		
Construction in progress	1,483,952	340,771	1,824,723		
Other capital assets	33,411	95,610	129,021		
Total capital assets, net of depreciation	9,545,677	3,156,494	12,702,171	3,006	180
Total noncurrent assets and capital assets	9,796,154	5,043,340	14,839,494	561,262	1,098,162
Total assets	$ 14,305,277	$ 6,498,257	$ 20,803,534	$ 856,620	$ 1,447,116

Statement of Net Assets
June 30, 2010
(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	$ 46,289	$ 157,064	$ 203,353	$ 7,008	$ 9,316
Prizes payable		14,150	14,150		
Accrued interest	10,201	7,054	17,255		15,545
Accrued and other current liabilities	144,149	100,316	244,465		
Medicaid payable	349,114		349,114		
Income tax refunds payable	360,394		360,394		
Due to other governments	65,147	333,203	398,350		
Workers' compensation benefits payable		16,395	16,395		
Funds held in trust for others		10,011	10,011		
Bonds, notes and leases payable	212,659	69,741	282,400		46,098
Installment sales payable	470		470		
Note payable to primary government				24,000	
Claims, judgments, arbitrage and compensated absences	123,025	52,189	175,214		
Pollution remediation obligation	892		892		
Deferred revenue	23,842	47,370	71,212		
Total current liabilities	1,336,182	807,493	2,143,675	31,008	70,959
Long-term liabilities:					
Workers' compensation benefits payable		225,943	225,943		
External portion of investment pool		935,111	935,111		
Bonds, notes, and leases payable	982,073	1,491,717	2,473,790	774,150	1,113,570
Installment sales payable	11,870		11,870		
Claims, judgments, arbitrage and compensated absences	131,457	83,919	215,376		
Pollution remediation obligation	15,863		15,863		
Net post employment benefits obligation	364,342	51,146	415,488	65	672
Deposits held on behalf of primary government					23,933
Other noncurrent liabilities		8,764	8,764		6,718
Deferred revenue		36,656	36,656		5,852
Total long-term liabilities	1,505,605	2,833,256	4,338,861	774,215	1,150,745
Total liabilities	2,841,787	3,640,749	6,482,536	805,223	1,221,704
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	8,867,290	1,768,138	10,635,428	3,006	180
Restricted for:					
Debt service	235,092	19,149	254,241		
Other capital projects	176,764	31,962	208,726		
Bond and resolution program					124,483
Program requirements	736,714	433,144	1,169,858		
Tobacco settlement	105,000		105,000		
Non-expendable - endowment		77,039	77,039		
Expendable-capital projects, debt service, loans, and other		199,058	199,058	48,391	
Unrestricted	1,342,630	329,018	1,671,648		100,749
Total net assets	11,463,490	2,857,508	14,320,998	51,397	225,412
Total liabilities and net assets	$ 14,305,277	$ 6,498,257	$ 20,803,534	$ 856,620	$ 1,447,116

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, 2010
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $1,293	$	78,610
Interest receivable		2,076
Cash value of life insurance		644
Land, buildings and equipment net of accumulated depreciation of $256		391
Investments		571,799
Total assets	$	653,520
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	5,681
Annuity obligations		16,669
Total liabilities		22,350
Net Assets:		
Unrestricted		69,626
Temporarily restricted		151,489
Permanently restricted		410,055
Total net assets		631,170
Total liabilities and net assets	$	653,520

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

Arkansas

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2010
(Expressed in thousands)

Assets		
Investments	$	389,876
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	$	96
Total liabilities		96
Net Assets:		
Temporarily restricted	$	21,401
Permanently restricted		368,379
Total net assets		389,780
Total liabilities and net assets	$	389,876

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

Statement of Activities
For the Fiscal Year Ended June 30, 2010
(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	$ 1,356,657	$ 325,072	$ 345,589	$ 1,739
Education	3,605,065	6,469	667,401	1,139
Health and human services	6,144,706	362,532	4,588,046	118
Transportation	731,317	107,818	29,244	461,599
Law, justice and public safety	779,374	73,601	196,596	25,586
Recreation and resources development	277,402	79,780	39,289	2,883
Regulation of business and professionals	105,968	80,079	2,458	
Interest expense	52,145			
Total governmental activities	13,052,634	1,035,351	5,868,623	493,064
Business-type activities:				
Higher Education	3,191,697	1,529,344	709,336	33,044
Workers' Compensation Commission	15,918			
Department of Workforce Services	1,211,812		750,533	8
Lottery Commission	302,579	384,565		
War Memorial Stadium Commission	3,439	1,852	132	
Public School Employee Health and Life Benefit Plan	260,194	268,312		
Revolving Loans	18,675	3,732	38,214	
Total business-type activities	5,004,314	2,187,805	1,498,215	33,052
Total primary government	$ 18,056,948	$ 3,223,156	$ 7,366,838	$ 526,116
Component units:				
Arkansas Student Loan Authority	$ 25,540	$ 26,829	$	
Arkansas Development Finance Authority	93,685	85,521	45,067	
Total component units	$ 119,225	$ 112,350	$ 45,067	

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
	$ (684,257)	$	$ (684,257)		
	(2,930,056)		(2,930,056)		
	(1,194,010)		(1,194,010)		
	(132,656)		(132,656)		
	(483,591)		(483,591)		
	(155,450)		(155,450)		
	(23,431)		(23,431)		
	(52,145)		(52,145)		
	(5,655,596)		(5,655,596)		
		(919,973)	(919,973)		
		(15,918)	(15,918)		
		(461,271)	(461,271)		
		81,986	81,986		
		(1,455)	(1,455)		
		8,118	8,118		
		23,271	23,271		
		(1,285,242)	(1,285,242)		
	(5,655,596)	(1,285,242)	(6,940,838)		
				$ 1,289	$
					36,903
				1,289	36,903
	2,468,798		2,468,798		
	2,376,891		2,376,891		
	449,274		449,274		
	903,113	377,460	1,280,573		
	6,198,076	377,460	6,575,536		
	52,809	54,846	107,655		
	330,397	82,176	412,573	1,702	
	(885,711)	885,711			
	5,695,571	1,400,193	7,095,764	1,702	
	39,975	114,951	154,926	2,991	36,903
	11,423,515	2,742,557	14,166,072	48,406	188,509
	$ 11,463,490	$ 2,857,508	$ 14,320,998	$ 51,397	$ 225,412

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2010
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 12,126	$ 59,301	$ 20,380	$ 91,807
Sponsored programs	1,231	400		1,631
Interest and dividends	5,801	5,277	339	11,417
Net realized and unrealized gains on investments	17,194	15,096	28,656	60,946
Other	270	124		394
Net assets released from restrictions	49,614	(49,614)		
Total revenues, gains and other support	86,236	30,584	49,375	166,195
Expenses and losses:				
Program services:				
Construction	21,455			21,455
Research	10,242			10,242
Faculty/staff support	14,368			14,368
Scholarships and awards	6,954			6,954
Public/staff relations	2,538			2,538
Equipment	2,875			2,875
Sponsored programs	1,573			1,573
Other	12,592			12,592
Total program services	72,597			72,597
Supporting services:				
Management and general	351			351
Fund raising	2,193			2,193
Change in value of split-interest agreements			79	79
Provision for loss on uncollectible pledges	73	1,960	375	2,408
Total supporting services	2,617	1,960	454	5,031
Total expenses and losses	75,214	1,960	454	77,628
Change in net assets	11,022	28,624	48,921	88,567
Net assets - beginning	58,604	122,865	361,134	542,603
Net assets - ending	$ 69,626	$ 151,489	$ 410,055	$ 631,170

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, 2010
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 3,190	$ 220	$ 3,410
Net realized and unrealized gains on investments		14,735	29,522	44,257
Net assets released from restrictions	14,523	(14,523)		
Total revenues, gains and other support	14,523	3,402	29,742	47,667
Expenses and losses:				
Program services:				
Research	1,225			1,225
Faculty/staff support	2,046			2,046
Scholarships and awards	9,632			9,632
Equipment and technology	1,299			1,299
Other	321			321
Total program services	14,523			14,523
Change in net assets		3,402	29,742	33,144
Net assets - beginning		17,999	338,637	356,636
Net assets - ending	$	$ 21,401	$ 368,379	$ 389,780

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

Balance Sheet
Governmental Fund
June 30, 2010
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	651,879
Investments		2,722,820
Receivable, net:		
Accounts		121,849
Taxes		407,998
Medicaid		244,715
Loans		237,475
Leases		889
Interest		21,194
Other		27,401
Note receivable from component unit		24,000
Due from other funds		86,603
Due from other governments		117,543
Prepaid items		16,650
Inventories		57,553
Deposits with component unit		23,732
Other assets		19
Total assets	$	4,762,320
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	43,936
Accrued and other current liabilities		144,149
Deferred revenue		129,213
Income tax refunds payable		360,394
Due to other governments		65,147
Due to other funds		12,138
Advances from other funds		5,172
Medicaid claims payable		349,114
Total liabilities		1,109,263
Fund balance:		
Reserved for:		
Prepaid items		16,650
Inventories		57,553
Debt service		243,153
Loans		237,475
Leases		889
Note receivable from component unit		24,000
Grant programs		676,352
Capital projects		92,566
Transportation programs		325,943
Tobacco settlement		163,745
Unreserved		1,814,731
Total fund balance		3,653,057
Total liabilities and fund balance	$	4,762,320

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, 2010
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 3,653,057
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	$ 825,379	
Infrastructure assets	11,436,029	
Other capital assets	3,486,811	
Accumulated depreciation	(6,202,542)	
Total capital assets		9,545,677
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.		7,065
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.		105,371
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	$ (1,182,151)	
Installment sales payable	(12,340)	
Claims, judgments, arbitrage and compensated absences	(254,482)	
Net OPEB obligation	(364,342)	
Pollution remediation obligation	(16,755)	
Loss of early retirement	20,593	
Unamortized bond issue premium	(30,947)	
Accrued interest on bonds, notes, installment sales payable and leases	(10,201)	
Unamortized bond issue discounts	2,945	
Total long-term liabilities		(1,847,680)
Net assets of governmental activities		$ 11,463,490

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, 2010
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	2,471,420
Consumers sales and use		2,390,819
Gas and motor carrier		449,754
Other		903,618
Intergovernmental		6,364,695
Licenses, permits and fees		1,055,693
Investment earnings		52,809
Miscellaneous		336,775
Total revenues		14,025,583
Expenditures:		
Current:		
General government		1,237,895
Education		3,600,560
Health and human services		6,129,257
Transportation		365,980
Law, justice and public safety		747,379
Recreation and resources development		258,322
Regulation of business and professionals		108,748
Debt service:		
Principal retirement		95,924
Interest		53,303
Bond issuance costs		1,675
Capital outlay		614,241
Total expenditures		13,213,284
Excess of revenues over expenditures		812,299
Other financing sources (uses):		
Issuance of debt		71,520
Issuance of refunding bonds		253,225
Bond discounts and premiums		21,045
Payment to refunding escrow agent		(174,165)
Capital leases		19,520
Sale of capital assets		2,476
Transfers in		160,402
Transfers out		(1,046,121)
Total other financing sources and uses		(692,098)
Net change in fund balance		120,201
Fund balance - beginning as restated		3,532,856
Fund balance - ending	$	3,653,057

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, 2010
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 120,201
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	$ 614,241	
Depreciation expense	(443,649)	
Excess of capital outlay over depreciation expense		170,592
The net effect of various miscellaneous transactions involving capital assets (i.e. sales, trade-ins and donations) is to increase net assets.		33
Bond proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net assets.		(324,745)
Bonds issued at a premium provide current financial resources to governmental funds, but increase the long-term liabilities in the statement of net assets.		(21,383)
Bonds issued at a discount reduce current financial resources to governmental funds, but decrease the long-term liabilities in the statement of net assets.		338
Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the statement of net assets.		1,675
Loss on early retirement of bonds		(1,495)
Payments to refunding escrow agent use current financial resources to governmental funds but reduce long-term liabilities in the statement of net assets.		174,165
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.		(19,520)
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		95,924
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.		(18,005)
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	$ (814)	
Increase in claims, judgments, arbitrage and compensated absences	(4,368)	
Change in net pension assets	(2,707)	
Amortization of bond premium and discount	2,846	
Amortization of bond issuance costs	(467)	
Increase in pollution remediation obligations	(1,052)	
Loss on sale of capital assets	(2,126)	
Decrease in accrued interest	220	
Increase in other postemployment benefits obligations	(129,337)	
Total additional expenditures		(137,805)
Change in net assets of governmental activities		$ 39,975

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

Statement of Net Assets
Proprietary Funds
June 30, 2010
(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	$ 399,305	$ 19,721	$ 128,658	$ 6,758	$ 100,367	$ 654,809
Cash and cash equivalents - restricted				76,741		76,741
Investments	194,689	132,666			20,165	347,520
Receivables, net						
Accounts	243,173	7,946	110,638	14,290	1,168	377,215
Loans	7,966				3,923	11,889
Interest	472	880	21		696	2,069
Due from other funds	7,119	525	1,787	5	628	10,064
Due from other governments	6,754		8,388			15,142
Advances to other funds					634	634
Inventories	30,006				7	30,013
Prepaid items	2,722	58	318		1	3,099
Deposits with bond trustee	4,882					4,882
Other current assets	8,277					8,277
Total current assets	905,365	161,796	249,810	97,794	127,589	1,542,354
Noncurrent assets:						
Cash and cash equivalents - restricted	93,313			18		93,331
Deposits with Multi-State Lottery Association				458		458
Investments						
Endowment	15,697					15,697
Restricted	1,334	106			80,458	81,898
Unrestricted	185,235					185,235
Receivables, net	61,399					61,399
Capital assets:						
Land	109,827	580	2,973			113,380
Infrastructure	257,037		22			257,059
Buildings	3,521,719	2,272	9,461		14,728	3,548,180
Equipment	614,995	793	6,671	509	1,062	624,030
Improvements other than building	15,864				446	16,310
Leasehold improvements	1,100			481		1,581
Construction in progress	334,306		662		5,803	340,771
Other depreciable assets	349,814	553	5,452		240	356,059
Less accumulated depreciation	(2,079,953)	(2,538)	(10,950)	(123)	(7,312)	(2,100,876)
External portion of investment pool	935,111					935,111
Advances to other funds					5,632	5,632
Loans receivable - restricted					358,132	358,132
Deposits with bond trustee	138,441					138,441
Deposits with component unit		201				201
Financial assurance instruments		8,150				8,150
Other noncurrent assets	8,357				436	8,793
Total noncurrent assets	4,563,596	10,117	14,291	1,343	459,625	5,048,972
Total assets	$ 5,468,961	$ 171,913	$ 264,101	$ 99,137	$ 587,214	$ 6,591,326

Arkansas

Statement of Net Assets
Proprietary Funds
June 30, 2010
(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	$ 62,731	$ 3	$ 83,739	$ 746	$ 9,845	$ 157,064
Prizes payable				14,150		14,150
Accrued interest	6,786	9			259	7,054
Accrued and other current liabilities	96,827	388	2,153	925	23	100,316
Advances from other funds	634					634
Due to other funds	2,741	20	593	83,171	278	86,803
Due to other governments			333,203			333,203
Funds held in trust for others	10,011					10,011
Workers' compensation benefits payable		16,395				16,395
Bonds, notes and leases payable	60,862	200			8,679	69,741
Claims, judgments and compensated absences	23,909	99	465	483	27,233	52,189
Deferred revenue	42,686			274	4,410	47,370
Total current liabilities	307,187	17,114	420,153	99,749	50,727	894,930
Noncurrent liabilities:						
Workers' compensation benefits payable		225,943				225,943
External portion of investment pool	935,111					935,111
Advances from other funds	5,632					5,632
Bonds, notes and leases payable	1,440,029	420			51,268	1,491,717
Net postemployment benefits payable	43,337	1,659	5,845	230	75	51,146
Claims, judgments and compensated absences	80,040	573	2,674		632	83,919
Deferred revenue	35,864				792	36,656
Other noncurrent liabilities	614	8,150				8,764
Total noncurrent liabilities	2,540,627	236,745	8,519	230	52,767	2,838,888
Total liabilities	2,847,814	253,859	428,672	99,979	103,494	3,733,818
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	1,738,807	1,040	14,291	867	13,133	1,768,138
Restricted for:						
Expendable						
Debt service	19,149					19,149
Capital projects	31,962					31,962
Program requirements	1,977				431,167	433,144
Other	198,582			476		199,058
Nonexpendable - endowments	77,039					77,039
Unrestricted	553,631	(82,986)	(178,862)	(2,185)	39,420	329,018
Total net assets (deficit)	2,621,147	(81,946)	(164,571)	(842)	483,720	2,857,508
Total liabilities and net assets	$ 5,468,961	$ 171,913	$ 264,101	$ 99,137	$ 587,214	$ 6,591,326

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, 2010
(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	$ 1,226,294	$	$	$	$ 270,164	$ 1,496,458
Lottery Collections				383,698		383,698
Licenses, permits and fees	303,050			867	3,732	307,649
Grants and contributions	364,443					364,443
Investment earnings					9,125	9,125
Miscellaneous	74,788	84	7,228	6	4	82,110
Total operating revenues	1,968,575	84	7,228	384,571	283,025	2,643,483
Operating expenses:						
Cost of sales and services				42,027	4,071	46,098
Lottery prize payments				247,723		247,723
Compensation and benefits	1,902,883	9,132	37,626	6,118	537	1,956,296
Supplies and services	811,947	1,927	21,548	4,747	17,342	857,511
General and administrative expenses	712	456	4,382	1,841	602	7,993
Scholarships and fellowships	191,793	5				191,798
Benefit and aid payments		4,220	1,147,573		256,154	1,407,947
Depreciation and amortization	200,017	146	654	123	587	201,527
Amortization of bond costs					44	44
Interest					2,927	2,927
Total operating expenses	3,107,352	15,886	1,211,783	302,579	282,264	4,919,864
Operating income (loss)	(1,138,777)	(15,802)	(1,204,555)	81,992	761	(2,276,381)
Nonoperating revenues (expenses):						
Investment earnings	41,925	2,089	956	182	309	45,461
Unrealized gains/losses on investments	260					260
Taxes	29,837		331,227			361,064
Insurance tax		16,396				16,396
Grants and contributions	344,893		750,533		38,346	1,133,772
Interest and amortization expense	(63,581)	(32)				(63,613)
Loss on sale of fixed assets	(2,599)		(7)		(44)	(2,650)
Other nonoperating revenue (expense)	(18,164)		(22)		65	(18,121)
Total nonoperating revenues (expenses)	332,571	18,453	1,082,687	182	38,676	1,472,569
Income (loss) before transfers and contributions	(806,206)	2,651	(121,868)	82,174	39,437	(803,812)
Transfers in	1,034,060	3	571		14,083	1,048,717
Transfers out	(72,570)	(1)	(2,566)	(83,000)	(4,861)	(162,998)
Capital grants and contributions	33,044					33,044
Change in net assets	188,328	2,653	(123,863)	(826)	48,659	114,951
Total net assets(deficit) - beginning restated	2,432,819	(84,599)	(40,708)	(16)	435,061	2,742,557
Total net assets(deficit) - ending	$ 2,621,147	$ (81,946)	$ (164,571)	$ (842)	$ 483,720	$ 2,857,508

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, 2010
(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	$ 1,242,132	$	$	$ 370,120	$ 270,050	$ 1,882,302
Cash received from other government agencies	349,508					349,508
Auxiliary enterprise charges	229,124					229,124
Payments to employees	(1,723,600)	(8,484)	(34,225)	(5,115)	(548)	(1,771,972)
Payments of benefits	(173,082)	(15,484)	(1,164,619)		(237,521)	(1,590,706)
Payments to suppliers	(806,972)	(2,433)	(27,493)	(46,876)	(19,691)	(903,465)
Payments for lottery prizes				(231,877)		(231,877)
Interest received (paid)					5,729	5,729
Loan administration received (paid)	(4,037)				(30,266)	(34,303)
Federal grant funds expended					(15,293)	(15,293)
Other receipts (payments)	(56,727)	84	7,228	(1,915)	(106)	(51,436)
Net cash provided by (used in) operating activities	(943,654)	(26,317)	(1,219,109)	84,337	(27,646)	(2,132,389)
Cash flows from noncapital financing activities:						
Gifts and grants	243,899					243,899
Direct lending receipts	187,662				1,700	189,362
Direct lending payments	(188,194)				(7,310)	(195,504)
Taxes	32,717	17,865	307,228			357,810
Grants and contributions	37,223		1,012,901		38,550	1,088,674
Advances from other funds (repayments)				(6,000)		(6,000)
Other receipts (payments)	2,307		912			3,219
Tranfers in	1,034,060	3	571		14,083	1,048,717
Transfers out	(72,569)	(1)	(2,566)		(4,805)	(79,941)
Net cash provided by (used in) noncapital financing activities	1,277,105	17,867	1,319,046	(6,000)	42,218	2,650,236
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(76,200)	(190)				(76,390)
Interest paid on capital debts and leases	(72,715)	(35)				(72,715)
Acquisition and construction of capital assets	(308,719)	(8)	(3,566)	(990)	(3,976)	(317,259)
Proceeds from governmental sources	30,868					30,868
Proceeds from long-term borrowings	110,761					110,761
Proceeds from sale of capital assets	3,107					3,107
Other receipts (payments) *	39,942					39,942
Net cash used in capital and related financing activities	(272,956)	(233)	(3,566)	(990)	(3,976)	(281,721)
Cash flows from investing activities:						
Purchase of investments	(167,642)				(58,018)	(225,660)
Proceeds from sale and maturities of investments	213,269	6,517			47,994	267,780
Interest and dividends on investments	7,812	2,170	960	182	405	11,529
Advance disbursements					(1,000)	(1,000)
Advance repayments					1,139	1,139
Net cash provided by (used in) investing activities	53,439	8,687	960	182	(9,480)	53,788
Net increase (decrease) in cash and cash equivalents	113,934	4	97,331	77,529	1,116	289,914
Cash and cash equivalents – beginning restated	378,684	19,717	31,327	5,988	99,251	534,967
Cash and cash equivalents (cash overdrafts) - ending	$ 492,618	$ 19,721	$ 128,658	$ 83,517	$ 100,367	$ 824,881

* 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, 2010
(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)	$ (1,138,777)	$ (15,802)	$ (1,204,555)	$ 81,992	$ 761	$ (2,276,381)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation	199,784	146	654	123	587	201,294
Amortization	247				(121)	126
Net appreciation (depreciation) of investments					(179)	(179)
Other operating activities	(21)					(21)
Prior year adjustment for capital asset capitalization		(22)			(170)	(192)
Net changes in assets and liabilities:						
Accounts receivable	(22,749)			(14,295)	(6)	(37,050)
Loans receivable	361				(30,275)	(29,914)
Inventory	(2,815)				4	(2,811)
Prepaid items		(20)	72			52
Other current assets	112				(266)	(154)
Other assets				(457)		(457)
Current liabilities	394				32	426
Accounts payable and other accrued liabilities	2,336	(11,222)	(18,288)	16,217	2,215	(8,742)
Net other postemployment benefits	9,050	576	2,134		26	11,786
Compensated absences	2,386	27	874	483	(35)	3,735
Deferred revenue	6,038			274	(219)	6,093
Net cash used in operating activities	$ (943,654)	$ (26,317)	$ (1,219,109)	$ 84,337	$ (27,646)	$ (2,132,389)
Non-cash investing, capital, and financing activities:						
Decrease in fair value of investments	$ 163					$ 163
Donated capital assets	666					666
Captial assets donated by other state agencies	50					50
Capital gifts	11,984					11,984
Fixed asset acquisition paid for by the State of Arkansas	113					113
Fixed asset acquisition directly from bond proceeds	2,158					2,158
Payments to bond escrow directly from bond proceeds	180,072					180,072
Payments to bond trustee directly from bond proceeds	(6,829)					(6,829)
Proceeds from bond issue	10,661					10,661
Bond discount and issue costs	1,434					1,434
Capital assets acquired by incurring capital leases and notes payable	2,902					2,902
Principal on LTD paid directly by UA Foundation, Inc.	1,404					1,404
Principal on capital debt paid by trustee	2,080					2,080
Interest on capital debt paid by trustee	5,555					5,555
Accrued interest	27					27
Capital outlay paid directly from proceeds of Act 1282 of 2005	2,514					2,514
Loss on disposal of capital assets	257					257
Archives	16					16
Valuation adjustment to capital assets	72					72

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2010
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 355,209	$ 26,408
Receivables:		
Employee	13,888	
Employer	47,200	
Interest and dividends	38,887	53
Advances to other funds	5,172	
Other	164,057	27
Due from other funds	2,353	
Total receivables	271,557	80
Investments at fair value:		
Certificates of deposit		37,186
U.S. government securities	453,258	
Bonds, notes, mortgages and preferred stock	533,215	76,259
Common stock	4,378,564	
Real estate	268,272	
International investments	4,106,210	
Mutual funds	579,621	
Pooled investment funds	1,474,157	
Corporate obligations	1,380,814	
Asset and mortgage-backed securities	299,453	
Other	2,139,998	
Total investments	15,613,562	113,445
Securities lending collateral	1,207,382	
Financial assurance instruments		316,370
Capital assets	358	
Other assets	156	
Total assets	17,448,224	456,303
Liabilities		
Accounts payable and other liabilities	20,997	
Investment principal payable	214,725	
Obligations under securities lending	1,232,410	
Postemployment benefit liability	1,669	
Due to other governments		114,683
Due to other funds	79	
Due to third parties		341,620
Total liabilities	1,469,880	456,303
Net Assets		
Held in trust for employees' pension benefits	15,978,344	
Total net assets	$ 15,978,344	$

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, 2010
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	157,367
Employers		585,180
Supplemental contributions		17,022
Court fees		2,421
Reinstatement fees		1,194
Total contributions		763,184
Investment income:		
Net increase (decrease) in fair value of investments		1,652,029
Interest, dividends and other		264,190
Real estate operating income		6,950
Securities lending income		5,202
Total investment (loss)		1,928,371
Less investment expense		54,558
Net investment (loss)		1,873,813
Miscellaneous		8,988
Total additions		2,645,985
Deductions:		
Benefits paid to participants or beneficiaries		1,123,658
Refunds of employee/employer contributions		11,569
Administrative expenses		10,168
Total deductions		1,145,395
Change in net assets held in trust for employees' pension benefits		1,500,590
Net assets - beginning		14,477,754
Net assets - ending	$	15,978,344

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
900 West Capitol, Suite 310
Little Rock, AR 72203

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 Activities for 2009, have been decreased by $34.4 million as follows (expressed in thousands):

Beginning net assets	$	11,457,894
Federal receivable/unearned income		(9,282)
Tax incentive refunds payable		(23,747)
Accounts/grants payable		(9,297)
GASB 51 adjustment		4,064
Other capital assets and long-term debt		3,883
Restated beginning net assets	$	11,423,515

Fund balance for the General Fund as previously reported on the Statement of Revenues, Expenditures and Changes in Fund Balance for 2009 have been decreased by $42.3 million as follows (expressed in thousands):

Beginning fund balance	$	3,575,182
Federal receivable/unearned income		(9,282)
Tax incentive refunds payable		(23,747)
Accounts/grants payable		(9,297)
Restated beginning fund balance	$	3,532,856

Enterprise Funds net assets, as previously reported on the Statement of Revenues, Expenses and Changes in Fund Net Assets for 2009 have been increased by $6.2 million as follows (expressed in thousands):

Beginning net assets	$	2,736,334
GASB 51 adjustment		3,223
Addition of venture capital investement trust revolving loan fund		3,000
Restated beginning net assets	$	2,742,557

GASB 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 provisions of this statement generally must be applied retroactively to years ending after June 30, 1980. The enterprise funds and Government-wide financial statements have been restated for this new standard.

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

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

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

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

(g) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the general fund), proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e., the Higher Education Fund, 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.

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; 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. Other non-major enterprise funds are the Other Revolving Loan Funds, which are responsible for the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; to prevent, assess, safely clean up, and sustainably reuse brownfields; the development and redevelopment of affordable rental housing related to the five Presidentially-Declared Disaster areas; to incentivize development of affordable Assisted Living housing in Arkansas and to strengthen the financial feasibility of such developments; finance energy efficiency retrofits and green energy implementation for industries; and to hold equity investments made by the Risk Capital Matching Fund.

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 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. These funds account for the collection and disbursement of sales and use tax to local governments within the State, the collection of assets of bankrupt insurance companies and payment of claims against those companies and other miscellaneous accounts for the benefit of other parties.

(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. Participation in the Pool is voluntary. At June 30, 2010, five universities, the University of Arkansas Cooperative Extension Service and four foundations participated in the Pool. The foundations hold approximately $935 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, infrastructure items (e.g., roads, bridges, ramps and similar items) and intangible assets 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 cost of an 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.

The State implemented GASB Statement 51, *Accounting and Financial Reporting for Intangible Assets*, in fiscal year 2010 which requires the capitalization of intangible assets by local and state govenments. The provisions of this statement generally were retroactive to years ending after June 30, 1980. The State's current policy is to record these assets at historical cost and to use the depreciation method in the current capitalization policy for other tangible and intangible assets. It is the State's policy to capitalize when the individual item's cost exceeds $100 thousand for internally generated software or $2,500 for all other intangible assets, and the estimated useful life exceeds one year.

The University of Arkansas adopted the following separate policy for capitalization of intangible assets:

Asset Class	Capitalization Threshold	Useful Life
Software – Purchased	$500,000	5 years
Software – Internally Developed	$1,000,000	10 years
Easements	$250,000	15 years
Land Use Rights	$250,000	15 years
Trademarks and Copyrights	$250,000	15 years
Patents	$250,000	20 years

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, 2010, is $54.6 million and is not reflected in the financial statements.

Depreciation and Useful Lives

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

Assets	Years
Equipment	5-20
Buildings & building improvements	20-50
Infrastructure	10-30
Land improvements	10-40
Intangibles	4-99
Other capital assets	4-20

Accrued and Other Current Liabilities

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

The Internal Revenue Code of 1986 limits the amount of income issuers of certain tax-exempt bonds can earn from investing the bond proceeds. Such excess, called arbitrage rebates, must be remitted to the Federal Government. The Construction Assistance Revolving Loan Fund, ADFA and ASLA make provision 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, 2010, is related to projected refund estimates attributable to fiscal year 2010 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 be used only for the specific purposes stipulated in the legislation.” Legally enforceable means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purpose specified by the legislation. At June 30, 2010, the government-wide statement of net assets reported $1.3 billion in restricted net assets for governmental activities, of which $181 million were restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $41.1 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. 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).

GASB Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-employer Plans*, establishes guidance for measurement of other post-employment benefit (OPEB) obligations by certain employers participating in agent multiple-employer OPEB plans. The statement enables certain agent employers to use the alternative measurement method and clarifies that agent multiple-employer plans and their participating employers are to use the same frequency and timing of determining OPEB measurements. The requirements of this statement regarding use of the alternative measurement method were effective immediately upon issuance of this Statement (fiscal year 2010). The provisions related to the frequency and timing of OPEB measurements are effective for actuarial valuations first used to report funded status information in OPEB plan financial statements for periods beginning after June 15, 2011 (i.e., fiscal year 2012).

GASB Statement No. 59, *Financial Instruments Omnibus,* updates existing standards regarding financial reporting of certain financial instruments and external investment pools. The statement clarifies the definition of 2a7-like pools; clarifies the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments;* and applies the reporting provisions for interest-earning investment contracts of Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools,* to unallocated insurance contracts. The requirements of this statement are effective for financial statements prepared by state and local governments 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, 2010, the reported bank balances of the general fund were $1,117,263,670. Of this amount, $382,818 was uninsured and uncollateralized, $6,815,378 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 $95,432,023 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2010, the reported bank balances of the enterprise funds were $786,001,393. Of this amount, $648,742 was uninsured and uncollateralized, $24,942,588 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 $93,184,448 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2010, the reported bank balances of the fiduciary funds were $99,225,413. Of this amount, $6,936,562 was uninsured and uncollateralized and $3,431,500 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2010, the reported bank balances of the component units were $8,860,458. Of this amount, $2,759,000 was uninsured and uncollateralized and $911,000 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, 2010, 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					
Municipal Bonds	$ 13,463	$	$ 13,463	$	$
Negotiable Certificates of Deposit	3,461	788	2,673		
Other Loans	37,789	7	10,069	27,713	
U.S. Government Agencies	1,387,961	10,419	1,369,346		8,196
U.S. Treasuries	90,282	84,219	6,063		
Subtotal	1,532,956	95,433	1,401,614	27,713	8,196
Enterprise Funds					
Corporate Bonds	11,954	2,333	7,410	1,925	286
Guaranteed Investment Contracts	2,097		531	1,566	
Municipal Bonds	1,047		1,047		
Mutual Bond Fund	2,250	2,037	213		
Negotiable Certificates of Deposit	1,055	1,055			
Other Loans	13,455	1,852	9,434	2,169	
Preferred Stock	5				5
U.S. Government Agencies	161,232	24,692	132,719	3,405	416
U.S. Treasuries	9,397	3,509	4,032		1,856
Subtotal	202,492	35,478	155,386	9,065	2,563
Fiduciary Funds					
Asset Backed Securities	206,988	8,849	29,906	44,010	124,223
Bonds and Notes	901,864	28,239	330,809	218,285	324,531
Certificates of Deposits	19,081	19,081			
Collateralized Obligations	6,757		523		6,234
Commercial Loans	36,915	329	35,287	1,299	
Commercial Paper	66,394	66,394			
Commingled Funds	1,852,105	74,304	149,303	889,685	738,813
Convertible Bonds	34,551	13,097	21,454		
Conventional Mortgages	44,089		10	18,924	25,155
Corporate Bonds	1,057,032	35,500	572,396	193,208	255,928
External Investment Pools	775,718	775,718			
International Investments	22,822	3,408	10,655	6,863	1,896
Investment Derivatives	1,161			18	1,143
High Yield Income Funds	12,597		11,280	1,317	
Municipal Bonds	12,321	703	3,074	1,353	7,191
Mutual Funds	52,870		35,443	17,427	
Other Loans	1,373		366	1,007	
Repurchase Agreements	83,222	83,222			
Short-term Investments	209,124	209,124			
Time Deposits	48,536	48,536			
U.S. Corporate Floating Rate	181,683	89,547	92,136		
U.S. Government Agencies	395,690	835	155,092	42,656	197,107
U.S. Government TIPS	7,770	2,547	647	4,576	
Subtotal	6,030,663	1,459,433	1,448,381	1,440,628	1,682,221
Component Units					
Guaranteed Investment Contracts	30,472		6,953	10,094	13,425
Mortgage Backed Securities	583,782			4,881	578,901
Municipal Bonds	239		239		
Mutual Bond Funds	989	989			
Other Loans & Notes	4		1	3	
U.S. Government Agencies	13,448	1,085	10,937	1,426	
U.S. Treasuries	24,506	10,828	11,076	2,602	
Subtotal	653,440	12,902	29,206	19,006	592,326
Total	$ 8,419,551	$ 1,603,246	$ 3,034,587	$ 1,496,412	$ 2,285,306

Corporate Bonds

As of June 30, 2010, the Arkansas Public Employees Retirement System (APERS) and Arkansas Highway Retirement System both held corporate bonds with a fair value of $517,506,749 and $265,608,980, 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, 2010, 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	Cost	Maturity Date	Rate Calculation	Reset Date	Market Value
Bear Stearns	1/19/2007	$ 995,000	2/2/2017	*	*	$ 1,140,700

* 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, 2010, APERS and the Arkansas Highway Retirement System held convertible bonds with a fair value of $180,825,380 and $34,551,250, 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, 2010, 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 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, 2010, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General Fund			
AAA	$ 2,226,467	Aaa	$ 2,226,467
Unrated	115,020	Unrated	115,020
Subtotal	2,341,487		2,341,487
Enterprise Funds			
AAA	401,513	Aaa	330,532
AA	4,697	Aa	1,335
A	6,505	A	1,648
BBB	713	Baa and Below	562
BB	483	Unrated	120,657
B and Below	1,068		
Unrated	39,755		
Subtotal	454,734		454,734
Fiduciary Funds			
AGY	214,764	AGY	214,764
AAA	451,314	Aaa	418,610
AA	216,553	Aa	285,165
A	640,044	A	380,847
BBB	562,183	Baa	530,775
BB	280,245	Ba	282,865
B	276,638	B	170,090
CCC or Lower	84,421	Caa or Lower	55,209
P-1		P-1	134,011
Unrated	3,237,947	Unrated	3,491,773
Subtotal	5,964,109		5,964,109
Component Units			
AAA	1,025,931	Aaa	1,215,747
AA	7,161	Aa	5,721
A	8,089	A	8,356
Unrated	194,397	P-1	246
		Unrated	5,508
Subtotal	1,235,578		1,235,578
Total	$ 9,995,908		$ 9,995,908

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, 2010, the reported amount of the enterprise funds' investments was \$832,100,104. Of this amount \$1,193,023 was uninsured and unregistered with securities held by the counterparty's trust department but not in the government's name, and \$20,435 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 \$1,379,328,979 or 56.51% of the general fund and \$158,198,366 or 21.49% 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 \$66,069,000 or 5.24% 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, 2010, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract	Cash
Australian Dollar	$ 29,624	$ 4,756	$ 29,887	$ (5,022)	$ 3
Brazilian Real	15,995		15,285	689	21
British Pound Sterling	239,702	1,170	259,916	(23,311)	1,927
Canadian Dollar	26,630	12,240	16,246	(1,903)	47
Danish Krone	5,651		3,993	1,656	2
Euro	183,952	953	227,430	(45,863)	1,432
Hong Kong Dollar	92,517		98,994	(7,129)	652
Hungarian Forint	7	1,573		(1,684)	118
Indian Rupee	8,093	7,369			724
Indonesian Rupiah	16,611	4,194	12,417		
Israeli Shekel	4,119		4,119		
Japanese Yen	113,311	5,400	113,857	(6,375)	429
Malaysian Ringgit	11,643	1,349	10,294		
Mexico Nuevo Peso	16,470	6,390	3,541	6,249	290
New Taiwan Dollar	6,466		6,216		250
New Zealand Dollar	8,607	5,459		3,132	16
Norwegian Krone	8,170	1,262	10,842	(4,008)	74
Polish Zloty	805	1,481		(676)	
Singapore Dollar	17,816	439	5,451	11,922	4
South African Rand	2,868		5,103	(2,235)	
South Korean Won	15,461	4,941	10,520		
Swedish Krona	29,617	386	13,858	15,353	20
Swiss Franc	85,494		67,387	17,259	848
Thailand Baht	3,958		7,471	(3,513)	
Turkish Lira	2,075		2,075		
Total Fair Value	$ 945,662	$ 59,362	$ 924,902	$ (45,459)	$ 6,857

Note - For Forward 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, 2010, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $101.0 million, collectively. Market values of these outstanding contracts were $102.4 million resulting in an unrealized gain of $1.4 million. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $146.4 million at June 30, 2010. Market values of these contracts were $147.9 million resulting in an unrealized loss of approximately $1.5 million.

Mortgage-Backed Securities

APERS, ATRS, Arkansas State Highway Employees Retirement System (ASHERS) and Arkansas Judicial Retirement System (AJRS) invest in various asset-backed securities, mortgage-backed securities and structured corporate debt. These investments are reported at fair value in the balance sheet as government securities and asset and mortgage-backed securities. 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, 2010, the retirement systems held $261.5 million of mortgage-backed securities.

Asset-Backed Securities

As of June 30, 2010, APERS, ATRS, ASHERS and AJRS held asset-backed securities with the combined fair value of $109.4 million. 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 and AJRS had approximately $520.1 million and $19.6 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.

Derivatives

Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts and forward foreign currency exchange. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines. APERS, through its external investment managers, could hold such instruments. The external investment managers could enter into swaps and futures contracts to gain or hedge exposure to certain markets and to manage interest rate risk and use forward foreign exchange contracts primarily to hedge foreign currency exposure. APERS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS' external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits and exposure monitoring procedures. APERS' external investment managers anticipate that the counterparties will be able to satisfy their obligations under the contracts.

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2010, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (expressed in thousands):

	Changes in Fair Value *		Fair Value at June 30, 2010		Notional
Type	Classification	Amount	Classification	Amount	Amount
Foreign Currency Forwards					
	Investment revenue	$ 82	Investments	$ 82	$ (6,284)
	Investment revenue	(229)	Investments	(229)	(7,980)
	Investment revenue		Investments		1,241
	Investment revenue	115	Investments	115	3,380
	Investment revenue	601	Investments	601	18,589
	Investment revenue	(11)	Investments	(11)	10,070
	Investment revenue	591	Investments	591	(36,790)
	Investment revenue	(527)	Investments	(527)	(13,820)
	Investment revenue	12	Investments	12	(55,489)
	Investment revenue	(792)	Investments	(792)	(563,612)
	Investment revenue	37	Investments	37	87,730
	Investment revenue	7	Investments	7	(25,770)
	Investment revenue	146	Investments	146	119,830
	Investment revenue	28	Investments	28	16,640
	Investment revenue	(25)	Investments	(25)	(113,810)
	Investment revenue	(3)	Investments	(3)	(17,330)
Total Foreign Currency Forwards		$ 32		$ 32	$ (583,405)
Futures					
U.S. 10-year treasury note	Investment revenue	$ (46)	Investments	$ (46)	$ (5,346)
U.S. 2-year treasury note	Investment revenue	36	Investments	36	12,875
U.S. 5-year treasury note	Investment revenue	206	Investments	206	21,334
U.S. treasury bond	Investment revenue	581	Investments	581	20,202
U.S. Ultra long bond	Investment revenue	(8)	Investments	(8)	(807)
90-day Austalian bill	Investment revenue		Investments		824
90-day Banker's Acceptance	Investment revenue	1	Investments	1	245
Australian 10-year bond	Investment revenue	355	Investments	355	(351)
New Zealand 3-month bill	Investment revenue		Investments		667
U.K. Short Gilt	Investment revenue	5	Investments	5	2,019
U.K. Long Gilt	Investment revenue	3	Investments	3	1,448
Total Futures		$ 1,133		$ 1,133	$ 53,110
"To be announced" (TBA) securities					
FNMA SF Mortgage	Investment revenue	$ 65	Investments	$ 65	$ 1,190
FNMA SF Mortgage	Investment revenue	78	Investments	78	1,340
GNMA SF Mortgage	Investment revenue	588	Investments	588	9,630
GNMA II Jumbo	Investment revenue	39	Investments	39	1,000
FHLMC Gold SFM	Investment revenue	81	Investments	81	2,500
FNMA SF Mortgage	Investment revenue	147	Investments	147	2,100
	Investment revenue	163	Investments	163	37,700
Total TBA Securities		$ 1,161		$ 1,161	$ 55,460

* These amounts denote the net realized and unrealized gains and losses recognized during the period.

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, 2010, ADFA held $583.8 million of mortgage-backed securities.

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) 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. 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, 2010, include U.S. Government securities, corporate securities and international securities. 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, 2010, the carrying value and fair value of the underlying securities is $1.2 billion. At June 30, 2010, 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, 2010, 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	$ 245,608 (3)	$ 744,433 (1)	$	$ 244,715	$ 889 (2)	$ 299,842	$ 21,194	$ 30,980	$ (502,140)	$ 1,085,518
Higher Education Fund	751,334					78,653	472	8,296	(525,745)	313,010
Workers' Compensation Commission	7,946						880			8,826
Dept of Workforce Services	149,221						21		(38,583)	110,659
Lottery Commission	14,290									14,290
Non-major Enterprise Funds	1,256					362,055	696		(88)	363,919
Pension Trust			61,088				38,887	164,057		264,032
Agency							53	27		80
Total	$ 1,169,655	$ 744,433	$ 61,088	$ 244,715	$ 889	$ 740,550	$ 62,203	$ 203,360	$ (1,066,556)	$ 2,160,337

(1) Receivable balances of $13,085 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $79 Interfund receivable due to the General Fund from the Pension Trust Fund was reclassified as Accounts Receivable on the Government-wide Statement of Net Assets.

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Other Receivables	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Student Loan Authority	$	$ 551,467	$	$ 13,428	$	$ 162	$ (1,662)	$ 563,395
Arkansas Development Finance Authority	818	337,699	144,630	4,196		12,340	(44,817)	454,866
University of Arkansas Foundation				2,076	79,903		(1,293)	80,686
Total	$ 818	$ 889,166	$ 144,630	$ 19,700	$ 79,903	$ 12,502	$ (47,772)	$ 1,098,947

(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	$	$ 2,469	$ 20	$ 587	$ 83,171	$ 278	$ 78	$ 86,603
Higher Education Fund	7,119							7,119
Workers' Compensation Commission	246	272		6			1	525
Dept of Workforce Services	1,787							1,787
Lottery Commission	5							5
Non-major Enterprise Funds	628							628
Pension Trust	2,353							2,353
Total	$ 12,138	$ 2,741	$ 20	$ 593	$ 83,171	$ 278	$ 79	$ 99,020

Interfund receivables and payables include: (1) $2.5 million due from the Higher Education Fund to the General Fund for workers' compensation unemployment contributions, information technology services and grants; (2) $1.8 million due from the General Fund to the Department of Workforce Services for unemployment insurance program contributions; 3) $7.1 million due to the Higher Education Fund from the General Fund for college Technical Bond payment requisitions and grants; (4) $.6 million due from Department of Workforce Services to the General Fund for information technology services and (5) $2.4 million due from the General Fund to the Pension Fund for employers contributions. All amounts are expected to be repaid within one year.

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

	Advances To		
Advances From	**General Fund**	**Higher Education Fund**	**Total**
Non-Major Enterprise Funds	$	$ 6,266	$ 6,266
Pension Trust Funds	5,172		5,172
Total	$ 5,172	$ 6,266	$ 11,438

Advances include: (1) an outstanding balance of $5.2 million loaned to the General Fund, i.e. Department of Education, by the Teacher's Pension Trust Fund for the purchase of accounting software to be repaid over 15 years at 8% interest maturing in fiscal year 2012 and (2) advances from the Community/Technical College Revolving Loan program of $6.3 million providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

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	$	$ 1,031,494	$ 3	$ 541	$ 14,083	$ 1,046,121
Higher Education Fund	72,540			30		72,570
Workers' Compensation Commission	1					1
Department of Workforce Services		2,566				2,566
Lottery Commission	83,000					83,000
Non-Major Enterprise Funds	4,861					4,861
Total	$ 160,402	$ 1,034,060	$ 3	$ 571	$ 14,083	$ 1,209,119

Transfers include: (1) the transfer of $1.031 billion from the General Fund to the Higher Education Fund for state funding of higher education institutions; (2) the transfer of $72.5 million from the Higher Education Fund includes $57.4 million to the Department of Human Services within the General Fund for the transfer of a portion of the state funding provided to the University of Arkansas Medical School to be used for the Medicaid Program; (3) Non-Major Enterprise Funds transfers include: The Arkansas Natural Resources Commission being reimbursed $1.1 million from the Construction Assistance Loan Fund. $2 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 $3.3 million was from the Non-Major Enterprise Funds to reimburse $2.8 million to the Department of Health and $.5 million to Arkansas Natural Resources Commission for assistance in building clean drinking water facilities. $9.7 million was transferred to the Non-Major Enterprise Funds to reimburse $.8 million from the Department of Science and Technology for the Venture Capital Investment Trust, $3.9 million from the Arkansas Economic Development Commission for the Industrial Energy Technology Loan Program and $5 million from the Department of Human Services for the Assisted Living Incentive Fund.

On the Government-wide financial statements, additional transfers are reported which represents: $25 thousand of capital assets and $33 thousand of compensated absences balances 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, 2010, was as follows (expressed in thousands):

	Balance July 1, 2009 as restated (1)	Adjustments/ Transfers (2)	Additions	Deletions	Balance June 30, 2010
Governmental activities:					
Capital assets, not being depreciated:					
Land	$ 638,085	$ (27)	$ 37,506	$ (2)	$ 675,562
Construction in progress	1,761,144	(745,593)	468,663	(262)	1,483,952
Other non-depreciable assets	6,942	26	7,372		14,340
Total capital assets, not being depreciated	2,406,171	(745,594)	513,541	(264)	2,173,854
Capital assets, being depreciated:					
Land improvements	145,496	1,896	2,470	(45)	149,817
Infrastructure	10,716,222	728,062	2,136	(10,391)	11,436,029
Buildings	1,226,568	12,121	29,773	(2,038)	1,266,424
Equipment	643,762	2,054	58,887	(32,525)	672,178
Other depreciable assets	39,144	3,396	7,434	(57)	49,917
Total capital assets, being depreciated	12,771,192	747,529	100,700	(45,056)	13,574,365
Subtotal	15,177,363	1,935	614,241	(45,320)	15,748,219
Less accumulated depreciation for:					
Land improvements	(72,091)	1,116	(6,681)	39	(77,617)
Infrastructure	(4,815,299)	(1,163)	(355,652)	10,294	(5,161,820)
Buildings	(466,592)	(242)	(24,866)	1,947	(489,753)
Equipment	(423,889)	(2)	(48,945)	30,330	(442,506)
Other depreciable assets	(22,315)	(1,063)	(7,505)	37	(30,846)
Total accumulated depreciation	(5,800,186)	(1,354)	(443,649)	42,647	(6,202,542)
Governmental activities capital assets, net	$ 9,377,177	$ 581	$ 170,592	$ (2,673)	$ 9,545,677

(1) Balance July 1, 2009, restated by $7,698.

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

	Balance July 1, 2009 as restated (1)	Adjustments/ Transfers (2)	Additions	Deletions	Balance June 30, 2010
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 115,488	$ (2,415)	$ 2,346	$ (2,039)	$ 113,380
Construction in progress	327,012	(125,227)	243,316	(104,330)	340,771
Total capital assets, not being depreciated	442,500	(127,642)	245,662	(106,369)	454,151
Capital assets, being depreciated:					
Improvements other than building	14,556	(150)	1,909	(5)	16,310
Leasehold improvements	1,100		481		1,581
Buildings	3,334,871	130,696	86,730	(4,117)	3,548,180
Equipment	663,442	(80,830)	57,487	(16,069)	624,030
Infrastructure	225,232	24,371	12,839	(5,383)	257,059
Intangibles	7,873	90,230	11,495		109,598
Art/Historic Treasures		68			68
Library Holdings	186,441	8,476	5,582	(2,467)	198,032
Other depreciable assets	57,071	(7,505)	2,580	(3,785)	48,361
Total capital assets, being depreciated	4,490,586	165,356	179,103	(31,826)	4,803,219
Subtotal	4,933,086	37,714	424,765	(138,195)	5,257,370
Less accumulated depreciation for:					
Improvements other than building	(6,191)	(298)	(740)	9	(7,220)
Buildings	(1,182,340)	12,956	(106,748)	2,598	(1,273,534)
Equipment	(470,598)	1,540	(50,596)	74,776	(444,878)
Infrastructure	(98,454)	(5,126)	(11,262)	47	(114,795)
Intangibles	(2,358)	(61,803)	(14,222)		(78,383)
Art/Historic Treasures		(19)			(19)
Library Holdings	(144,214)	(6,347)	(7,717)	1,954	(156,324)
Other depreciable assets	(24,569)	5,599	(10,242)	3,489	(25,723)
Total accumulated depreciation	(1,928,724)	(53,498)	(201,527)	82,873	(2,100,876)
Business-type activities capital assets, net	$ 3,004,362	$ (15,784)	$ 223,238	$ (55,322)	$ 3,156,494

(1) Balance July 1, 2009, restated by $3,223 by Higher Education.
(2) 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, 2010, was as follows (expressed in thousands):

	Balance July 1, 2009	Additions/ Deletions	Balance June 30, 2010
ADFA:			
Capital assets being depreciated:			
Equipment	$ 792	$ (288)	$ 504
Less accumulated depreciation for:			
Equipment	(534)	210	(324)
ADFA capital assets, net	$ 258	$ (78)	$ 180

Activity for ASLA for the year ended June 30, 2010, was as follows (expressed in thousands):

	Balance July 1, 2009	Additions/ Deletions	Balance June 30, 2010
ASLA:			
Capital assets not being depreciated:			
Land	$ 670	$	$ 670
Total capital assets, not being depreciated	670		670
Capital assets being depreciated:			
Building	2,009		2,009
Equipment	947	2	949
Total capital assets, being depreciated	2,956	2	2,958
Subtotal	3,626	2	3,628
Less accumulated depreciation for:			
Building and equipment	(534)	(88)	(622)
ASLA capital assets, net	$ 3,092	$ (86)	$ 3,006

Activity for U of A Foundation, Inc. for the year ended June 30, 2010, was as follows (expressed in thousands):

	Balance July 1, 2009	Additions/ Deletions	Balance June 30, 2010
U of A Foundation:			
Capital assets not being depreciated:			
Land	$ 467	$ (76)	$ 391
Capital assets being depreciated:			
Buildings and equipment	575	(319)	256
Less accumulated depreciation for:			
Buildings and equipment	(575)	319	(256)
Total Assets being depreciated, net	0	0	0
Total Assets U of A Foundation	$ 467	$ (76)	$ 391

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	$	4,280
Health and human services		9,473
Transportation		365,286
Law, justice, and public safety		28,107
Recreation and resources development		18,604
General government		16,825
Regulation of business and professionals		1,074
Total depreciation expense – governmental activities	$	443,649
Business-type Activities:		
Enterprise Funds	$	201,527
Total depreciation expense – business-type activities	$	201,527

Component Units

Component Units:		
ADFA	$	49
ASLA		88
Total depreciation expense – component units	$	137

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2010, are summarized as follows (expressed in thousands):

	Balance July 1, 2009 as restated	Additions	Accretion on capital appreciation bonds	Reductions	Balance June 30, 2010	Due within one year	Due greater than one year
Governmental Activities:							
Bonds payable:							
General obligation	$ 855,599 (1)	$ 323,320	$ 814	$ 237,011	$ 942,722 (2)	$ 186,854	$ 755,868
Revenue Bond Guaranty Fund	2,575			2,575			
Add (deduct):							
Deferred bond refunding loss:							
General Obligation	(8,829)	(10,236)		(1,208)	(17,857)		(17,857)
Debt to Component Unit	(3,023)			(287)	(2,736)		(2,736)
Issuance premium (discount):							
General Obligation	10,355	21,045		5,451 (3)	25,949	6,510	19,439
Debt to Component Unit	2,259			206	2,053	206	1,847
Total bonds payable	858,936	334,129	814	243,748	950,131	193,570	756,561
Notes payable to component unit	109,893	1,425		10,530	100,788	9,624	91,164
Note payable to pension trust fund	7,474			2,302	5,172	2,487	2,685
Capital leases	1,874			1,182	692	692	
Capital leases with component unit	123,800	19,520		5,371	137,949	6,286	131,663
Total notes and leases payable	243,041	20,945		19,385	244,601	19,089	225,512
Total bonds, notes and leases payable	1,101,977	355,074	814	263,133	1,194,732	212,659	982,073
Installment sale with component unit	12,795			455	12,340	470	11,870
Claims, judgments and arbitrage	117,550	239,782		243,778	113,554	102,168	11,386
Compensated absences	132,564	127,441		119,077	140,928	20,857	120,071
Total claims, judgments, arbitrage and compensated absences	250,114	367,223		362,855	254,482	123,025	131,457
Pollution remediation	15,703	3,337		2,285	16,755	892	15,863
Net OPEB obligation	235,005	129,337			364,342		364,342
Governmental activities total	$ 1,615,594	$ 854,971	$ 814	$ 628,728	$ 1,842,651	$ 337,046	$ 1,505,605

(1) Beginning balance restated by ($249)
(2) Includes accretion on capital appreciation bonds of $23,165
(3) Amortized $2,640 plus defeased $2,811

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, 2009	Additions	Reductions	Balance June 30, 2010	Due within one year	Due greater than one year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance						
Revolving Loan Fund	$ 65,120	$	$ 7,210	$ 57,910	$ 7,545	$ 50,365
War Memorial Bond Payable		1,700		1,700	1,000	700
College and University						
Revenue Bonds	1,314,295	230,282	141,610	1,402,967	45,648	1,357,319
Add (deduct):						
Deferred bond						
refunding loss	(3,303)	(2,958)	(400)	(5,861)	(651)	(5,210)
Issuance premiums/						
(discounts)	11,667	4,244	956	14,955	1,057	13,898
Total bonds payable	1,387,779	233,268	149,376	1,471,671	54,599	1,417,072
Notes payable	47,285	13,728	14,804	46,209	7,163	39,046
Notes payable with						
component unit	3,042		492	2,550	514	2,036
Total notes payable	50,327	13,728	15,296	48,759	7,677	41,082
Capital leases	45,002	3,482	8,076	40,408	7,265	33,143
Capital leases with						
component unit	810		190	620	200	420
Total leases payable	45,812	3,482	8,266	41,028	7,465	33,563
Total bonds,						
notes and leases						
payable	1,483,918	250,478	172,938	1,561,458	69,741	1,491,717
Claims and judgments	290,670	360,516	369,265	281,921	55,368	226,553
Compensated absences	92,672	66,609	62,756	96,525	13,216	83,309
Total claims,						
judgments and						
compensated						
absences	383,342	427,125	432,021	378,446	68,584	309,862
Net OPEB obligation	38,387	12,759		51,146		51,146
Business-type						
activities total	$ 1,905,647	$ 690,362	$ 604,959	$ 1,991,050	$ 138,325	$ 1,852,725

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due within one year	Due greater than one year
Component units:						
Arkansas Student Loan						
Authority:						
Bonds payable	$ 612,400	$	$ 90,950	$ 521,450	$	$ 521,450
Notes payable		252,700		252,700		252,700
Total bonds and						
notes payable						
ASLA	612,400	252,700	90,950	774,150		774,150
Net OPEB obligation	42	23		65		65
Arkansas Development						
Finance Authority:						
Bonds payable	1,080,671	221,722	148,717	1,153,676	46,098	1,107,578
Notes payable		4,236		4,236		4,236
Add: issuance premiums	2,232		476	1,756		1,756
Total bonds and						
notes payable						
ADFA	1,082,903	225,958	149,193	1,159,668	46,098	1,113,570
Net OPEB obligation	438	234		672		672
U of A Foundation						
Annuity obligations	15,443	3,290	2,064	16,669	1,293	15,376
Component						
units total	$ 1,711,226	$ 482,205	$ 242,207	$ 1,951,224	$ 47,391	$ 1,903,833

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, 2010, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %	Balance
Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds:			
2000A Series Federal Highway G.O. Bonds (2)	2012	5.50	$ 56,800
2001A Series Federal Highway G.O. Bonds (2)	2013	5.25	95,280
2002 Series Federal Highway G.O. Bonds (2)	2015	5.00	10,160
2010 Series Federal Highway G.O.Bonds	2015	2.5 - 5.00	253,225
Arkansas Natural Resources Commission Bonds:			
2001A Series Water, Waste and Pollution	2012	4.65 - 6.30	1,235
2002A Series Water, Waste and Pollution	2027	4.00 - 5.00	10,780
2002B Series Water, Waste and Pollution	2026	4.25 - 5.00	5,220
2002C Series Water, Waste and Pollution	2021	3.50 - 5.00	5,480
2002D Series Water, Waste and Pollution	2018	3.00 - 4.75	5,155
2002E Series Water, Waste and Pollution	2013	2.75 - 5.80	485
2002F Series Water, Waste and Pollution	2013	2.00 - 4.20	635
2002G Series Water, Waste and Pollution	2036	2.85 - 4.95	4,550
2002H Series Water, Waste and Pollution	2018	4.50 - 5.35	1,180
2002I Series Water, Waste and Pollution	2027	3.00 - 4.75	8,560
2002K Series Water, Waste and Pollution	2027	3.00 - 4.88	6,770
2003A Series Water, Waste and Pollution	2021	2.25 - 5.30	1,625
2003B Series Water, Waste and Pollution	2020	2.00 - 4.10	2,020
2003C Series Water, Waste and Pollution	2034	2.50 - 4.75	14,290
2004A Series Water, Waste and Pollution	2037	3.00 - 5.00	12,220
2005A Series Water, Waste and Pollution	2026	3.25 - 4.35	4,720
2005B Series Water, Waste and Pollution	2028	3.00 - 4.75	8,235
2006A Series Water, Waste and Pollution	2017	5.00	12,195
2006B Series Water, Waste and Pollution	2037	3.50 - 4.50	8,405
2006C Series Water, Waste and Pollution	2034	4.13 - 4.63	4,420
2007A Series Water, Waste and Pollution	2041	4.00 - 4.50	7,350
2008A Series Water, Waste and Pollution	2043	3.50 - 4.60	24,675
2009A Series Water, Waste and Pollution	2044	2.00 - 4.88	14,965
2010A Series Water, Waste and Pollution	2045	2.00 - 4.50	23,000
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	37,595
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	9,500
College Savings Bonds:			
1993 Series, G.O. Bonds	2014	5.85 - 5.95	11,467
1996C Series, G.O. Bonds	2016	5.75 - 6.00	11,439
1997A Series, G.O. Bonds	2017	5.80 - 6.05	4,565
1997B Series, G.O. Bonds	2017	5.25 - 5.60	7,232
1998A Series, G.O. Bonds	2017	5.00 - 5.35	7,868
2005 Series, G.O. Bonds	2016	3.10 - 5.00	23,440
Higher Education Bonds:			
2007A Series, G.O. Bonds	2023	4.00 - 5.00	99,155
2007B Series, G.O. Bonds	2029	4.38 - 4.75	126,826
Total			$ 942,722

(1) Fiscal year

(2) Defeased in fiscal year 11, See Note 19

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2010, including accrued accreted interest of approximately $23.2 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ending June 30:			
2011	$ 185,748	$ 38,857	$ 224,605
2012	69,816	32,252	102,068
2013	88,925	28,995	117,920
2014	90,840	25,070	115,910
2015	96,141	20,884	117,025
2016-2020	124,887	78,118	203,005
2021-2025	122,150	49,468	171,618
2026-2030	97,590	20,971	118,561
2031-2035	21,155	7,969	29,124
2036-2040	22,305	4,331	26,636
Total	$ 919,557	$ 306,915	$ 1,226,472

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. Bonds issued to refund prior issues under this act in the 2010 fiscal year were $253.2 million.

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 2010 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 2010 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) and Act 631 of 2007 authorized the Arkansas Natural Resources Commission to issue Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of these acts are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. Each act limits 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 2010, $37.6 million in bonds were issued under Act 607 of 1997 and $32.5 million were issued under Act 631 of 2007.

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 2010 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 2010 fiscal year.

Revenue Bond Guaranty Fund – Under the Arkansas Development Finance Authority Bond Guaranty Act of 1985, the Arkansas Department of Economic Development (ADED) may guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2010, no bonds were in default and guaranteed by the Revenue Bond Guaranty Fund.

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, 2010, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	$ 9,624	$ 5,447	$ 15,071
2012	9,103	5,120	14,223
2013	9,206	4,758	13,964
2014	9,142	4,351	13,493
2015	8,408	3,957	12,365
2016-2020	32,247	14,540	46,787
2021-2025	14,043	4,457	18,500
2026-2030	9,015	919	9,934
Total	$ 100,788	$ 43,549	$ 144,337

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 8%. The Agency borrowed $24.8 million in nine 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 the note payable to pension trust fund at June 30, 2010 were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	$ 2,487	$ 414	$ 2,901
2012	2,685	215	2,900
Total	$ 5,172	$ 629	$ 5,801

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, 2010, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	$ 470	$ 547	$ 1,017
2012	490	528	1,018
2013	510	508	1,018
2014	530	488	1,018
2015	550	466	1,016
2016-2020	3,125	1,953	5,078
2021-2025	3,865	1,183	5,048
2026-2030	2,800	215	3,015
Total	$ 12,340	$ 5,888	$ 18,228

Business-Type Activities

Special Obligation Bonds **-** Special Obligation Bonds outstanding at June 30, 2010, 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	2020	2.50-5.50	$ 57,910

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, 2010 were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net assets due to unamortized discounts of approximately $203 thousand:

	Principal	Interest	Total
Year ending June 30:			
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	11,565	1,221	12,786
2016-2020	15,410	1,428	16,838
Total	$ 57,910	$ 11,133	$ 69,043

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.

War Memorial Stadium Commission – The Commission issued revenue bonds, series 2009, on October 1, 2009, for $4.0 million, for the purpose of financing improvements to War Memorial Stadium, including particularly, without limitation, the acquisition, construction and equipping of a press box. The purchase price for the bond shall be paid in multiple advances by First Security Bank (the Purchaser) as funds are needed for the project and to pay bond issuance expenses. As of June 30, 2010, advances totaled $1.7 million. The bonds, which are not general debt of the State, are payable from cash revenue. In addition, the Commission issued a note payable of $300 thousand on January 17, 2008 for the construction of a new sculpture at War Memorial Stadium.

At June 30, 2010, 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 discounts/premiums of approximately $14,752 and unamortized deferred bond refunding losses of $5,861:

	Final maturity date (1)	Interest rates %	Balance
Henderson State University	2036	2.00-7.00	$ 33,110
Southern Arkansas University-Magnolia	2039	1.40-5.35	35,624
Southern Arkansas University Tech-Camden	2016	5.00-6.02	480
Arkansas State University-Beebe	2040	3.00-6.60	38,085
Arkansas State University-Jonesboro	2039	1.60-5.25	122,150
Arkansas State University-Mountain Home	2033	3.84-5.50	10,582
Arkansas State University-Newport	2033	2.75-4.50	6,035
Arkansas Tech University	2041	1.10-5.75	56,860
University of Arkansas at Fayetteville	2040	Variable	447,552
University of Arkansas at Little Rock	2035	4.22-5.50	102,491
University of Arkansas for Medical Sciences	2036	1.87-22.43	257,574
University of Arkansas at Monticello	2036	Variable	11,455
University of Arkansas at Pine Bluff	2036	2.00-5.70	22,058
University of Central Arkansas	2038	2.00-7.75	84,480
University of Arkansas Community College at Hope	2039	1.00-5.12	7,260
University of Arkansas Community College at Batesville	2019	2.00-5.00	3,257
University of Arkansas Community College at Morrilton	2022	2.25-5.25	3,440
University of Arkansas at Fort Smith	2035	1.00-5.00	79,267
East Arkansas Community College	2013	2.50-6.00	455
National Park Community College	2031	3.00-4.70	12,280
Mid-South Community College	2039	3.70-4.30	14,855
Arkansas Northeastern College	2031	4.00-5.35	4,425
North Arkansas College	2037	3.50-4.70	4,365
Phillips Community College of the University of Arkansas	2039	3.00-5.20	12,028
Rich Mountain Community College	2023	Variable	1,405
South Arkansas Community College	2039	3.25-5.00	3,450
Northwest Arkansas Community College	2030	3.00-4.50	20,479
Black River Technical College	2028	1.35-4.75	2,670
Pulaski Technical College	2037	1.70-5.15	49,905
Ozarka College	2036	4.9-5.04	3,515
War Memorial Stadium	2017	2.25-4.90	1,834
Total			$ 1,453,426

(1) Fiscal year

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, 2010, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	$ 54,325	$ 65,092	$ 119,417
2012	55,703	63,229	118,932
2013	56,547	61,075	117,622
2014	56,569	58,834	115,403
2015	56,909	56,538	113,447
2016-2020	298,904	235,280	534,184
2021-2025	285,224	170,654	455,878
2026-2030	259,580	108,857	368,437
2031-2035	241,800	49,241	291,041
2036-2040	87,865	7,211	95,076
Total	$ 1,453,426	$ 876,011	$ 2,329,437

Component Units

Arkansas Student Loan Authority (ASLA) – 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.

Conduit debt issued by ASLA is for the purpose of improving market liquidity for student loan agencies. ASLA is subject to monthly payments of ratable financing cost based on an estimate of conduit financing cost. Any ratable financing cost for any yield period not paid from available funds shall increase the funding note balance. The funding note is to be serviced by payments on student loans received on those loans which were pledged under the Funding Note Purchase Agreement. ASLA reports conduit debt obligations as notes payable on its Statement of Net Assets.

Revenue bonds and notes payable outstanding at June 30, 2010, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %	Balance
Student Loan Revenue Refunding Bonds, Series 1997A	2014	0.510	$ 16,150
Student Loan Revenue Refunding Bonds, Series 2000 A-1	2030	0.44	45,000
Student Loan Revenue Refunding Bonds, Series 2000 A-2	2030	1.78	11,450
Student Loan Revenue Refunding Bonds, Series 2004 A-1/A-2	2039	0.44-0.48	101,150
Student Loan Revenue Bonds, Series 2005 A-1/A-2/A-3	2040	0.8-0.88	167,350
Student Loan Revenue Bonds, Series 2006 A-1/A-2/A-3/B-1	2041	0.67-0.8	178,600
Student Loan Revenue Bonds, Series 2006 A-4	2041	1.33	1,750
Note Payable, Conduit with U.S. Department of Education	2014	Variable	252,700
Total			$ 774,150

(1) Fiscal year

Future amounts required to pay principal and interest on revenue bonds at June 30, 2010, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2011	$	$ 6,453	$ 6,453
2012	82,600	6,228	88,828
2013	52,750	5,656	58,406
2014	163,350	5,436	168,786
2015		4,241	4,241
2016-2020		8,477	8,477
2021-2025		8,477	8,477
2026-2030	56,450	7,477	63,927
2031-2035		7,477	7,477
2036-2040	419,000	5,476	424,476
Total	$ 774,150	$ 65,398	$ 839,548

Line of Credit – On June 1, 2008, ASLA entered into an agreement with the State to obtain funding not to exceed $80 million. ASLA was permitted to draw up to $50 million prior to January 1, 2009 and was permitted to draw the remaining $30 million on or after January 1, 2009. Interest on the outstanding principal balance was .94% at June 30, 2009. This rate reset on June 1, 2010 to the six-month CD rate recommended by the State Bank Commissioner and approved by the State Board of Finance. Accrued interest is payable at various dates during the fiscal year with the final installment of accrued and unpaid interest, principal and other the agreement are payable on September 30, 2010. ASLA had $24 million and $23 million outstanding on this note as of June 30, 2010 and 2009, respectively. Accrued interest on the note payable was approximately $288,000 at June 30, 2010 and zero at June 30, 2009 due to payment made at fiscal year end.

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, 2010, the bonds outstanding issued under these programs aggregated $206.9 million.

Bonds and notes payable at June 30, 2010, were as follows (expressed in thousands):

	Final maturity date	Interest rates %	Balance
Single Family Bonds and Notes Payable	2038	0.25-9.878	$ 688,100
Multi-Family Bonds Payable	2035	4.15-9.75	44,410
Bond Guaranty Program	2034	2.5-7.45	52,642
State and Health Facilities Bonds Payable	2040	1.4-7.00	280,420
Economic Development Bonds and Note Payable	2015	5.25-5.70	495
Tobacco Bonds Payable	2045	4.125-5.50	87,609
General Fund Bond and Note Payable	2011	0.21-0.35	4,236
Total			$ 1,157,912

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2010, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $1.7 million less accreted interest of $76.6 million:

	Principal	Interest	Total
Year ending June 30:			
2011	$ 46,098	$ 44,391	$ 90,489
2012	235,053	42,306	277,359
2013	39,066	40,091	79,157
2014	36,753	38,332	75,085
2015	38,363	36,422	74,785
2016-2020	180,530	156,376	336,906
2021-2025	192,407	113,594	306,001
2026-2030	185,460	70,664	256,124
2031-2035	169,414	32,029	201,443
2036-2040	85,330	9,224	94,554
2041-2045	26,068	117	26,185
Total	$ 1,234,542	$ 583,546	$ 1,818,088

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, 2010, were $533,400 including interest ranging from 5% to 12%.

Aggregate annual maturities of annuity obligations at June 30, 2010, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2011	$ 1,293
2012	1,200
2013	1,168
2014	1,053
2015	1,027
2016-2020	4,117
2021-2025	2,734
2026-2030	1,227
2031-2035	1,568
2036-2040	1,244
2041-2045	38
Total	$ 16,669

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 $76.1 million were considered defeased at June 30, 2010.

Higher Education

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 Various Facility Revenue Bonds, Series 2002 and $12.1 million of Various Facility Revenue Bonds, Series 2001. 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, 2010, was $55.7 million for these issues and the related escrow balance at June 30, 2010, was $58.6 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 was held by the trustee until the debt was fully defeased on January 4, 2010, with the final payment by the trustee of $7.4 million from the escrow account. The balance remaining in the escrow account of $188 was transferred to the bond fund in order to close out the account.

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 are secured by a specific pledge of Housing System Revenues. The Series 2007C bonds were issued to provide funds for 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 and resulted in gross savings of $1.5 million. The 1997A issue was called on April 1, 2008. The 2004C bond issue was held by the trustee until it was fully defeased on November 1, 2009, with the final payment from escrow of $15.2 million. A check was issued to the University for the remaining funds of $714 in order to close the escrow account.

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, 2010, the escrow fund established to provide the retirement of the bonds being refunded had a balance of $5.2 million. The final payment on the 2002 bonds was November 15, 2007, and the remaining principal amount of the outstanding 2000 bonds considered defeased was $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 $21 million were considered defeased at June 30, 2010. The bonds include the 1979 Series A Single Family Conventional Bonds, the 2001 Series C Multi-Family Mortgage Revenue Refunding Bonds (partial defeasance) and 2003 Series A Correction Facilities Revenue Refunding Bonds.

Current Refundings

Primary Government

During fiscal year 2010, the State issued $253.2 million of advance refunding general obligation bonds to redeem the 2000A, 2001A and 2002 bond series of the Highway and Transportation Department. The bonds bear interest rates ranging from 2.5% to 5.0% and mature in 2015. A portion of the proceeds of the new bonds were placed in an irrevocable trust to provide for all future debt service payments on the 2002 bond series. The remainder of the proceeds were placed in a trust account to be used in early fiscal year 2011 to redeem the 2000A and 2001A bond series. As of June 30, 2010, $161.2 million of outstanding bonds are considered defeased resulting in an economic present value savings of $5.8 million and a reduction of $25.9 million in future debt service. The refunding resulted in a loss on early retirement of $10.2 million for fiscal year 2010.

Higher Education

On December 1, 2009, Henderson State University issued $6.7 million Student Fee Secured Refunding Bonds, Series 2009, with an interest rate of 2% to 4.3% to refund $3.5 million of outstanding bonds dated July 1, 2001, with interest rates of 3.15% to 5.375% and $3.0 million of outstanding bonds dated July 1, 2003, with interest rates of 1% to 4.05%. Bond proceeds of $6.2 million and debt service reserve funds of $353,966 were deposited with the refunding bond agents to refund the above bonds. The 2001 Series and 2003 Series outstanding bonds were called for redemption on January 1, 2010. The remaining net bond proceeds of $355,073 (after payment of bond issuance costs of $98,939 and deduction of the bond discount of $23,439) were deposited into the debt service reserve fund as per the bond indenture. Accrued interest of $16,388 was deposited in the debt service fund to be applied to subsequent interest payments. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $116,515. This difference, reported in the accompanying financial statements as a contra-liability, will be amortized through the fiscal year 2019 using the straight-line method. Henderson State University completed the refunding to reduce its total debt service payments over the next 17 years by $460,020 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $410,915.

On December 1, 2009, Henderson State University issued $1.5 million Auxiliary Enterprise Revenue Secured Refunding Bonds, Series 2009A, with an interest rate of 2% to 3.375% to refund $1.5 million of outstanding bonds dated July 1, 2004, with interest rates of 1.8% to 4.8%. Bond proceeds of $1.4 million and debt service reserve funds of $99,335 were deposited with the refunding bond agent to refund the above bonds. The 2004 Series outstanding bonds were called for redemption on April 1, 2010. The remaining net bond proceeds of $101,526 (after payment of bond issuance costs of $26,508 and deduction of the bond discount of $3,906) were deposited into the debt service reserve fund as per the bond indenture. Accrued interest of $3,180 was deposited in the debt service fund to be applied to subsequent interest payments. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $32,395. This difference, reported in the accompanying financial statements as a contra-liability, will be amortized through the fiscal year 2019 using the straight-line method. Henderson State University completed the refunding to reduce its total debt service payments over the next nine years by $84,819 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $67,488.

On December 1, 2009, Henderson State University issued $515,000 Auxiliary Enterprise Revenue Secured Refunding Bonds, Series 2009B, with an interest rate of 2.65% to 5.15% to refund $490,000 of outstanding bonds dated July 7, 2001, with an interest rate of 7 percent. Bond proceeds of $462,188 and debt service reserve funds of $44,962 were deposited with the refunding bond agent to refund the above bonds. The 2001 Series bonds were called for redemption on January 1, 2010. The remaining net bond proceeds of $45,011 (after payment of bond issuance costs of $7,801) were deposited into the debt service reserve fund as per the bond indenture. Accrued interest of $1,724 was deposited in the debt service fund to be applied to subsequent interest payments. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $17,150. This difference, reported in the accompanying financial statements as a contra-liability, will be amortized through the fiscal year 2017 using the straight-line method. Henderson State University completed the refunding to reduce its total debt service payments over the next seven years by $34,329 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $31,528.

On January 1, 2010, Southern Arkansas University issued Auxiliary Revenue Secured Improvement and Refunding Bonds in the amount of $10.1 million with interest rates of 2% to 5.1%. A portion of the proceeds was utilized to refund $385,000 of outstanding bonds dated October 1, 1999, with interest rates of 3.5% to 4.7%, $2.8 million of outstanding bonds dated December 1, 2001, with interest rates of 3% to 5.35%, and $4.3 million of outstanding bonds dated June 1, 2003, with interest rates of 1.4% to 5%. Bond proceeds of $6.9 million and debt service reserve funds of $763,829 were deposited with an escrow agent to refund the above bonds. The 1999 Series and 2001 Series outstanding bonds were called for redemption on April 1, 2010, and the 2003 Series outstanding bonds were called for redemption on March 9, 2010. Accrued interest of $33,359 was deposited into the debt service fund to be applied to subsequent interest payments and proceeds of $641,943 were deposited into the debt service reserve fund as required by the bond indenture. The remaining net proceeds (after payment of bond issuance costs of $144,358 and deduction of the bond discount of $102,955) of $2.3 million were deposited to the capital projects fund for various Auxiliary capital improvements. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $140,561. This difference, reported as a contra-liability account on the financial statements, will be amortized through the fiscal year 2015 using the straight-line method. The escrow balance at June 30, 2010, was $4,095 which was remitted to the University on August 5, 2010. The bond issue extended the debt obligations of the University by an additional 11 years.

On June 30, 2010, the University of Arkansas Fayetteville Campus issued $24.0 million in Athletic Facilities Revenue Refunding Bonds, Series 2010 (taxable) with interest rates of 1.00% to 4.82% to refund $19.1 million of outstanding Athletic Facilities Revenue Bonds, Series 1999, with interest rates of 3.35% to 5.05%, and $4.0 million of outstanding Athletic Facilities Revenue Bonds, Subordinate Series 2001, with an interest rate of 4.20%. Bond proceeds of $19.5 million were deposited into the current refunding fund to retire the 1999 bonds. Bond proceeds of $4.2 million were deposited into the advance refunding fund to retire the 2001 bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $544,487. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2021 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by $1.3 million and to obtain an economic gain (difference between the present value of the old and new debt service payments) of $355,490. The escrow balance at June 30, 2010, was $23.7 million. The bonds dated May 1, 1999, were refunded on July 16, 2010. The bonds dated November 1, 2001 will be refunded on December 1, 2011.

On June 10, 2010, the University of Arkansas Medical Sciences Campus issued $7.6 million in Parking System Revenue Refunding Bonds, Series 2010, with interest at various rates from 2% to 4.5%, to refund the Parking System Revenue Construction and Refunding Bonds, Series 1998. The 2010 bond issue will mature in 2019. The refunding resulted in a net present value benefit of $770,000 and a deferred refunding loss of $230,000, which will be amortized as a component of interest expense until June 30, 2020. For current and advance refunding resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the refunded debt is deferred and amortized as a component of interest expense, in a systematic and rational manner, over the remaining life of the old debt or the life of the new debt, whichever is shorter. The escrow balance in the refunding account at June 30, 2010, was $8.96 million. The bonds were refunded in July, 2010.

On June 1, 2010, the University of Arkansas - Community College at Hope issued $4.6 million in Student Fee Refunding Revenue Bonds, Series 2010, with interest rates of 1% to 4% to advance refund $2.4 million of outstanding Refunding and Construction Student Fee Revenue Bonds, Series 1998, with interest rates of 3.8% to 5.125% and to advance refund $2.2 million of outstanding Student Fee Revenue Refunding Bonds, Series 2004A with interest rates of 1.75% to 4.85%. Bond and premium proceeds of $4.7 million were deposited in the advance refunding fund to retire the 1998 and 2004 bonds. Premium proceeds of $75,516 and debt service reserve funds of $15,106 were utilized for the payment of issuance costs. Premium proceeds of $8,871 and accrued interest of $2,956 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $69,295. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2021 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eleven years by $492,273 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $382,138. The escrow balance at June 30, 2010 was $4.7 million. The bonds were refunded on July 12, 2010.

On June 15, 2010, the University of Arkansas - Community College at Batesville issued $2.3 million in Student Fee Revenue Refunding Bonds, Series 2010, with interest rates of 1% to 3.25% to refund $2.2 million of outstanding Student Fee Revenue Bonds, Series 1998, with interest rates of 3.1% to 5%. Bond proceeds of $2.3 million were deposited in the current refunding fund to retire the 1998 bonds. Remaining bond proceeds of $43,636, premium proceeds of $4,033 and debt service reserve funds of $7,522 were utilized for the payment of issuance costs. The remaining premium proceeds of $10,034 and accrued interest of $1,026 were deposited in the debt service fund to be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $6,364. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2019 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next nine years by $209,356 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $185,775. The escrow balance at June 30, 2010 was zero. The bonds were refunded on June 22, 2010.

On June 1, 2010, the University of Arkansas Fort Smith Campus issued refunding bonds of $29.9 million in Student Fee Refunding Revenue Bonds, Series 2010, with interest rates of 2% to 4% to advance refund $28.9 million of outstanding Student Fee Revenue Bonds, Series 2001, with interest rates of 2% to 5%. Bond and premium proceeds of $30.6 million were deposited in the advance refunding fund to retire the 2001 bonds. Premium proceeds of $342,181 were utilized for the payment of issuance costs. Other proceeds and accrued interest of $83,009 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.7 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twelve years by $1.1 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.1 million. The escrow balance at June 30, 2010 was $30.6 million. The bonds will be refunded on December 1, 2011.

On June 15, 2010, the University of Arkansas - Community College at Morrilton issued $2.0 million in Student Fee Refunding Bonds, Series 2010, with interest rates of 2% to 3.5% to advance refund $2.1 million of outstanding Student Fee Revenue Bonds, Series 2002, with interest rates of 2.25% to 5.25%. Bond proceeds and debt service reserve funds of $2.1 million were deposited in the advance refunding fund to retire the 2002 bonds. Debt service reserve funds of $48,973 were utilized for the payment of issuance costs. Debt service reserve funds of $13,396 and accrued interest of $156 were deposited in the debt service fund to be applied to subsequent interest payments. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $23,333. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twelve years by $273,076 and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $195,819. The escrow balance at June 30, 2010 was $2.1 million. The bonds were refunded on July 19, 2010.

On December 22, 2009, Ozarka College issued refunding bonds of $3.5 million with interest rates of 2% to 5.25% to refund $2.3 million of outstanding bonds dated December 1, 2002, with interest rates of 3% to 5% and to acquire project funding for the construction of a new educational facility in Mountain View, Arkansas. Bond proceeds of $2.3 million were deposited in the current refunding fund to retire the 2002 bonds. Remaining bond proceeds of $74,139 were utilized for the payment of issuance costs. The remaining proceeds of $111,057 and accrued interest of $9,278 were deposited into the debt service fund to be applied to subsequent interest payments and $1.1 million was deposited into a project fund to be used for the construction of a new educational facility. The bonds were sold with an original issue discount of $28,222. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $16,409. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2036 using the straight-line method.

(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, 2010 and the remaining principal and interest as of June 30, 2010 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2010 Pledged Revenue	Fiscal Year 2010 Principal and Interest
Rental income	Purchase of building	2014	$ 1,460	24%	$ 1,393	$ 370
Court filing fees	Construction of building	2030	15,635	85%	990	908
Rental income	Purchase of building	2030	27,061	71%	1,961	
License fees	Prison construction	2039	54,680	50%	3,932	1,892
Motor vehicle fees	Construction and remodel of buildings	2021	1,817	16%	1,671	1,236
Vital records fees	Health lab construction	2028	26,025	69%	2,410	1,562
State park revenue	Construction of state park facilites	2024	36,566	69%	4,230	2,710
Permit fees	Construction of building	2041	35,247	11%	11,199	1,150
Drivers license revenue	Wireless network	2018	17,122	68%	2,886	2,157
Drivers license revenue	Construction of building	2018	24,110	77%	3,877	3,034

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, 2010 and the approximate amount of pledged revenues as of June 30, 2010 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2010 Pledged Revenue	Fiscal Year 2010 Principal and Interest
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2036	$ 26,228	52%	$ 1,955	$ 1,195
	Student recreation center revenue	Construction of student recreation center	2032	11,997	98%	511	500
	Auxiliary revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary services bonds	2017	604	26%	326	78
	Student tuition & fee revenue	Refunding of prior issues	2027	11,057	3%	21,363	401
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	43,303	8%	18,629	1,581
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2039	20,397	10%	6,764	422
Southern Arkansas University-Tech Branch	Student tuition revenue	Capital improvements	2016	407	10%	691	67
Arkansas State University - Beebe	Housing fees	Construction of facilities	2040	16,709	100%	216	-
	Student tuition & fee revenue	Construction, renovation and refinance of facilities	2036	48,780	19%	9,853	2,050
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refinance facilities	2034	22,944	1%	67,835	1,669
	Housing fees	Construction of facilities and refinance facilities	2039	128,995	63%	7,082	5,231
	Student union fees	Refinance facilities	2025	17,103	48%	2,361	1,198
	Parking fees	Refinance facilities	2025	5,828	30%	1,310	408
	Recreation center fees	Construction of facilities	2037	28,567	75%	1,409	1,056

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2010 Pledged Revenue	Fiscal Year 2010 Principal and Interest
Arkansas State University - Mountain Home	Student fees and ad valorem tax	Construction of facilities and refinance prior issues	2033	$ 11,391	10%	$ 4,861	$ 809
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refinance prior issues	2033	8,898	10%	3,922	466
Arkansas Tech University	Food service fees	Renovation of cafeteria	2017	725	2%	4,647	105
	Housing fees	Construction and renovation of facilities	2039	44,654	24%	6,311	1,859
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2041	47,191	4%	38,959	2,341
	Athletic revenues	Construction of facilities	2037	6,344	6%	3,722	263
University of Arkansas at Fayetteville	Various facility revenue	Construction & renovation of facilities, refunding of prior issues, land purchases	2040	637,214	10%	205,890	35,125
	Athletic fees	Construction of facilities and refunding of prior issues	2023	45,774	7%	51,201	6,149
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2030	80,830	6%	65,238	5,203
	Housing fees	Construction of facilities	2030	24,254	42%	2,870	1,003
	Housing & athletic fees	Construction of facilities	2035	50,447	26%	7,790	541
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refinance prior issues	2036	399,334	3%	551,379	17,389
	Parking fees	Parking deck construction and refinance prior issues	2035	25,485	29%	3,466	1,933
University of Arkansas at Monticello	Auxiliary revenue	Refunding of prior issues	2019	3,669	6%	6,274	413
	Student fees & auxiliary revenue	Capital improvements and refund loan with component unit	2036	14,690	3%	18,202	572
University of Arkansas at Pine Bluff	Education and general funds	Refunding of prior issues and capital improvements	2036	35,859	4%	33,782	1,643
	Student fees	Construction of facilities	2014	377	1%	21,000	94
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	64,766	3%	68,480	3,710
	Housing fees	Construction of facilities and refunding of prior issues	2034	47,273	14%	14,162	2,540
	Auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2038	19,732	4%	17,256	1,537
University of Arkansas Community College - Hope	Student fees	Construction of facilities and refund of prior issues	2039	10,215	15%	2,388	760
University of Arkansas Community College - Batesville	Student fees	Construction of facilities and refund of prior issues	2019	2,572	8%	3,650	300
University of Arkansas Community College - Morrilton	Student fees	Construction of facilities and refund of prior issues	2022	3,999	6%	5,652	439
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2035	114,395	15%	29,843	6,243
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	6,125	8%	3,371	161
Arkansas Northeast College	Millage revenue	Refunding of prior issues	2031	7,385	63%	558	351
University of Arkansas Community College - Phillips	Student fees	Construction of facilities and refund of prior issues	2039	22,098	24%	3,160	621
Rich Mountain Community College	Tax revenue	Capital improvements	2023	1,895	54%	268	157
South Arkansas Community College	Millage revenue	Construction of facilities	2039	6,307	74%	294	217
Northwest Arkansas Community College	Property tax revenue	Construction of facilities and refunding of prior issues	2030	31,495	48%	3,302	1,578
	Infrastructure fees	Refunding of prior issues	2025	8,250	62%	891	876
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities	2028	3,954	13%	1,681	219
Ozarka College	Student tuition & fee revenue	Construction of facilities and refund of prior issues	2037	6,196	8%	2,864	80
Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities	2037	81,640	50%	6,038	3,652
War Memorial Stadium Commission	Cash revenue	Press box construction	2017	4,000	100%	571	104

(1) Fiscal Year

Component Units

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for an outstanding note payable. The purpose of the debt was to redeem auction rate bonds. The following is a summary of the pledged gross revenues collected, principal and interest paid during the fiscal year ended June 30, 2010 and the approximate amount of the pledged revenues as of June 30, 2010 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2010 Pledged Revenue	Fiscal Year 2010 Principal and Interest
Arkansas Student Loan Authority	Student loan principal & interest revenue	Redeem auction rate bonds	2014	$ 259,030	100%		

(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, 2010, the governmental activities of the State had an arbitrage rebate liability of $1.35 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 $1.4 million at June 30, 2010. 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 ASLA to the federal government related to its excess earnings liability during the year ended June 30, 2010.

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, 2010, no excess subsidy existed.

(11) Leases

Capital Lease Receivables

In February of 2009, 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 Victory Lumber, LLC, as lessee. The capital lease term continues until February 29, 2024. The original amount of the lease is $927 thousand, which includes buildings, all movable property, fixtures, furniture, and equipment located on the premises. The capital lease bears no interest rate and the future lease payments below represent only principal payments. There are no contingent rentals or unearned income at June 30, 2010.

Future amounts required to pay principal amounts as of June 30, 2010, are as follows (expressed in thousands):

	Principal
Year ending June 30:	
2011	$ 65
2012	65
2013	65
2014	65
2015	65
2016-2020	325
2021-2025	239
Total	$ 889

Capital Lease Obligations

The State has entered into various lease agreements with the private sector, primarily for buildings and intangibles (software). These agreements are for various terms with all 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 intangibles (software) 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 ADFA. 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	184,297	25,643
Machinery and equipment		36,367
Intangibles	1,313	
Less: Accumulated depreciation	(22,422)	(21,334)
Total	$ 163,188	$ 40,935

Future minimum commitments under operating and capital leases by fund type as of June 30, 2010, were as follows (expressed in thousands):

	Capital leases	
	Governmental activities	Business-type activities
Year ending June 30:		
2011	$ 717	$ 9,206
2012		7,767
2013		7,199
2014		5,614
2015		4,219
2016-2020		12,581
2021-2025		1,476
2026-2030		1,476
2031-2035		1,452
Total minimum lease payments	717	50,990
Less: Interest	(25)	(10,582)
Present value of future minimum lease payments	$ 692	$ 40,408

	Capital leases with component unit			
	Governmental activities		Business-type activities	
Year ending June 30:				
2011	$	12,329	$	227
2012		12,227		224
2013		12,216		225
2014		11,803		
2015		10,820		
2016-2020		57,025		
2021-2025		42,218		
2026-2030		29,792		
2031-2035		17,124		
2036-2040		5,841		
2041-2045		488		
Total minimum lease payments		211,883		676
Less: Interest		(73,934)		(56)
Present value of future minimum lease payments	$	137,949	$	620

	Operating leases			
	Governmental activities		Business-type activities	
Year ending June 30:				
2011	$	27,869	$	14,997
2012		15,923		10,757
2013		10,614		7,810
2014		8,009		6,342
2015		6,338		4,210
2016-2020		18,150		6,459
2021-2025		13,305		4,468
2026-2030		11,956		4,349
2031-2035		9,341		4,369
Total minimum lease payments	$	121,505	$	63,761
Total rental expenditure/ expense (2010)	$	33,032	$	18,323

(12) Pollution Remediation

Primary Government

Governmental Activities

The State estimates and reports the potential costs of pollution remediation in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation.* While GASB 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 anticipated. 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 are as follows (expressed in thousands):

	2010	2009
Balance, beginning of year	$ 15,703	$ 10,950
Incurred Claims	3,337	5,230
Payments	(2,285)	(477)
Balance, end of year	$ 16,755	$ 15,703
Current portion	$ 892	$ 435
Non current portion	15,863	15,268
	$ 16,755	$ 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.

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 $10.8 million at June 30, 2010.

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 Oxide Reactor site (SEFOR), including estimated remediation cost and development of a plan for necessary remediation. As of June 30, 2010, the University was under no obligation to complete the remediation of the site.

(13) Fund Balance/Net Assets

Deficit Net Assets

The Workers' Compensation Commission (WCC) had an $81.9 million deficit in net assets as of June 30, 2010. 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 $182,650 for 2010.

Arkansas Department of Workforce Services (ADWS) had a $164.6 million deficit in net assets as of June 30, 2010. The deficit is due primarily to the State's Unemployment Insurance Trust Fund (Fund), an enterprise fund of the State which had a $197.9 million deficit in net assets as of June 30, 2010. The Fund, which is managed by the ADWS, is designed to be self-supporting through employer contributions. The Fund became insolvent in 2009 when claims began to outpace accumulated employer contributions. Under provisions of Title XII of the Social Security Act, the State received $333 million in advances from the Federal Unemployment Account (FUA) through June 30, 2010 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 was increased from $10,000 to $12,000 and this change will increase total collections by approximately $50 million per year. Additional legislation will be proposed for the 2011 Legislative Session to further increase collections and provide some decreases in the calculation and payment of benefits. Current projections are that the total outstanding balance of Title XII advances at June 30, 2011 will be approximately $408 million. The US Congress is considering legislation that would extend the waiver of interest payment for another two years to December 31, 2012. The Fund has not received any advances since April 19, 2010.

The Arkansas Scholarship Lottery Commission had an $842 thousand deficit in net assets as of June 30, 2010. The deficit was due to a difference in the manner in which net proceeds was calculated. Specifically, net proceeds were calculated in accordance with Arkansas Scholarship Lottery Act. The Act is not consistent with generally accepted accounting principles, which is the method used for presentation of the financial statements. The difference in accounting methods resulted in a higher calculation of net proceeds amount used for scholarship funding and the corresponding liability, thus resulting in a deficit in net assets.

(14) Pensions

(a) Plan Descriptions

The State contributed to two single-employer defined benefit pension plans: Arkansas Judicial Retirement Plan (Judicial) and Arkansas Highway and Transportation Retirement Plan (Highway). Judicial is 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

The State sponsors two cost-sharing multiple-employer defined benefit plans: Arkansas Teacher Retirement Plan (Teachers), 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:

	APERS	APERS District Judges	ASPRS	Teacher	Highway	Judicial
Number of participating employers/contributing entities	856	79	1	343	1	1
Contribution rates for the fiscal year ended June 30, 2010 (% of covered payroll):	4.00%-23.00%	16.00%	22.00%	14.00%	12.90%	24.59%
Legal or contractual maximum rates	23.00%	16.00%	22.00%	14.00%	12.90%	24.59%
Covered Payroll (in thousands)	$ 1,523,000	$ 3,554	$ 28,513	$ 2,381,000	$ 127,000	$ 18,630
State Plan Members - contributory plans	5.00%	5.00%	9.25%	6.00%	6.00%	6.00%
Annual pension cost (in thousands)	$ 169,604	$ 1,779	$ 20,548	$ 389,300	$ 17,999	$ 4,668
Contributions made (in thousands)	$ 169,604	$ 1,779	$ 20,548	$ 389,300	$ 17,999	$ 4,668

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 Required Contribution	Percentage contributed
2010	APERS	$ 169,604	100.00%
	District Judges	$ 1,916	93.29%
	ASPRS	$ 12,748	161.18%
	Teacher	$ 362,850	107.30%
2009	APERS	$ 159,232	100.00%
	District Judges	$ 1,581	102.05%
	ASPRS	$ 10,536	115.25%
	Teacher	$ 344,030	104.37%
2008	APERS	$ 173,462	100.00%
	District Judges	$ 1,525	110.00%
	ASPRS	$ 9,996	116.56%
	Teacher	$ 343,990	101.84%

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.

Act 177 of 2007 abolished the Arkansas District Judges Retirement System (District Judges) and transferred the powers, duties, and plan liabilities to APERS effective July 1, 2007. District Judges is treated as a separate Division of APERS with its individual Actuarial Valuation.

The Arkansas State Police Retirement System (ASPRS) 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 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 1242 of 2009 transferred all assets of ASPRS to APERS effective July1, 2009. ASPRS is treated as a separate Division of APERS with its own individual Actuarial Valuation.

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.

No pension liability exists for APERS as the State's contribution to each plan was equal to or exceeded its annual required contributions (ARC). 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 are made directly by the school districts.

No pension liability exists for Teachers, Highway or Judicial as the State's contributions to each plan for the year ended June 30, 2010, was equal to the ARC.

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

	Year ending	Annual pension cost (APC)	Percentage of APC contributed
Highway	6/30/2010	$ 17,999	100.00%
	6/30/2009	16,691	100.00%
	6/30/2008	16,178	100.00%
Judicial	6/30/2010	4,668	100.00%
	6/30/2009	4,467	100.00%
	6/30/2008	5,145	100.00%

Historical trend information designed to provide information about each system's 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 and Judicial plans as of June 30, 2010, is as follows:

	Highway	Judicial
Actuarial accrued liability	$ 1,305,000	$ 182,912
Acturial value of plan assets	1,199,400	165,244
Unfunded actuarial accrued liability (UAAL)	$ 105,600	$ 17,668
Funded ratio	91.91%	90.30%
Covered payroll	$ 127,000	$ 18,630
UAAL as a percentage of covered payroll	83.15%	94.80%

(d) Actuarial Assumptions

	APERS					
	APERS	District Judges [a]	ASPRS[a]	Teacher	Highway	Judicial
Actuarial valuation date	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010	June 30, 2010
Actuarial cost method	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age	Entry Age
Amortization method	Level Percentage of Payroll (State & Local) Level Dollar (General Assembly Members), Open	Level Dollar, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open	Level Percentage of Payroll, Open
Remaining amortization period	30 years (State & Local Employees) 18 years (General Assembly Members)	27 Years	30 years	52 years	24.6 years	30 years
Asset valuation method	4 Year Smoothing Market-25% Corridor	4 Year Smoothing Market-25% Corridor	4 Year Smoothing Market	4 Year Smoothing 80%-120% Corridor	5 Year Smoothing Market	4 Year Smoothing Market
Actuarial assumptions:						
Inflation rate	4.00%	4.00%	4.00%	4.00%	3.50%	3.00%
Investment rate of return*	8.00%	8.00%	8.00%	8.00%	8.00%	7.50%
Projected salary increases*	4.7%-10.6%	4.7%-9.8%	4.00%	4.00%-10.10%	4.5%-11.5%	4.00%
Postretirement benefit increases	3.00% Compounded	3.00% Compounded	3.00% Compounded	3.00% Simple	3.00% Compounded	(b)

* Includes assumed inflation.

(a) Operated as Divisions of APERS

(b) 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 § 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 $100,000 per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $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 $385.6 million at June 30, 2010.

(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 2010, total employer contributions to VALIC, TIAA-CREF, and Fidelity were $100.3 million while contributions to other plans were $0.9 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $98.1 million while contributions to other plans were $0.7 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 $99,500 in 2010.

(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: 668 active employees and 370 retirees and beneficiaries
- AEP: 32,726 active employees and 11,569 retirees and beneficiaries

(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 2010, the State contributed $2.6 million to ASP and $40.7 million to AEP. Plan members receiving benefits contributed $1.6 million to ASP and $23.7 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree Only	$ 224	$ 236
Retiree & Spouse	350	576
Medicare Eligible		
Retiree Only	$ 91	$ 117
Retiree & Spouse	182	278

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, 2010 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	37%	37%
Annual required contribution (ARC)	$ 6,156	$ 176,166
Interest on net OPEB obligation	126	9,597
Adjustment to ARC	(149)	(13,875)
Annual OPEB cost	6,133	171,888
Contribution made	(2,618)	(40,704)
Increase in net OPEB obligation	3,515	131,184
Net OPEB obligation - beginning of year	3,146	239,935
Net OPEB obligation - end of year	$ 6,661	$ 371,119

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
	2010	$	6,133	43%	$	6,661
AEP	2008	$	140,903	23%	$	108,885
	2009	$	165,223	21%	$	239,935
	2010	$	171,888	24%	$	371,119

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2010, was as follows (expressed in thousands):

		ASP		AEP
Actuarial accrued liability	$	82,260	$	1,684,000
Actuarial value of plan assets				
Unfunded actuarial accrued liability (funding excess)	$	82,260	$	1,684,000
Funded ratio		0%		0%
Covered payroll	$	42,237	$	1,346,374
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		195%		125%

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	July 1, 2009	July 1, 2010
Actuarial cost method	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar Closed	Level Dollar Open
Remaining amortization period	30 years	30 years
Asset valuation method	N/A	Market Value
Actuarial assumptions:		
Discount rate	4.00%	4.50%
Projected salary increases	N/A	N/A
Healthcare inflation rate	7% initial	Initial: 5% pre-Medicare 5% post-Medicare
	5% ultimate	4.5% ultimate

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

Governmental	$	364,342
Business-type		51,146
Component units		737
Pensions		1,669
Total net OPEB obligation	$	417,894

Business-Type Activities

Higher Education

In June, 2004, GASB issued Statement NO. 45, *Accounting and Financial Reporting by Employers for Post-employment 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)
- 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 21,936 active employees and 1,357 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)
- Black River Technical College Health Insurance Plan (BRTC)
- 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 1,647 active employees and 54 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 $1,255 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 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, 2010 (% 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%	55%	0%	0% up to age 65;100% after age 65	0% to 75%
Annual required contribution (ARC)	$ 79	$ 1,435	$ 1,106	$ 53	$ 48
Interest on net OPEB obligation	13	55	54	4	3
Adjustment to ARC	(73)	(93)	(75)	(5)	(4)
Annual OPEB cost	19	1,397	1,085	52	47
Contribution made	(31)	(211)	(454)	(19)	(21)
Increase in net OPEB obligation	(12) *	1,186	631	33	26
Net OPEB obligation - beginning of year	215	1,820	1,340	76	53
Net OPEB obligation - end of year	$ 203	$ 3,006	$ 1,971	$ 109	$ 79

* Decrease in FY10 Net OPEB Obligation is due to agency over accruing by 60K in FY09.

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	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, 2010 (% 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)	$ 48	$ 333	$ 61	$ 28	$ 59
Interest on net OPEB obligation	2	12	8	3	7
Adjustment to ARC	(2)	(20)	(7)	(4)	(9)
Annual OPEB cost	48	325	62	27	57
Contribution made	(17)	(110)	0	(13)	(15)
Increase in net OPEB obligation	31	215	62	14	42
Net OPEB obligation - beginning of year	33	394	122	60	119
Net OPEB obligation - end of year	$ 64	$ 609	$ 184	$ 74	$ 161

	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, 2010 (% 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%	40%
Annual required contribution (ARC)	$ 54	$ 159	$ 120	$ 42	$ 77
Interest on net OPEB obligation	3	10	7	3	7
Adjustment to ARC	(3)	(8)	(8)	(4)	(9)
Annual OPEB cost	54	161	119	41	75
Contribution made	(4)	(4)	(59)	(12)	(20)
Increase in net OPEB obligation	50	157	60	29	55
Net OPEB obligation - beginning of year	54	221	129	54	129
Net OPEB obligation - end of year	$ 104	$ 378	$ 189	$ 83	$ 184

	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, 2010 (% 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%	41%
Annual required contribution (ARC)	$ 364	$ 144	$ 6,863	$ 72	$ 303
Interest on net OPEB obligation	22	11	1,158	5	10
Adjustment to ARC	(37)	(13)	(960)	(7)	(16)
Annual OPEB cost	349	142	7,061	70	297
Contribution made	(39)	(6)	(1,983)	(10)	(192)
Increase in net OPEB obligation	310	136	5,078	60	105
Net OPEB obligation - beginning of year	722	162	25,730	92	321
Net OPEB obligation - end of year	$ 1,032	$ 298	$ 30,808	$ 152	$ 426

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
	2010	19	163%	203 *
ASU	2008	1,154	36%	739
	2009	1,276	15%	1,820
	2010	1,397	15%	3,006
ATU	2008	1,093	36%	701
	2009	1,084	41%	1,340
	2010	1,085	42%	1,971
BRTC	2008	53	23%	41
	2009	52	32%	76
	2010	52	37%	109
EACC	2009	99	47%	53
	2010	47	44%	79
OC	2008	31	61%	12
	2009	31	33%	33
	2010	48	36%	64
HSU	2008	311	40%	187
	2009	338	39%	394
	2010	325	34%	609
MSCC	2008	61	0%	61
	2009	61	0%	122
	2010	62	0%	184
NAC	2008	30	0%	30
	2009	30	0%	60
	2010	27	45%	74
NPCC	2008	108	33%	72
	2009	108	57%	119
	2010	57	25%	161
NWACC	2008	42	37%	27
	2009	43	37%	54
	2010	54	8%	104
PTC	2008	115	4%	109
	2009	116	4%	221
	2010	161	3%	378
RMCC	2008	20	0%	20
	2009	164	34%	129
	2010	119	49%	189
SACC	2008	41	39%	25
	2009	41	29%	54
	2010	41	30%	83
SAUT	2008	77	8%	71
	2009	76	23%	129
	2010	75	27%	184
SAU	2008	377	9%	344
	2009	427	11%	722
	2010	349	11%	1,032
UAFS	2008	105	15%	90
	2009	89	19%	162
	2010	142	5%	298
UAS1	2008	20,100	10%	18,448
	2009	9,340	22%	25,730
	2010	7,061	28%	30,808
UAS2	2008	619	38%	46
	2009	46	0%	92
	2010	70	15%	152
UCA	2008	367	64%	129
	2009	410	53%	321
	2010	297	65%	426

* Decrease in FY10 Net OPEB Obligation is due to agency over accruing by 60K in FY09.

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2010, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 866	$ 9,523	$ 9,093	$ 454	$ 354
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 866	$ 9,523	$ 9,093	$ 454	$ 354
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,424	$ 110,245	$ 38,868	$ 4,948	$ 5,252
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	10%	9%	23%	9%	7%

	OC	HSU	MSCC	NAC	NPCC
Actuarial accrued liability	$ 282	$ 2,741	$ 295	$ 201	$ 372
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 282	$ 2,741	$ 295	$ 201	$ 372
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 3,737	$ 18,742	$ 6,314	$ 6,885	$ 10,572
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	8%	15%	5%	3%	4%

	NWACC	PTC	RMCC	SACC	SAUT
Actuarial accrued liability	$ 261	$ 776	$ 725	$ 277	$ 468
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 261	$ 776	$ 725	$ 277	$ 468
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 10,354	$ 15,148	$ 3,052	$ 7,328	$ 5,853
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	3%	5%	24%	4%	8%

	SAU	UAFS	UAS1	UAS2	UCA
Actuarial accrued liability	$ 2,604	$ 789	$ 66,620	$ 422	$ 2,696
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 2,604	$ 789	$ 66,620	$ 422	$ 2,696
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 16,329	$ 27,108	$ 880,256	$ 14,841	$ 62,713
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	16%	3%	8%	3%	4%

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

(d) Actuarial Methods and Assumptions

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

	ANC, BRTC, MSCC, RMCC, SAUT	EACC, OC, NAC, NPCC, NWACC, SACC, UAFS, UAS2	ASU, HSU, SAU, UCA	ATU	PTC	UAS1
Actuarial valuation date	July 1, 2007	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009	July 1, 2009
Actuarial cost method	Projected Unit Credit	Projected Unit Credit	Projected Unit Credit	Unit Credit	Projected Unit Credit	Projected Unit Credit
Amortization method	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level Dollar, Open	Level percentage of payroll, open	Level percentage of payroll, open
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%	6.00%	3.00%	4.00%	4.50%	4.50%
Projected salary increases	N/A	N/A	N/A	N/A	4.00%	4.00%
Healthcare inflation rate	10% initial	10% initial	9% initial*	7.8% initial	8.1% initial	9.5% initial
	5% ultimate	5% ultimate	4.5% ultimate*	4.4% ultimate	5.2% ultimate	5% ultimate

* Trend rates are not used after 2008 for HSU and UCA because the agencies have frozen employer contributions to the plan at fiscal 2007 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	$ 77,233
Noncurrent assets	257,386
Total assets	334,619
Liabilities	
Current liabilities	8,041
Noncurrent liabilities	51,360
Total liabilities	59,401
Net Assets	
Restricted	275,218
Total net assets	$ 275,218

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

	Construction Assistance Revolving Loan Fund
Licenses, permits, and fees	$ 2,528
Investment earnings (pledged against bonds)	6,547
Other operating income	4
Amortization expense	(44)
Other operating expense	(12,164)
Operating income (loss)	(3,129)
Nonoperating revenue/expenses:	
Grants and contributions	17,128
Transfers to other funds	(1,080)
Change in net assets	12,919
Total net assets, beginning of year	262,299
Total net assets, end of year	$ 275,218

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Net cash provided (used) by:	
Operating activities	$ (17,901)
Noncapital financing activities	8,838
Investing activities	3,230
Net increase (decrease)	(5,833)
Cash and cash equivalents, beginning	65,368
Cash and cash equivalents, end	$ 59,535

(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):

	2010	2009
Claim liability, beginning of year	$ 21,500	$ 21,500
Incurred Claims:		
Provision for insured events of current year	214,249	203,338
Total incurred claims and claim adjustment expense	214,249	203,338
Payments:		
Claims payments attributed to insured events of current year	197,214	180,368
Claims payments attributed to insured events of prior years	14,285	22,970
Total Payments	211,499	203,338
Claim liability, end of year	$ 24,250	$ 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):

	2010	**2009**
Claim liability, beginning of year	$ 24,500	$ 22,750
Incurred Claims:		
Provision for insured events of current year	240,566	237,531
Total incurred claims and claim adjustment expense	240,566	237,531
Payments:		
Claims payments attributed to insured events of current year	217,031	209,752
Claims payments attributed to insured events of prior years	20,195	26,029
Total Payments	237,226	235,781
Claim liability, end of year	$ 27,840	$ 24,500

(b) Risk Management Office

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

For those state buildings covered by commercial insurance, the building and contents are generally insured for replacement cost subject to $100,000 deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), ACT 1762 of 2003, and varying deductible amounts up to $100,000 per occurrence for the state agency involved. 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, limited availability, and excessive cost, total earthquake coverage is limited to $100 million in earthquake zones 2 and 3 and $200 million for zones 4 and 5. 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. Eight higher education institutions have elected to purchased $1 million liability both in and out of state and thirteen state agencies purchase $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, 2010 is $725,071. 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):

	2010	2009
Claim liability, beginning of year	$ 74,064	$ 73,695
Incurred Claims:		
Provision for insured events of current year	15,319	17,356
Increase (decrease) in provision for insured events of prior years	(7,371)	(5,589)
Total incurred claims and claim adjustment expense	7,948	11,767
Payments:		
Claims payments attributed to insured events of current year	4,430	4,015
Claims payments attributed to insured events of prior years	7,441	7,383
Total Payments	11,871	11,398
Claim liability, end of year	$ 70,141	$ 74,064

(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 2010. 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.

Claim 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 claim liabilities for the fund during the last two fiscal years (expressed in thousands):

	2010	2009
Claim liability, beginning of year	$ 221,448	$ 218,103
Incurred Claims:		
Provision for insured events of current year	5,648	6,660
Increase (decrease) in provision for insured events of prior years	(3,347)	26
Increase due to decrease in discount period	10,714	10,562
Total incurred claims and claim adjustment expense	13,015	17,248
Payments:		
Claims payments attributed to insured events of prior years	14,462	13,903
Total Payments	14,462	13,903
Transfers:		
Transfer in from second injury trust fund	19,004	
Total Tranfers	19,004	
Claim liability, end of year	$ 239,005	$ 221,448

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 Fund with regard to claims made after January 1, 2008.

Act 327 of 2009 transferred existing permanent total disability claims to the Death and Permanent Total Disability Fund effective January 1, 2010. Other claims in the Second Injury Fund, that later develop into permanent total claims, will also be transferred to the Death and Permanent Total Disability Fund.

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

	2010	2009
Claim liability, beginning of year	$ 32,155	$ 33,162
Incurred Claims:		
Provision for insured events of current year		
Increase (decrease) in provision for insured events of prior years	(9,479)	(61)
Increase due to decrease in discount period	633	1,595
Total incurred claims and claim adjustment expense	(8,846)	1,534
Payments:		
Claims payments attributed to insured events of prior years	972	2,541
Total Payments	972	2,541
Transfers:		
Transfer to death and permanent total disability trust fund	(19,004)	
Total Transfers	(19,004)	
Claim liability, end of year	$ 3,333	$ 32,155

(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 one half 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):

	2010	2009
Claim liability, beginning of year	$ 17,185	$ 14,610
Incurred Claims:		
Provision for insured events of current year	6,212	8,630
Total incurred claims and claim adjustment expense	6,212	8,630
Payments:		
Claims payments attributed to insured events of current year	7,767	6,055
Total Payments	7,767	6,055
Claim liability, end of year	$ 15,630	$ 17,185

(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 and 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):

	2010	2009
Claim liability, beginning of year	$ 12,292	$ 11,626
Incurred Claims:		
Provision for insured events of current year	115,722	113,819
Increase (decrease) in provision for insured events of prior years	59	356
Total incurred claims and claim adjustment expense	115,781	114,175
Payments:		
Claims payments attributed to insured events of current year	104,432	101,661
Claims payments attributed to insured events of prior years	11,898	11,848
Total Payments	116,330	113,509
Claim liability, end of year	$ 11,743	$ 12,292

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, 2010, is $390 per budgeted civilian position and $745 per budgeted commissioned position.

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

Liabilities for claims incurred but not reported are included in the Arkansas State Police Health Insurance Plan. These liabilities exist because of the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the agency 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, 2010, are as follows (expressed in thousands):

	2010	2009
Claim liability, beginning of year	$ 1,622	$ 1,581
Incurred Claims:		
Provision for insured events of current year	11,129	10,216
Increase (decrease) in provision for insured events of prior years	(305)	1,326
Total incurred claims and claim adjustment expense	10,824	11,542
Payments:		
Claims payments attributed to insured events of current year	9,997	10,268
Claims payments attributed to insured events of prior years	1,317	1,233
Total Payments	11,314	11,501
Claim liability, end of year	$ 1,132	$ 1,622

(18) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, it's 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 $1.1 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 $11.5 million.

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

	2010	2009
Litigation, beginning of year	$ 1,429	$ 1,286
Incurred litigation	551	1,429
Litigation payments/dismissals	(929)	(1,286)
Litigation, end of year	$ 1,051	$ 1,429

(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, 2010, 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, 2010, the State's loan receivable is $3.7 million and is recorded in the General Fund.

(d) Construction and Other Commitments

At June 30, 2010, the State has commitments of approximately $636.9 million for construction and other contracts and approximately $48.0 million for professional service contracts. The Arkansas Natural Resource Commission has approved $79.3 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2010.

(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, 2010, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $53.7 million. In addition, AEDC has committed to guarantee approximately $7.1 million in industrial development revenue bonds that have not closed at June 30, 2010. As of June 30, 2010, none of these loans were in default.

(f) Tobacco Settlement

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

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

In fiscal year 2006, the Arkansas Development Finance Authority (the Authority) issued $36.8 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 $60.1 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 million dedicated to pay the debt service on the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2010, the University would have incurred a liability of $44.8 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' 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 2010. In fiscal year 2010, the State recorded a total of $52.4 million with $5 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

Business-Type Activities

(a) Litigation

The State's business activities and employees may be defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to: claims assessed against the State for property damage and personal injury, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law, and other alleged violations of State and federal laws. At June 30, 2010, there were no 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 there is no liability at June 30, 2010.

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

	2010	2009
Litigation, beginning of year	$ 275	$ 15
Incurred litigation	0	275
Litigation payments/dismissals	(275)	(15)
Litigation, end of year	$ 0	$ 275

(b) Construction and Other Commitments

At June 30, 2010, the State has commitments in its business type activities of approximately $131.6 million for construction and other contracts and approximately $1.9 million for professional service contracts.

(19) Subsequent Events

Primary Government

Governmental Activities

On December 3, 2010 a lawsuit was filed in Pulaski County Circuit Court by the Deer-Mount Judea School District alleging that the school funding system violates state law Act 57 of 2003 and the Arkansas Constitution. The district claims inadequate transportation funding from the state forces schools to cut other programs to cover the transportation costs, and that students' academic achievement can be affected by long bus rides. The suit seeks to have an imposed 45-minute limit on one-way bus trips as well as equality in the funding for smaller school districts. As of the date of print of the 2010 CAFR, it is the opinion of Attorney General Dustin McDaniel's office that the proceedings will not have a material adverse impact on the State's financial position.

Arkansas Department of Correction

In October, the state Legislative Council approved $1.1 million for the Department of Correction to open 300 new inmate beds in the Cummins Unit in Lincoln County. The funding, which came from the state's "rainy day fund," is expected to last through the end of January. The department plans to ask the Legislature when it goes into session in January for an additional $1.1 million to keep the new beds open through the end of the fiscal year.

Arkansas Department of Human Services

In October, the Department of Human Services was awarded a $3.4 million Access to Recovery federal grant from the U.S. Department of Health and Human Services. The grant will be used to institute a voucher management system. It will include the development and promulgation of forms, manuals and processes. This new system will expand access to substance abuse treatment/recovery support services and choice of providers for adults living in 12 selected Arkansas counties. This four year *Arkansas ATR (Access to Recovery)* Grant will serve 6,400 members of three underserved populations: military personnel, pregnant women/high risk parents and DWI/DUI offenders. The federally required start up for this voucher program is January 31, 2011.

Arkansas Highway and Transportation Department

On July 12, 2010, the Arkansas Highway and Transportation Department used the funds that were deposited into an investment account from the State of Arkansas Federal Highway Grant Anticipation and Tax Revenue Refunding Bonds Series 2010 bond issue to redeem $56.8 million of the Series 2000A. The Series 2010 funding was used again on August 2, 2010 to redeem $95.3 million of the 2001A Series. These transactions resulted in an economic gain of $5.5 million for fiscal year 2011 and a reduction of approximately $24.9 million in future debt service for fiscal year 2011.

Business-Type Activities

Arkansas Department of Workforce Services

On July 22, 2010, the Unemployment Compensation Extension Act of 2010 was signed extending the availability of Emergency Unemployment Compensation of 2008 (EUC08) and the 100% federal financing of Extended Benefits (EB) until November 30, 2010. This economic legislation was retroactive back to June 2, 2010. An estimate of $9.4 million in federal funds and an estimate of 33,339 payments will be paid as a result of this legislation for EUC08.

Arkansas Lottery Commission

On November 18, 2010, a lawsuit was filed by the former attorney for the Arkansas Lottery Commission in U.S. District Court in Little Rock. The lawsuit filed seeks reinstatement to her previous position as attorney for the Arkansas Lottery Commission as well as lost wages and other benefits along with compensatory and punitive damages.

Arkansas Tech University

On September 16, 2010, the Board of Trustees authorized the issuance of Student Fee Revenue bonds in the amount of $575,000 and Auxiliary Enterprises Revenue bonds in the amount $1.2 million for the purpose of constructing the Alvin F. Vest Student Union on the Ozark Campus.

Black River Technical College

On August 26, 2010, the Black River Technical College opened bids for a new maintenance facility to be located on the Paragould campus. The low bid of $359,500 was accepted and Notice of Intent to Award was issued on August 27, 2010. A contract was signed on September 16, 2010.

The College refunded the Series 2003 bond issue on August 31, 2010 with $2.7 million of new Student Fee Revenue Bonds being issued. A savings of $360,566 will be realized over the life of the bonds. The bond trustee will continue to be First National Bank of Lawrence County. The bond sale was finalized on September 15, 2010 with the Series 2003 bonds being called on October 19, 2010.

University of Arkansas at Monticello

On September 10, 2010, the Board of Trustees of the University of Arkansas adopted a resolution for the issuance of bonds of no more than $2.9 million to refund the Series 2005 auxiliary facilities refunding revenue bonds for the Monticello campus. Bonds with a par value of $2.9 million were sold on September 28, 2010 and closing was October 19, 2010. The refunded bonds are scheduled to be called on November 2, 2010.

University of Central Arkansas

At the August 20, 2010 Board of Trustees meeting, approval was given to proceed with the refinancing of the Parking Facilities Revenue Bonds, 1997 Series B and Auxiliary Revenue Capital Improvement and Refunding Bonds, 2003 Series B in order to recognize certain savings from more favorable interest rates. This refunding will be collectively called the Series 2010A Auxiliary Refunding Program. The total for the 2010A refunding issue will not exceed $5 million.

In addition, the Recreation Facilities Allocated Revenue Bonds, 1997 Series C, Student Fee Refunding and Construction Bond, Series 1998, Student Fee Revenue Capital Improvement and Refunding Bonds, 2003 Series A, and Student Fee Revenue Capital Improvement Bonds, Series 2004A will be refunded in order to recognize certain savings from more favorable interest rates and the new issue will be referred to as the 2010B Student Fee Refunding Program. The total of this refunding issue will not exceed $16 million.

Also approved was the financing of construction and furnishing of a new residence hall on campus and the updating of additional housing facilities on campus. This issue will be referred to as Series 2010C Housing Project for a total not to exceed $22 million.

Approval for these refunding issues and construction issue was granted by the Department of Higher Education Coordinating Board on July 30, 2010. The official closing has been scheduled for mid to late September, 2010.

At the May 7, 2010 Board of Trustees meeting a proposed property exchange agreement between the University and HDR Properties, LLC was approved within the parameters detailed below:

> The University owns approximately five (5) acres with a house on the east side of Donaghey Avenue across from the softball field. Two appraisals were performed on the University property. The first appraisal occurred in September 2008 and valued the property at $1.1 million while the second was in January of 2010 and valued it at $1.3 million. The average of the two appraisals is $1.2 million.
>
> HDR Properties, LLC, owns four houses, three on Western Avenue and one on Augusta Avenue. Monthly rents on these four houses aggregate approximately $4,850. These properties were appraised on two occasions. One in September of 2008 was $572,000, and the second in January of 2010 was $538,000. These two appraisals average $555,000.
>
> Under the exchange agreement approved on May 7, 2010, and subsequently signed by the parties, the respective properties would be exchanged, and in addition, HDR Properties, LLC, would pay to the University the sum of $720,000 cash at closing. Using the lower of the two HDR appraisals, the University would receive property and cash totaling $1.2 million.
>
> The matter went before the University Board of Trustees again on July 21, 2010 due to a request by HDR for a reduction in the cash payment to be made at closing. The University property was surveyed by HDR Properties, LLC, and it was found that the acreage is 4.76 acres, not 5.0 acres. HDR requested a reduction of $60,000 in the amount of cash to be paid at closing (determined by taking the reduction in acreage times the price per square foot to be paid in cash and property to the University). However, the University's Board of Trustees approved a motion that the amount of the cash payment at closing would be $700,000.
>
> The closing was to occur on or before July 1, 2010, but HDR was given the right to extend the closing date until September 1, 2010 if it required the additional time to arrange suitable financing. An additional agreement was approved by the University Board of Trustees and signed by University and HDR representatives that the closing would occur on or before November 1, 2010.

Mid South Community College

On August 26, 2010, Mid South Community College issued $5.2 million limited tax general obligation bonds Series 2010 to finance capital improvements for the College.

On July 14, 2010, a construction contract was issued for $7 million to Kinco Constructors, LLC for the Mid-South Renewable Energy Center.

Component Unit

Arkansas Student Loan Authority

The Arkansas Student Loan Authority (ASLA) has operated as a loan originator and secondary market in the Federal Family Education Loan Program (FFELP) for over 30 years. As of July 1, 2010, Congress eliminated the FFELP and replaced it with the Federal Direct Loan Program (FDLP) through a mandate included in the Health Care and Education Reconciliation Act of 2010 (HCERA). Under the HCERA, the United States Department of Education (USDE) is the only entity authorized to originate federal student loans; however, qualified state agencies such as ASLA, will be allocated 100,000 accounts per state to administer on behalf of USDE.

ASLA must meet extensive federal contracting requirement in order to participate as loan servicer for the USDE. ASLA has met preliminary qualifications by providing evidence to the USDE that the agency meets the definition of a "not-for-profit loan servicer" as defined by HCERA. The USDE is expected to provide additional guidance and pricing information in the early fall of 2010. At this point, USDE has not provided specific guidance on how an organization can begin participation as a loan servicer for the FDLP or the pricing that will be paid to the organizations such as ASLA. ASLA, along with most similar organizations, has set a target date of July 1, 2011 to begin administering federal loans. In the meantime, ASLA will continue taking steps to meet federal contracting requirements.

In addition to administering FDLP loans, ASLA will continue to administer approximately $500 million in FFELP loans owned by the agency. The loan portfolio will be administered for a number of years due to loan repayment periods extending up to 30 years. A predictable and stable revenue stream will continue to be generated from the FFELP loan portfolio for several years. Additional revenue is expected to be generated from administering loans on behalf of USDE; however, the level of revenue cannot be determined until further guidance is provided by USDE.

ASLA's office currently employs 16 individuals; 6 individuals are employees of the State of Arkansas and 10 are employed under a loan servicing contract. ASLA will most likely reduce the total number of employees during the fall of 2010 due to the agency's transforming business model. Even though the total number of employees may be reduced, ASLA may request additional "State" positions in order to hire employees currently employed under the loan servicing contract.

Limited information from USDE has made it difficult for ASLA management to solidify all details of the agency's business plan; however, several measures are being taken to position the agency to continue serving the needs of Arkansas student loan recipients beyond this transitional period.

On September 2, 2010, ASLA issued a Final Offering Memorandum for $267.5 million of Student Loan Backed notes, Series 2010-1 (London Interbank Offered Rate floating rate notes). The Authority intends to use the proceeds of the notes to restructure its existing debt obligations, in particular, bonds that have been issued and remain outstanding as auction rate bonds. Specifically the previously issued obligations of the issuer to be refunded and redeemed will be ASLA's Student Loan Revenue and Revenue Refunding Bonds, Series 2000A-1, Series 2004A-1, Series 2004A-2, Series 2005A-1, Series 2005A-2, Series 2005A-3, Series 2006A-1, Series 2006A-2, Series 2006A-3 and Series 2006B-1, the issuer's Student Loan Revenue and Revenue Refunding Bonds, Series 2004A-2 and Series 2006A-4, and the Promissory Note dated as of June 1, 2008 payable to the State Board of Finance of the State of Arkansas.

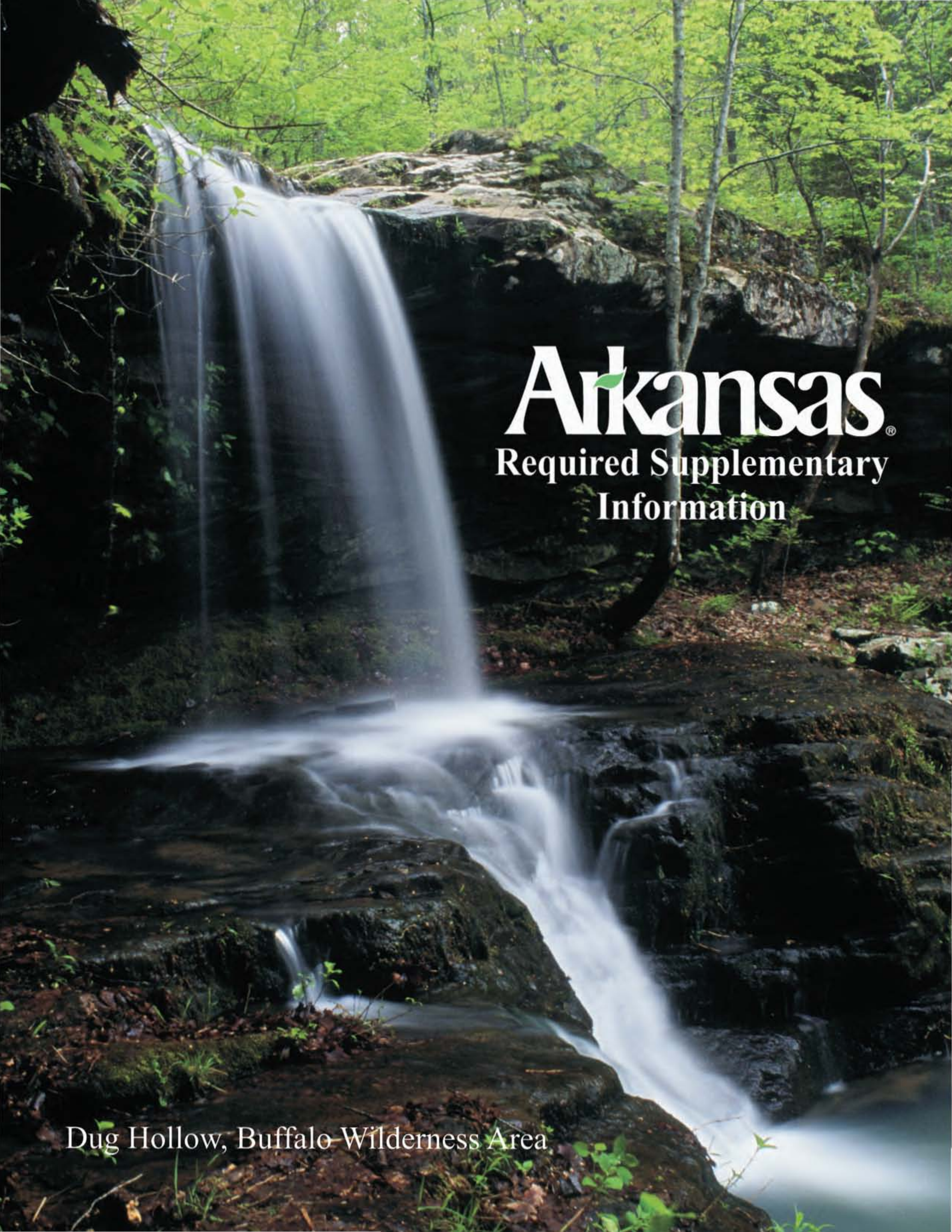
During July and August 2010, ASLA applied $241.6 million of proceeds received from Straight A Funding, LLC toward the principal bonds Series 1997A, Series 2000A-1 and A-2, Series 2004A-1 and A-2, Series 2005A-1, A-2 and A-3, and Series 2006A-1, A-2, A-3, A-4 and B-1.

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

MERCY

JUSTICE



Arkansas
Required Supplementary Information

Dug Hollow, Buffalo Wilderness Area

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	2010	6/30/2010	$ 1,199,400	$ 1,305,000	$ 105,600	91.9%	127,000	83.2%
	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%
Judicial	2010	6/30/2010	165,244	182,912	17,668	90.3%	18,630	94.8%
	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%

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, 2010
(Expressed in thousands)

	Budgeted amounts Original	Budgeted amounts Final	Actual amounts	Variance with final budget – positive (negative)
Expenditures*				
Current:				
General Government	$ 5,457,453	$ 5,702,362	$ 1,869,735	$ 3,832,627
Education	4,358,579	4,399,930	3,637,878	762,052
Health and Human Services	6,114,440	6,029,625	5,504,995	524,630
Law, Justice, and Public Safety	919,701	1,000,680	806,497	194,183
Recreation and Resource Development	405,102	414,987	291,680	123,307
Regulation of Business and Professionals	244,598	268,900	166,865	102,035
Transportation	564,688	566,474	356,637	209,837
Debt Service	163,656	170,807	127,466	43,341
Capital Outlay	1,066,823	1,071,386	519,772	551,614
Total Expenditures	$ 19,295,040	$ 19,625,151	$ 13,281,525	$ 6,343,626

* Expenditures are 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, 2010

(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	$	13,213,284
Less non-cash federal grant expenditures		(734,000)
Less non appropriated expenditures		(4,456,860)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		4,545,543
Refunds treated as reduction of revenue for financial statements purposes		655,724
Payroll expenditures allocated from an Enterprise Fund		(10,060)
Basis of accounting differences		67,894
Total statutory basis expenditures General Fund	$	13,281,525

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Premium and Investment Revenues:										
Premium Income	$ 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	$ 265,671,434
Investment Interest Income	81,458	32,734	68,853	233,550	586,801	1,570,234	2,352,048	2,482,253	1,322,380	442,355
Totals	$ 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	$ 266,113,789
Unallocated Expenses:										
Operating Costs	$ 153,510	$ 317,988	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158
Reinsurance Premium Expense	0	0	0	0	0	0	0	0	0	0
Totals	$ 153,510	$ 317,988	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158
Estimated incurred claims and expenses, end of fiscal year	$ 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	$ 237,226,000
Paid (cumulative) claims and claims adjustment expenses:										
End of Fiscal Year	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	209,386,000
One Year Later	N/A	N/A	35,916,834	163,888,838	198,426,902	219,834,832	235,854,687	207,975,925	235,244,450	
Two Years Later	N/A	N/A	N/A	164,172,038	198,678,502	220,245,907	236,359,737	208,449,125		
Re-estimated incurred claims and expenses (2):										
End of Fiscal Year	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	237,226,000
One Year Later	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	
Two Years Later	N/A	N/A	N/A	164,172,038	198,727,802	220,169,782	236,300,587	208,506,000		
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	43,632	44,797	45,463	47,268	48,846	50,370	50,277	52,094

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Premium and Investment Revenues:										
Premium Income	$ 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	$ 8,226,832
Investment Interest Income	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	2,315,616
Totals	$ 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	$ 10,542,448
Unallocated Expenses:										
Operating Costs (2)	$ 194,940	$ 316,858	$ 334,881	$ 321,328	$ 324,698	$ 123,637	$ 129,292	$ 120,693	$ 271,386	$ 285,516
Estimated incurred claims and expenses, end of fiscal year	$ 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	$ 5,640,789
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	55,000	0	12,500	45,000	40,000	23,750	20,000	
Two Years Later	0	0	55,500	60,000	254,500	60,000	116,115	53,750		
Three Years Later	38,627	8,844	125,695	155,312	443,594	258,442	456,230			
Four Years Later	196,865	193,912	492,077	559,647	1,084,352	666,938				
Five Years Later	645,390	581,617	960,636	1,110,691	1,746,038					
Six Years Later	1,210,751	1,068,701	1,921,699	1,941,198						
Seven Years Later	2,082,517	1,704,187	2,664,563							
Eight Years Later	2,758,010	2,452,829								
Nine Years Later	3,462,207									
Re-estimated incurred claims and expenses:										
End of Fund Year	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	2,546,952
One Year Later	4,152,446	4,823,740	6,632,484	7,407,958	10,855,431	6,578,501	6,720,442	7,448,896	4,215,186	
Two Years Later	5,528,283	8,885,376	9,082,661	11,023,365	13,658,153	9,955,357	11,299,265	9,810,061		
Three Years Later	8,732,250	13,013,925	11,151,447	12,323,811	6,417,676	12,165,161	12,884,190			
Four Years Later	9,198,291	12,753,443	11,454,147	14,614,740	13,325,459	14,248,771				
Five Years Later	11,644,437	11,864,813	14,265,211	8,096,016	14,096,948					
Six Years Later	12,491,733	12,684,999	14,130,937	14,278,584						
Seven Years Later	13,311,322	12,126,528	14,829,670							
Eight Years Later	13,128,300	13,152,890								
Nine Years Later	13,838,507									
Increase (decrease) in estimated incurred claims and expense from end of policy year	6,051,065	5,745,880	7,122,360	6,326,274	4,753,703	3,636,425	1,278,916	(1,085,973)	(2,404,728)	(3,093,837)
Number of fund participants receiving benefits at end of year	1,280	1,293	1,336	1,347	1,324	1,336	1,342	1,356	1,349	1,454

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.

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

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Premium and Investment Revenues:										
Premium Taxes	$ 466	$ 4,982	$ 1,784,175	$ 1,186,860	$ 1,294,907	$ 3,620,160	$ 2,763,390	$ 1,327,517	$ 1,082,496	$ 659,098
Interest Income	659,587	344,714	142,761	80,943	60,958	74,445	101,278	91,863	35,500	18,800
Totals	$ 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	$ 677,898
Unallocated Expenses:										
Operating Costs (2)	$ 546,985	$ 464,976	$ 480,666	$ 526,768	$ 544,817	$ 584,142	$ 583,796	$ 642,794	$ 582,490	$ 531,955
Estimated incurred claims and expenses, end of fiscal year	$ 2,787,895	$ 2,525,429	$ 2,085,569	$ 2,368,190	$ 3,179,896	$ 3,439,833	$ 3,256,862	$ 1,550,887	$ 0	$ 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	83,050	25,106	208,690	70,605	34,500	51,755	169,875	0	0	
Two Years Later	439,698	673,422	814,873	299,505	751,613	449,159	625,574	0		
Three Years Later	1,194,737	1,215,361	1,348,617	1,219,840	1,044,728	766,086	672,724			
Four Years Later	1,441,469	1,507,797	1,273,914	1,542,077	1,269,810	899,440				
Five Years Later	1,741,288	1,732,228	1,368,925	1,720,501	1,314,373					
Six Years Later	1,935,324	1,861,762	1,457,445	1,807,660						
Seven Years Later	2,005,069	2,039,061	1,538,540							
Eight Years Later	2,234,005	2,073,068								
Nine Years Later	2,275,060									
Re-estimated incurred claims and expenses:										
End of Fund Year	0	0	0	0	0	0	0	0	0	0
One Year Later	83,050	328,677	208,690	70,605	34,500	51,755	169,875	0	0	
Two Years Later	653,704	1,369,710	1,253,217	437,313	1,013,605	449,159	625,574	0		
Three Years Later	1,554,449	2,440,234	2,277,287	1,947,770	1,503,828	933,751	672,724			
Four Years Later	2,298,595	2,576,594	1,742,436	2,665,638	2,042,671	899,440				
Five Years Later	2,643,544	2,542,065	2,166,470	3,710,566	1,314,373					
Six Years Later	2,403,693	2,764,092	2,261,324	1,807,660						
Seven Years Later	2,350,972	2,861,592	1,673,149							
Eight Years Later	2,880,729	2,073,068								
Nine Years Later	2,275,060									
Increase (decrease) in estimated incurred claims and expense from end of policy year	(512,835)	(452,361)	(412,420)	(560,530)	(1,865,523)	(2,540,393)	(2,584,138)	(1,550,887)	0	0
Number of Fund Participants receiving benefits at end of year	98	97	102	111	122	128	119	112	109	2

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.

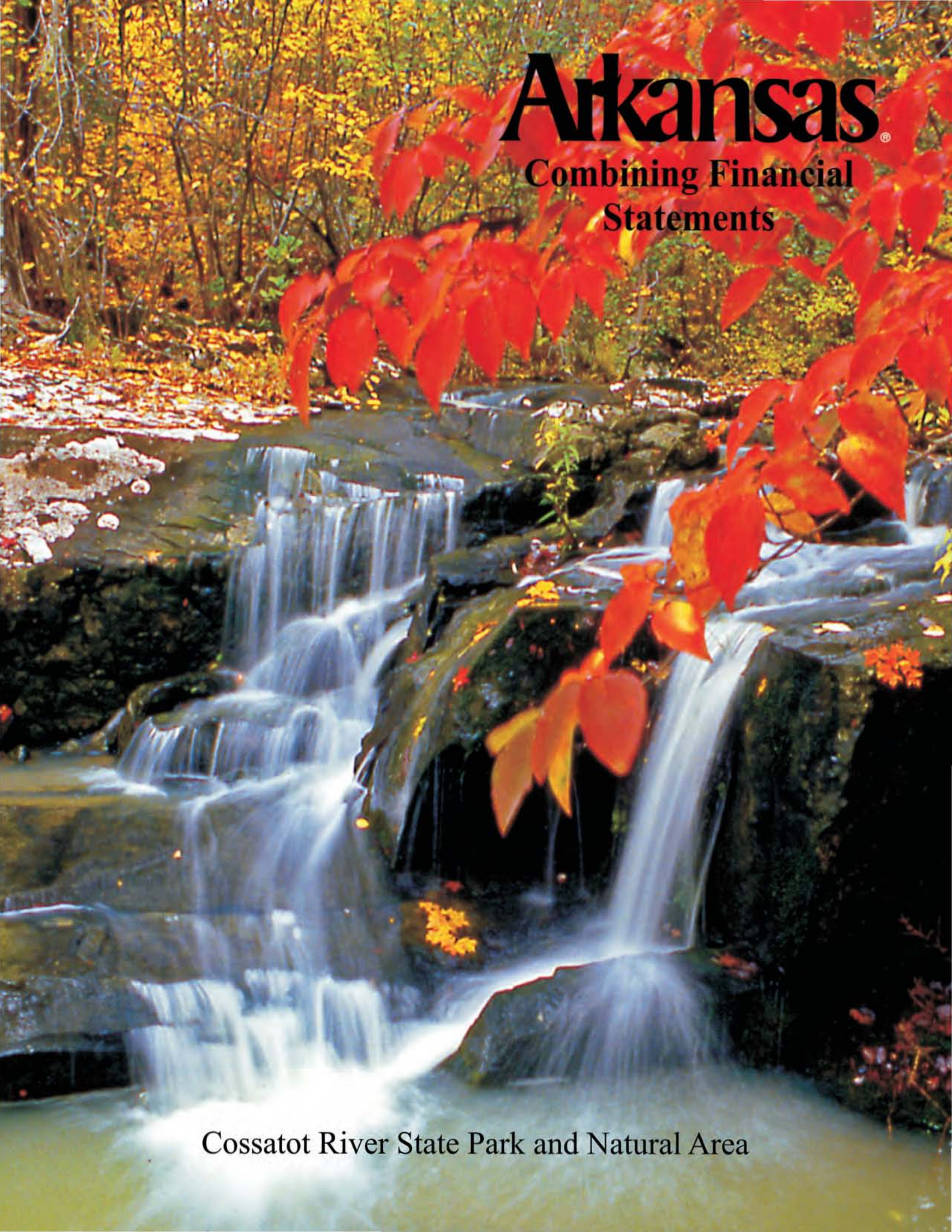
Required Supplementary Information
Other Postemployment Benefits
Schedule of Funding Progress
(Expressed in thousands)

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%
	7/1/2009	0	9,523	9,523	0.0%	110,245	9%
Arkansas Tech University	7/1/2007	0	9,054	9,054	0.0%	30,326	30%
	7/1/2009	0	9,093	9,093	0.0%	38,868	23%
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%
	7/1/2009	0	354	354	0.0%	5,252	7%
Ozarka College	7/1/2007	0	186	186	0.0%	4,026	5%
	7/1/2009	0	282	282	0.0%	3,737	8%
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%
	7/1/2009	0	2,741	2,741	0.0%	18,742	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%
	7/1/2009	0	201	201	0.0%	6,885	3%
National Park Community College	7/1/2007	0	686	686	0.0%	9,443	7%
	7/1/2009	0	372	372	0.0%	10,572	4%
Northwest Arkansas Community College	7/1/2007	0	185	185	0.0%	18,827	1%
	7/1/2009	0	261	261	0.0%	10,354	3%
Pulaski Technical College	7/1/2007	0	571	571	0.0%	12,332	5%
	7/1/2009	0	776	776	0.0%	15,148	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%
	7/1/2009	0	277	277	0.0%	7,328	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%
	7/1/2009	0	2,604	2,604	0.0%	16,329	16%
University of Arkansas of Fort Smith	7/1/2007	0	644	644	0.0%	24,674	3%
	7/1/2009	0	789	789	0.0%	27,108	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%
	7/1/2009	0	66,620	66,620	0.0%	880,256	8%
University of Arkansas System AHEC Benefits	7/1/2007	0	255	255	0.0%	13,847	2%
	7/1/2009	0	422	422	0.0%	14,841	3%
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%
	7/1/2009	0	2,696	2,696	0.0%	62,713	4%
Arkansas State Police	1/1/2008	0	76,505	76,505	0.0%	40,568	189%
	7/1/2009	0	82,260	82,260	0.0%	42,237	195%
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%
	7/1/2010	0	1,684,000	1,684,000	0.0%	1,346,374	125%

Actuarial assumptions are presented in Note 15.

Arkansas®

Combining Financial Statements



Cossatot River State Park and Natural Area

GREAT SEAL OF THE STATE OF ARKANSAS

NON-MAJOR ENTERPRISE FUNDS

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

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; to prevent, assess, safely clean up, and sustainably reuse brownfields; the development and redevelopment of affordable rental housing related to the five Presidentially-Declared Disaster areas; to incentivize development of affordable Assisted Living housing in Arkansas and to strengthen the financial feasibility of such developments; finance energy efficiency retrofits and green energy implementation for industries; and to hold equity investments made by the Risk Capital Matching Fund.

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2010
(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	$ 1,556	$ 59,535	$ 6,746	$ 32,530	$ 100,367
Investments	112	17,054		2,999	20,165
Receivables:					
Accounts		186	653	329	1,168
Loans				3,923	3,923
Interest		458	80	158	696
Due from other funds			628		628
Advances to other funds				634	634
Inventories	7				7
Prepaid items			1		1
Total current assets	1,675	77,233	8,108	40,573	127,589
Noncurrent assets:					
Investments - restricted		10,863	68,594	1001	80,458
Capital assets:					
Buildings	14,728				14,728
Equipment	968		94		1,062
Improvements other than building	446				446
Construction in progress	5,803				5,803
Other depreciable/amortizable assets			240		240
Less accumulated depreciation	(7,213)		(99)		(7,312)
Advances to other funds				5,632	5,632
Loans receivable, restricted		246,087		112,045	358,132
Other noncurrent assets		436			436
Total noncurrent assets	14,732	257,386	68,829	118,678	459,625
Total assets	$ 16,407	$ 334,619	$ 76,937	$ 159,251	$ 587,214

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2010
(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	$ 1,511	$ 271	$ 7,962	$ 101	$ 9,845
Accrued interest	34	225			259
Accrued and other current liabilities	23				23
Due to other funds	11		6	261	278
Loans and bonds payable	1,134	7,545			8,679
Claims, judgments and compensated absences	3		27,230		27,233
Deferred revenue			1,470	2,940	4,410
Total current liabilities	2,716	8,041	36,668	3,302	50,727
Noncurrent liabilities:					
Loans and bonds payable	700	50,568			51,268
Net postemployment benefits payable	75				75
Claims, judgments and compensated absences	22		610		632
Deferred revenue		792			792
Total noncurrent liabilities	797	51,360	610		52,767
Total liabilities	3,513	59,401	37,278	3,302	103,494
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	12,898		235		13,133
Restricted for:					
Program requirements		275,218		155,949	431,167
Unrestricted	(4)		39,424		39,420
Total net assets	12,894	275,218	39,659	155,949	483,720
Total liabilities and net assets	$ 16,407	$ 334,619	$ 76,937	$ 159,251	$ 587,214

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Year Ended June 30, 2010
(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	$ 1,852	$	$ 268,312	$	$ 270,164
Licenses, permits and fees		2,528		1,204	3,732
Investment earnings		6,547		2,578	9,125
Miscellaneous		4			4
Total operating revenues	1,852	9,079	268,312	3,782	283,025
Operating expenses:					
Cost of sales and services	690		3,381		4,071
Compensation and benefits	537				537
Supplies and services	1,407		15,935		17,342
General and administrative expenses	155	288		159	602
Benefits and aid payments		8,985	240,861	6,308	256,154
Depreciation and amortization	570		17		587
Amortization of bond costs		44			44
Interest	36	2,891			2,927
Total operating expenses	3,395	12,208	260,194	6,467	282,264
Operating income (loss)	(1,543)	(3,129)	8,118	(2,685)	761
Nonoperating revenues (expenses):					
Investment earnings	9		300		309
Grants and contributions	132	17,128		21,086	38,346
Loss on sale of fixed assets	(44)				(44)
Other non-operating revenue (expense)				65	65
Total nonoperating revenues (expenses)	97	17,128	300	21,151	38,676
Income (loss) before transfers and contributions	(1,446)	13,999	8,418	18,466	39,437
Transfers in	2,277		97	11,709	14,083
Transfers out	(24)	(1,080)	(449)	(3,308)	(4,861)
Change in net assets	807	12,919	8,066	26,867	48,659
Total net assets - as restated	12,087	262,299	31,593	129,082	435,061
Total net assets - ending	$ 12,894	$ 275,218	$ 39,659	$ 155,949	$ 483,720

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2010
(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	$ 1,852	$	$ 268,198	$	$ 270,050
Payments to employees	(548)				(548)
Payments of benefits			(237,521)		(237,521)
Payments to suppliers	(2,237)	(276)	(17,035)	(143)	(19,691)
Interest received (paid)	(4)	3,171		2,562	5,729
Loan administration received (paid)		(14,059)		(16,207)	(30,266)
Federal grant funds expended		(8,985)		(6,308)	(15,293)
Other receipts (payments)		2,248	(3,381)	1,027	(106)
Net cash provided by (used in) operating activities	(937)	(17,901)	10,261	(19,069)	(27,646)
Cash flows from noncapital financing activities:					
Direct lending receipts	1,700				1,700
Direct lending payments	(100)	(7,210)			(7,310)
Grants and contributions	132	17,128		21,290	38,550
Transfers in	2,277		97	11,709	14,083
Transfers out	(24)	(1,080)	(449)	(3,252)	(4,805)
Net cash provided by (used in) noncapital financing activities	3,985	8,838	(352)	29,747	42,218
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(3,972)		(4)		(3,976)
Net cash used in capital and related financing activities	(3,972)		(4)		(3,976)
Cash flows from investing activities:					
Purchase of investments		(35,195)	(10,840)	(11,983)	(58,018)
Proceeds from sale and maturities of investments	1,569	38,425		8,000	47,994
Interest and dividends on investments	9		396		405
Advance disbursements				(1,000)	(1,000)
Advance repayments				1,139	1,139
Net cash provided by (used in) investing activities	1,578	3,230	(10,444)	(3,844)	(9,480)
Net increase (decrease) in cash and cash equivalents	654	(5,833)	(539)	6,834	1,116
Cash and cash equivalents - beginning (as restated)	902	65,368	7,285	25,696	99,251
Cash and cash equivalents (cash overdrafts) - ending	$ 1,556	$ 59,535	$ 6,746	$ 32,530	$ 100,367
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,543)	$ (3,129)	$ 8,118	$ (2,685)	$ 761
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	570		17		587
Amortization		44		(165)	(121)
Net appreciation (depreciation) of investments		(161)		(18)	(179)
Prior year adjustment for capital asset capitalization			(170)		(170)
Net changes in assets and liabilities:					
Accounts receivable		(57)	54	(3)	(6)
Loans receivable		(14,059)		(16,216)	(30,275)
Inventory	4				4
Other current assets		(103)	(174)	11	(266)
Current liabilities	32				32
Accounts payable and other accrued liabilities	9	(214)	2,413	7	2,215
Net OPEB	26				26
Compensated absences	(35)				(35)
Deferred revenue		(222)	3		(219)
Net cash provided by (used in) operating activities	$ (937)	$ (17,901)	$ 10,261	$ (19,069)	$ (27,646)

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, 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, 2010
(Expressed in thousands)

Assets	Teacher	APERS	Highway	Judicial	Total
Cash and cash equivalents	$ 166,182	$ 123,988	$ 58,121	$ 6,918	$ 355,209
Receivables:					
Employee	13,323	244	321		13,888
Employer	45,252	1,277	671		47,200
Interest and dividends	18,298	15,557	4,513	519	38,887
Advances to other funds	5,172				5,172
Other	117,612	41,028	5,195	222	164,057
Due from other funds	2,351	2			2,353
Total receivables	202,008	58,108	10,700	741	271,557
Investments at fair value:					
U.S. government securities	119,199	266,922	48,978	18,159	453,258
Bonds, notes, mortgages and preferred stock	449,087	77,500	5,006	1,622	533,215
Common stock	2,058,228	1,633,344	631,774	55,218	4,378,564
Real estate	95,517	172,755			268,272
International investments	3,240,535	845,315	732	19,628	4,106,210
Mutual funds		567,024		12,597	579,621
Pooled investment funds	1,440,356	33,801			1,474,157
Corporate obligations	358,181	698,332	300,160	24,141	1,380,814
Asset and mortgage-backed securitie	102,549	188,525	2,145	6,234	299,453
Other	1,832,673	307,325			2,139,998
Total investments	9,696,325	4,790,843	988,795	137,599	15,613,562
Securities lending collateral	775,718	431,664			1,207,382
Capital assets	286	72			358
Other assets	115	41			156
Total assets	10,840,634	5,404,716	1,057,616	145,258	17,448,224
Liabilities					
Accounts payable and other liabilities	8,667	6,735	5,381	214	20,997
Investment principal payable	163,440	49,555		1,730	214,725
Obligations under securities lending	784,028	448,382			1,232,410
Postemployment benefit liability	915	754			1,669
Due to other funds	10	69			79
Total liabilities	957,060	505,495	5,381	1,944	1,469,880
Net assets					
Held in trust for employees' pension benefits	$ 9,883,574	$ 4,899,221	$ 1,052,235	$ 143,314	$ 15,978,344

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in thousands)

	Teacher	APERS [(1)]	Highway	Judicial	Total
Additions:					
Contributions:					
Members	$ 115,932	$ 31,981	$ 8,583	$ 871	$ 157,367
Employers	389,296	175,630	17,999	2,255	585,180
Supplemental contributions		15,523		1,499	17,022
Court fees		1,518		903	2,421
Reinstatement fees		1,164	30		1,194
Total contributions	505,228	225,816	26,612	5,528	763,184
Investment income:					
Net increase (decrease) in fair value of investments	1,144,362	408,333	85,247	14,087	1,652,029
Interest, dividends, and other	127,311	110,396	24,460	2,023	264,190
Real estate operating income (loss)	6,957	(7)			6,950
Securities lending income	3,152	2,050			5,202
Total investment income	1,281,782	520,772	109,707	16,110	1,928,371
Less investment expense	30,950	18,803	4,134	671	54,558
Net investment income	1,250,832	501,969	105,573	15,439	1,873,813
Miscellaneous	254	8,656	79	(1)	8,988
Total additions (losses)	1,756,314	736,441	132,264	20,966	2,645,985
Deductions:					
Benefits paid to participants or beneficiaries	701,563	339,318	73,651	9,126	1,123,658
Refunds of employee/employer contributions	7,156	3,587	803	23	11,569
Administrative expenses	7,229	2,848	42	49	10,168
Total deductions	715,948	345,753	74,496	9,198	1,145,395
Change in net assets held in trust for employees' pension benefits	1,040,366	390,688	57,768	11,768	1,500,590
Net assets - beginning	8,843,208	4,508,533	994,467	131,546	14,477,754
Net assets - ending	$ 9,883,574	$ 4,899,221	$ 1,052,235	$ 143,314	$ 15,978,344

(1) The State Police Pension Trust Fund was merged with APERS.

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2010
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 9,090	$ 17,318	$ 26,408
Receivables:			
Interest and dividends	1	52	53
Other		27	27
Total receivables	1	79	80
Investments at fair value:			
Certificates of deposit	1,260	35,926	37,186
Bonds, government securities, notes and mortgages		76,259	76,259
Total investments	1,260	112,185	113,445
Financial assurance instruments	310,059	6,311	316,370
Total assets	$ 320,410	$ 135,893	$ 456,303
Liabilities			
Due to other governments	$	$ 114,683	$ 114,683
Due to third parties	320,410	21,210	341,620
Total liabilities	$ 320,410	$ 135,893	$ 456,303

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in thousands)

	Insurance Department			
Assets	**Balance July 1, 2009**	**Additions**	**Reductions**	**Balance June 30, 2010**
Cash and cash equivalents	$ 9,419	$ 196	$ 525	$ 9,090
Receivables:				
Interest and dividends	3	1	3	1
Investments at fair value:				
Certificates of deposit	1,260			1,260
Financial assurance instruments	306,325	3,734		310,059
Total assets	$ 317,007	$ 3,931	$ 528	$ 320,410
Liabilities				
Due to third parties	$ 317,007	$ 3,931	$ 528	$ 320,410
Total liabilities	$ 317,007	$ 3,931	$ 528	$ 320,410

	Other Agencies			
Assets	**Balance July 1, 2009**	**Additions**	**Reductions**	**Balance June 30, 2010**
Cash and cash equivalents	$ 23,295	$ 1,818,659	$ 1,824,636	$ 17,318
Receivables:				
Interest and dividends	17	52	17	52
Other	27	213	213	27
Investments at fair value:				
Certificates of deposit	35,882	18,334	18,290	35,926
Bonds, government securities, notes, mortgages and preferred stock	71,926	76,259	71,926	76,259
Financial assurance instruments	6,099	786	574	6,311
Total assets	$ 137,246	$ 1,914,303	$ 1,915,656	$ 135,893
Liabilities				
Accounts payable and other liabilities	$	$ 16,592	$ 16,592	$
Due to other governments	111,609	900,720	897,646	114,683
Due to third parties	25,637	990,988	995,415	21,210
Total liabilities	$ 137,246	$ 1,908,300	$ 1,909,653	$ 135,893

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2010
(Expressed in thousands)

	Total - All Agency Funds			
Assets	**Balance July 1, 2009**	**Additions**	**Reductions**	**Balance June 30, 2010**
Cash and cash equivalents	$ 32,714	$ 1,818,855	$ 1,825,161	$ 26,408
Receivables:				
Interest and dividends	20	53	20	53
Other	27	213	213	27
Investments at fair value:				
Certificates of deposit	37,142	18,334	18,290	37,186
Bonds, government securities, notes, mortgages, and preferred stock	71,926	76,259	71,926	76,259
Financial assurance instruments	312,424	4,520	574	316,370
Total assets	$ 454,253	$ 1,918,234	$ 1,916,184	$ 456,303
Liabilities				
Accounts payable and other liabilities	$	$ 16,592	$ 16,592	$
Due to other governments	111,609	900,720	897,646	114,683
Due to third parties	342,644	994,919	995,943	341,620
Total liabilities	$ 454,253	$ 1,912,231	$ 1,910,181	$ 456,303


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Arkansas®
Statistical Section

Collins Creek, Heber Springs

Statistical Section – Table of Contents

This section contains statistical tables that reflect financial trends information, revenue capacity information, debt capacity information, demographic and economic information, operating information and other information. These tables differ from the financial statements because they usually cover more than two fiscal years and may present non-accounting data.

The Statistical Section is divided into 6 sections as follows:

Contents **Page**

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

Primary Government	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental Activities									
Invested in capital assets, net of related debt	$ 8,867,290	$ 8,766,290	$ 8,210,615	$ 7,937,210	$ 7,880,406	$ 7,563,452	$ 7,375,246	$ 7,009,304	$ 6,730,616
Restricted	1,253,570	734,837	863,721	812,989	672,391	506,508	231,314	178,871	179,988
Unrestricted	1,342,630	1,922,388	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	11,463,490	11,423,515	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	1,768,138	1,690,161	1,500,418	1,456,147	1,244,773	1,200,731	1,159,058	1,106,738	1,014,975
Restricted	760,352	726,800	954,661	882,865	879,536	760,011	649,458	567,056	663,139
Unrestricted	329,018	325,596	459,677	410,378	509,394	463,153	419,697	388,486	381,757
Total business-type activities net assets	2,857,508	2,742,557	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	10,635,428	10,456,451	9,711,033	9,393,357	9,125,179	8,764,183	8,534,304	8,116,042	7,745,591
Restricted	2,013,922	1,461,637	1,818,382	1,695,854	1,551,927	1,266,519	880,772	745,927	843,127
Unrestricted	1,671,648	2,247,984	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	$ 14,320,998	$ 14,166,072	$ 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 Nine Fiscal Years
(Expressed in thousands)

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Governmental									
Expenses									
General government	$ 1,356,657	$ 1,310,341	$ 1,296,232	$ 1,156,301	$ 1,187,512	$ 1,042,440	$ 1,071,734	$ 1,048,805	$ 940,426
Education	3,605,065	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	6,144,706	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	731,317	699,737	668,305	625,911	642,297	626,138	606,900	620,424	522,826
Law, justice and public safety	779,374	820,960	631,793	587,413	620,905	518,579	529,693	441,258	428,701
Recreation and resources development	277,402	243,419	244,959	219,283	201,955	175,097	189,406	243,519	218,534
Regulation of business and professionals	105,968	107,347	105,620	119,225	115,887	117,525	130,349	115,983	98,494
Interest on long-term debt	52,145	55,193	57,923	56,143	59,501	60,101	56,906	55,677	51,215
Total Expenses	13,052,634	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	325,072	276,112	291,216	269,310	256,641	270,746	279,902	252,146	279,099
Education	6,469	18,637	16,638	14,322	13,501	9,217	4,617	10,057	6,948
Health and human services	362,532	303,174	244,706	234,181	217,429	214,646	124,321	173,949	202,307
Transportation	107,818	147,267	146,463	137,338	133,993	130,190	122,873	132,673	12,819
Law, justice and public safety	73,601	70,262	72,066	64,666	63,251	60,540	61,163	24,350	9,262
Recreation and resources development	79,780	106,988	79,438	61,844	55,223	55,026	52,597	51,626	45,582
Regulation of business and professionals	80,079	76,695	81,585	86,721	89,950	76,026	67,172	75,160	68,180
Operating grants	5,868,623	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	493,064	455,765	413,055	422,270	392,744	431,739	454,668	15,419	6,707
Total Program Revenues	7,397,038	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	(5,655,596)	(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	2,468,798	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	2,376,891	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	449,274	444,496	456,223	462,732	456,223	450,281	449,960	439,483	477,384
Other	903,113	815,206	790,010	785,213	760,431	720,948	695,623	638,469	556,739
Investment earnings	52,809	82,681	172,081	162,603	96,369	58,348	36,651	46,139	63,121
Miscellaneous income	330,397	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	(885,711)	(955,484)	(947,339)	(811,518)	(719,933)	(654,686)	(637,949)	(596,261)	(609,619)
Restatement		(34,379)	(6,580)	(20,550)			16,000		
Total General Revenues and Transfers	5,695,571	5,634,005	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	$ 39,975	$ (135)	$ 203,626	$ 665,234	$ 681,104	$ 609,644	$ 676,648	$ 199,676	$ 232,640

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
Business-Type									
Expenses									
Higher Education	$ 3,191,697	$ 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	15,918	29,349	53,967	33,363	36,629	35,517	31,829	33,938	28,544
Department of Workforce Services	1,211,812	901,064	432,661	384,313	322,205	325,595	310,539	482,669	479,834
Lottery Commission (1)	302,579	16							
War Memorial Stadium Commission	3,439	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)	260,194	259,385	232,252	240,944	219,544	202,137			
Revolving loans	18,675	3,941	4,203	4,406	4,603	4,766	5,671	5,866	8,791
Total Expenses	5,004,314	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	1,529,344	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	
Lottery Commission (1)	384,565								
War Memorial Stadium Commission	1,852	1,803	1,860	1,980	1,436	746	1,349	1,556	1,365
Public School Employee Health and Life									
Benefit Plan (2)	268,312	252,927	241,839	232,558	233,250	211,430			
Revolving loans	3,732	3,485	3,335	3,120	2,838	2,364			
Operating grants	1,498,215	928,570	626,798	578,648	566,200	602,649	549,004	544,918	160,833
Capital grants and contributions	33,052	52,438	72,677	60,447	59,025	70,432	56,889	88,396	70,832
Total Program Revenues	3,719,072	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	(1,285,242)	(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	377,460	320,271	310,728	306,019	326,343	310,431	318,555	265,911	249,225
Investment earnings	54,846	(8,628)	57,064	96,394	61,462	48,310	40,237	48,295	39,565
Miscellaneous income	82,176	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	885,711	955,484	947,339	811,518	719,933	654,686	637,949	596,261	609,619
Restatement		6,223					6,858		
Total General Revenues and Transfers	1,400,193	1,382,138	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	114,951	(172,199)	165,366	115,687	209,808	195,682	165,933	2,409	(19,792)
Total Primary Government Change in Net Assets	$ 154,926	$ (172,334)	$ 368,992	$ 780,921	$ 890,912	$ 805,326	$ 842,581	$ 202,085	$ 212,848

(1) The Lottery Commission was created in 2009; operations commenced 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)

	2010	2009	2008	2007
General Fund				
Reserved	$ 1,838,326	$ 1,276,214	$ 1,257,856	$ 1,227,194
Unreserved	1,814,731	2,256,642	2,309,421	2,272,762
Total General Fund	3,653,057	3,532,856	3,567,277	3,499,956
Total Fund Balances, Governmental Funds	$ 3,653,057	$ 3,532,856	$ 3,567,277	$ 3,499,956

	2006	2005	2004	2003	2002	2001
	$ 954,015	$ 988,971	$ 712,864	$ 769,067	$ 839,209	$ 361,718
	1,988,211	1,532,038	1,384,917	973,152	839,121	1,462,693
	2,942,226	2,521,009	2,097,781	1,742,219	1,678,330	1,824,411
	$ 2,942,226	$ 2,521,009	$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411

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

	2010	2009	2008	2007
Revenues:				
Taxes:				
Personal and corporate income	$ 2,471,420	$ 2,549,965	$ 2,644,852	$ 2,515,958
Consumer sales and use	2,390,819	2,502,403	2,551,222	2,624,325
Gas and motor carrier	449,754	444,573	456,216	463,362
Other	903,618	813,733	790,122	784,936
Intergovernmental	6,364,695	5,394,538	4,832,649	4,594,212
Licenses, permits and fees	1,055,693	1,031,568	957,424	886,106
Investment earnings	52,809	82,681	172,081	162,603
Miscellaneous	336,775	278,046	275,646	287,031
Total Revenues	14,025,583	13,097,507	12,680,212	12,318,533
Expenditures:				
Current:				
General government	1,237,895	1,190,436	1,190,857	1,213,597
Education	3,600,560	3,333,875	3,286,143	3,149,468
Health and human services	6,129,257	5,441,822	5,184,858	4,844,657
Transportation	365,980	348,665	338,062	297,816
Law, justice and public safety	747,379	794,793	606,633	552,728
Recreation and resources development	258,322	225,461	228,663	187,970
Regulation of business and professionals	108,748	105,752	109,818	112,833
Debt service:				
Principal retirement (1)	95,924	101,054	107,070	103,782
Interest expense	53,303	55,766	59,671	59,752
Bond issuance costs	1,675	406	345	1,317
Capital outlay	614,241	561,354	628,536	611,567
Total Expenditures	13,213,284	12,159,384	11,740,656	11,135,487
Excess (deficiency) of revenues over expenditures	812,299	938,123	939,556	1,183,046
Other financing sources (uses):				
Issuance of debt	324,745	18,721	35,417	38,320
Proceeds from bond refunding				224,855
Bond discounts/premiums	21,045	(618)	(306)	5,248
Payment to refunding escrow agent	(174,165)		(4,523)	(107,806)
Capital leases	19,520	3,892	32,047	22,855
Installment sales			13,210	
Sale of capital assets	2,476	2,924	2,943	2,717
Transfers in	160,402	72,467	82,277	60,316
Transfers out	(1,046,121)	(1,027,604)	(1,033,300)	(871,821)
Restatement		(42,326)		
Total other financing sources and uses	(692,098)	(972,544)	(872,235)	(625,316)
Net change in fund balances	120,201	(34,421)	67,321	557,730
Fund balances-July 1	3,532,856	3,567,277	3,499,956	2,942,226
Decrease in reserve for inventory				
Fund balances-June 30	$ 3,653,057	$ 3,532,856	$ 3,567,277	$ 3,499,956
Debt Service as a percentage of noncapital expenditures:	1.20%	1.36%	1.50%	1.57%

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

2006	2005	2004	2003	2002	2001
$ 2,374,853	$ 2,169,849	$ 1,914,067	$ 1,714,603	$ 1,671,615	$ 1,704,226
2,519,443	2,382,865	1,951,475	1,770,946	1,719,686	1,728,033
456,569	450,269	450,444	439,614	430,735	257,407
760,799	721,144	694,802	638,510	647,387	373,688
4,540,408	4,418,148	4,249,189	3,823,171	3,417,665	2,882,725
853,616	836,688	717,092	750,872	591,817	480,698
96,369	57,999	36,651	46,139	63,167	107,074
345,978	248,138	313,952	250,566	49,403	623,006
11,948,035	11,285,100	10,327,672	9,434,421	8,591,475	8,156,857
1,137,458	1,058,514	1,029,316	1,044,164	902,922	681,055
3,044,735	2,877,770	2,336,813	2,324,631	2,231,401	2,172,021
4,653,553	4,526,132	4,065,745	3,772,155	3,293,609	2,984,687
320,417	319,140	312,688	346,282	257,976	788,416
588,661	480,246	496,109	416,353	405,434	509,428
186,137	159,709	159,895	221,987	196,731	196,734
112,623	114,484	125,968	108,378	96,655	120,189
97,583	46,723	36,809	40,066	49,478	69,841
61,065	58,866	56,769	50,341	43,578	
818	2,905	1,194	624	336	
673,624	704,117	755,373	692,898	810,947	132,485
10,876,674	10,348,606	9,376,679	9,017,879	8,289,067	7,654,856
1,071,361	936,494	950,993	416,542	302,408	502,001
71,993	116,717	24,974	224,020	185,000	31,874
15,540			31,150	45,145	
1,967	2,844	620	10,329	9,365	
(24,371)	(60,325)		(32,737)	(44,393)	
2,223	80,010	4,961	10,846	15,086	3,422
2,297	2,289	2,296			
47,254	46,495	49,099	5,266	757	658
(767,047)	(701,296)	(677,381)	(601,527)	(610,376)	(614,579)
				(49,073)	(8,908)
(650,144)	(513,266)	(595,431)	(352,653)	(448,489)	(587,533)
421,217	423,228	355,562	63,889	(146,081)	(85,532)
2,521,009	2,097,781	1,742,219	1,678,330	1,824,411	1,913,445
					(3,502)
$ 2,942,226	$ 2,521,009	$ 2,097,781	$ 1,742,219	$ 1,678,330	$ 1,824,411
1.56%	1.12%	1.10%	1.09%	1.25%	0.93%

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

Industry	2010 Revenue Base	2010 Percent of Total	2009 Revenue Base	2009 Percent of Total	2008 Revenue Base	2008 Percent of Total	2007 Revenue Base	2007 Percent of Total
Agriculture, Forestry, Fishing and Hunting	$ 97,655	0.23%	$ 112,929	0.23%	$ 105,304	0.25%	$ 108,964	0.27%
Mining	251,689	0.60%	311,266	0.62%	246,908	0.60%	224,806	0.55%
Utilities	4,233,123	10.03%	5,493,990	11.00%	4,708,255	11.40%	4,532,525	11.06%
Construction	564,684	1.34%	612,122	1.23%	529,727	1.28%	493,295	1.20%
Manufacturing	3,262,473	7.73%	3,864,172	7.73%	3,624,193	8.77%	3,670,740	8.96%
Wholesale Trade	3,910,161	9.26%	4,645,027	9.30%	4,218,275	10.21%	4,205,431	10.26%
Retail Trade	19,632,455	46.50%	21,901,249	43.85%	18,485,279	44.75%	18,655,946	45.51%
Transportation and Warehousing	283,412	0.67%	417,326	0.84%	362,152	0.88%	384,758	0.94%
Information	3,056,493	7.24%	5,253,774	10.52%	2,722,146	6.59%	2,653,893	6.47%
Finance and Insurance	62,647	0.15%	67,089	0.13%	57,703	0.14%	47,903	0.12%
Real Estate, Rental and Leasing	827,440	1.96%	957,993	1.92%	832,469	2.02%	803,267	1.96%
Professional, Scientific and Technical Services	119,903	0.28%	143,516	0.29%	112,101	0.27%	108,423	0.26%
Management of Companies and Enterprises	167	0.00%	56,835	0.11%	120	0.00%	293	0.00%
Administrative, Support, Waste Management and Remediation Services	671,947	1.59%	653,184	1.31%	585,095	1.42%	550,851	1.34%
Educational Services	49,553	0.12%	36,476	0.07%	41,684	0.10%	41,719	0.10%
Health Care and Social Services	92,069	0.22%	72,416	0.14%	64,206	0.16%	62,036	0.15%
Arts, Entertainment and Recreation	162,494	0.38%	177,186	0.35%	159,423	0.39%	161,053	0.39%
Accommodation and Food Services	3,528,970	8.36%	3,754,045	7.52%	3,198,652	7.74%	3,117,969	7.61%
Other Services (except Public Administration)	1,332,520	3.16%	1,342,494	2.69%	1,182,542	2.86%	1,102,308	2.69%
Public Administration	74,704	0.18%	74,436	0.15%	72,240	0.17%	65,026	0.16%
Total (1)	$ 42,214,559	100%	$ 49,947,525 (2)	100%	$ 41,308,474	100%	$ 40,991,206	100%
Direct Sales Tax Rate	6.00% (General) 2.00% (Food) 3.25% (Mfg Util Tax)		6.00% (General) 3.00% (Food) 4.00% (Mfg Util Tax)		6.00% (General) 3.00% (Food) 4.50% (Mfg Util Tax)		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

2006		2005		2004		2003		2002		2001	
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
$ 103,605	0.26%	$ 110,174	0.29%	$ 91,427	0.28%	$ 117,991	0.36%	$ 118,261	0.36%	$ 133,467	0.39%
187,394	0.48%	154,114	0.41%	111,126	0.34%	111,704	0.34%	114,489	0.35%	130,754	0.39%
4,380,370	11.17%	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%
466,170	1.19%	405,129	1.08%	326,167	0.99%	347,510	1.05%	360,689	1.10%	353,743	1.04%
3,438,906	8.77%	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%
3,982,576	10.16%	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%
18,145,437	46.27%	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%
281,285	0.72%	252,335	0.67%	161,738	0.49%	392,981	1.19%	360,558	1.10%	378,654	1.11%
2,525,643	6.44%	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%
46,611	0.12%	47,115	0.13%	44,144	0.13%	48,966	0.15%	36,207	0.11%	33,581	0.10%
724,694	1.85%	701,230	1.86%	608,522	1.85%	591,972	1.79%	546,893	1.67%	572,744	1.68%
99,865	0.25%	102,152	0.27%	87,395	0.27%	86,886	0.26%	91,036	0.28%	90,755	0.27%
27	0.00%	38	0.00%	15	0.00%	5	0.00%	6	0.00%	16	0.00%
520,973	1.33%	481,704	1.28%	197,552	0.60%	168,243	0.51%	147,361	0.45%	146,809	0.43%
43,524	0.11%	50,060	0.13%	45,713	0.14%	50,875	0.16%	54,329	0.17%	54,150	0.16%
54,830	0.14%	62,941	0.17%	59,786	0.18%	67,447	0.20%	54,150	0.17%	52,233	0.15%
152,619	0.39%	151,894	0.40%	125,084	0.38%	128,727	0.39%	125,777	0.39%	126,740	0.37%
2,975,856	7.59%	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%
1,018,174	2.60%	1,024,751	2.72%	808,652	2.46%	842,348	2.55%	826,560	2.53%	856,825	2.52%
64,070	0.16%	56,261	0.15%	50,974	0.16%	53,507	0.16%	51,198	0.16%	45,672	0.13%
$ 39,212,629	100%	$ 37,626,409	100%	$ 32,875,896	100%	$ 33,007,199	100%	$ 32,657,121	100%	$ 34,013,421	100%
6.00%		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)	

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

	2010				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	$ 5,807	0.25%	670	1.08%	$ 6,506	0.39%
Mining	14,950	0.64%	146	0.24%	6,374	0.39%
Utilities	252,243	10.78%	722	1.17%	174,566	10.53%
Construction	33,863	1.45%	1,929	3.12%	17,243	1.04%
Manufacturing	183,504	7.84%	4,095	6.63%	162,122	9.78%
Wholesale Trade	231,242	9.88%	5,821	9.43%	172,844	10.43%
Retail Trade	1,004,712	42.93%	23,755	38.46%	769,546	46.42%
Transportation and Warehousing	16,996	0.72%	1,632	2.64%	18,457	1.11%
Information	183,225	7.83%	954	1.54%	108,135	6.52%
Finance and Insurance	3,759	0.16%	277	0.45%	1,637	0.10%
Real Estate, Rental and Leasing	49,602	2.12%	1,465	2.37%	27,918	1.68%
Professional, Scientific and Technical Services	7,194	0.31%	1,406	2.28%	4,424	0.27%
Management of Companies and Enterprises	10	0.00%	5	0.01%	1	0.00%
Administrative, Support, Waste Management and Remediation Services	40,311	1.72%	3,346	5.42%	7,156	0.43%
Educational Services	2,970	0.13%	265	0.43%	2,640	0.16%
Health Care and Social Services	5,514	0.23%	1,043	1.69%	2,546	0.15%
Arts, Entertainment and Recreation	9,727	0.41%	928	1.50%	6,178	0.37%
Accommodation and Food Services	210,810	9.01%	6,483	10.50%	125,690	7.58%
Other Services (except Public Administration)	79,872	3.41%	6,767	10.96%	41,766	2.52%
Public Administration	4,281	0.18%	51	0.08%	2,226	0.13%
Total	$ 2,340,592	100%	61,760	100%	$ 1,657,975	100%

(1) Revenue data is available back to fiscal year 2000; however, this data is not comparable to fiscal year 2010 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 Ten Fiscal Years
(Expressed in thousands, except per capita amount)

	2010	2009	2008	2007	2006	2005	2004	2003	2002	2001
Governmental										
General	$ 942,722	$ 855,599	$ 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	(20,593)	(11,852)	(13,140)	(14,263)	(5,542)	(4,807)	(1,011)	(1,064)		
Issuance premiums/(discounts)	28,002	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	100,788	109,893	117,390	121,644	123,256	96,683	57,148	56,331	60,000	64,374
Notes payable to pension trust fund	5,172	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	692	1,874	4,586	3,520	4,420	6,927	9,536	11,862	14,567	21,646
Capital leases with component unit	137,949	123,800	131,792	111,450	97,824	107,522	70,582	76,041	77,153	69,167
Installment sale with component unit	12,340	12,795	13,210							
Total Governmental Activities Debt	1,207,072	1,114,772	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	1,700							940	1,835	2,690
Construction Assistance Revolving Loan Fund	57,910	65,120	72,965	78,775	83,955	88,910	93,530	103,275	108,115	112,135
College & University Revenue Bonds	1,402,967	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)	9,094	8,364	9,307	8,912	8,803	100	(123)	(1,124)	(1,455)	(1,074)
Notes payable	46,209	47,285	32,016	22,920	17,930	17,128	14,519	22,281	22,028	
Notes payable with component unit	2,550	3,042	3,518	5,857	6,666	8,728	9,675	6,349	6,754	
Capital leases	40,408	45,002	42,002	29,737	25,092	21,470	17,450	8,114	9,921	11,271
Capital leases with component unit	620	810	995	1,174	1,354	1,665	1,960	2,240	2,574	2,803
Total Business-Type Activities Debt	1,561,458	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	2,768,530	2,598,690	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 [(1)]	2.89%	2.82%	2.82%	2.87%	2.96%	2.86%	2.57%	2.72%	2.35%	2.07%
Per Capita [(2)]	$ 950	$ 899	$ 907	$ 904	$ 870	$ 797	$ 688	$ 690	$ 571	$ 494
Net General Obligation Bonded Debt										
Gross bonded debt [(3)]	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986	$ 712,939	$ 552,834
Less: debt service funds	(243,153)	(183,325)	(255,139)	(248,143)	(111,587)	(100,166)	(37,561)	(27,639)	(35,462)	(45,974)
Net bonded debt	$ 699,569	$ 672,274	$ 657,156	$ 724,050	$ 788,815	$ 844,692	$ 885,612	$ 893,347	$ 677,477	$ 506,860
Per Capita [(2)]	$ 240	$ 232	$ 229	$ 254	$ 280	$ 304	$ 322	$ 328	$ 250	$ 188
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	521,450	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	252,700							6,860		
Arkansas Development Finance Authority:										
Bonds payable	1,153,676	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	4,236		205,723	220,751	312,307	326,055	216,315			
Add (deduct): issuance premiums/(discounts)	1,756	2,232	2,951	2,686	(517)	(961)	(2,098)	(1,715)	(1,962)	(415)
U of A Foundation Annuity Obligations	16,669	15,443	18,362	19,606	18,524	16,783	15,376	14,748		
Total Component Unit Debt	1,950,487	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	$ 4,719,017	$ 4,309,436	$ 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 [(1)]	4.92%	4.67%	4.98%	5.25%	5.61%	5.57%	4.98%	5.25%	5.02%	4.84%
Per Capita [(2)]	$ 1,620	$ 1,490	$ 1,605	$ 1,653	$ 1,650	$ 1,551	$ 1,335	$ 1,332	$ 1,217	$ 1,155

(1) Personal income data can be found in schedule 9.
(2) Population can be found in schedule 9.
(3) 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							
2010	$ 139,163	$ 5,210	$ 133,953	$ 7,629	$ 5,663	$ 13,292	10.08
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							
2010	$ 48,552	$ 27,908	$ 20,644	$ 3,785	$ 6,940	$ 10,725	1.92
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							
2010	$ 1,096,180	$ 695,688	$ 400,492	$ 39,707	$ 47,211	$ 86,918	4.61
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							
2010	$ 12,442	$ 5,249	$ 7,193	$ 2,000	$ 1,552	$ 3,552	2.03
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:							
2010	$ 76,356	$ 6,271	$ 70,085	$ 90,950	$ 4,204	$ 95,154	0.74
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

(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
2010*	2,913	$ 95,868	$ 32,910	8.0%
2009	2,892	92,307	31,917	7.3%
2008	2,870	92,505	32,229	5.2%
2007	2,845	89,577	31,481	5.2%
2006	2,818	82,929	29,430	5.2%
2005	2,781	77,478	27,852	5.1%
2004	2,750	73,725	26,805	5.6%
2003	2,726	69,239	25,402	5.8%
2002	2,707	65,652	24,251	5.3%
2001	2,693	64,236	23,854	4.7%

* Projected numbers

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

Schedule 10
Principal Employers (Unaudited)
Current Year as Compared to 2001

2010	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	57,109	4.9%
2	Wal-Mart Stores, Inc.	46,261	4.0%
3	Tyson Foods, Inc.	24,448	2.1%
4	U.S. Federal Government	21,500	1.8%
5	Baptist Health	7,629	0.7%
6	Sisters of Mercy Health System	6,400	0.6%
7	J.B. Hunt Transportation Services, Inc.	6,250	0.5%
8	Arkansas Children's Hospital	4,435	0.4%
9	Kroger Co.	3,684	0.3%
10	Simmons Foods, Inc.	3,599	0.3%
		181,315	15.6%

2001	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	49,553	4.3%
2	Wal-Mart Stores, Inc.	40,859	3.5%
3	Tyson Foods, Inc.	24,251	2.1%
4	U.S. Federal Government	20,774	1.8%
5	Baptist Health	7,765	0.7%
6	ConAgra, Inc.	5,500	0.5%
7	Beverly Enterprises, Inc.	5,483	0.5%
8	Alltel Corp	4,800	0.4%
9	Whirlpool Corp	4,000	0.3%
10	Kroger Co.	3,670	0.3%
		166,655	14.4%

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 Eight Fiscal Years [1]

Full-Time Employees

	2010	2009	2008	2007	2006	2005	2004	2003
General Government								
Department of Finance and Administration-Revenue	1,423	1,473	1,443	1,420	1,370	1,371	1,352	1,319
All Other	2,868	2,913	2,816	2,764	2,741	2,678	2,632	2,720
Education								
Department of Workforce Education	491	490	493	494	498	503	501	503
Department of Education	387	384	371	346	359	318	317	391
All Other	914	914	979	965	954	877	882	885
Heath and Human Services								
Department of Human Services	8,011	7,755	7,617	7,524	7,324	7,244	7,222	7,146
Department of Health	2,867	2,926	2,907	2,887	2,763	2,771	2,757	2,854
All Other	669	548	473	458	458	409	404	394
Transportation								
Department of Highway and Transportation	3,558	3,587	3,576	3,614	3,676	3,749	3,755	3,698
Law, Justice and Public Safety								
Department of Correction	3,950	3,890	3,750	3,792	3,745	3,354	3,310	3,362
Arkansas State Police	971	972	985	966	934	903	843	818
All Other	2,727	2,784	2,786	2,553	2,546	2,386	2,351	2,074
Recreation and Resources Development								
Department of Parks and Tourism	1,323	1,321	1,291	1,298	1,214	1,138	1,127	1,138
Arkansas Game and Fish Commission	621	679	647	649	634	621	635	610
All Other	887	890	1,010	988	990	933	922	929
Regulation of Business and Professionals								
Department of Insurance	190	192	189	185	192	182	184	175
All Other	1,061	1,057	941	922	909	612	592	597
Proprietary Funds								
Colleges and Universities [2]	22,727	21,846	19,529	20,269	19,088	N/A	N/A	N/A
Workers Compensation Commission	119	123	127	135	137	141	141	138
Department of Workforce Services	1,221	1,102	976	907	852	702	750	881
Arkansas Scholarship Lottery [3]	84	N/A	N/A	N/A	N/A	N/A	N/A	N/A
War Memorial Stadium Commission [4]	40	25	32	25	21	29	N/A	N/A
State Total	57,109	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) Commenced operations in 2010.
(4) 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

	2010	2009	2008
General Government			
Department of Finance & Administration-Revenue			
Office of Driver Services			
Licenses and ID cards issued	852,998	820,155	728,893
Registered Vehicles	3,700,308	3,619,926	3,363,504
Income Tax Administration			
Total electronic tax filers	791,646	777,486	762,741
EFT estimate payments by corporations	1,961	1,769	1,697
EFT withholding payments	231,209	161,404	170,071
Education			
Department of Education			
All school districts:			
Average Daily Membership (1)	N/A	457,566	459,460
Number of Certified Personnel (1)	N/A	36,201	36,194
Average Salary of K-12 Classroom full-time employees (1)	N/A	$ 45,862	$ 45,393
Per Pupil Expenditures (1)	N/A	$ 8,308	$ 8,256
Foundation Aid per Student	$ 6,023	$ 5,789	$ 5,719
Assessed Valuation (in millions)	$ 39,567	$ 38,667	$ 35,970
Higher Education			
Public Institutions			
Net enrollment	148,573	139,835	135,050
Undergraduate degrees awarded	26,184	23,692	21,146
Graduate degrees awarded	5,041	4,141	3,873
Private Institutions			
Fall net enrollment	15,504	14,946	14,485
Undergraduate degrees awarded	2,432	2,295	2,284
Graduate degrees awarded	515	532	520
Health and Human Services			
Department of Human Services			
Foster Care Recipients	7,491	7,446	6,974
Percent of Population	0.26%	0.26%	0.24%
Food Stamp Recipients	643,420	577,329	556,735
Percent of Population	22.27%	20.09%	19.54%
Medicaid Recipients	755,607	747,851	744,269
Percent of Population	26.15%	26.03%	26.13%
Department of Health			
Women, Infants and Children Nutrition Program (WIC)	169,789	187,880	163,766
Percent of Population	5.83%	6.50%	5.71%
Doses of Vaccine Administered (2)	1,144,245	888,011	503,185
Inhome Patients Served	24,391	24,140	26,393

(1) Fiscal year 2010 figures not available as of print date
(2) Commenced Flu Vacine Program in 2008

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

2007	2006	2005	2004	2003	2002	2001
734,555	727,765	731,155	736,200	702,810	683,237	662,870
3,272,311	2,993,975	2,907,650	2,810,529	2,742,630	2,685,507	2,650,512
676,504	620,490	598,127	538,528	495,842	430,072	350,955
1,662	1,501	1,185	1,068	902	N/A	N/A
140,678	125,999	103,356	91,536	93,888	N/A	N/A
459,865	457,490	450,910	447,872	439,742	444,709	444,978
36,112	35,371	35,201	34,024	33,014	33,780	33,405
$ 44,493	$ 43,088	$ 41,489	$ 39,266	$ 37,536	$ 36,026	$ 34,729
$ 7,992	$ 7,687	$ 7,307	$ 6,475	$ 6,168	$ 5,867	$ 5,531
$ 5,662	$ 5,528	$ 5,400	$ 4,721	$ 4,688	$ 4,542	$ 4,492
$ 33,438	$ 31,275	$ 29,274	$ 27,748	$ 26,346	$ 25,269	$ 23,941
130,982	127,419	123,462	119,963	114,366	109,067	105,014
19,930	19,038	18,225	17,046	16,933	15,133	14,090
3,613	3,585	3,525	3,248	3,016	3,131	2,852
13,976	13,536	12,333	11,885	11,477	10,254	10,560
2,286	2,420	2,394	2,309	2,204	2,108	2,057
491	455	306	271	236	184	118
7,194	6,809	6,401	6,502	6,202	6,471	6,670
0.25%	0.24%	0.23%	0.24%	0.23%	0.24%	0.25%
553,618	558,521	544,752	490,641	457,888	433,716	402,119
19.60%	19.94%	19.62%	17.82%	16.79%	16.02%	14.94%
742,965	729,800	688,150	663,920	626,036	582,379	535,798
26.30%	26.06%	24.79%	24.12%	22.95%	21.51%	19.90%
160,687	158,393	156,654	153,570	149,063	145,447	144,006
5.69%	5.66%	5.64%	5.58%	5.46%	5.37%	5.35%
414,971	420,359	499,075	464,491	480,150	522,722	786,131
26,732	27,374	24,844	27,499	26,575	28,965	27,390

Continued on the following page

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

Continued from the previous page

	2010	2009	2008
Transportation			
Highway and Transportation Department			
Miles of State Highway Maintained (1)	N/A	16,443	16,428
Law, Justice and Public Safety			
Department of Correction			
Custody Population Count	13,908	13,237	13,293
Staff Members	4,737	4,701	4,701
Inmate Cost per day	$ 64.00	$ 60.19	$ 57.13
Operating Capacity	13,133	12,723	12,723
Inmate Care/Custody Operating Expenses (in thousands)	$ 288,609	$ 277,491	$ 272,844
Arkansas State Police			
Commissioned Officers	546	542	550
Number of Homicides Investigated	227	214	199
Total Citations Issued	266,764	269,080	271,125
Total Motorist Assists	26,660	22,708	21,380
Total Number of Traffic Accidents	16,320	16,306	16,759
Total Criminal Investigations	3,038	3,367	3,251
Recreation and Resources Development			
Department of Parks and Tourism			
Acres of State Parks Maintained	54,161	54,166	54,623
Game and Fish Commission			
Fishing Licenses sold	701,805	698,071	680,770
Hunting Licenses sold	448,625	462,164	417,560
Lifetime Licenses sold	26,360	27,734	23,241
Other Licenses sold	32,989	28,879	21,774
Regulation of Business and Professionals			
Department of Insurance			
Number of active licensed insurance agents	83,231	82,123	77,310
Total consumer complaints received	3,008	2,881	2,976
Total consumer complaints closed	3,111	3,021	3,068
Total dollars recovered for consumers (in thousands)	$ 10,608	$ 11,632	$ 8,768

2007	2006	2005	2004	2003	2002	2001
16,438	16,440	16,444	16,419	16,383	16,379	16,369
12,828	12,690	12,568	12,675	11,672	11,223	11,072
4,375	4,375	4,270	4,270	3,666	3,666	3,486
$ 52.64	$ 52.12	$ 48.24	$ 47.32	$ 44.11	$ 42.59	$ 40.79
12,552	12,403	12,178	11,640	11,124	10,968	10,576
$ 253,888	$ 243,208	$ 215,042	$ 209,543	$ 185,682	$ 182,188	$ 175,718
544	527	529	533	492	592	556
219	196	171	167	224	210	224
243,234	244,649	258,627	211,023	192,379	211,965	N/A
21,069	21,167	23,946	23,173	22,633	21,176	N/A
16,561	16,556	18,726	18,143	18,029	17,166	N/A
2,688	2,119	2,883	3,375	3,215	3,090	2,641
53,741	53,402	52,747	52,553	52,517	52,605	51,632
748,184	719,411	747,756	726,592	734,236	729,291	750,833
408,253	375,834	410,606	413,723	431,615	458,412	443,432
21,997	19,467	20,657	22,284	10,143	9,659	9,535
24,268	22,880	25,829	27,767	26,975	27,342	26,699
66,987	60,933	49,087	33,970	25,866	20,555	16,369
3,080	2,850	3,157	3,320	3,661	3,874	4,044
2,927	2,901	3,132	3,416	3,345	3,808	3,924
$ 5,161	$ 5,913	$ 5,955	$ 5,433	$ 2,573	$ 4,265	$ 2,000

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

	2010	2009	2008	2007	2006	2005	2004	2003	2002
General Government									
Dept of Finance and Administration-Revenue									
Vehicles	182	181	177	180	188	168	162	146	145
Education									
Department of Education									
Vehicles	216	219	207	217	255	244	229	206	207
Higher Education									
Campuses (public institutions)	33	33	33	33	33	33	33	33	33
Health and Human Services									
Department of Human Services									
Buildings	442	446	449	459	457	456	417	439	441
Vehicles	516	516	496	486	482	488	491	492	546
Department of Health									
Buildings	8	8	8	8	9	8	8	8	8
Vehicles	131	154	134	148	142	142	142	143	143
Transportation									
Highway and Transportation Department									
Passenger vehicles	2,667	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	20	19	19	18	18
Vehicles	419	430	384	399	406	391	387	335	334
Arkansas State Police									
Police stations	12	12	12	12	12	12	12	12	12
Vehicles	877	855	885	854	860	745	685	742	847
Recreation and Resources Development									
Department of Parks and Tourism									
State parks and museums	52	52	52	52	52	52	52	52	52
Vehicles	356	355	342	331	362	323	321	310	289
Game and Fish Commission									
Hatcheries	5	5	5	5	5	5	5	5	5
Vehicles	1,038	979	960	1,025	1,029	1,054	1,033	1,090	1,048
Boats	580	576	572	568	570	560	560	508	497
Regulation of Business and Professionals									
Vehicles	120	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, North Little Rock, Fayetteville, Jonesboro, Pine Bluff
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