State of Arkansas

Comprehensive Annual
Financial Report

Fiscal Year Ended June 30, 2012

Arkansas

Comprehensive Annual Financial Report

For the Fiscal Year Ended June 30, 2012

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 Arkansas Department of Parks and Tourism. The photograph of Governor Mike Beebe is courtesy of the Governor's Office.

The photograph on the cover is the Cossatot River.

Governor Mike Beebe

STATE OF ARKANSAS
MIKE BEEBE
GOVERNOR

December 20, 2012

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 2011 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award fourteen times.

I appreciate the efforts of the Department of Finance and Administration and its dedicated employees, whose cooperation and efforts are so essential to gathering the necessary information 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, 2012

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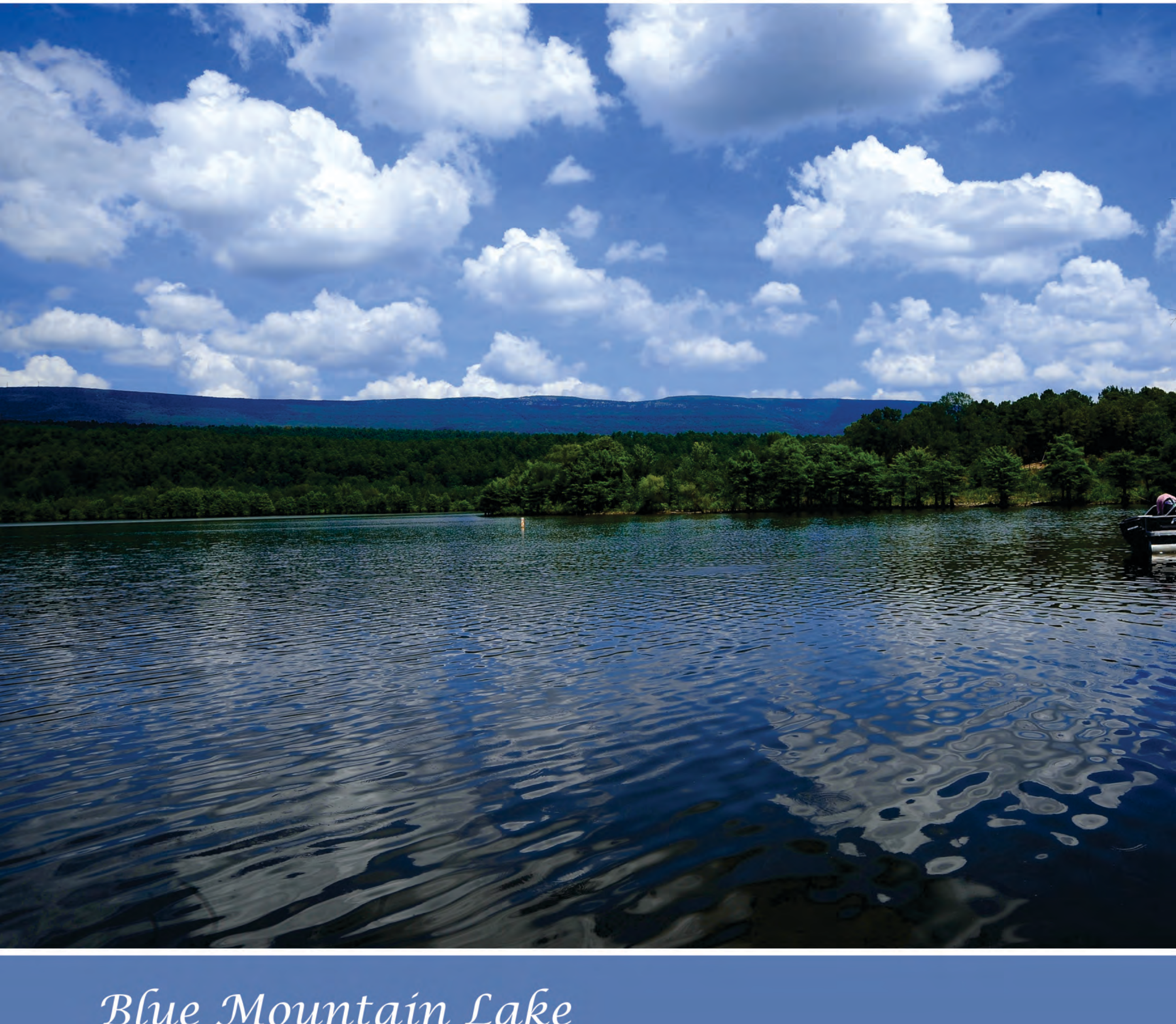

Blue Mountain Lake


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

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December 20, 2012

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, 2012.

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, 2012. 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 3.0 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 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 Regular Legislative Session in January of every odd-numbered year and the Fiscal Legislative Session in February of every even-numbered 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, Arkansas has continued to attract new businesses. Beckmann Volmer, a manufacturer of steel components for wind turbines; billing management company, ABC Financial Services; ceramic product supplier, Saint-Gobain; steel fabricators, Dixie-Southern Arkansas; chemical company, Enviro-Tech Chemical Services; biodiesel producer, Delta American Fuel; chemical manufacturer, Quapaw Products; wholesale distributor, Southern Hardware; steel joint manufacturer, New Millennium Building Systems; Unilever; edamame processor, American Vegetable Soybean and Edamame; international pipe manufacturer, Welspun; Bad Boy Mowers; Precision Surveillance; picture framing producer, Nielsen Bainbridge; Goodwill Industries; air filtration manufacturer, American Air

Filter; and smart phone privacy provider, PrivacyStar; are some of the corporations that took action to locate or expand facilities in Arkansas during fiscal year 2012.

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, 28 businesses have signed financial incentive agreements with the State, bringing in a total investment of $81.9 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 $100.3 billion in fiscal year 2012. This represented an increase of $3.2 billion or 3.2 percent over fiscal year 2011.

Fiscal year 2013 is estimated at $103.4 billion (current dollars), an increase of $3.1 billion or 3.1 percent over fiscal year 2012.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary rose to $47.0 billion in fiscal year 2012, an increase of $1.2 billion or 2.6 percent from fiscal year 2011. Fiscal year 2013 is estimated at $48.2 billion (current dollars), an increase of $1.2 billion or 2.6 percent from fiscal year 2012.

Employment: In fiscal year 2012, revised wage and salary employment in Arkansas averaged 1,162,950 jobs. This represented a decrease of approximately 600 jobs or -0.57 percent compared to fiscal year 2011. In fiscal year 2013, wage and salary employment is expected to average 1,172,750 jobs. This represents a projected increase of 9,800 jobs or 0.8 percent from fiscal year 2012.

Fiscal Year 2012 Net Available General Revenues: Actual net available general revenues collected totaled $4.752 billion with a $145.6 million surplus above net available distribution. The net available collected was $178.7 million or 3.9 percent above the net available in fiscal year 2011.

Fiscal year 2013 net available general revenue collections are estimated at $4.827 billion, an increase of $75.4 million or 1.6 percent from fiscal year 2012 and $99.5 million above net available distribution.

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 educational system. In fiscal year 2012, $438.1 million was distributed to the Educational Adequacy Fund, with the fiscal year 2013 distribution estimated to be $448.5 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. As of June 30, 2012, the state of Arkansas has received $3.36 billion in ARRA funds since the inception of the program. The Recovery Act requires states, like Arkansas, to 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 limit 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. The ARRA program was winding down in fiscal year 2012 and fewer projects were undertaken statewide.

Department of Workforce Services (DWS): The primary impact of the ARRA of 2009 to the Department of Workforce Services has been in the Unemployment Insurance (UI) Program. As of June 30, 2012, DWS has received $998.6 million in ARRA funding to cover UI programs. These programs include extended unemployment benefits allowing a claimant to have additional weeks of eligibility, emergency unemployment compensation, UI modernization programs, a federally funded $25 per week additional compensation for each claimant and the related administrative costs.

Other DWS programs impacted by the ARRA were the Workforce Investment Act programs, for which DWS has received additional funding for Youth, Adult and Dislocated Worker training and employment readiness services, the Wagner-Peyser Employment Service program, and the Re-employment Service program, which provides employment related services to unemployed Arkansans. Additionally, the Temporary Assistance for Needy Families programs was expanded to include a summer youth work experience and a summer feeding program among other programs and services. As of June 30, 2012, DWS has received ARRA funding for these non-UI programs and the related administrative support totaling $36.3 million.

The Arkansas Energy Sector Partnership is an ARRA funded program that enables Arkansas workers statewide to be trained in the skills required to succeed in green jobs. As of June 30, 2012, DWS has received ARRA funding for this non-UI program and the related administrative support totaling $3.5 million.

Department of Education (ADE): From the inception of ARRA through June 30, 2012, the Arkansas Department of Education has received $686.4 million of ARRA funding. ADE distributed $684 million of that to the local education agencies and other sub-recipients. Approximately $1 million was used for software development involving the accounting system utilized by the local education agencies. Additionally, $305 thousand was used to pay salary, benefits and operating costs for administering ARRA School Improvement Grant programs, and $907 thousand was used for Statewide Data Systems operations. The $684 million in distributions is comprised of almost $1 million distributed during the latter part of the 2009 fiscal year, $254 million during the 2010 fiscal year, $299 million during the 2011 fiscal year and $130 million during the 2012 fiscal year.

Total formula-based ARRA funding allocated for use by the local education agencies before September 30, 2013, amounts to approximately $662 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); providing for teacher compensation and benefits and other expenses, such as support services, necessary to retain existing teachers, to recall or rehire former teachers, and to hire new teachers in order to provide early childhood, elementary, or secondary educational and related services ($92 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 thousand 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. Arkansas also receives funding on a reimbursement basis of approximately $400 thousand per year as part of a multi-state coalition for the ARRA Race to the Top Partnership for Assessment of Readiness for College and Careers.

Department of Highway and Transportation: Since ARRA became law in February of 2009, the Arkansas State Highway and Transportation Department has begun 133 improvement projects utilizing $362 million in ARRA funding. Some of those projects included additional funding from Federal-aid, State and/or local funds. To this point, 299 miles of highways have been improved.

University of Arkansas for Medical Sciences (UAMS): The University of Arkansas for Medical Sciences received one-time monies of $70.4 million for the ARRA Broadband Technology Opportunities program. The University of Arkansas plans to deploy a new middle-mile fiber network across every county in the State that will extend, integrate and enhance the capabilities of two major community-serving networks already in existence across 42 counties in the Mississippi Delta region of Arkansas: the Arkansas Telehealth Oversight & Management (ATOM) Network and the Arkansas Research & Education Optical Network (ARE-ON). The ATOM Network represents a partnership between healthcare, higher education, public safety and research community organizations in Arkansas with limited bandwidth and equipment, while ARE-ON is the State's only publicly owned fiber optic network serving four-year universities. The project intends to enhance the healthcare and education components of both networks by enabling remote clinical consultations and electronic record exchange, while connecting the networks' educational partners to state research networks as well as Internet2 and the National Lambda Rail. The project also plans to enhance first responder and other emergency services by providing broadband connectivity to ambulance dispatchers, the Arkansas Trauma Communications Center and the Arkansas Bioterrorism Network.

Department of Information Systems (DIS): 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. As of October 2012, the system tracked more than $3.4 billion recovery dollars expended for projects within the State. The DIS ARRA team also developed an interactive map search for the application, using geographically relevant data to search for projects according to location or area of interest.

Department of Finance and Administration's Office of Intergovernmental Services: The United States Department of Justice, through the Office for Victims of Crime (OVC) and the Office on Violence Against Women (OVW), made available $2.1 million (excludes administrative funds) in formula grant funds through ARRA. Approximately $1.4 million (62%) of the funds were awarded to eligible entities through a competitive bid process. The funds enabled 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. During FY 2012, $236 thousand was awarded to sub-recipients from the STOP grant (including some from administrative funds). Services funded through ARRA began at the end of FY 2009 and will continue until March 2013.

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. Additionally, funds were passed through to local agencies to purchase much needed equipment and support short term projects. So far, ARRA JAG has been used to fund over 195 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. During FY 2012 sub-recipients, whose projects consisted of various infrastructure and community support programs, include the city of Little Rock-Little Rock Homeless Day Center and the city of Sheridan.

Arkansas Economic Development Commission (AEDC): The Arkansas Energy Office (AEO), a division of AEDC, was awarded approximately $52 million from the U.S. Department of Energy for energy efficiency and savings programs. Through June 30, 2012, the AEO has established 20 programs with total funding obligations of $52.2 million to be used toward energy efficiency projects, energy savings and training people to work in energy-related fields. Of the $52.2 million, more than $51.1 has been expended.

As of June 30, 2012, AEDC's Grants Division has obligated approximately $4.85 million in ARRA Community Development Block Grants to 13 communities for improvement projects. Of that amount, $4.79 million has been awarded, $113 thousand has been expended for administration and $236 thousand will be returned to the treasury.

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 sixty 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: Helping schools help students become ready for colleges and careers 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, the State has witnessed unprecedented gains in educational attainment of students, as proven by the following:

- Arkansas is helping lead the way in the Common Core State Standards Initiative. The phase-in began during the 2011-2012 school year with K through 2 and will continue during the 2012-2013 school year with grades 3 through 8.
- The ADE is playing a key role in the governor's STEM (Science Technology Engineering and Math) Works project by helping institute New Tech schools throughout Arkansas.
- During the 2011-2012 school year, some 75 percent of students in Arkansas' public schools scored at the proficiency level or above on the state benchmark exams.
- The ADE received a major vote of confidence from the U.S. Department of Education when it was granted flexibility under No Child Left Behind. Arkansas's new accountability program will be ambitious and achievable while holding schools to a higher standard.

In addition, the ADE has received repeated recognition from national organizations, including the Education Trust, the Council for Chief State School Officers, Achieve and the National Governors Association. All have praised Arkansas for being a leader in education reform. Perhaps most impressive, *Education Week*'s Quality Counts issue for 2012 ranked Arkansas's public education system 5th in the country, up from 6th in 2011.

Highways and Transportation (AHTD): The Arkansas State Highway and Transportation Department completed a number of construction projects across the State this year in each of its ten Districts. Among the projects that were opened to traffic were the Highway 165 railroad overpass in Stuttgart and the Highway 247 Russellville Bypass. In addition, major widening projects were completed on Highway 65, from Pine Bluff to Lake Village; and on Highway 13 in Carlisle, from Interstate 40 to Highway 70.

In November of 2011, voters overwhelmingly approved the sale of up to $575 million in bonds to fund the State's second Interstate Rehabilitation Program. The first three construction projects of the

Department's new Interstate Rehabilitation Program will be let to contract this year. Over the next five years, 41 projects will improve 300 miles of Interstate highways in the State.

Election Day on November 6, 2012, proved to be a successful one for the AHTD as Arkansas voters gave their stamp of approval to the temporary half-percent sales tax issue presented on the ballot. Issue #1 on the ballot will temporarily increase the state sales tax by one-half cent to finance a 10-year bond issue for four-lane highway construction and improvement designed to connect all parts of Arkansas. In addition to 16 four-lane projects, over $670 million in state turn back funds will be shared by each city and county in the state.

State Parks: There are 52 state parks encompassing 54,374 acres of wetlands, forests, fish and wildlife habitats, recreational facilities and unique historic and cultural resources. Within the parks are 1,786 campsites, 4 lodges, 199 fully equipped cabins, 11 marinas, 11 swimming pools, 8 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, equestrian and multi-use trails covering 373 miles. Over 8.6 million people visited the state parks in fiscal year 2012. Over 1 million visitors participated in more than 54,435 educational and recreational programs and special events throughout the park system.

Over $155.9 million in capital improvements and major maintenance projects completed throughout the Arkansas State Park system has been funded by the ⅛ % Conservation Tax created by Amendment 75 in 1996.

Twenty construction and major renovation projects were completed in fiscal year 2012 totaling $7.6 million. Some of the projects completed throughout Arkansas State Parks included: new employee residence, Lake Fort Smith State Park; dock re-positioning and repairs, DeGray Lake Resort State Park; renovation and reconstruction of Mather Lodge kitchen and dining room, Petit Jean State Park; wastewater facility improvements, Lake Charles State Park, White Oak Lake State Park, and DeGray Lake Resort State Park; Craft Village walkway improvements, Ozark Folk Center State Park; various flood damage repairs to six state parks; and golf course improvements and the reopening of The Ridges at Village Creek State Park.

The popularity of our family of websites and social networking, connecting friends, families and visitors to Arkansas State Parks continues to grow, bringing visitors to park programs, events, etc. On Facebook, Arkansas State Parks has over 60,000 "friends" taking advantage of the benefits and values of the state park system. The social networking sites are great marketing tools that help the public's utilization of park facilities, provide testimonials to others and connect visitors and stakeholders to recreation and education program opportunities and facilities.

Tourism: Fiscal year 2012 was an interesting period for the tourism/hospitality industry. The economy slowly gained some strength and consumer confidence inched forward. Overall, Arkansas's traditional marketing region appeared to be in somewhat better shape than most of the rest of the country. On a national basis, travel finally showed signs of life with the public more likely to plan pleasure trips. Business-related travel, however, continued to lag.

The big news for Arkansas tourism was the November 11, 2011, grand opening of the Crystal Bridges Museum of American Art in Bentonville. This world-class facility, built by Walmart heiress Alice Walton and housed in a complex designed by internationally-renowned architect Moshe Safdie, has garnered an amazing amount of media exposure. While pre-opening estimates predicted a first year count of approximately 250 thousand visitors, the actual tally will be more than twice that. Tourism tax collections, both local and state, in Benton County have shown a sharp increase as a result.

Arkansas's tourism product has several more developments/improvements in the works. A major convention center/theme park project is under construction in Texarkana. New hotels are either planned or underway in Jonesboro, Little Rock and Hot Springs. The lodge at Queen Wilhelmina State Park will undergo a year-long renovation. Meanwhile, the 21c Museum Hotel chain will soon open a location in Bentonville, bringing the top lodging property in the country to the Natural State. Also, leaders in Fort Smith continue to raise funds for the U.S. Marshal Museum which will bring another valuable attraction to western Arkansas.

Focus groups confirmed that Arkansas's tourism messages were on target. We continued to invest in our www.arkansas.com website and added several new media outlets to the State's annual campaigns.

Human Services (DHS): The Department of Human Services has over 7,500 employees that serve more than 1.4 million Arkansans every year. The staff is organized into ten major service-delivery divisions and four support offices headquartered in the Donaghey Plaza Complex, with 83 county offices throughout the State. The Department continues to invest in initiatives and improvements to existing services. Examples of recent initiatives and improvements are as follows:

In fiscal year 2012, DHS and the State's two largest private insurance companies together launched the Arkansas Health Care Payment Improvement Initiative. The initiative is designed to be implemented in phases. The first phase will move the State's health care payment system away from a fee-for-service model to one that pays physicians and others for providing high-quality care at an appropriate price. The second phase creates "Medical Homes" for nearly every Arkansan. Medical Homes are not physical buildings, but rather a physician or clinic that takes responsibility of ensuring patients receive the care and services they need, even when they are not sick. Department leaders believe that the initiative, and its focus on both quality and efficiency, will improve the State's Medicaid program and move it toward sustainability in the long-term.

The Division of Children and Family Services (DCFS) completed a four-year review process this fall, marking a major milestone in the transformation of the State's child welfare system. In 2008, a federal review of the child welfare system found areas of non-compliance. DCFS has now met or exceeded each goal in its federal program improvement plan. DCFS has been able to significantly increase the number of parents who are actively involved with their children in foster care, shorten the adoption process and reduce the number of times children in foster care are transferred between foster homes.

DCFS was recently notified its application for a Title IV-E Child Welfare Waiver Demonstration Project had been granted. This project allows DCFS to implement changes that will reduce the number of children in foster care while strengthening families.

In response to a recent survey by the Centers for Medicare and Medicaid Services, the Department completed a top-to-bottom review of systems, policies and processes at the Arkansas State Hospital, the only state-funded psychiatric facility in Arkansas. New leadership was brought in to implement needed changes and improvements based on that review. Over the last year, the hospital strengthened its patient treatment, offered additional staff training, began using a new medicine dispensing system, updated all policies and improved quality assurance at the hospital.

Information Technology (IT): 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, K-12 public schools, higher education, and city and county government, to allow them to work more efficiently across state government and use state IT dollars more wisely.

DIS has identified and is addressing several trends in today's evolving world of technology. Chief among these is the continual growth and adoption of mobile technology and enterprise mobility focused on managing the increasing array of mobile devices and wireless networks. Other technology trends impacting Arkansas include the development of public safety broadband network, the expansion of digital government involving innovative applications that foster improved interaction between government and citizens, business analytics and the continued growth of social media and video.

The key initiatives underway at DIS to direct efforts toward these trends include: upgrading to a Next Generation State Network to address the dramatic growth in the demands on the data, voice, video and wireless radio networks; upgrading the existing state video network to allow for any to any communication, ad hoc video sessions, and be device or end-point independent and to include features such as streaming, recording, playback and video indexing; improving the state data center; migrating from IPv4 addresses to IPv6 addresses to ensure the accessibility of Arkansans to state resources and citizen-facing applications.

The Arkansas Wireless Information Network (AWIN) is a multi-phased program to leverage new and existing wireless resources to maintain and expand a statewide interoperable wireless communication system for emergency responders and Arkansas public service entities. There are currently over 21,400 AWIN users consisting of law enforcement, fire, first responders and other emergency services at the city, county, state and federal levels. The P-25 digital 700/800 MHz radio system averages 40,500 calls per day. This major initiative continues through 2015.

The State Cyber Security Office (SCSO) of DIS oversees 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 2,200 planners for the development and maintenance of their continuity of operations and pandemic plans and exercises. DIS is the lead agency for the state Emergency Support Function (ESF2) related to the restoration of communications for first responders, local governments and hurricane evacuee support. 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. Hackers have transitioned from infecting computers in order to disrupt usage to taking advantage of computer storage and the networks to which the compromised computer is connected. The SCSO maintains over 1,100 firewalls for public organizations on the state network in order to protect sensitive state information.

The state web portal, Arkansas.gov, managed by the Information Network of Arkansas and hosted in the state data center, has leveraged technology to make it easier for access to and use of government services. The portal now supports more than 190 state and local government agencies and offers more than 500 online services including inmate trust account deposits, online parole payments, car tag renewals, business tax filings, game and fish licenses, criminal background searches, hot check restitution payments and county tax payments among others. The State is also expanding network services to support local municipal governments by providing services for utility payments, emergency medical services payments, business licensing, and court and traffic fine payments.

Arkansas Scholarship Lottery: In November 2008, Amendment 3 passed authorizing the General Assembly to establish a lottery for the purpose of funding scholarships for Arkansas students to in-state 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 of Arkansas (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 on September 28, 2009; followed up with Powerball® on October 31, 2009; and Mega Millions® on January 31, 2010. For the year ended June 30, 2012, ALC had operating revenues of $473.6 million, paid gaming prizes of $315.3 million, paid selling commissions to Arkansas retailers of $26.5 million and provided $97.5 million in scholarship funds, after payment of other lottery expenses.

Statewide Trauma System: Act 180 of the 2009 Regular Legislative Session established an increase of the tax on cigarettes and other tobacco products, effective March 1, 2009, to fund a trauma system for the State of Arkansas. Act 393 of the 2009 Regular Legislative Session charged Arkansas Department of Health (ADH) with the responsibility of implementing the Arkansas Trauma System. A statewide trauma system ensures that victims sustaining traumatic injuries will be transported to definitive care in the shortest possible time and the treatment they receive will be the best available. Approximately 168 lives and $193 million will be saved annually in our State. When combined with our primary seatbelt and graduated driver's license laws, also passed during the 2009 Regular Legislative Session, the savings estimates go up to 206 lives and $237 million annually.

The Arkansas Trauma System (ATS) has two advisory councils. The Governor's Trauma Advisory Council (GTAC) meets on a monthly basis and furnishes valuable guidance to ADH on development of the trauma system. This statutorily mandated 26-member committee of experts is invaluable to the success of the system. There are seven Trauma Regional Advisory Councils (TRACs) throughout Arkansas. All meet routinely to address local needs such as regional destination protocols for EMS providers and performance improvement indicators and plans. All participating hospitals, EMS providers and other local stakeholders are active on these councils. In addition, ADH's website at www.healthy.arkansas.gov hosts a wide range of documents concerning hospital designation and the grant process for hospitals, EMS providers, and EMS training sites. ADH completed a three-hour training video for hospitals seeking trauma center designation and two videos dealing with the ATCC.

Seventy-five hospitals have submitted intent applications to become trauma centers (from Level I, the highest level of designation, to Level IV, the lowest). Currently, fifty-five hospitals have been designated as trauma centers. The hospital level designation funding is designed to support ongoing readiness costs for continued participation in the ATS rather than payment for uncompensated care of trauma patients.

As part of the trauma system, a total of 118 Emergency Medical Service (EMS) providers, twenty-three EMS training sites and two EMS associations across the State are participating in the trauma system and are eligible for funding. Each EMS provider is funded based on the service area of the provider and the type of service (basic life support/advanced life support) provided. Additional funds are available to providers in rural areas of the State. EMS training sites provide training for new emergency medical technicians and paramedics. The Arkansas Ambulance Association and the Arkansas Emergency Medical Technician Association are eligible to receive funds to provide advanced trauma related-training to currently licensed emergency medical technicians and paramedics.

In January 2011, the Arkansas Trauma Call Center (ATCC) was established to facilitate prompt communication and coordination of available hospital resources. Since its inception, the ATCC has quickly established itself as a trendsetter within the nation's trauma systems. The use of the ATCC by our hospitals and EMS providers has resulted in the transport of trauma patients to the closest, most capable hospital in the shortest amount of time possible. Since January 1, 2011, the hospital destination of over 14,850 trauma patients has been coordinated through the ATCC. Other advancements include the creation of the Trauma Registry which allows hospitals across the State to upload radiological images to a secure repository and forwards to the physician or specialist who will provide care. The Trauma Registry, now operational statewide, is in the early stages of recording and tracking individual cases of traumatic injury from their inception through all phases of treatment, including rehabilitation. From this registry, reports are run to identify performance improvement issues and trends in trauma treatment statewide. As part of the rehabilitation process, the Arkansas Spinal Cord Commission (ASCC) began a statewide needs assessment for rehabilitation in January 2011. In January 2012, the ASCC began activities to enhance the rehabilitation services industry. Rehabilitation is a critically important component of a successful trauma system.

The Injury Prevention Center (IPC) at Arkansas Children's Hospital received a grant to implement the Statewide Injury Prevention Plan designed to reduce the burden of injury mortality and morbidity. The IPC works closely with the Department of Health's Hometown Health Improvement initiative and the seven TRACs to engage local stakeholders.

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, 2011. This was the fourteenth 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 General Assembly 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,

Richard A. Weiss
Director

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, 2011

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.

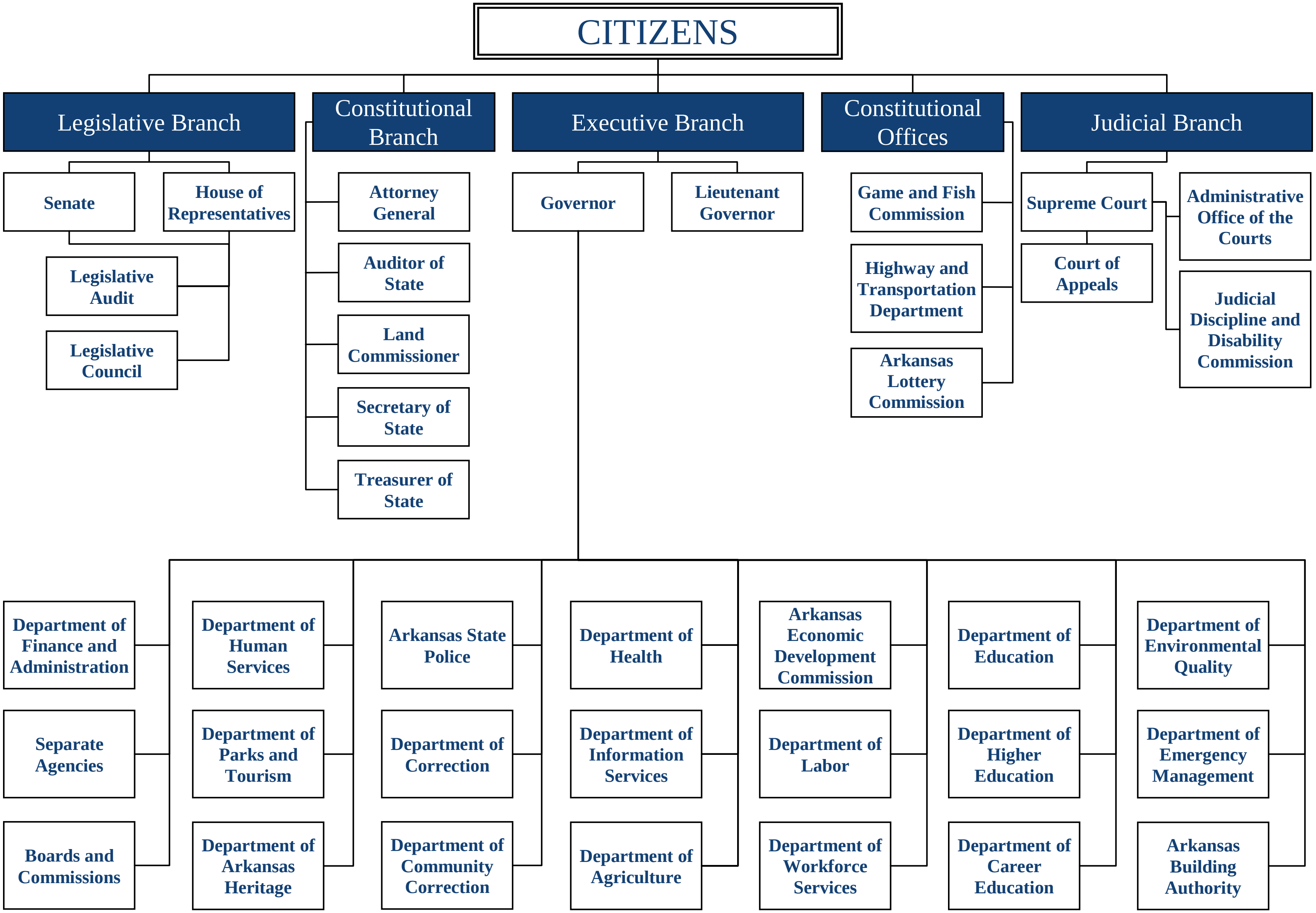
GOVERNMENT FINANCE OFFICERS ASSOCIATION OF THE UNITED STATES AND CANADA CORPORATION SEAL CHICAGO

Linda C. Davison

President

Jeffrey R. Esser

Executive Director


CITIZENS
Legislative Branch
Constitutional Branch
Executive Branch
Constitutional Offices
Judicial Branch
Senate
House of Representatives
Legislative Audit
Legislative Council
Attorney General
Auditor of State
Land Commissioner
Secretary of State
Treasurer of State
Governor
Lieutenant Governor
Game and Fish Commission
Highway and Transportation Department
Arkansas Lottery Commission
Supreme Court
Court of Appeals
Administrative Office of the Courts
Judicial Discipline and Disability Commission
Department of Finance and Administration
Separate Agencies
Boards and Commissions
Department of Human Services
Department of Parks and Tourism
Department of Arkansas Heritage
Arkansas State Police
Department of Correction
Department of Community Correction
Department of Health
Department of Information Services
Department of Agriculture
Arkansas Economic Development Commission
Department of Labor
Department of Workforce Services
Department of Education
Department of Higher Education
Department of Career Education
Department of Environmental Quality
Department of Emergency Management
Arkansas Building Authority

Principal Officials

Elected Officials	Legislative Branch	Supreme Court
Governor	***President Pro Tempore***	***Chief Justice***
Mike Beebe	Senator Paul Bookout	Jim Hannah
Lieutenant Governor	***Speaker of the House***	***Associate Justice***
Mark A. Darr	Representative Robert S. Moore, Jr.	Robert L. Brown
Attorney General		***Associate Justice***
Dustin McDaniel		Donald L. Corbin
Auditor of State		***Associate Justice***
Charlie Daniels		Karen Baker
Land Commissioner		***Associate Justice***
John Thurston		Jim Gunter
Secretary of State		***Associate Justice***
Mark Martin		Courtney Hudson Goodson
Treasurer of State		***Associate Justice***
Martha Shoffner		Paul E. Danielson


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

Financial Section

White River


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
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JUSTICE

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, 2012, 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 29% of the revenues of the business-type activities opinion unit and 20% 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 17% 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.

Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned 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.

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, 2012, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 20, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The combining financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and the other auditors. In our opinion, based on our audit, the procedures performed as described previously, and the reports of the other auditors, the combining financial statements 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 in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, AR
December 20, 2012
CAFR00112

Management's Discussion and Analysis

Big Piney Creek

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

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, 2012. The State's June 30, 2012, 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, and 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, 2012, by $14.8 billion (presented as "Total net assets"). The net assets of the State increased $235.2 million during the year. The governmental activities net assets decreased by $18.9 million, while the business-type activities increased by $254.1 million. Of the total net assets, $1.1 billion (7.7%) 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, $2.1 billion (14.5%), represents resources that are subject to restrictions on how they may be used and are therefore termed "restricted."

The largest portion of the State's net assets, $11.5 billion (77.8%), 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, 2012, was $2.8 billion. Additional debt totaling $479.0 million was entered into during the year. $263.6 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, 2012, the State's General Fund reported a fund balance of $3.3 billion. Of this balance, $288.8 million or 8.9% of the total fund balance is nonspendable, $494.2 million or 15.2% of the total fund balance is restricted, $1.5 billion or 46.2% of the total fund balance is committed, $252.6 million or 7.8% of the total fund balance is assigned and $714.5 million or 21.9% of the total fund balance is unassigned as required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The fund balance in the General Fund decreased $227.1 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 assists 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 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 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, Employer Assisted Home Energy Assistance Loan Program, Assisted Living Incentive, Industrial Energy Technology, Venture Capital Investment Trust Fund and Employer Assisted Home Energy Assistance Loan Program) 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 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 10-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	
	2012	2011 (Restated)	2012	2011	2012	2011 (Restated)
Current assets	$ 4,086,985	$ 4,256,865	$ 1,778,060	$ 1,591,040	$ 5,865,045	$ 5,847,905
Noncurrent assets	224,421	239,250	2,210,985	2,246,325	2,435,406	2,485,575
Capital assets	10,071,820	9,802,965	3,508,958	3,270,481	13,580,778	13,073,446
Total assets	14,383,226	14,299,080	7,498,003	7,107,846	21,881,229	21,406,926
Current liabilities	1,197,712	1,119,615	791,353	828,428	1,989,065	1,948,043
Long-Term liabilities	1,707,440	1,682,492	3,368,952	3,195,820	5,076,392	4,878,312
Total liabilities	2,905,152	2,802,107	4,160,305	4,024,248	7,065,457	6,826,355
Net assets						
Invested in capital assets, net of related debt	9,632,774	9,296,899	1,889,473	1,805,096	11,522,247	11,101,995
Restricted	1,256,134	1,190,245	892,101	849,209	2,148,235	2,039,454
Unrestricted	589,166	1,009,829	556,124	429,293	1,145,290	1,439,122
Total net assets	$ 11,478,074	$ 11,496,973	$ 3,337,698	$ 3,083,598	$ 14,815,772	$ 14,580,571

The net assets of the governmental activities decreased $18.9 million. Revenues remained relatively constant, primarily due to decreases in revenues from Federal Grants offset by increases in revenues from personal and corporate income taxes and sales and use taxes. Federal grant revenue has decreased due to the expiration and complete utilization of funding from the American Recovery and Reinvestment Act (ARRA). In fiscal year 2012, the economy continued to show signs of recovery. Personal and corporate income taxes have increased due to growth in personal and corporate income. Sales and use taxes increased as a result of greater activity due to the economy and market recovery. Expenses increased primarily due to increases in Medicaid grant program expenditures offset by decreases in grant expenditures as a result of decreased ARRA funding.

The net assets of the business-type activities increased $254.1 million. The key element was a decrease in benefit and aid expenses paid by the Department of Workforce Services of $158.0 million, offset by a decrease in grants and contributions revenue for the Department of Workforce Services of $126.3 million.

The book value of capital assets as of June 30, 2012, was $10.1 billion for governmental activities and $3.5 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.

The following table displays key elements of these changes:

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

	Governmental Activities		Business-Type Activities		Totals	
	2012	2011 (Restated)	2012	2011	2012	2011 (Restated)
Program revenues:						
Charges for services	$ 1,153,304	$ 1,083,045	$ 2,280,755	$ 2,217,548	$ 3,434,059	$ 3,300,593
Operating grants and contributions	5,756,464	6,092,989	1,218,671	1,325,685	6,975,135	7,418,674
Capital grants and contributions	644,621	551,523	66,419	44,313	711,040	595,836
General revenues:						
Personal and corporate taxes	2,794,097	2,688,093			2,794,097	2,688,093
Sales and use taxes	2,543,873	2,483,908			2,543,873	2,483,908
Motor fuel taxes	442,658	444,555			442,658	444,555
Other taxes	945,773	927,922	491,994	449,146	1,437,767	1,377,068
Total revenues	14,280,790	14,272,035	4,057,839	4,036,692	18,338,629	18,308,727
Expenses:						
Education	3,648,068	3,769,004			3,648,068	3,769,004
Health and human services	6,709,730	6,411,416			6,709,730	6,411,416
Transportation	766,297	759,872			766,297	759,872
Law, justice and public safety	794,165	748,590			794,165	748,590
Recreation and resources development	265,156	350,530			265,156	350,530
General government	1,559,775	1,477,309			1,559,775	1,477,309
Regulation of business and professionals	118,934	120,320			118,934	120,320
Business-type expenses:						
Higher education			3,472,444	3,362,705	3,472,444	3,362,705
Workers' Compensation Commission			45,243	29,768	45,243	29,768
Department of Workforce Services			618,522	776,734	618,522	776,734
Lottery Commission			379,139	371,716	379,139	371,716
War Memorial Stadium Commission			3,425	3,545	3,425	3,545
Public School Employee Health and Life Benefit Plan			286,331	275,743	286,331	275,743
Revolving loans			5,168	12,940	5,168	12,940
Interest expense	39,852	44,824			39,852	44,824
Total expenses	13,901,977	13,681,865	4,810,272	4,833,151	18,712,249	18,515,016
Other:						
Unrestricted investment earnings	40,374	43,232	28,051	52,979	68,425	96,211
Miscellaneous income	367,531	343,873	172,865	153,592	540,396	497,465
Total other	407,905	387,105	200,916	206,571	608,821	593,676
Increase (decrease) in net assets before transfers and restatements	786,718	977,275	(551,517)	(589,888)	235,201	387,387
Transfers - internal activities	(805,617)	(844,027)	805,617	844,027		
Restatements		(28,325)				(28,325)
Total transfers and restatements	(805,617)	(872,352)	805,617	844,027		(28,325)
Increase (decrease) in net assets	(18,899)	104,923	254,100	254,139	235,201	359,062
Net assets - beginning as restated	11,496,973	11,392,050	3,083,598	2,829,459	14,580,571	14,221,509
Net assets - ending	$ 11,478,074	$ 11,496,973	$ 3,337,698	$ 3,083,598	$ 14,815,772	$ 14,580,571

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $6.3 billion were funded by normal State taxing activities.

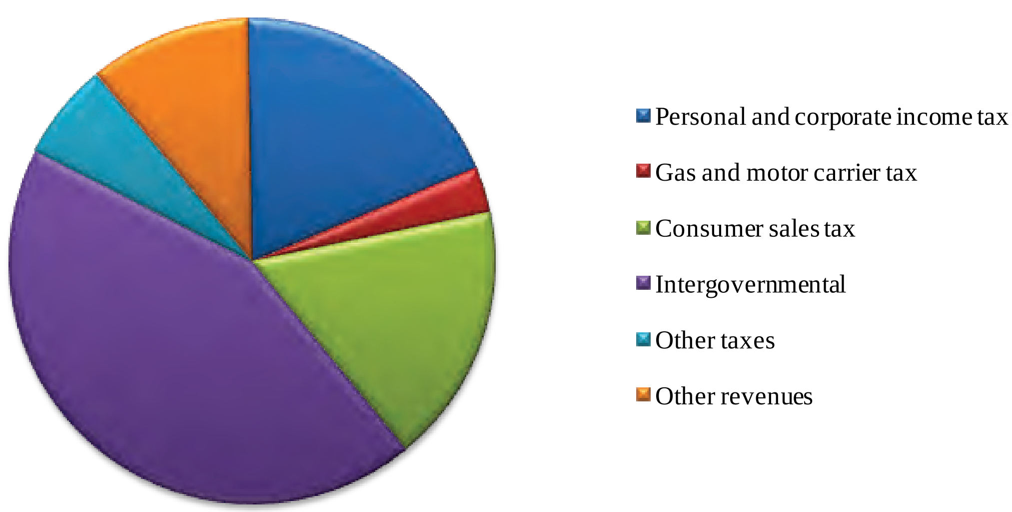
FUND HIGHLIGHTS AND ANALYSIS

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 education and health and human services. The following charts present actual General Fund revenues and expenditures for the fiscal years ended June 30, 2012 and 2011 (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 (expressed in thousands)

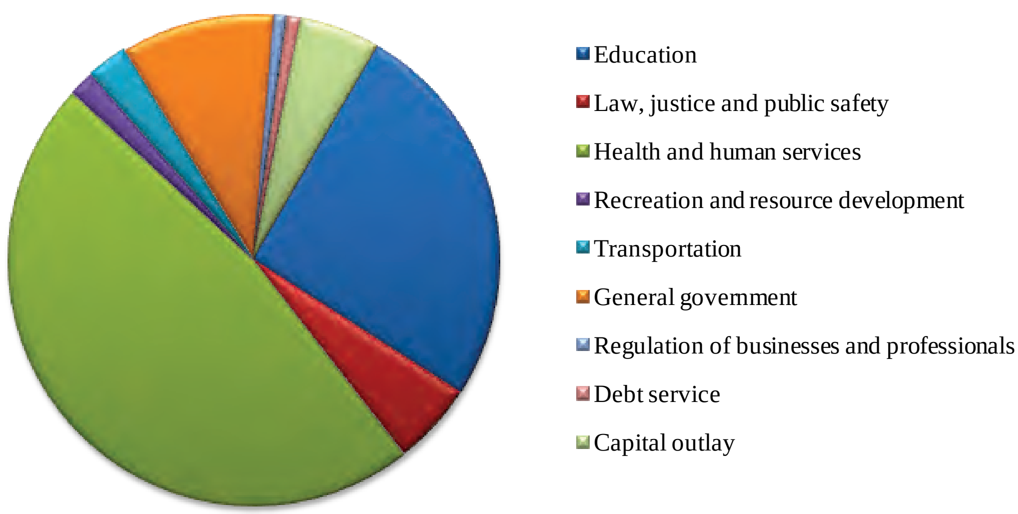
Revenues	2012	2011	Increase (Decrease) Percent
Personal and corporate income tax	$ 2,798,083	$ 2,697,352	3.73%
Gas and motor carrier tax	442,772	444,232	-0.33%
Consumer sales tax	2,552,282	2,491,772	2.43%
Intergovernmental	6,402,940	6,642,135	-3.60%
Other taxes	944,406	927,452	1.83%
Other revenues	1,579,037	1,496,731	5.50%
Total	$ 14,719,520	$ 14,699,674	0.14%



Governmental revenues remained relatively constant with an increase of 0.14%. This is primarily due to decreases in revenues from Federal Grants offset by increases in revenues from personal and corporate income taxes, consumer sales tax, other taxes, and other revenues. Federal grant revenue and reimbursements decreased by $239.2 million as a result of the expiration and complete utilization of funding from the ARRA. Personal and corporate income tax revenue increased by $100.7 million and consumer sales tax increased by $60.5 million as a result of continued economic and market recovery. Other taxes increased by $17.0 million primarily due to the increase in severance tax revenue. Other revenues increased by $82.3 million primarily due to the increase in License, Fees and Permits revenue.

Expenditures by Source - General Fund (expressed in thousands)

Expenditures	2012	2011	Increase (Decrease) Percent
Education	$ 3,644,195	$ 3,764,814	-3.20%
Law, justice and public safety	763,725	719,401	6.16%
Health and human services	6,696,046	6,401,101	4.61%
Recreation and resource development	246,158	330,301	-25.47%
Transportation	379,278	391,019	-3.00%
General government	1,426,718	1,367,985	4.29%
Regulation of businesses and professionals	117,450	119,058	-1.35%
Debt service	129,341	257,366	-49.74%
Capital outlay	744,000	683,872	8.79%
Total	$ 14,146,911	$ 14,034,917	0.80%



The State's agencies expenditures increased for the fiscal year 2012 by 0.80%. Expenses increased primarily due to increases in Medicaid grant program expenditures offset by decreases in grant expenditures as a result of the expiration and complete utilization of funding from the ARRA. Health and Human Services increased $294.9 million, with Medicaid expenditures accounting for most of the change. Education decreased $120.6 million and Recreation and resource development decreased by $84.1 million due to decreases in grant expenditures as a result of decreased ARRA funding.

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, unassigned 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 2012, the State's General Fund reported an ending fund balance of $3.3 billion, which is a decrease of $227.1 million in comparison to fiscal year 2011.

The classifications and amounts of fund balance were determined according to the provisions of GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* which the State was required to implement in fiscal year 2011. Note 1 provides an explanation of the various classifications.

Fund balance consisted of the following:

- Nonspendable, $288.8 million or 8.9% of total fund balance
- Restricted, $494.2 million or 15.2%
- Committed, $1.5 billion or 46.2%
- Assigned, $252.6 million or 7.8%
- Unassigned, $714.5 million or 21.9%

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 $22.9 billion, and the accumulated depreciation was $9.3 billion at June 30, 2012. The net book value was $13.6 billion. Depreciation expense was $471.8 million for the governmental activities and $213.5 million for the business-type activities.

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

- The Department of Human Services expended $3.0 million for renovation to dormitories and to the Education Building.
- The Department of Arkansas Heritage expended $6.4 million for natural area land acquisitions in Saline, Monroe, Marion, Madison and Miller counties.
- The Department of Veterans Affairs expended $2.8 million on the finishing of the Birdeye Cemetery.
- Arkansas State Police expended $1.6 million for the purchase of land for the Troop L Headquarters. They also expended $2.2 million for the purchase of 94 vehicles and $2.8 million on the AFIS fingerprint identification system.
- The Department of Correction expended $6.4 million for renovations to the Cummins, Tucker and McPherson facilities.
- The Arkansas Military Department expended $1.1 million for the NW Arkansas Reserve Center, $1.4 million on renovations to various armories, $10.2 million on the renovation of the Camp Robinson maintenance Building, $1.0 million on the Camden readiness Center and $1.2 million on the renovation of Patriot Hall.
- The Arkansas Department of Revenue expended $3.2 million on the purchase of new tax software.
- Arkansas Game and Fish Commission expended $1.1 million on the Jonesboro regional office.
- The Department of Highway and Transportation constructed roads, bridges and overlays for $604.1 million and purchased right-of-ways for $31.0 million.

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 Aa1. 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 $0.9 billion in bonds, notes payable, installment sales payable and capital leases outstanding at June 30, 2012, versus $1.0 billion at June 30, 2011. The net decrease is approximately $85.6 million.

Notes payable, installment sales payable and capital leases to component units had a net decrease of $5.2 million in fiscal year 2012. During fiscal year 2012, bonds payable had a net decrease of $81.1 million with $112.1 million paid toward principal payments and refinancing. Notes payable and capital leases to outside entities had a net increase of $736 thousand.

The State's governmental activities had approximately $241.5 million of claims and judgments outstanding at June 30, 2012, compared to $222.0 million at June 30, 2011. Other obligations include accrued sick leave and vacation pay of $146.3 million at June 30, 2012. The State's governmental activities also had $632.4 million recorded for net other postemployment benefits obligation at June 30, 2012. In fiscal year 2012, governmental activities included $22.6 million recorded for pollution remediation.

Business-type Activities

The State's business-type activities had $1.9 billion in bonds, notes payable, and capital leases outstanding at June 30, 2012, versus $1.8 billion at June 30, 2011. The net increase was approximately $120.2 million.

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

- Pulaski Technical College issued $69.5 million in Revenue and Tuition and Fees bonds, Series 2011, to finance the construction of a Culinary Arts and Hospitality Management Center and a new Fine and Performing Arts/Humanities Center.
- The University of Arkansas Fayetteville Campus issued $57.0 million in Various Facilities Revenue Bonds, Series 2012, to refund prior bond issues Series 2002.
- Arkansas Tech University issued $4.2 million in Housing Revenue Refunding Bonds, Series 2012 to refund prior bond issues Series 2007 and 2004.
- Arkansas Tech University also issued $8.9 million in Student Fee Refunding Revenue Bonds to refund prior bond issues Series 2005, 2004, and 2003.
- Henderson State University issued $16.0 million in refunding bonds to refund prior bond issues Series 2006 and 2005.
- The University of Arkansas Fort Smith Campus issued $17.5 million in refunding bonds to retire the Series 2005 and 2003 bond issues.

The colleges and universities also entered into capital leases totaling $6.8 million, as well as notes payable totaling $19.5 million. The State reduced bonds, notes payable and capital leases by $238.8 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $307.8 million of claims and judgments outstanding at June 30, 2012, compared to $287.2 million at June 30, 2011. Other obligations included accrued sick leave and vacation pay of $109.6 million at June 30, 2012. The State's business-type activities also had $66.9 million recorded for net other postemployment benefits obligation at June 30, 2012.

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	$ 6,041,870	$ 6,085,315	$ 1,934,983
Education	4,077,783	4,192,474	3,598,450
Health and human services	7,021,987	6,324,651	6,101,299
Law, justice and public safety	923,703	983,400	803,023
Recreation and resources development	456,650	466,880	271,714
Regulation of business and professionals	185,462	201,676	119,514
Transportation	541,103	575,733	372,432
Debt service	163,751	170,387	132,792
Capital outlay	700,164	887,109	702,363
Total	$ 20,112,473	$ 19,887,625	$ 14,036,570

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 original budget exceeded the final budget by $224.8 million. The increases in Education, General Government, Law, Justice and Public Safety and Capital Outlay 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 mainly due to the transfer of appropriation for the payment of benefits from a governmental fund to an enterprise fund.

REQUESTS FOR INFORMATION

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


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT
POPULUS
MERCY
JUSTICE

Basic Financial Statements

War Eagle Mill

Statement of Net Assets
June 30, 2012
(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	$ 571,551	$ 929,449	$ 1,501,000	$ 131	$ 151,634
Cash and cash equivalents - restricted		57,970	57,970		
Investments	2,442,886	369,241	2,812,127	20,128	1,031
Receivables, net:					
Accounts	130,038	367,221	497,259		992
Taxes	382,220		382,220		
Medicaid	207,797		207,797		
Loans	19,698	14,935	34,633		5,370
Leases	65		65		
Interest	15,689	1,243	16,932	8,105	3,501
Other	26,297	12,810	39,107	183	
Internal balances	47,681	(47,681)			
Due from other governments	165,121	9,052	174,173		
Advances to other funds	4,404	933	5,337		
Prepaid items	17,166	4,002	21,168		
Inventories	55,674	31,817	87,491		
Deposits with bond trustee		16,970	16,970		
Current deferred charges	698		698		
Other current assets		10,098	10,098		
Total current assets	4,086,985	1,778,060	5,865,045	28,547	162,528
Noncurrent assets:					
Cash and cash equivalents, restricted		144,650	144,650		
Deposits with component unit	23,135	201	23,336		
Deposits with bond trustee		160,482	160,482		
Deposits with Multi-State Lottery Association		1,684	1,684		
Investments		340,363	340,363	8,569	595,403
Receivables, net		54,689	54,689		
Loans and mortgages receivable	195,517	372,762	568,279	406,410	199,101
Loans and capital leases receivable from primary government					229,290
Capital leases receivable	694		694		5,694
Due from other governments		1,493	1,493		
External portion of investment pool		1,107,645	1,107,645		
Installment sale agreement with primary government					11,380
Deferred charges	5,075		5,075	5,400	3,081
Financial assurance instruments		11,700	11,700		
Other noncurrent assets		15,316	15,316	149	338
Total noncurrent assets	224,421	2,210,985	2,435,406	420,528	1,044,287
Capital assets (net of accumulated depreciation):					
Land	744,731	127,401	872,132	670	
Land improvements	68,013		68,013		
Infrastructure	6,539,062	198,519	6,737,581		
Buildings	943,017	2,559,932	3,502,949	1,729	
Equipment	211,607	188,149	399,756	437	126
Improvements other than building		12,429	12,429		
Leasehold improvements		3,510	3,510		
Construction in progress	1,490,552	325,459	1,816,011		
Intangibles	51,235	17,742	68,977		
Other capital assets	23,603	75,817	99,420		
Total capital assets, net of depreciation	10,071,820	3,508,958	13,580,778	2,836	126
Total noncurrent assets and capital assets	10,296,241	5,719,943	16,016,184	423,364	1,044,413
Total assets	$ 14,383,226	$ 7,498,003	$ 21,881,229	$ 451,911	$ 1,206,941

Statement of Net Assets
June 30, 2012
(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	$ 39,065	$ 127,844	$ 166,909	$ 2,750	$ 4,047
Prizes payable		15,898	15,898		
Accrued interest	5,781	16,449	22,230		10,815
Accrued and other current liabilities	140,896	94,934	235,830		
Medicaid payable	306,281		306,281		
Income tax refunds payable	325,474		325,474		
Due to other governments	88,780	311,192	399,972		
Advances from other funds	933	4,404	5,337		
Workers' compensation benefits payable		15,639	15,639		
Funds held in trust for others		8,169	8,169		
Bonds, notes and leases payable	115,239	84,503	199,742	208,440	74,712
Installment sales payable	510		510		
Claims, judgments, arbitrage and compensated absences	141,383	57,565	198,948		
Pollution remediation obligation	1,225		1,225		
Deferred revenue	32,145	54,756	86,901		
Total current liabilities	1,197,712	791,353	1,989,065	211,190	89,574
Long-term liabilities:					
Workers' compensation benefits payable		248,735	248,735		
External portion of investment pool		1,107,645	1,107,645		
Bonds, notes and leases payable	796,369	1,796,174	2,592,543	183,545	787,703
Installment sales payable	10,870		10,870		
Claims, judgments, arbitrage and compensated absences	246,391	95,514	341,905		
Pollution remediation obligation	21,364		21,364		
Net post employment benefits obligation	632,446	66,938	699,384	111	1,142
Deposits held on behalf of primary government					23,336
Other noncurrent liabilities		17,461	17,461		10,615
Deferred revenue		36,485	36,485		4,197
Total long-term liabilities	1,707,440	3,368,952	5,076,392	183,656	826,993
Total liabilities	2,905,152	4,160,305	7,065,457	394,846	916,567
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	9,632,774	1,889,473	11,522,247	2,836	126
Restricted for:					
Debt service	273,434	24,804	298,238		
Other capital projects	146,894	25,882	172,776		
Bond and resolution program					169,972
Program requirements	556,641	530,947	1,087,588		
Lottery	63,316		63,316		
Tobacco settlement	215,849		215,849		
Non-expendable - endowment		84,084	84,084		
Expendable-capital projects, debt service, loans and other		226,384	226,384	54,229	
Unrestricted	589,166	556,124	1,145,290		120,276
Total net assets	11,478,074	3,337,698	14,815,772	57,065	290,374
Total liabilities and net assets	$ 14,383,226	$ 7,498,003	$ 21,881,229	$ 451,911	$ 1,206,941

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, 2012
(Expressed in thousands)

Contributions receivable, net of allowance for doubtful accounts of $1,429 and unamortized discount of $6,494	$	51,875
Interest receivable		1,854
Cash value of life insurance		870
Land, buildings and equipment net of accumulated depreciation of $256		1,107
Investments		679,169
Total assets	$	734,875
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	4,460
Annuity obligations		14,804
Total liabilities		19,264
Net assets:		
Unrestricted		78,210
Temporarily restricted		142,134
Permanently restricted		495,267
Total net assets		715,611
Total liabilities and net assets	$	734,875

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

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2012
(Expressed in thousands)

Assets		
Investments	$	435,890
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	$	86
Total liabilities		86
Net assets:		
Temporarily restricted	$	24,654
Permanently restricted		411,150
Total net assets		435,804
Total liabilities and net assets	$	435,890

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

Statement of Activities
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

		Program Revenues		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,559,775	$ 348,130	$ 339,243	$ 7,048
Education	3,648,068	6,372	632,587	50
Health and human services	6,709,730	427,079	4,621,840	361
Transportation	766,297	113,081	1,741	587,366
Law, justice and public safety	794,165	79,734	129,982	49,796
Recreation and resources development	265,156	81,637	25,824	
Regulation of business and professionals	118,934	97,271	5,247	
Interest expense	39,852			
Total governmental activities	13,901,977	1,153,304	5,756,464	644,621
Business-type activities:				
Higher education	3,472,444	1,524,943	910,798	66,419
Workers' Compensation Commission	45,243			
Department of Workforce Services	618,522		281,671	
Lottery Commission	379,139	473,624		
War Memorial Stadium Commission	3,425	2,394	4	
Public School Employee Health and Life Benefit Plan	286,331	275,639		
Revolving Loans	5,168	4,155	26,198	
Total business-type activities	4,810,272	2,280,755	1,218,671	66,419
Total primary government	$ 18,712,249	$ 3,434,059	$ 6,975,135	$ 711,040
Component units:				
Arkansas Student Loan Authority	$ 18,916	$ 19,644	$	
Arkansas Development Finance Authority	70,535	71,245	45,687	
Total component units	$ 89,451	$ 90,889	$ 45,687	

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
$ (865,354)	$	$ (865,354)		
(3,009,059)		(3,009,059)		
(1,660,450)		(1,660,450)		
(64,109)		(64,109)		
(534,653)		(534,653)		
(157,695)		(157,695)		
(16,416)		(16,416)		
(39,852)		(39,852)		
(6,347,588)		(6,347,588)		
	(970,284)	(970,284)		
	(45,243)	(45,243)		
	(336,851)	(336,851)		
	94,485	94,485		
	(1,027)	(1,027)		
	(10,692)	(10,692)		
	25,185	25,185		
	(1,244,427)	(1,244,427)		
(6,347,588)	(1,244,427)	(7,592,015)		
			$ 728	$
				46,397
			728	46,397
2,794,097		2,794,097		
2,543,873		2,543,873		
442,658		442,658		
945,773	491,994	1,437,767		
6,726,401	491,994	7,218,395		
40,374	28,051	68,425		
367,531	172,865	540,396	140	
(805,617)	805,617			
6,328,689	1,498,527	7,827,216	140	
(18,899)	254,100	235,201	868	46,397
11,496,973	3,083,598	14,580,571	56,197	243,977
$ 11,478,074	$ 3,337,698	$ 14,815,772	$ 57,065	$ 290,374

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 12,668	$ 34,353	$ 12,765	$ 59,786
Interest and dividends	3,297	3,999	298	7,594
Net realized and unrealized gains (losses) on investments	9,975	14,001	(16,537)	7,439
Other	108			108
Net assets released from restrictions	63,189	(70,066)	6,877	
Total revenues, gains (losses) and other support	89,237	(17,713)	3,403	74,927
Expenses and losses:				
Program services:				
Construction	27,953			27,953
Research	14,271			14,271
Faculty/staff support	11,926			11,926
Scholarships and awards	8,607			8,607
Public/staff relations	2,918			2,918
Equipment	3,424			3,424
Sponsored programs	1,479			1,479
Other	14,009			14,009
Total program services	84,587			84,587
Supporting services:				
Management and general	424			424
Fund raising	1,701			1,701
Change in value of split-interest agreements			503	503
Provision for loss on uncollectible pledges	379	(22)	27	384
Total supporting services	2,504	(22)	530	3,012
Total expenses and losses	87,091	(22)	530	87,599
Change in net assets	2,146	(17,691)	2,873	(12,672)
Net assets - beginning	76,064	159,825	492,394	728,283
Net assets - ending	$ 78,210	$ 142,134	$ 495,267	$ 715,611

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, 2012
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$	$ 89	$ (89)	$
Interest and dividends		3,191	180	3,371
Net realized and unrealized gains (losses) on investments		12,630	(14,075)	(1,445)
Net assets released from restrictions	14,302	(14,302)		
Total revenues, gains (losses) and other support	14,302	1,608	(13,984)	1,926
Expenses and losses:				
Program services:				
Research	1,271			1,271
Faculty/staff support	2,335			2,335
Scholarships and awards	9,236			9,236
Equipment and technology	1,248			1,248
Other	212			212
Total program services	14,302			14,302
Change in net assets		1,608	(13,984)	(12,376)
Net assets - beginning		23,046	425,134	448,180
Net assets - ending	$	$ 24,654	$ 411,150	$ 435,804

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

Balance Sheet
Governmental Fund
June 30, 2012
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	571,551
Investments		2,442,886
Receivable, net:		
Accounts		129,943
Taxes		382,220
Medicaid		207,797
Loans		215,215
Leases		759
Interest		15,689
Other		26,297
Due from other funds		61,353
Due from other governments		165,121
Advances to other funds		4,404
Prepaid items		17,166
Inventories		55,674
Deposits with component unit		23,135
Total assets	$	4,319,210
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	36,639
Accrued and other current liabilities		154,586
Deferred revenue		134,917
Income tax refunds payable		325,474
Due to other governments		88,780
Due to other funds		16,003
Advances from other funds		933
Medicaid claims payable		306,281
Total liabilities		1,063,613
Fund balance:		
Nonspendable		
Prepaid items		17,166
Inventories		55,674
Loans		215,215
Leases		759
Restricted		494,217
Committed		1,505,457
Assigned		252,590
Unassigned		714,519
Total fund balance		3,255,597
Total liabilities and fund balance	$	4,319,210

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, 2012
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 3,255,597
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	$ 899,905	
Infrastructure assets	12,189,475	
Other capital assets	3,804,147	
Accumulated depreciation	(6,821,707)	
Total capital assets		10,071,820
Bonds issued by the State have associated costs that are paid from current available financial resources of governmental funds. However, these costs are deferred on the Statement of Activities.		5,774
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.		102,772
Current liabilities for the government funds reclassified to claims on the Statement of Net Assets.		13,689
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	$ (915,242)	
Installment sales payable	(11,380)	
Claims, judgments, arbitrage and compensated absences	(387,774)	
Net OPEB obligation	(632,446)	
Pollution remediation obligation	(22,589)	
Loss of early retirement	21,072	
Unamortized bond issue premium	(19,329)	
Accrued interest on bonds, notes, installment sales payable and leases	(5,781)	
Unamortized bond issue discounts	1,891	
Total long-term liabilities		(1,971,578)
Net assets of governmental activities		$ 11,478,074

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, 2012
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	2,798,083
Consumers sales and use		2,552,282
Gas and motor carrier		442,772
Other		944,406
Intergovernmental		6,402,940
Licenses, permits and fees		1,186,346
Investment earnings		40,374
Miscellaneous		352,317
Total revenues		14,719,520
Expenditures:		
Current:		
General government		1,426,718
Education		3,644,195
Health and human services		6,696,046
Transportation		379,278
Law, justice and public safety		763,725
Recreation and resources development		246,158
Regulation of business and professionals		117,450
Debt service:		
Principal retirement		83,111
Interest		44,865
Bond issuance costs		1,365
Capital outlay		744,000
Total expenditures		14,146,911
Excess of revenues over expenditures		572,609
Other financing sources (uses):		
Issuance of debt		85,170
Issuance of refunding bonds		39,565
Bond discounts/premiums		1,588
Lease proceeds		3,869
Sale of capital assets		3,011
Transfers in		216,443
Transfers out		(1,022,052)
Payment to refunding escrow agent		(127,300)
Total other financing sources and uses		(799,706)
Net change in fund balance		(227,097)
Fund balance - beginning as restated [Note 1(d)]		3,482,694
Fund balance - ending	$	3,255,597

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, 2012
(Expressed in thousands)

Net change in fund balance-governmental fund		$ (227,097)
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	$ 744,000	
Depreciation expense	(471,757)	
Excess of capital outlay over depreciation expense		272,243
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to decrease net assets.		(666)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Assets.		(126,150)
Bonds issued at a premium provide current financial resources to governmental funds, but increase the long-term liabilities in the Statement of Net Assets.		(1,588)
Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the Statement of Net Assets.		1,365
Payment to refunding escrow agents use current financial resources to governmental funds but reduce long-term liabilities in the Statement of Net Assets.		127,300
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing but in the Statement of Net Assets, the lease obligation is reported as a liability.		(3,869)
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		83,111
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 increased by this amount this year.		7,406
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	$ 1,878	
Increase in claims, judgments, arbitrage and compensated absences	(17,132)	
Amortization of bond premium and discount	5,501	
Amortization of bond issuance costs	(857)	
Amortization of early retirement	(4,387)	
Decrease in pollution remediation obligations	457	
Loss on sale of capital assets	(2,969)	
Decrease in accrued interest	955	
Increase in other postemployment benefits obligations	(134,400)	
Total additional expenditures		(150,954)
Change in net assets of governmental activities		$ (18,899)

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

Arkansas

Statement of Net Assets
Proprietary Funds
June 30, 2012
(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	$ 531,563	$ 21,067	$ 196,692	$ 3,888	$ 176,239	$ 929,449
Cash and cash equivalents - restricted				57,970		57,970
Investments	205,737	120,887			42,617	369,241
Receivables						
Accounts receivables, net	228,568	8,878	116,655	10,971	2,149	367,221
Loans & notes receivable, net	8,213				6,720	14,933
Interest	167	340			736	1,243
Due from other funds	10,638	680	2,115		561	13,994
Due from other governments	8,989		63			9,052
Other current receivables	12,810					12,810
Advances to other funds					872	872
Inventories	31,809				8	31,817
Prepaid items	3,936	34		32		4,002
Deposits with bond trustee	16,970					16,970
Other current assets	10,095				3	10,098
Total current assets	1,069,495	151,886	315,525	72,861	229,905	1,839,672
Noncurrent assets:						
Cash and cash equivalents - restricted	124,601			20,049		144,650
Deposits with Multi-State Lottery Association				1,684		1,684
Investments						
Endowment	143,321					143,321
Restricted	46,693	108			58,689	105,490
Unrestricted	91,552					91,552
Receivables						
Loans & notes receivable, net	53,078					53,078
Due from other governments	1,493					1,493
Other noncurrent receivables	1,611					1,611
Capital assets:						
Land	126,821	580				127,401
Infrastructure	339,673					339,673
Buildings	4,041,446	2,272	4,000		22,219	4,069,937
Equipment	692,126	856	58	527	1,097	694,664
Improvements other than building	21,444				446	21,890
Leasehold improvements	3,012			498		3,510
Construction in progress	324,467				992	325,459
Other depreciable assets	375,243	554	273		240	376,310
Less accumulated depreciation	(2,436,981)	(2,699)	(949)	(485)	(8,772)	(2,449,886)
External portion of investment pool	1,107,645					1,107,645
Advances to other funds					7,297	7,297
Loans receivable - restricted					372,762	372,762
Deposits with bond trustee	160,482					160,482
Deposits with component unit		201				201
Financial assurance instruments		11,700				11,700
Other noncurrent assets	14,618				698	15,316
Total noncurrent assets	5,232,345	13,572	3,382	22,273	455,668	5,727,240
Total assets	$ 6,301,840	$ 165,458	$ 318,907	$ 95,134	$ 685,573	$ 7,566,912

Arkansas

Statement of Net Assets
Proprietary Funds
June 30, 2012
(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	$ 67,367	$ 8	$ 53,701	$ 501	$ 6,267	$ 127,844
Prizes payable				15,898		15,898
Accrued interest	8,142	3	8,051		253	16,449
Accrued and other current liabilities	92,910	140		1,765	119	94,934
Advances from other funds	1,669					1,669
Due to other funds	3,359	6		57,917	391	61,673
Due to other governments	5	1	311,186			311,192
Funds held in trust for others	8,169					8,169
Workers' compensation benefits payable		15,639				15,639
Bonds, notes and leases payable	72,468	215			11,820	84,503
Claims, judgments and compensated absences	30,478	110		46	26,931	57,565
Deferred revenue	52,623			334	1,799	54,756
Total current liabilities	337,190	16,122	372,938	76,461	47,580	850,291
Noncurrent liabilities:						
Workers' compensation benefits payable		248,735				248,735
External portion of investment pool	1,107,645					1,107,645
Advances from other funds	9,971					9,971
Bonds, notes and leases payable	1,709,681				86,493	1,796,174
Net postemployment benefits payable	63,263	2,819		727	129	66,938
Claims, judgments and compensated absences	94,256	593		247	418	95,514
Deferred revenue	33,509				2,976	36,485
Other noncurrent liabilities	5,761	11,700				17,461
Total noncurrent liabilities	3,024,086	263,847		974	90,016	3,378,923
Total liabilities	3,361,276	279,969	372,938	77,435	137,596	4,229,214
Net Assets						
Net assets:						
Invested in capital assets, net of related debt	1,870,481	1,348	3,382	540	13,722	1,889,473
Restricted for:						
Expendable						
Debt service	24,804					24,804
Capital projects	25,882					25,882
Program requirements	2,487			21,000	507,460	530,947
Other	224,651			1,733		226,384
Nonexpendable - endowments	84,084					84,084
Unrestricted	708,175	(115,859)	(57,413)	(5,574)	26,795	556,124
Total net assets (deficit)	2,940,564	(114,511)	(54,031)	17,699	547,977	3,337,698
Total liabilities and net assets	$ 6,301,840	$ 165,458	$ 318,907	$ 95,134	$ 685,573	$ 7,566,912

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 Year Ended June 30, 2012
(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	$ 1,239,393	$	$	$	$ 278,033	$ 1,517,426
Lottery collections				473,086		473,086
Licenses, permits and fees	285,550			538	4,155	290,243
Grants and contributions	430,590					430,590
Investment earnings					8,778	8,778
Miscellaneous	143,895	111	12,481	15	8	156,510
Total operating revenues	2,099,428	111	12,481	473,639	290,974	2,876,633
Operating expenses:						
Cost of sales and services				50,835	3,044	53,879
Lottery prize payments				315,319		315,319
Compensation and benefits	2,083,974	8,971	155	5,954	572	2,099,626
Supplies and services	871,213	884	3,488	5,579	22,268	903,432
General and administrative expenses	1,866	499	443	1,270	1,243	5,321
Federal financial assistance					394	394
Scholarships and fellowships	234,002					234,002
Benefit and aid payments		34,782	606,238		262,458	903,478
Depreciation and amortization	212,233	91	147	182	832	213,485
Amortization of bond costs					(866)	(866)
Interest					4,979	4,979
Total operating expenses	3,403,288	45,227	610,471	379,139	294,924	4,733,049
Operating income (loss)	(1,303,860)	(45,116)	(597,990)	94,500	(3,950)	(1,856,416)
Nonoperating revenues (expenses):						
Investment earnings	17,681	1,061	19	353	159	19,273
Taxes	30,816		438,906			469,722
Insurance tax		22,272				22,272
Grants and contributions	480,208		281,671		26,202	788,081
Interest and amortization expense	(66,451)	(16)	(8,051)			(74,518)
Loss on sale of capital assets	(2,705)					(2,705)
Other nonoperating revenue (expense)	13,720			2,000	635	16,355
Total nonoperating revenues (expenses)	473,269	23,317	712,545	2,353	26,996	1,238,480
Income (loss) before transfers and contributions	(830,591)	(21,799)	114,555	96,853	23,046	(617,936)
Transfers in	1,001,743			12,430	7,886	1,022,059
Transfers out	(88,617)		(10,602)	(110,141)	(7,082)	(216,442)
Capital grants and contributions	64,354					64,354
Donated assets	2,065					2,065
Change in net assets	148,954	(21,799)	103,953	(858)	23,850	254,100
Total net assets (deficit) - beginning	2,791,610	(92,712)	(157,984)	18,557	524,127	3,083,598
Total net assets (deficit) - ending	$ 2,940,564	$ (114,511)	$ (54,031)	$ 17,699	$ 547,977	$ 3,337,698

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012
(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	$ 1,270,096	$	$	$ 473,876	$ 278,306	$ 2,022,278
Cash received from other government agencies	442,940					442,940
Auxiliary enterprise charges	244,636					244,636
Payments to employees	(1,957,418)	(8,644)	(155)	(5,849)	(560)	(1,972,626)
Payments of benefits	(193,134)	(15,687)	(614,226)		(262,998)	(1,086,045)
Payments to suppliers	(867,657)	(1,358)	(3,489)	(55,395)	(25,257)	(953,156)
Payments for lottery prizes				(315,948)		(315,948)
Interest received (paid)	358				6,091	6,449
Loan administration received (paid)	(6,372)				4,003	(2,369)
Federal grant funds expended					(394)	(394)
Other receipts (payments)	(7,284)	111	12,276	(726)	1,469	5,846
Net cash provided by (used in) operating activities	(1,073,835)	(25,578)	(605,594)	95,958	660	(1,608,389)
Cash flows from noncapital financing activities:						
Direct lending receipts	574,448				27,698	602,146
Direct lending payments	(576,698)				(11,310)	(588,008)
Taxes	27,849	20,739	449,854			498,442
Grants and contributions	498,281		281,700		26,225	806,206
Proceeds from bond issuance					37,479	37,479
Other receipts (payments)	14,127		(57,827)		628	(43,072)
Tranfers in	1,001,743			12,430	7,886	1,022,059
Transfers out	(88,617)		(10,602)	(115,200)	(6,987)	(221,406)
Net cash provided by (used in) noncapital financing activities	1,451,133	20,739	663,125	(102,770)	81,619	2,113,846
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(95,984)	(205)				(96,189)
Interest paid on capital debts and leases	(72,574)	(19)				(72,593)
Acquisition and construction of capital assets	(401,791)	(86)			(977)	(402,854)
Proceeds from governmental sources	8,913					8,913
Proceeds from long-term borrowings	230,908					230,908
Proceeds from sale of capital assets	729					729
Other receipts (payments) (1)	37,656					37,656
Net cash used in capital and related financing activities	(292,143)	(310)			(977)	(293,430)
Cash flows from investing activities:						
Purchase of investments	(159,803)				(49,199)	(209,002)
Proceeds from sale and maturities of investments	162,683	6,083			19,650	188,416
Interest and dividends on investments	6,202	1,182	23	353	152	7,912
Advance disbursements	76				(2,455)	(2,379)
Advance repayments					1,192	1,192
Net cash provided by (used in) investing activities	9,158	7,265	23	353	(30,660)	(13,861)
Net increase (decrease) in cash and cash equivalents	94,313	2,116	57,554	(6,459)	50,642	198,166
Cash and cash equivalents - beginning	561,851	18,951	139,138	88,366	125,597	933,903
Cash and cash equivalents (cash overdrafts) - ending	$ 656,164	$ 21,067	$ 196,692	$ 81,907	$ 176,239	$ 1,132,069

(1) 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 Year Ended June 30, 2012
(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 income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (1,303,860)	$ (45,116)	$ (597,990)	$ 94,500	$ (3,950)	$ (1,856,416)
Adjustments to reconcile operating loss to net cash used in operating activities:						
Depreciation	212,079	91	147	182	832	213,331
Amortization	154				838	992
Net appreciation (depreciation) of investments					77	77
Other operating activities	3,440			2,000		5,440
Net changes in assets and liabilities:						
Accounts receivable	(1,779)			259	(139)	(1,659)
Loans receivable	101				4,386	4,487
Inventory	1,414				1	1,415
Prepaid items		20	1	45		66
Other current assets	464				(628)	(164)
Other assets				(546)		(546)
Current liabilities	112		236		(10)	338
Accounts payable and other accrued liabilities	(10,327)	18,808	(7,988)	(731)	(1,215)	(1,453)
Net other postemployment benefits	10,769	589		269	27	11,654
Compensated absences	9,507	30		1	10	9,548
Deferred revenue	4,091			(21)	431	4,501
Net cash provided by (used in) operating activities	$ (1,073,835)	$ (25,578)	$ (605,594)	$ 95,958	$ 660	$ (1,608,389)
Non-cash investing, capital and financing activities:						
Increase (Decrease) in fair value of investments	$ (117)					$ (117)
Donated capital assets	2,285					2,285
CD Interest reinvested	1					1
Capital gifts	22,893					22,893
Fixed asset acquisition paid for by the State of Arkansas	76					76
Fixed asset acquisition directly from bond/note proceeds	30,394					30,394
Proceeds from refunding bond issues deposited directly with trustee	35,395					35,395
Proceeds from construction bond issues deposited directly with trustee	29,702					29,702
Proceeds from refunding bonds	16,030					16,030
Bond proceeds, premiums, accrued interest deposited directly with trustee	15,682					15,682
Bond discount and issue costs	2,029					2,029
Deferral on debt defeasance	(202)					(202)
Bond Premium	298					298
Capital assets acquired by incurring capital leases and notes payable	11,423					11,423
Principal on Long term debt paid directly by UA Foundation, Inc.	53					53
Principal on capital debt paid by trustee	957					957
Interest on capital debt paid by trustee	215					215
Accrued interest	35					35
Gain on disposal of capital assets	874					874
Valuation adjustment to capital assets	103					103
Payments to bond trustee	92,938					92,938
Revenue received by bond trustee	615					615
Interest subsidy Series 2010B	123					123

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

Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2012
(Expressed in thousands)

		Pension Trust Funds		Agency Funds
Assets				
Cash and cash equivalents	$	539,725	$	41,828
Receivables:				
Employee		18,071		
Employer		30,832		
Interest and dividends		37,684		22
Other		106,904		87
Due from other funds		2,426		
Total receivables		195,917		109
Investments at fair value:				
Certificates of deposit				20,355
U.S. government securities		504,191		
Bonds, notes, mortgages and preferred stock		528,985		83,724
Common stock		4,930,275		
Real estate		319,605		
International investments		4,766,461		
Mutual funds		553,739		
Pooled investment funds		1,897,644		
Corporate obligations		1,203,520		
Asset and mortgage-backed securities		256,094		
Other		3,290,016		
Total investments		18,250,530		104,079
Securities lending collateral		1,270,426		
Financial assurance instruments				287,120
Capital assets		278		
Other assets		166		
Total assets		20,257,042		433,136
Liabilities				
Accounts payable and other liabilities		18,984		359
Investment principal payable		175,604		
Obligations under securities lending		1,283,840		
Postemployment benefit liability		2,924		
Due to other governments				119,361
Due to other funds		97		
Due to third parties				313,416
Total liabilities		1,481,449		433,136
Net Assets				
Held in trust for employees' pension benefits		18,775,593		
Total net assets	$	18,775,593	$	

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, 2012
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	168,603
Employers		655,233
Supplemental contributions		10,077
Title fees		4,246
Court fees		2,178
Reinstatement fees		1,163
Total contributions		841,500
Investment income:		
Net increase (decrease) in fair value of investments		(381,355)
Interest, dividends and other		282,636
Real estate operating income		8,163
Securities lending income		6,516
Total investment (loss)		(84,040)
Less investment expense		73,452
Net investment (loss)		(157,492)
Miscellaneous		8,412
Total additions		692,420
Deductions:		
Benefits paid to participants or beneficiaries		1,264,321
Refunds of employee/employer contributions		17,566
Administrative expenses		14,562
Total deductions		1,296,449
Change in net assets held in trust for employees' pension benefits		(604,029)
Net assets - beginning		19,379,622
Net assets - ending	$	18,775,593

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 transactions (the State has no blended component units), (2) discrete presentation of the component units' financial data in columns separate from the State's balances and transactions, or (3) discrete presentation of the component units' financial data following the government-wide financial statements.

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

Arkansas Student Loan Authority (ASLA) was established pursuant to Act 873 of 1977, as amended, and is comprised of seven governor-appointed board members. The purpose of ASLA is to make loans directly to students and to 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. 14, as amended by GASB Statement No. 39.

The University of Arkansas Foundation, Inc., operates for charitable and 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 has twenty-two members, four of whom 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, three of whom 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.	The University of Arkansas Fayetteville Campus Foundation, Inc.
535 Research Center Blvd.	535 Research Center Blvd.
Suite 120	Suite 120
Fayetteville, AR 72701	Fayetteville, AR 72701

The foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. 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 2011, have been decreased by $28.3 million as follows (expressed in thousands):

Beginning fund balance	$	11,525,298
Grant revenue		(11,270)
Loans receivables		2,403
Unclaimed property liabilities		(16,887)
Unearned revenue		(2,992)
Pollution remediation adjustment		(7,387)
Capital asset adjustments		7,808
	$	11,496,973

Fund balance for the General Fund as previously reported on the Statement of Revenues, Expenditures and Changes in Fund Balance for 2011, have been decreased by $28.8 million as follows (expressed in thousands):

Beginning fund balance	$	3,511,514
Grant revenue		(11,270)
Loans receivables		2,350
Unclaimed property liability		(16,887)
Unearned revenue		(3,013)
	$	3,482,694

Component Unit Arkansas Student Loan Authority net assets, as previously reported on the Statement of Activities for 2011, have been increased by $8.1 million as follows (expressed in thousands):

Beginning net assets	$	48,110
Student loan premiums		4,003
Deferred refunding		4,084
	$	56,197

(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 taxes, 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 criterion. 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 non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods. All other revenues and expenses are reported as non-operating 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 is 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; the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable Assisted Living housing in Arkansas and to strengthen the financial feasibility of such developments; to 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 these 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 taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies, and for 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, 2012, five universities, the University of Arkansas Cooperative Extension Service, and five foundations participated in the Pool. The foundations hold approximately $1.1 billion (external portion) of the investments in the Pool, which are reported separately along with the related liability in the Higher Education Fund and in the business-type activities column of the government-wide financial statements. Participation in or withdrawal from the Pool is based on the daily market value of the units within the Pool. Income from the Pool is allocated to the participants in the Pool based on the market value from the previous day. The Pool issues a publicly available financial report, which may be obtained by writing or calling the University of Arkansas System, 2404 North University Avenue, Little Rock, Arkansas 72207, (501) 686-2500.

Interfund Receivables and Payables

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

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 nonspendable components 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 non-depreciable assets are capitalized, regardless of cost. Buildings and building improvements are capitalized when the cost of the building, or an improvement which becomes an integral part of a building, exceeds $100,000. All other capital assets, including equipment, are capitalized when the cost of an individual item exceeds $5,000 and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State's policy to capitalize when the individual item's cost exceeds $1 million for internally generated software or $5,000 for all other intangible assets 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 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, 2012, is $55.5 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	10-15

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, 2012, is related to projected refund estimates attributable to fiscal year 2012 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.

Fund Balance Classifications

In the fund financial statements, fund balance is reported in one of five classifications based on the constraints imposed on the use of the resources.

The non-spendable fund balance includes amounts that cannot be spent because they are either (1) not in spendable form (for example, prepaid items and inventories) or (2) legally or contractually required to be maintained intact.

The spendable portion of fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

> ***Restricted fund balance***. This classification reflects constraints imposed on resources either (1) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes according to constraints imposed by legislation of the General Assembly – the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the General Assembly removes or changes the constraint by legislation.

Assigned fund balance. This classification reflects amounts constrained by the State's "intent" to be used for specific purposes, but are neither restricted nor committed. The General Assembly has the authority to assign amounts to be used for specific purposes by legislation or by approved Methods of Financing.

Unassigned fund balance. This amount is the residual classification for the General Fund.

When more than one spendable classification is available for use, it is the State's policy to use the resources in this order: restricted, committed, assigned, and unassigned.

See Note 13 for additional information about fund balances.

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, tobacco settlement, debt service, capital projects, and various other purposes and may be used only for the legally restricted purposes as allowed by law.

Reclassifications

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

(i) Use of Estimates

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

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

GASB Statement No. 60, *Accounting and Financial Reporting for Service Concession Arrangements,* establishes accounting and financial reporting requirements for service concession arrangements, a type of public-private or public-public partnership arrangement. The requirements would only apply to those arrangements in which specific criteria are present determining whether a transferor has control over the facility. Guidance is also provided when the government is an operator in a service concession arrangement. The requirements of this statement are effective for financial statements prepared by state and local governments for periods beginning after December 15, 2011 (i.e., fiscal year 2013).

GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*, amends the requirements of Statement 14, *The Financial Reporting Entity,* and the related reporting requirements of Statement 34, *Basic Financial Statement – and Management's Discussion and Analysis – for State and Local Governments*. The statement modifies certain requirements for inclusion of component units in the financial reporting entity. The statement amends the criteria for reporting component units as if they were part of the primary government (blending) and clarifies the reporting of equity interests in legally-separate organizations. The requirements of this statement are effective for financial statements prepared by state and local governments for periods beginning after June 15, 2012 (i.e., fiscal year 2013).

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* incorporates into the GASB's authoritative literature the applicable guidance previously presented in FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the AICPA's Committee on Accounting Procedure that were issued before November 30, 1989 . The requirements of this statement are effective for financial statements prepared by state and local governments for periods beginning after December 15, 2011 (i.e., fiscal year 2013).

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position,* provides a new statement of net position format to report all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position (which is the net residual amount of the other elements). The Statement requires that deferred outflows of resources and deferred inflows of resources be reported separately from assets and liabilities. The residual measure in the statement of financial position will be net position, rather than net assets. The requirements of this statement are effective for financial statements prepared by state and local governments for periods beginning after December 15, 2011 (i.e., fiscal year 2013).

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* reclassifies certain items currently being reported as assets and liabilities as deferred outflows of resources or deferred inflows of resources, according to the definitions of GASB Concepts Statement No. 4. In addition, this Statement recognizes certain items currently being reported as assets and liabilities as outflows of resources and inflows of resources. The requirements of Statement 65 are effective for periods beginning after December 15, 2012 (i.e., fiscal year 2014).

GASB Statement No. 66, *Technical Corrections - 2012,* resolves conflicting accounting and financial reporting guidance. The Statement amends GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Issues,* by removing the provision that limits fund-based reporting of risk financing activities to the general fund and the internal service fund type. As a result, governments would base determination of the fund type to use on definitions in Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* In addition, this Statement amends Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements,* by modifying existing guidance on accounting for (1) operating lease payments that vary from a straight-line basis, (2) the difference between the initial investment and principal amount of a purchased loan or group of loans, and (3) servicing fees related to mortgage loans that are sold. These changes would eliminate any uncertainty regarding the application of Statement No. 13, *Accounting for Operating Leases with Scheduled Rent Increases,* and provide guidance consistent with requirements of Statement No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenues,* respectively. The requirements of Statement No. 66 are effective for periods beginning after December 15, 2012 (i.e., fiscal year 2014).

GASB Statement No. 67, *Financial Reporting for Pension Plans,* revises existing guidance for the financial reports of most pension plans. This Statement replaces the requirements of Statement No. 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* and Statement No. 50, *Pension Disclosures,* as they relate to pension plans that are administered through trusts or similar arrangements meeting certain criteria. The Statement builds upon the existing framework for financial reports of defined benefit pension plans, which includes a statement of fiduciary net position (the amount held in a trust for paying retirement benefits) and a statement of changes in fiduciary net position. The Statement enhances note disclosures and RSI for both defined benefit and defined contribution pension plans. The Statement also requires the presentation of new information about annual money-weighted rates of return in the notes to the financial statements and in 10-year RSI schedules. The provisions in Statement No. 67 are effective for financial statements for periods beginning after June 15, 2013 (i.e., fiscal year 2014).

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions,* revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. This Statement replaces the requirements of Statement No. 27, *Accounting for Pensions by State and Local Governmental Employers* and Statement No. 50, *Pension Disclosures,* as they relate to governments that provide pensions through pension plans administered as trusts or similar arrangements that meet certain criteria. The Statement requires governments providing defined benefit pensions to recognize their long-term obligation for pension benefits as a liability for the first time, and to more comprehensively and comparably measure the annual costs of pension benefits. The Statement also enhances accountability and transparency through revised and new note disclosures and required supplementary information (RSI). The provisions in Statement No. 68 are effective for fiscal years beginning after June 15, 2014 (i.e., fiscal year 2015).

(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 may not recover its money.

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, 2012, the reported bank balances of the general fund were $862,346,507. Of this amount, $154,972 was uninsured and uncollateralized, $471,297 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 $66,194,920 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2012, the reported bank balances of the enterprise funds were $867,334,190. Of this amount, $2,783,616 was uninsured and uncollateralized, $23,532,626 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 $23,708,534 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2012, the reported bank balances of the fiduciary funds were $105,588,128. Of this amount, $4,820,909 was uninsured and uncollateralized, and $5,543,103 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2012, the reported bank balances of the component units were $4,007,075. Of this amount, $1,231,000 was uninsured and uncollateralized, and $141,000 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 90 days, and the expected maturity of any security will not exceed 13 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 formal investment policies that limit the investment maturities as a means of managing the exposure to fair value losses arising from increased interest rates.

As of June 30, 2012, 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					
Negotiable Certificates of Deposit	$ 2,205	$ 1,078	$ 1,127	$	$
Other Loans	37,402	6,997	3,590	26,815	
U.S. Government Agencies	1,526,053	8,150	1,517,903		
U.S. Treasuries	17,264	5,581	6,526	5,157	
Subtotal	1,582,924	21,806	1,529,146	31,972	-
Enterprise funds					
Corporate Bonds	12,258	4,305	6,059	1,823	71
Mutual Bond Fund	508	238	31	239	
Negotiable Certificates of Deposit	1,502		1,502		
Other Loans	2,663	498	256	1,909	
Preferred Stock	5				5
U.S. Government Agencies	255,389	106,253	144,939	2,265	1,932
U.S. Treasuries	23,653	15,921	7,732		
Subtotal	295,978	127,215	160,519	6,236	2,008
Fiduciary funds					
Asset and mortgage-backed securities	455,832	122,131	67,198	18,073	248,430
Bonds and notes	24,481	3	19,382		5,096
Commercial loans	378		378		
Commingled funds	1,658,487	28,590	806,051	747,253	76,593
Conventional mortgages	42,666		16,775		25,891
Corporate bonds	1,869,872	270,431	777,153	456,496	365,792
External investment pools	682,684	652,884	29,800		
International investments	39,484	7,276	16,461	8,071	7,676
Municipal bonds	7,975	601	3,736	1,506	2,132
Mutual funds	67,379		67,379		
Other loans	1,608	301	154	1,153	
Short-term investments	684,501	684,501			
U.S. Government/ Agencies	540,036	79,959	142,107	109,255	208,715
Subtotal	6,075,383	1,846,677	1,946,574	1,341,807	940,325
Component units					
Guaranteed investment contracts	11,692		2,301		9,391
Mortgage-backed securities	551,674			8,261	543,413
Mutual bond funds	991	991			
U.S. Government agencies	18,312	5,541	11,064	1,707	
U.S. Treasuries	12,691	5,516	6,127	1,048	
Subtotal	595,360	12,048	19,492	11,016	552,804
Total	$ 8,549,645	$ 2,007,746	$ 3,655,731	$ 1,391,031	$ 1,495,137

Corporate Bonds

As of June 30, 2012, the Arkansas Public Employees Retirement System (APERS), Arkansas Teachers Retirement System (ATRS), Arkansas State Highway Employees Retirement System (ASHERS), and Arkansas Judicial Retirement System (AJRS) all held corporate bonds with fair values of $523,517,521, $364,869,420, $189,125,908 and $30,628,621, 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, 2012, none of the bonds were considered highly sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2012, APERS and ATRS held convertible bonds with fair values of $155,594,593 and $364,524,432, 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, 2012, none of the retirement systems 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.

ASHERS 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, 2012, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General fund			
AAA	$ 698,213	Aaa	$ 2,224,216
AA	1,526,003	Unrated	42,529
Unrated	42,529		
Subtotal	2,266,745		2,266,745
Enterprise funds			
AAA	310,282	Aaa	446,807
AA	144,488	Aa	104
A	7,217	A	819
B and Below	1,109	Baa and Below	770
Unrated	47,100	Unrated	61,696
Subtotal	510,196		510,196
Fiduciary funds			
AAA	236,564	Aaa	924,387
AA	906,566	Aa	262,733
A	592,971	A	276,579
BBB	544,661	Baa	577,189
BB	274,000	Ba	200,313
B	262,337	B	230,597
CCC or Lower	48,050	Caa or Lower	46,951
Unrated	3,120,239	P-1	152,746
		Unrated	3,313,893
Subtotal	5,985,388		5,985,388
Component units			
AAA	178,312	Aaa	766,380
AA	589,383	Aa	1,650
A	4,986	A	1,229
Unrated	991	Baa	4,056
		Unrated	357
Subtotal	773,672		773,672
Total	$ 9,536,001		$ 9,536,001

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 that 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, 2012, the reported amount of the fiduciary funds' and enterprise funds' investments was $6,101,914,938 and $990,368.156, respectively. Of this amount, $2,026,470 and $2,377,999, respectively, were uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

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's investments representing greater than 5% of total investments of the general fund included Federal Home Loan Bank securities of $469,013,455, Federal National Mortgage Association securities of $489,789,157, and Federal Home Loan Mortgage Corporation securities of $526,234,814 or 20.39%, 21.29%, and 22.88%, respectively. The State's investments representing greater than 5% of total investments of the enterprise fund included Federal Home Loan Bank securities of $67,589,673 and Federal Home Loan Mortgage Corporation securities of $53,802,243 or 6.82% and 5.43%, respectively.

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 $53,912,000 or 6.97% 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, 2012, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Cash
Australian Dollar	$ 58,194	$ 5,400	$ 56,232	$ (3,441)	$ 3
Brazilian Real	19,991	5,758	14,229		4
British Pound Sterling	380,678	1,383	396,936	(18,405)	764
Canadian Dollar	50,233	17,174	38,264	(5,350)	145
Chilean Peso	2,749	761	1,988		
Columbian Peso	3,806	1,386	2,420		
Czech Koruna	731			731	
Danish Krone	21,054		21,053		1
Euro	295,679	24,854	320,819	(51,697)	1,703
Hong Kong Dollar	87,998		92,407	(4,416)	7
Hungarian Forint	1,136			1,136	
Indian Rupee	583				583
Japanese Yen	135,128		165,593	(31,758)	1,293
Mexico Nuevo Peso	27,900	9,579	1,854	16,467	
New Taiwan Dollar	6,978		6,925		53
New Zealand Dollar	7,064	4,694		2,367	3
Norwegian Krone	26,612		27,947	(1,336)	1
Phillipine Peso	8,833	6,453	2,380		
Polish Zloty	1,601			1,601	
Singapore Dollar	15,085		1,726	13,355	4
South African Rand	14,142	455	15,110	(1,423)	
South Korean Won	6,667		6,667		
Swedish Krona	42,140		29,640	12,500	
Swiss Franc	81,896		84,282	(2,455)	69
Thailand Baht	1,771		3,948	(2,177)	
Turkish Lira	1,566		1,566		
Total Fair Value	$ 1,300,215	$ 77,897	$ 1,291,986	$ (74,301)	$ 4,633

(1) 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), Arkansas Teacher Retirement System (ATRS), and Arkansas Judicial Retirement System (AJRS) 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, 2012, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $91.0 million, collectively. Market values of these outstanding contracts were $93.5 million resulting in an unrealized gain of $2.4 million. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $166.3 million at June 30, 2012. Market values of these contracts were $167.8 million resulting in an unrealized loss of approximately $1.5 million.

Mortgage-Backed Securities

APERS, ATRS, and 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, asset and mortgage-backed securities, and international securities. They are also included in the totals of government securities, corporate securities, and international 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, 2012, the retirement systems held $278.7 million of mortgage-backed securities.

Asset-Backed Securities

As of June 30, 2012, APERS, ATRS, and AJRS held asset-backed securities with the combined fair value of $184.2 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 $911.8 million and $22.3 million, respectively, invested in international pooled funds. These entities could be indirectly exposed to credit and market risks 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 and AJRS, through their 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 and AJRS could be exposed to risk if the counterparties to the contracts are unable to meet the terms of the contracts. APERS' and AJRS' external investment managers seek to control this risk through counterparty credit evaluations and approvals, counterparty credit limits, and exposure monitoring procedures. APERS' and AJRS' 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, 2012, 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 (1)		Fair Value at June 30, 2012			
Type	**Classification**	**Amount**	**Classification**	**Amount**	**Notional**	
Foreign currency forwards						
	Investment revenue	$ (88)	Investment	$ (112)	AUD	$ 7,920
	Investment revenue	1	Investment		BRL	
	Investment revenue	89	Investment	(47)	CAD	8,860
	Investment revenue	(49)	Investment	(51)	CHF	2,320
	Investment revenue	(54)	Investment	(54)	CZK	14,721
	Investment revenue	38	Investment		DKK	
	Investment revenue	45	Investment	(450)	EUR	18,007
	Investment revenue	(328)	Investment	(173)	GBP	10,720
	Investment revenue	(7)	Investment	(4)	HKD	34,660
	Investment revenue	25	Investment	25	HUF	256,574
	Investment revenue	5	Investment		IDR	
	Investment revenue	176	Investment	176	JPY	(1,116,753)
	Investment revenue	56	Investment	56	MXN	15,279
	Investment revenue	(16)	Investment	(86)	NOK	29,197
	Investment revenue	98	Investment	98	NZD	2,949
	Investment revenue	2	Investment	2	PLN	5,358
	Investment revenue	326	Investment	45	SEK	11,785
	Investment revenue	17	Investment	17	SGD	2,563
	Investment revenue	(42)	Investment	(11)	THB	69,450
	Investment revenue	1,718	Investment	1,615	USD	36,883
	Investment revenue	(78)	Investment	(124)	ZAR	22,349
Total foreign currency forwards		$ 1,934		$ 922		
Rights	Investment revenue	$ (40)	Investment			$ 29
Warrants	Investment revenue	$ (1,944)	Investment	$ 39		$ 272
Futures						
U.S. 2-year treasury note	Investment revenue	$ (19)	Investment	$ (19)	USD	$ 22,569
U.S. 5-year treasury note	Investment revenue	(47)	Investment	(47)	USD	(47,356)
U.S. 10-year treasury note	Investment revenue	(499)	Investment	(499)	USD	(22,140)
U.S. treasury bond	Investment revenue	(69)	Investment	(69)	USD	10,802
U.S. ultra long bond	Investment revenue	294	Investment	294	USD	16,684
Euro BTB Future	Investment revenue	13	Investment	13	EUR	502
Total futures		$ (327)		$ (327)		

(1) These amounts denote the net realized and unrealized gains and losses recognized during the period.

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Type	Changes in Fair Value (1) Classification		Amount	Fair Value at June 30, 2012 Classification		Amount	Notional	
TBA securities								
FNMA SF mortgage 3.50% 7/1/2042	Investment revenue	$	5	Investment	$	5	USD $	(3,151)
FNMA SF mortgage 3.50% 8/1/2042	Investment revenue		1	Investment		1	USD	(6,296)
Total TBA securities		$	6		$	6		
Interest rate swaps								
Pay Variable/Receive Fixed	Investment revenue	$	13	Investment	$	13	AUD $	4,500
Pay Variable/Receive Fixed	Investment revenue		14	Investment		14	CAD	7,700
Pay Variable/Receive Fixed	Investment revenue		4	Investment		4	CZK	36,100
Pay Variable/Receive Fixed	Investment revenue		7	Investment		7	EUR	2,600
Pay Variable/Receive Fixed	Investment revenue		6	Investment		6	GBP	2,500
Pay Variable/Receive Fixed	Investment revenue		187	Investment		187	MXN	93,900
Pay Variable/Receive Fixed	Investment revenue		13	Investment		13	NOK	30,500
Pay Variable/Receive Fixed	Investment revenue		82	Investment		82	NZD	6,630
Pay Variable/Receive Fixed	Investment revenue		(8)	Investment		(8)	PLN	16,300
Pay Variable/Receive Fixed	Investment revenue		(1)	Investment		(1)	SEK	34,600
Pay Variable/Receive Fixed	Investment revenue		2	Investment		2	SGD	9,800
Pay Variable/Receive Fixed	Investment revenue		425	Investment		425	USD	39,080
Receive Variable/Pay Fixed	Investment revenue		(519)	Investment		(519)	USD	52,150
Pay Variable/Receive Fixed	Investment revenue		31	Investment		31	ZAR	8,900
Total interest rate swaps		$	256		$	256		

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, 2012, ADFA held $551.7 million in 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, letters of credit, 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, 2012, 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, 2012, the carrying value and fair value of the underlying securities was $1.3 billion. At June 30, 2012, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers exceeded the amounts the borrowers owed the pension systems.

(5) Receivables

Receivables at June 30, 2012, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes (1)	Employee/ Employer	Medicaid	Capital Lease Receivable (2)	Loans	Investment-Related	Other Receivables	Allowance for Uncollectibles	Total
General fund	$ 258,340 (3)	$ 774,356	$	$ 207,797	$ 759	$ 269,146	$ 15,689	$ 30,802	$ (578,969)	$ 977,920
Higher education fund	754,577					70,006	167	12,810	(533,113)	304,447
Workers' Compensation Commission	8,878 (3)						340			9,218
Department of Workforce Services	189,155								(72,500)	116,655
Lottery Commission	10,971									10,971
Non-major enterprise funds	2,274					379,482	736		(125)	382,367
Pension trust			48,903				37,684	106,904		193,491
Agency							22	102	(15)	109
Total	$ 1,224,195	$ 774,356	$ 48,903	$ 207,797	$ 759	$ 718,634	$ 54,638	$ 150,618	$ (1,184,722)	$ 1,995,178

(1) Receivable balances of $4,360 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $95 and $2 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust Fund were 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	$	$ 407,449	$	$ 8,105	$	$ 183	$ (1,039)	$ 414,698
Arkansas Development Finance Authority	992	381,899	134,592	3,501		11,380	(77,036)	455,328
University of Arkansas Foundation				1,854	53,304		(1,429)	53,729
Total	$ 992	$ 789,348	$ 134,592	$ 13,460	$ 53,304	$ 11,563	$ (79,504)	$ 923,755

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From						
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Arkansas Lottery Commission	Non-major Enterprise Funds	Pension Trust	Total
General fund	$	$ 3,002	$ 6	$ 57,859	$ 391	$ 95 (1)	$ 61,353
Higher education fund	10,581			57			10,638
Workers' Compensation Commission	320	357		1		2 (1)	680
Department of Workforce Services	2,115						2,115
Non-major enterprise funds	561						561
Pension trust	2,426 (2)						2,426
Total	$ 16,003	$ 3,359	$ 6	$ 57,917	$ 391	$ 97	$ 77,773

(1) $95 and $2 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust Fund were reclassified as accounts receivable on the Government-wide Statement of Net Assets.

(2) $2,426 Interfund payable due from the General Fund to the Pension Trust Fund was reclassified as accounts payable on the Government-wide Statement of Net Assets.

Interfund receivables and payables include (1) $3.0 million due from the Higher Education Fund to the General Fund for workers' compensation, unemployment contributions, information technology services and grants; (2) $2.1 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $10.6 million due to the Higher Education Fund from the General Fund for information technology services, college Technical Bond payment requisitions and grants; (4) $57.9 million due from the Arkansas Lottery Commission to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing, and administrative costs, and (5) $2.4 million due from the General Fund to the Pension Trust for employer's contributions. All amounts are expected to be repaid within one year.

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

	Advances To		
Advances From	**General Fund**	**Higher Education Fund**	**Total**
General Fund	$	$ 4,404	$ 4,404
Non-major enterprise funds	933	7,236	8,169
Total	$ 933	$ 11,640	$ 12,573

Advances include (1) an outstanding balance of $4.4 million loaned from the General Fund (i.e. Arkansas Building Authority) to State Agencies including Higher Education for the Sustainable Building Design Program used to pay for energy improvements and (2) advances from the Community/Technical College Revolving Loan program of $7.2 million providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

Transfers (expressed in thousands):

	Transfers In				
Transfers Out	**General Fund**	**Higher Education Fund**	**Lottery Commission**	**Non-Major Enterprise Funds**	**Total**
General fund	$	$ 1,001,736	$ 12,430	$ 7,886	$ 1,022,052
Higher education fund	88,618				88,618
Department of Workforce Services	10,602				10,602
Lottery Commission	110,141				110,141
Non-major enterprise funds	7,082				7,082
Total	$ 216,443	$ 1,001,736	$ 12,430	$ 7,886	$ 1,238,495

Transfers include (1) the transfer of $1.0 billion from the General Fund to the Higher Education Fund for state funding of higher education institutions and (2) the transfer of $88.6 million from the Higher Education Fund includes $81.4 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. Non-Major Enterprise Funds transfers include the Arkansas Natural Resources Commission being reimbursed $1.1 million from the Construction Assistance Loan Fund. $2.5 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 $3.5 million was from the Non-Major Enterprise Funds to reimburse $3.0 million to the Department of Health and $0.5 million to Arkansas Natural Resources Commission for assistance in building clean drinking water facilities. $2.4 million was transferred to the Non-Major Enterprise Funds to reimburse the Arkansas Economic Development Commission for the Home Energy Assistance Loan (HEAL) Program, and $110.1 million was transferred from the Arkansas Lottery Commission to the General fund for administering the Arkansas Lottery Scholarship Program for the 2010/2011 academic school year. Also, $12.4 million was transferred from the General Fund to the Arkansas Lottery Commission to fund the Scholarship Shortfall Reserve Trust Account.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2012, was as follows (expressed in thousands):

	Balance June 30, 2011	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2012
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 701,026 (2)	$ 421	$ 43,386	$ (102)	$ 744,731
Construction in progress	1,694,328	(819,412)	615,887	(312)	1,490,491
Construction in progress - intangibles	8,708 (2)	(8,192)	(5)	(450)	61
Other non-depreciable/amortizable assets	15,679 (2)		98	(8)	15,769
Total capital assets, not being depreciated/amortized	2,419,741	(827,183)	659,366	(872)	2,251,052
Capital assets, being depreciated/amortized:					
Land improvements	152,149	1,658	1,670	(303)	155,174
Infrastructure	11,548,682	670,709	2,970	(32,886)	12,189,475
Buildings	1,331,093	136,748	24,462	(4,241)	1,488,062
Equipment	683,178	1,868	44,910	(34,650)	695,306
Intangibles	66,135 (2)	25,273	10,497	(29)	101,876
Other depreciable/amortizable assets	12,502 (2)	13	125	(58)	12,582
Total capital assets, being depreciated/amortized	13,793,739	836,269	84,634	(72,167)	14,642,475
Subtotal	16,213,480	9,086	744,000	(73,039)	16,893,527
Less accumulated depreciation for:					
Land improvements	(84,037)	2,691	(6,094)	279	(87,161)
Infrastructure	(5,306,871)	(105)	(376,299)	32,862	(5,650,413)
Buildings	(522,871)	52	(25,715)	3,489	(545,045)
Equipment	(463,568)	(729)	(51,963)	32,561	(483,699)
Intangibles	(39,262) (3)	(115)	(11,286)	22	(50,641)
Other depreciable/amortizable assets	(1,714) (3)	(2,692)	(400)	58	(4,748)
Total accumulated depreciation/amortization	(6,418,323)	(898)	(471,757)	69,271	(6,821,707)
Governmental activities capital assets, net	$ 9,795,157	$ 8,188	$ 272,243	$ (3,768)	$ 10,071,820

(1) Includes transfers with the primary government, assets that were not previously reported, accounting errors and other changes.
(2) Capital assets beginning balances were reclassified to different categories; total capital assets did not change.
(3) Accumulated depreciation beginning balances were divided into different categories; total accumulated depreciation did not change.

	Balance June 30, 2011		Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2012
Business-type activities:						
Capital assets, not being depreciated:						
Land	$ 118,463		$ 37	$ 8,918	$ (17)	$ 127,401
Construction in progress	241,847		(189,821)	273,596	(163)	325,459
Easements	2,627	(2)				2,627
Total capital assets, not being depreciated	362,937		(189,784)	282,514	(180)	455,487
Capital assets, being depreciated:						
Improvements other than building	18,824		75	2,991		21,890
Leasehold improvements	2,938		572			3,510
Buildings	3,851,331		148,362	72,694	(2,450)	4,069,937
Equipment	651,659		2,984	62,178	(22,157)	694,664
Infrastructure	296,638		34,944	8,604	(513)	339,673
Intangibles	101,035	(2)	3,747	280	(142)	104,920
Art/historic treasures	89		705	13		807
Library holdings	201,412		2	12,319	(7,997)	205,736
Other depreciable assets	49,150		(1,304)	14,683	(309)	62,220
Total capital assets, being depreciated	5,173,076		190,087	173,762	(33,568)	5,503,357
Subtotal	5,536,013		303	456,276	(33,748)	5,958,844
Less accumulated depreciation for:						
Improvements other than building	(8,130)		(216)	(1,115)		(9,461)
Buildings	(1,385,910)		(60)	(124,903)	868	(1,510,005)
Equipment	(472,145)		(19)	(55,721)	21,370	(506,515)
Infrastructure	(126,791)		52	(14,308)	(107)	(141,154)
Intangibles	(81,058)		(123)	(6,117)	120	(87,178)
Art/historic treasures	(19)		(1)			(20)
Library holdings	(161,747)		(2)	(7,668)	7,078	(162,339)
Other depreciable assets	(29,732)			(3,653)	171	(33,214)
Total accumulated depreciation	(2,265,532)		(369)	(213,485)	29,500	(2,449,886)
Business-type activities capital assets, net	$ 3,270,481		$ (66)	$ 242,791	$ (4,248)	$ 3,508,958

(1) Includes transfers within the primary government, assets that were not previously reported, accounting errors and other changes.
(2) Capital assets beginning balances were reclassified to different categories; total capital assets did not change.

Component Units

Activity for ADFA for the year ended June 30, 2012, was as follows (expressed in thousands):

	Balance June 30, 2011	Additions/ Deletions	Balance June 30, 2012
ADFA:			
Capital assets being depreciated:			
Equipment	$ 534	$	$ 534
Less accumulated depreciation for:			
Equipment	(364)	(44)	(408)
ADFA capital assets, net	$ 170	$ (44)	$ 126

Activity for ASLA for the year ended June 30, 2012, was as follows (expressed in thousands):

	Balance June 30, 2011	Additions/ Deletions	Balance June 30, 2012
ASLA:			
Capital assets not being depreciated:			
Land	$ 670	$	$ 670
Capital assets being depreciated:			
Building	2,009		2,009
Equipment	949	2	951
Total capital assets, being depreciated	2,958	2	2,960
Subtotal	3,628	2	3,630
Less accumulated depreciation for:			
Building and equipment	(710)	(84)	(794)
ASLA capital assets, net	$ 2,918	$ (82)	$ 2,836

Activity for U of A Foundation, Inc. for the year ended June 30, 2012, was as follows (expressed in thousands):

	Balance June 30, 2011	Additions/ Deletions	Balance June 30, 2012
U of A Foundation:			
Capital assets not being depreciated:			
Land	$ 386	$ 721	$ 1,107
Capital assets being depreciated:			
Buildings and equipment	256		256
Less accumulated depreciation for:			
Buildings and equipment	(256)		(256)
Total assets being depreciated, net			
Total assets U of A Foundation	$ 386	$ 721	$ 1,107

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	$	4,427
Health and human services		11,577
Transportation		386,173
Law, justice and public safety		29,129
Recreation and resources development		19,034
General government		20,177
Regulation of business and professionals		1,240
Total depreciation expense – governmental activities	$	471,757
Business-type Activities:		
Enterprise funds	$	213,485
Total depreciation expense – business-type activities	$	213,485

Component Units

Component Units:		
ADFA	$	44
ASLA		84
Total depreciation expense – component units	$	128

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2012, are summarized as follows (expressed in thousands):

	Balance June 30, 2011	Additions	Accretion On Capital Appreciation Bonds	Reductions	Balance June 30, 2012	Due within One Year	Due Greater Than One Year
Governmental Activities:							
Bonds payable:							
General obligation	$ 755,868	$ 39,565	$ (1,878)	$ 111,857 (1)	$ 681,698 (2)	$ 92,315 (3)	$ 589,383
Revenue Bond Guaranty Fund	1,385	1,415		255	2,545	350	2,195
Add (deduct):							
Deferred bond refunding loss:							
General Obligation	(14,400)	(1,046)		(3,984)	(11,462)		(11,462)
Debt to Component Unit	(2,449)	(7,564)		(403)	(9,610)		(9,610)
Issuance premium (discount):							
General Obligation	19,440	243		5,276	14,407	5,590	8,817
Debt to Component Unit	1,847	1,344		160	3,031	286	2,745
Total bonds payable	761,691	33,957	(1,878)	113,161	680,609	98,541	582,068
Notes payable to component unit	100,674	43,830		45,621	98,883	9,356	89,527
Notes payable to Construction Assistance Revolving Loan Fund	155			155			
Note payable to pension trust fund	2,685			2,685			
Capital leases		3,869		293	3,576	331	3,245
Capital leases with component unit	131,468	41,340		44,268	128,540	7,011	121,529
Total notes and leases payable	234,982	89,039		93,022	230,999	16,698	214,301
Total bonds, notes and leases payable	996,673	122,996	(1,878)	206,183	911,608	115,239	796,369
Installment sale with component unit	11,870			490	11,380	510	10,870
Claims, judgments and arbitrage	221,954	304,384		284,872	241,466	118,428	123,038
Compensated absences	147,276	120,133		121,101	146,308	22,955	123,353
Total claims, judgments, arbitrage and compensated absences	369,230	424,517		405,973	387,774	141,383	246,391
Pollution remediation	(4) 23,046			457	22,589	1,225	21,364
Net OPEB obligation	498,046	134,400			632,446		632,446
Governmental activities total	$ 1,898,865	$ 681,913	$ (1,878)	$ 613,103	$ 1,965,797	$ 258,357	$ 1,707,440

(1) Reductions for principal payments of $66,932 plus defeasement of $44,925
(2) Includes accretion on capital appreciation bonds of $20,179
(3) Includes accretion on capital appreciation bonds of $3,114
(4) Beginning balance restated by $7,387

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

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 41,995	$ 32,655	$ 11,310	$ 63,340	$ 11,320	$ 52,020
Safe Drinking Water Revolving Loan Fund		24,375		24,375		24,375
War Memorial Bond Payable	3,000		500	2,500	500	2,000
College and University Revenue Bonds	1,594,226	263,619	206,620 (1)	1,651,225	55,374	1,595,851
Add (deduct):						
Deferred bond refunding loss	(5,525)	(12,264)	(2,882)	(14,907)	(2,318)	(12,589)
Issuance premiums/ (discounts)	21,160	21,330	(80)	42,570	2,256	40,314
Total bonds payable	1,654,856	329,715	215,468	1,769,103	67,132	1,701,971
Notes payable	56,988	19,541	10,359	66,170	7,450	58,720
Notes payable with component unit	2,046		537	1,509	426	1,083
Total notes payable	59,034	19,541	10,896	67,679	7,876	59,803
Capital leases	46,178	6,606	9,247	43,537	9,233	34,304
Capital leases with component unit	420	189	251	358	262	96
Total leases payable	46,598	6,795	9,498	43,895	9,495	34,400
Total bonds, notes and leases payable	1,760,488	356,051	235,862	1,880,677	84,503	1,796,174
Claims and judgments	287,201	440,333	419,715	307,819	58,707	249,112
Compensated absences	100,081	35,059	25,506	109,634	14,497	95,137
Total claims, judgments and compensated absences	387,282	475,392	445,221	417,453	73,204	344,249
Net OPEB obligation	55,588	11,350		66,938		66,938
Business-type activities total	$ 2,203,358	$ 842,793	$ 681,083	$ 2,365,068	$ 157,707	$ 2,207,361

(1) Reductions for principal payments of $83,145 plus defeasement of $123,475

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable	$ 241,281	$	$ 27,734	$ 213,547	$ 24,868	$ 188,679
Less: Deferred amount on refunding of debt		(1) (4,084)	(204)	(3,880)	(193)	(3,687)
Less: Deferred issuance discount		(1) (1,649)	(101)	(1,548)	(101)	(1,447)
Total bonds payable	241,281	(5,733)	27,429	208,119	24,574	183,545
Notes payable	217,373		33,507	183,866	183,866	
Total bonds and notes payable ASLA	458,654	(5,733)	60,936	391,985	208,440	183,545
Net OPEB obligation	87	24		111		111
Arkansas Development Finance Authority:						
Bonds payable	954,340	120,623	252,929	822,034	74,712	747,322
Notes payable	13,634	130,693	104,800	39,527		39,527
Add: issuance premiums	1,318		464	854		854
Total bonds and notes payable ADFA	969,292	251,316	358,193	862,415	74,712	787,703
Net OPEB obligation	904	238		1,142		1,142
U of A Foundation						
Annuity obligations	15,967	655	1,818	14,804	1,251	13,553
Component units total	$ 1,444,904	$ 246,500	$ 420,947	$ 1,270,457	$ 284,403	$ 986,054

(1) Deferred amount on refunding of debt and deferred issuance discount were not reported in the note in prior years.

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, 2012, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %	Balance
Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds:			
2010 Series Federal Highway G.O.Bonds	2015	2.5 - 5.00	$ 206,540
Arkansas Natural Resources Commission Bonds:			
2003A Series Water, Waste and Pollution	2021	2.25 - 5.30	1,360
2003B Series Water, Waste and Pollution	2028	2.00 - 4.65	1,595
2003C Series Water, Waste and Pollution	2034	2.50 - 4.75	12,140
2004A Series Water, Waste and Pollution	2037	3.00 - 5.00	11,030
2005A Series Water, Waste and Pollution	2026	3.25 - 4.35	4,240
2005B Series Water, Waste and Pollution	2028	3.00 - 4.75	7,545
2006A Series Water, Waste and Pollution	2017	5.00	8,535
2006B Series Water, Waste and Pollution	2037	3.50 - 4.50	7,415
2006C Series Water, Waste and Pollution	2034	4.13 - 4.63	4,175
2007A Series Water, Waste and Pollution	2041	4.00 - 4.50	7,065
2008A Series Water, Waste and Pollution	2043	3.50 - 4.60	23,510
2009A Series Water, Waste and Pollution	2044	2.00 - 4.88	14,310
2010A Series Water, Waste and Pollution	2045	2.00 - 4.50	22,625
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	30,850
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	7,745
2012A Series Water, Waste and Pollution	2027	1.50-3.30	39,565
College Savings Bonds:			
1993 Series, G.O. Bonds	2014	5.90 - 5.95	9,765
1996C Series, G.O. Bonds	2016	5.90 - 6.00	8,083
1997A Series, G.O. Bonds	2017	5.90 - 6.05	2,367
1997B Series, G.O. Bonds	2017	5.35 - 5.60	7,093
1998A Series, G.O. Bonds	2017	5.10 - 5.35	6,670
2005 Series, G.O. Bonds	2016	3.35 - 5.00	15,645
Higher Education Bonds:			
2007A Series, G.O. Bonds	2023	4.00 - 5.00	95,005
2007B Series, G.O. Bonds	2029	4.38 - 4.75	126,825
Total			$ 681,698

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2012, including accrued accreted interest of approximately $20.2 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 89,201	$ 27,838	$ 117,039
2014	91,175	23,927	115,102
2015	96,371	19,836	116,207
2016	23,954	17,148	41,102
2017	19,743	15,996	35,739
2018-2022	126,705	63,511	190,216
2023-2027	127,410	37,105	164,515
2028-2032	53,275	12,622	65,897
2033-2037	17,930	5,950	23,880
2038-2042	13,535	2,319	15,854
2043-2047	2,220	139	2,359
Total	$ 661,519	$ 226,391	$ 887,910

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 $575.0 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 (FIMF) and by State revenues derived from the tax on diesel fuel at the rate of 4 cents per gallon. Current and prior year revenues and apportionments and projected revenues and apportionments from these bonds were as follows (expressed in thousands):

	Revenues and Apportionments		Projected Revenues and Apportionments	
Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF	Additional Diesel Tax Revenues	Apportioned FIMF
2008	$ 18,036	$ 83,213	$ 16,500	$ 95,115
2009	16,574	85,595	16,500	95,919
2010	16,087	95,414	16,500	96,730
2011	16,705	101,656	16,500	97,548
2012	16,548	95,115	16,500	98,373

No bonds were issued under this act in the 2012 fiscal year. Subsequent to year end, voters approved a new issue of General Obligation Four-Lane Highway Construction and Improvement Bonds. See subsequent event Note 20 for details.

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 $300.0 million, with no more than $60.0 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. Approximately $39.6 million in bonds were issued under these acts in the 2012 fiscal year.

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 $300.0 million, with no more than $100.0 million being issued in any fiscal biennium unless the General Assembly of the State by law authorizes 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 2012 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 $250.0 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 $24.0 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 2012 fiscal year.

Revenue Bond Guaranty Fund – Under the Arkansas Development Finance Authority Bond Guaranty Act of 1985, the Arkansas Economic Development Commission (AEDC) may guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2012, total bonds guaranteed by the Revenue Bond Guaranty Fund amounted to $2.5 million.

AEDC has security interest in property, plant and equipment purchased with proceeds of revenue bonds guaranteed by the Revenue Bond Guaranty Fund. Assets held by AEDC, as a result of bankrupt companies defaulting on revenue bonds, are capitalized for financial statement purposes at an amount equal to the outstanding principal of the defaulted bond issue. AEDC maintains these facilities until a buyer can be found. At June 30, 2012, the equity interest in industrial facilities, which totaled approximately $5.0 million, was rented or vacant.

The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2012, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate %	Balance
Revenue Bond Guaranty Fund	2016	Varies	$ 1,130
Revenue Bond Guaranty Fund	2024	Varies	1,415
			$ 2,545

Future amounts required to pay principal and interest on the Revenue Bond Guaranty Fund at June 30, 2012, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 350	$ 133	$ 483
2014	365	119	484
2015	385	103	488
2016	400	85	485
2017	105	67	172
2018-2022	630	228	858
2023-2027	310	31	341
Total	$ 2,545	$ 766	$ 3,311

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, 2012, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 9,356	$ 3,877	$ 13,233
2014	9,497	3,593	13,090
2015	8,657	3,316	11,973
2016	8,682	3,079	11,761
2017	8,880	2,798	11,678
2018-2022	25,295	10,457	35,752
2023-2027	14,262	7,005	21,267
2028-2032	10,695	3,964	14,659
2033-2037	3,559	2,041	5,600
Total	$ 98,883	$ 40,130	$ 139,013

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 (ATRS) from the Department of Education (the Agency) for a statewide computer system capable of linking all public school district systems and the Agency'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. The Agency made its first annual payment on August 18, 1997. A final payment of the unpaid principal and accrued interest was made on June 30, 2012.

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 (ADFA) 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, 2012, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 510	$ 508	$ 1,018
2014	530	488	1,018
2015	550	466	1,016
2016	575	442	1,017
2017	600	418	1,018
2018-2022	3,395	1,673	5,068
2023-2027	4,240	793	5,033
2028-2032	980	24	1,004
Total	$ 11,380	$ 4,812	$ 16,192

Business-Type Activities

Special Obligation Bonds - Special Obligation Bonds outstanding at June 30, 2012, 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	2028	.75-5.00	$ 63,340
Safe Drinking Water Revolving Loan Fund	2026	3.25-5.00	24,375
			$ 87,715

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.

Safe Drinking Water 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 financing the construction of drinking water 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, 2012, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net assets due to unamortized premiums of approximately $4.4 million for the Construction Assistance fund and $3.7 million for the Safe Drinking Water Fund.

	Principal	Interest	Total
Year ending June 30:			
2013	$ 11,320	$ 3,593	$ 14,913
2014	12,110	3,421	15,531
2015	6,190	2,949	9,139
2016	5,805	2,676	8,481
2017	5,885	2,411	8,296
2018-2022	24,830	8,236	33,066
2023-2027	19,825	2,586	22,411
2028-2032	1,750	62	1,812
Total	$ 87,715	$ 25,934	$ 113,649

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 will 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, 2012, all advances totaling $4.0 million had been made, with $2.5 million outstanding after current year payments. The bonds, which are not general debt of the State, are payable from cash revenue.

At June 30, 2012, 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 $34.4 million and unamortized deferred bond refunding losses of $14.9 million:

	Final Maturity Date (1)	Interest Rates %		Balance
Henderson State University	2037	2.00-5.15	$	33,270
Southern Arkansas University – Magnolia	2042	2.00-5.25		40,327
Southern Arkansas University Tech – Camden	2016	5.00-6.02		240
Arkansas State University – Beebe	2040	3.00-6.60		36,315
Arkansas State University – Jonesboro	2039	0.46-5.25		134,163
Arkansas State University – Mountain Home	2033	2.15-5.50		9,475
Arkansas State University - Newport	2033	2.75-4.50		5,580
Arkansas Tech University	2041	1.10-5.75		70,500
University of Arkansas at Fayetteville	2041	Variable		549,590
University of Arkansas at Little Rock	2035	3.84-5.50		108,222
University of Arkansas for Medical Sciences	2036	1.08-11.99		293,110
University of Arkansas at Monticello	2036	Variable		11,280
University of Arkansas at Pine Bluff	2036	2.80-5.70		20,264
University of Central Arkansas	2041	2.00-7.00		117,155
University of Arkansas at Hope Community College	2039	1.00-5.00		6,300
University of Arkansas Community College at Batesville	2019	1.00-4.22		2,471
East Arkansas Community College	2040	1.63-4.60		3,435
National Park Community College	2033	3.00-4.70		11,615
Mid-South Community College	2041	2.00-4.70		19,200
Arkansas Northeastern College	2031	4.00-5.35		4,290
North Arkansas College	2037	3.50-4.70		4,180
Phillips Community College of the University of Arkansas	2039	3.00-5.20		11,570
Rich Mountain Community College	2023	Variable		1,220
South Arkansas Community College	2039	3.25-5.00		3,310
University of Arkansas at Fort Smith	2036	1.00-5.00		83,015
Northwest Arkansas Community College	2035	3.00-7.00		33,315
Black River Technical College	2028	2.00-4.00		2,400
University of Arkansas Community College at Cossatot	2031	5.25		286
Ozarka College	2036	2.00-5.35		3,355
University of Arkansas at Morrilton	2022	2.00-5.25		2,756
Pulaski Technical College	2037	1.70-5.15		96,695
War Memorial Stadium Commission	2017	4.90-12.00		2,500
Total			$	1,721,404

(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, 2012, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 63,750	$ 74,222	$ 137,972
2014	67,000	72,813	139,813
2015	68,550	70,491	139,041
2016	69,708	68,014	137,722
2017	77,347	65,330	142,677
2018-2022	364,944	281,548	646,492
2023-2027	315,742	204,063	519,805
2028-2032	321,736	130,114	451,850
2033-2037	273,877	56,087	329,964
2038-2042	98,750	9,571	108,321
Total	$ 1,721,404	$ 1,032,253	$ 2,753,657

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, 2012, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes)	2026	Variable	$ 213,547
Note Payable, Conduit with U.S. Department of Education	2014	Variable	183,866
Total			$ 397,413

(1) Fiscal year

Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2012, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2013	$ 208,733	$ 3,965	$ 212,698
2014	20,519	4,020	24,539
2015	17,169	4,079	21,248
2016	12,920	3,130	16,050
2017	12,533	3,205	15,738
2018-2022	62,877	2,600	65,477
2023-2027	62,662	900	63,562
Total	$ 397,413	$ 21,899	$ 419,312

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 (1) the Authority has a vested interest in the residual value of the bond issue after its retirement or (2) 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, 2012, the bonds outstanding issued under these programs aggregated $190.2 million.

Bonds and notes payable at June 30, 2012, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single family bonds and notes payable	2041	0.133-9.878	$ 419,377
Multi-family bonds payable	2035	5.2-9.75	22,095
Bond guaranty program	2035	2.0-7.45	46,605
State and health facilities bonds payable	2040	1.00-7.00	247,595
Economic development bonds and note Payable	2015	5.55-5.70	380
Tobacco bonds payable	2046	4.40-5.50	85,982
General fund bond and note payable	2012	0.20-0.22	39,527
Total			$ 861,561

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2012, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $854 thousand less accreted interest of $83.2 million:

	Principal	Interest	Total
Year ending June 30:			
2013	$ 74,712	$ 32,025	$ 106,737
2014	33,660	30,736	64,396
2015	35,727	29,380	65,107
2016	33,285	28,123	61,408
2017	34,553	26,746	61,299
2018-2022	157,957	113,142	271,099
2023-2027	169,628	79,186	248,814
2028-2032	154,445	44,366	198,811
2033-2037	138,215	16,884	155,099
2038-2042	87,584	2,507	90,091
2043-2047	24,959		24,959
Total	$ 944,725	$ 403,095	$ 1,347,820

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, 2012, were $468 thousand including interest ranging from 4% to 12%.

Aggregate annual maturities of annuity obligations at June 30, 2012, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2013	$ 1,251
2014	1,200
2015	1,163
2016	1,117
2017	1,049
2018-2022	4,159
2023-2027	2,224
2028-2032	905
2033-2037	442
2038-2042	276
2043-2047	224
2048-2052	192
2053-2057	192
2058-2062	192
2063-2067	191
2068-2072	27
Total	$ 14,804

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 $52.1 million were considered defeased at June 30, 2012.

Higher Education

On March 1, 2005, the University of Arkansas Fayetteville (UAF) issued $60.0 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 $780 thousand, were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments of the refunded 2002 and 2001 Series bonds. Regularly scheduled interest and principal payments on the 2002 Series and 2001 Series issues were made on June 1, 2005, and will continue through December 1, 2012, for Series 2002, from the escrow fund. Series issues were made on June 1, 2005, and continued through December 1, 2011 for Series 2001, from the escrow fund. All outstanding refunded Series 2002 bonds will be redeemed on December 1, 2012, at a price equal to 100% of the principal amount plus interest accrued thereon. All outstanding refunded Series 2001 bonds were redeemed on December 1, 2011, at a price equal to 100% of the principal amount plus interest accrued thereon. As a result, those portions of the 2002 Series and 2001 Series bonds are considered defeased. The liability for those bonds has been removed from the statement of net assets. The University advance refunded portions of the 2002 and 2001 Series bonds to reduce its total debt service payments over the next eighteen years by $4.1 million and to obtain an economic gain of $2.3 million. The escrow balance at June 30, 2012, was $45.0 million.

On June 29, 2011, UAF issued $8.9 million in Various Facility Revenue Bonds, Refunding Series 2011B, with interest rates of 3.0% to 5.0% to refund $3.6 million of outstanding bonds dated October 15, 1997, with an interest rate of 5.0%, and $6.3 million of outstanding bonds dated November 1, 2001, with interest rates of 4.10% to 4.75%. Bond proceeds of $3.6 million were used to redeem the 1997 bonds. Bond proceeds of $6.4 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 $159 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2023 using the straight-line method. UAF completed the refunding to reduce its total debt service payments over the next 11 years by $1.5 million and to obtain an economic gain of $1.1 million. The escrow account has been closed as of June 30, 2012. The bonds dated November 1, 2001, were refunded on December 1, 2011.

On June 30, 2010, UAF 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 thousand. 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. UAF completed the refunding to reduce its total debt service payments over the next 11 years by $1.3 million and to obtain an economic gain of $355 thousand. The bonds dated May 1, 1999, were refunded on July 16, 2010. The bonds dated November 1, 2001, were refunded on December 1, 2011. The escrow account has been closed as of June 30, 2012.

On June 1, 2010, the University of Arkansas Fort Smith Campus (UAFS) issued $30.0 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 thousand were utilized for the payment of issuance costs. Other proceeds and accrued interest of $83 thousand 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. UAFS completed the refunding to reduce its total debt service payments over the next 12 years by $1.0 million and to obtain an economic gain of $1.1 million. The 2001 bonds were refunded on December 1, 2011. The escrow account has been closed as of June 30, 2012.

On September 29, 2010, the University of Central Arkansas (UCA) issued $19.3 million in revenue refunding bonds collectively referred to as Series 2010A and Series 2010B. An additional $22.0 million in capital improvement bonds referred to as the Series 2010C was also issued. The Bank of the Ozarks was appointed as the trustee for the 2010 series bond issues. The Series A bond proceeds of $4.1 million were used to refinance the Parking Facilities Revenue Bonds, 1997 Series B, and Auxiliary Revenue Capital Improvement and Refunding Bonds, 2003 Series B, to recognize certain savings from more favorable interest rates. The total present value cost savings to UCA on the 2010A refunding issue is $261 thousand. In addition, bond issuance costs of $74 thousand were recorded on the UCA's books as an asset, and the amount amortized in fiscal year 2012 was $5 thousand. The Series B bond proceeds of $15.2 million were used to refinance 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, Series 2003A, and Student Fee Revenue Capital Improvement Bonds, Series 2004A, to recognize certain savings from more favorable interest rates. The total present value cost savings to the UCA on the 2010B refunding issue is $1.2 million. In addition, bond issuance costs of $291 thousand were recorded on UCA's books as an asset, and the amount amortized in fiscal year 2012 was $12 thousand. The Series C bond proceeds of $22.0 million will be used for construction and furnishing of a new residence hall on campus and the updating of additional housing facilities on campus. Bond issuance costs of $493 thousand were recorded on UCA's books as an asset, and the amount amortized in fiscal year 2012 was $16 thousand.

On September 15, 2010, Black River Technical College issued refunding bonds of $2.7 million with interest rates of 2.0% to 4.0% to refund $2.6 million of outstanding bonds dated June 1, 2003, with interest rates of 1.35% to 4.75%. Bond proceeds of $2.6 million were deposited in the current refunding fund to retire the 2003 bonds. Remaining bond proceeds of $37 thousand were utilized for the payment of issuance costs. The bonds were sold with an original issue discount of $5 thousand. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $38 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2028 using the straight-line method.

On November 1, 2010, East Arkansas Community College issued refunding bonds of $3.6 million with interest rates of 1.625% to 4.65% to refund $310 thousand of outstanding bonds dated September 1, 1992, with interest rates of 2.5% to 6% and to acquire project funding for capital improvements. Bond proceeds of $315 thousand were deposited in the current refunding fund to retire the 1992 bonds. Bond proceeds of $78 thousand were utilized for the payment of issuance costs. The remaining proceeds of $3.2 million were deposited into a project fund to be used for capital improvements. The bonds were sold with an original issue discount of $29 thousand. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2012 using the straight-line method.

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 $61.0 million were considered defeased at June 30, 2012. The bonds include the 2004 Series ADFA State Agencies Facilities Revenue Bonds (Donaghey Plaza Project) and the 2004 Series ADFA State Park Facilities Revenue Bonds (Mt. Magazine Project).

Current Refundings

Primary Government

During fiscal year 2012, the State issued $39.6 million of advance refunding bonds to redeem the 2002 bond series of the Natural Resources Commission. The bonds bear interest rates ranging from 1.50% to 3.30% and mature in 2027. As of June 30, 2012, $44.9 million of outstanding bonds are considered defeased, resulting in an economic present value loss of $1.0 million and a reduction of $13.8 million in future debt service.

Higher Education

On March 1, 2012, Arkansas State University Jonesboro (ASU) issued $5.3 million in taxable refunding bonds with interest rates of 0.77% to 4.776% to refund $5.2 million of outstanding bonds dated March 1, 2004, with interest rates of 2% to 4.6%. Also on March 1, 2012, ASU issued $2.8 million in tax exempt refunding bonds with interest rates of 2% to 3.625% to refund $2.7 million of outstanding bonds dated March 1, 2004, with interest rates of 2% to 4.6%. For the taxable bonds, net proceeds of $5.2 million, after payment of $135 thousand bond issuance costs, were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of $5 thousand were remitted directly to the bond trustee for subsequent debt payments. For the tax exempt bonds, net proceeds of $2.7 million, after payment of $68 thousand bond issuance costs and a premium of $35 thousand, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on March 1, 2012. Additionally, bond proceeds of $2 thousand were remitted directly to the bond trustee for subsequent debt payments. ASU refunded the above bonds to reduce its total debt service payments by $633 thousand over the next 22 years and to obtain an economic gain of $427 thousand.

On April 17, 2012, UAF issued $57.0 million in Various Facility Revenue Refunding Bonds, Series 2012A. The bonds, with interest rates of 1.0% to 5.0% were issued to refund $44.6 million of outstanding bonds dated December 1, 2002, with an interest rate of 4.75% to 5.50%, and $17.1 million of outstanding bonds dated October 1, 2004, with interest rates of 3.25% to 4.75%. Net bond proceeds and premium of $65.7 million were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.1 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2033 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-one years by $9.3 million and to obtain an economic gain of $7.0 million. The escrow balance as of June 30, 2012, was $64.2 million. The bonds dated December 1, 2002, will be refunded on December 1, 2012. The bonds dated October 1, 2004, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2014, at which time the remaining balance will be refunded

On January 1, 2012, UAFS issued refunding bonds of $17.5 million with interest rates of 2% to 4.25% to advance refund $6.5 million of outstanding bonds dated June 1, 2003, with interest rates of 1% to 3.8% and advance refund $11.0 million outstanding bonds dated September 1, 2005, with interest rates of 3% to 4.375%. Bond and premium proceeds of $18.6 million were deposited in the advance refunding fund to retire the 2003 and 2005 bonds. Premium proceeds of $229 thousand were utilized for the payment of issuance costs. Premium proceeds of $10 thousand and accrued interest of $29 thousand 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 $1.0 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2031 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next nineteen years by $767 thousand and to obtain an economic gain of $775 thousand. The escrow balance at June 30, 2012, was $18.2 million. The bonds will be refunded on June 1, 2013.

On November 15, 2011, the University of Arkansas for Medical Sciences (UAMS) issued $9.0 million in Parking System Revenue Refunding Bonds, Series 2011. The bonds were issued to provide advance refunding of the Series 2004 Parking System Revenue Construction Bonds. The bonds will be fully paid on January 1, 2013. The escrow balance at June 30, 2012, was $8.6 million. The aggregate difference in debt service between the refunded debt and the refunding debt is $601 thousand. The economic gain from the refunding is $470 thousand.

On February 1, 2012, the University of Arkansas Monticello Campus (UAM) issued $8.7 million in Various Facilities Revenue Refunding Bonds, Series 2012, with interest rates of 2% to 4% to refund $8.0 million of outstanding Various Facilities Revenue Refunding and Construction Bonds, Series 2005, with interest rates of 3.1% to 5%. Bond proceeds of $8.7 million were deposited in the current escrow deposit fund to retire the 2005 bonds. Remaining bond proceeds of $43 thousand and premium proceeds of $102 thousand were earmarked for the payment of issuance costs. After the payment of actual issuance costs, the balance of $1 thousand was utilized for an interest payment on the new Series 2012 bonds that was paid June 1, 2012. The University completed the refunding to reduce its total debt service payments over a period of twenty-four years by $814 thousand and to obtain an economic gain of $557 thousand. The Series 2005 bonds will be refunded on December 1, 2013, and the escrow balance at June 30, 2012, was $8.5 million.

On April 1, 2012, Arkansas Tech University (ATU) issued two Housing Revenue Refunding Bonds totaling $4.2 million with interest rates of 1.00% to 4.40% to refund $4.1 million of outstanding bonds dated December 15, 2004, and March 1, 2007, respectively, with interest rates of 2.10% to 5.00%. Net proceeds of $4.1 million, after payment of $74 thousand bond issuance costs, were deposited with the trustee. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $128 thousand. The bonds were called on April 24, 2012. The University refunded the bonds to reduce its total debt service payments by $675 thousand over a period of 26 fiscal years and to obtain an economic gain of $367 thousand. The University received accrued interest of $8 thousand from the bond issue to apply toward the debt payments of the new issue.

On May 1, 2012, ATU issued three Student Fee Refunding Revenue Bonds totaling $8.9 million with interest rates of 2.00% to 4.10% to refund $8.6 million of outstanding bonds dated October 1, 2003; December 15, 2004; and March 1, 2005, respectively, with interest rates of 1.10% to 5.00%. Net proceeds of $8.7 million, after payment of $155 thousand bond issuance costs, were deposited with the trustee. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $357 thousand. The bonds were called on May 1, 2012. The University refunded the bonds to reduce its total debt service payments by $1.8 million over a period of 23 fiscal years and to obtain an economic gain of $1.0 million.

On September 29, 2011, Pulaski Technical College issued Series 2011 PTC Revenue and Tuition and Fees bonds of $69.5 million with interest rates of 2.00% to 5.00%. The bonds were sold for an original issue discount of $330 thousand. These bonds were sold to construct a Culinary Arts and Hospitality Management Center and a new Fine and Performing Arts/Humanities Center along with refunding Series 2001, Series 2002, and Series 2003 PTC Revenue Bonds. The refunded bonds are no longer part of the outstanding debt of the college. The aggregate difference in debt service between the refunded debt and the refunding debt is an increase of $485 thousand. The economic loss from the refunding is $209 thousand.

On October 1, 2011, May 1, 2012, and May 15, 2012, Henderson State University issued four refunding bonds totaling $16.0 million with interest rates of 2.00% to 4.00% to refund $15.9 million of outstanding bonds dated April 1, 2005, and April 1, 2006, with interest rates of 4.03% to 4.67%. The aggregate difference in debt service between the refunded debt and the refunding debt is $1.9 million. The economic gain from the refunding is $1.4 million.

(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 remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2012 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	FY12 Pledged Revenue	FY12 Principal and Interest
Rental income	Purchase of building	2014	$ 722	26%	$ 1,393	$ 370
Court filing fees	Construction of building	2030	13,828	95%	812	904
Rental income	Purchase of building	2030	24,704	70%	1,961	1,372
License fees	Prison construction	2039	51,056	45%	4,195	1,893
Vital records fees	Health lab construction	2029	21,941	55%	2,366	2,474
State park revenue	Construction of state park facilites	2024	29,909	57%	4,374	2,540
Permit fees	Construction of building	2041	32,946	10%	11,472	1,150
Hunting/Fishing license fees	Land purchases/ building facilities	2028	16,293	5%	21,696	1,018
Drivers license revenue	Wireless network/construction of building	2018	25,823	63%	6,818	4,348

(1) Fiscal year

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 remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2012 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2012 Pledged Revenue	Fiscal Year 2012 Principal and Interest
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2036	$ 21,666	21%	$ 4,229	$ 811
	Student recreation center revenue	Construction of student recreation center	2032	10,908	66%	822	545
	Auxiliary revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2017	433	2%	5,087	85
	Student tuition & fee revenue	Refunding of prior issues	2027	9,301	2%	26,538	893
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2042	52,280	8%	21,754	1,978
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2039	18,941	9%	7,899	727
Southern Arkansas University-Tech Branch	Student tuition & fee revenue	Capital improvements	2016	271	9%	781	67
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	44,728	18%	10,510	2,081
	Housing fees	Construction of facilities	2040	15,768	81%	694	567
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2034	17,007	1%	79,320	1,406
	Housing fees	Construction of facilities and refunding of prior issues	2042	148,121	52%	9,524	5,619
	Student union fees	Refunding of prior issues	2025	14,707	48%	2,359	1,199
	Parking fees	Refunding of prior issues	2025	5,012	30%	1,302	409
	Recreation center fees	Construction of facilities	2037	26,451	64%	1,651	1,057
Arkansas State University - Mountain Home	Student fees and ad valorem tax	Construction of facilities and refunding of prior issues	2033	9,651	8%	5,423	784
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	7,970	8%	4,600	462
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2042	66,936	30%	7,430	2,278
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2042	45,406	3%	49,581	1,726
	Athletic revenues	Construction of facilities	2037	4,150	4%	4,177	230
	Food service revenue	Construction of facilities	2041	1,941	1%	5,397	69

(1) Fiscal year

Continued on the following page

Continued from the previous page

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2012 Pledged Revenue	Fiscal Year 2012 Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2041	756,533	10%	264,454	30,505
	Athletic fees	Construction of facilities and refunding of prior issues	2023	62,226	10%	58,072	6,371
University of Arkansas at Little Rock	Student fees	General and capital improvements and refunding of prior issues	2030	67,392	5%	73,272	4,370
	Housing and athletic fees	Construction of facilities	2037	93,490	32%	11,839	3,307
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	438,322	3%	542,236	21,071
	Parking fees	Construction of facilities and refunding of prior issues	2035	21,061	25%	3,648	1,006
University of Arkansas at Monticello	Student fee & auxiliary revenue	Construction of facilities and refunding of prior issues	2036	15,563	3%	22,961	862
University of Arkansas at Pine Bluff	Education and non appropriated general funds	Capital improvements and refunding of prior issues	2036	31,609	4%	32,458	1,598
	Student fees	Construction of facilities	2014	188	1%	20,248	93
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	59,873	3%	70,479	2,969
	Housing fees	Construction of facilities and refunding of prior issues	2041	84,615	21%	14,156	3,538
	Auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2042	44,793	7%	21,032	1,196
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	8,812	15%	2,250	703
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	2,025	8%	3,462	288
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	6,061	66%	329	214
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	5,693	3%	7,879	271
	Millage revenue	Capital improvements and refunding of prior issues	2031	11,699	48%	1,293	620
Mid South Community College	Millage revenue	Construction of facilities and refunding of prior issues	2041	33,469	45%	2,555	1,203
Arkansas Northeast College	Millage revenue	Construction of facilities and refunding of prior issues	2031	6,025	49%	651	237
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issues	2037	7,077	36%	781	284
University of Arkansas Community College - Phillips	Student fees	Construction of facilities and refunding of prior issues	2039	20,831	25%	3,075	772
Rich Mountain Community College	Millage revenue	Capital improvements	2023	1,578	51%	283	158
South AR Community College	Millage revenue	Construction of facilities	2039	5,869	69%	316	217
University of Arkansas - Ft. Smith	Student Fee Revenue	Construction of facilities, general improvements and refunding of prior issues	2036	117,111	14%	35,556	7,372
Northwest Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2035	57,644	62%	4,059	2,428
	Infrastructure fees	Refunding of prior issues	2025	10,078	100%	765	765
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities	2028	3,109	11%	1,845	200
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2037	5,721	6%	3,893	237
University of Arkansas Community College - Morrilton	Student fees	Construction of facilities and refunding of prior issues	2022	3,198	5%	6,464	407
Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	178,036	21%	28,872	5,433
War Memorial Stadium Commission	Stadium revenue	Construction of facilities	2017	2,900	24%	2,400	649

(1) Fiscal year

Component Units

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for an outstanding bond issue. The purpose of the debt was to redeem auction rate bonds. ASLA has also pledged revenue as security for a conduit debt note payable. Both debt obligations are being paid from different student loan revenue streams. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected, and principal and interest paid as of June 30, 2012 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2012 Pledged Revenue	Fiscal Year 2012 Principal and Interest
Arkansas Student Loan Authority	Student loan principal & interest revenue pledged to conduit debt	Securitize student loans	2014	$ 186,237	100%	$ 43,268	$ 35,037
	Student loan principal & interest revenue pledged to auction rate bonds	Redeem auction rate bonds	2026	241,000	47%	36,942	30,984

(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, 2012, while the governmental activities of the State held tax-exempt bonds subject to the arbitrage calculation, they had no arbitrage rebate liability.

Business-Type Activities

At June 30, 2012, while the business-type activities of the State held tax-exempt bonds subject to the arbitrage calculation, they had no arbitrage rebate liability.

Component Units

The Arkansas Development Finance Authority's (ADFA) liability related to arbitrage rebate is $16 thousand at June 30, 2012. The determination of the arbitrage rebate and excess earnings liability is based on estimates that are susceptible to significant changes in market conditions.

(11) Leases

Capital Lease Receivables

In February 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, 2012.

Future principal amounts to be received as of June 30, 2012, are as follows (expressed in thousands):

	Principal
Year ending June 30:	
2013	$ 65
2014	65
2015	65
2016	65
2017	65
2018-2022	325
2023-2027	109
Total	$ 759

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	185,134	25,702
Machinery and equipment		55,638
Less: Accumulated depreciation	(20,602)	(31,798)
Total	$ 164,532	$ 49,801

Future minimum commitments under operating and capital leases by fund type as of June 30, 2012, were as follows (expressed in thousands):

	Governmental activities	Business-Type Activities
Year ending June 30:		
2013	$ 450	$ 10,746
2014	450	9,300
2015	450	7,736
2016	450	6,196
2017	463	4,010
2018-2022	1,923	9,629
2023-2027		1,760
2028-2032		1,476
2033-2037		861
Total minimum lease payments	4,186	51,714
Less: Interest	(610)	(8,177)
Present value of future minimum lease payments	$ 3,576	$ 43,537

	Capital Leases with Component Unit	
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2013	$ 12,071	$ 271
2014	11,659	50
2015	10,675	50
2016	11,292	
2017	11,288	
2018-2022	50,308	
2023-2027	38,379	
2028-2032	23,069	
2033-2037	11,194	
2038-2042	3,995	
Total minimum lease payments	183,930	371
Less: Interest	(55,390)	(13)
Present value of future minimum lease payments	$ 128,540	$ 358

	Operating Leases	
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2013	$ 29,702	$ 17,530
2014	19,387	10,257
2015	14,442	5,781
2016	10,193	2,591
2017	7,498	1,783
2018-2022	23,633	4,499
2023-2027	19,856	4,417
2028-2032	18,659	4,359
2033-2037		2,618
Total minimum lease payments	$ 143,370	$ 53,835
Total rental expenditure/ expense (2012)	$ 34,404	$ 20,474

(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):

	2012	**2011**
Balance, beginning of year	$ 23,046 (1)	$ 16,755
Incurred claims		9,279 (1)
Payments	(457)	(2,988)
Balance, end of year	$ 22,589	$ 23,046 (1)
Current portion	$ 1,225	$ 1,315
Non current portion	21,364	21,731 (1)
	$ 22,589	$ 23,046 (1)

(1) - Amounts restated. Increase of $7.4 million for Cedar Chemical liabilities, incurred in fiscal year 2011, identified in fiscal year 2012.

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. There are currently no known sites that may result in pollution remediation liabilities for which liabilities are not recorded.

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 $8.6 million at June 30, 2012.

Higher Education Fund

On July 21, 2009, the University of Arkansas, Fayetteville campus was awarded a grant in the amount of $1.9 million from the United States Department of Energy to conduct a study to determine what obligation, if any, the campus may have for potential remediation of the Southwest Experimental Fast Oxide Reactor site (SEFOR), including estimated remediation cost and development of a plan for necessary remediation. As of June 30, 2012, the study has been completed and the grant closed. The University remains under no obligation to complete the remediation of the site.

(13) Fund Balance/Net Assets

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, contributors, or laws or regulations of other governments; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balances by fund type at June 30, 2012, follows:

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 27	$ 155	$ 131,252
Debt service	146,247		
Program requirements	168,781	268,586	6,222
Lottery funds	63,316		
Tobacco settlement	115,846	110,849	
Transportation programs		351,805	
Other		774,062	115,116
Total	$ 494,217	$ 1,505,457	$ 252,590

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, 2012, the government-wide statement of net assets reported $1.3 billion in restricted net assets for governmental activities, of which $176.0 million were restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $46.6 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.

Deficit Net Assets

The Workers' Compensation Commission (WCC) had a $114.5 million deficit in net assets as of June 30, 2012. 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 thousand 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 reducing 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 $189 thousand for 2012. The resulting reductions in claims paid have not been sufficient to cover the added liability caused by a change in the actuarial assumptions increasing the assumed life expectancy.

Arkansas Department of Workforce Services (ADWS) had a $26.1 million deficit in net assets as of June 30, 2012. The deficit is due to the State's Unemployment Insurance Trust Fund (Fund), an enterprise fund of the State which had a $54.0 million deficit in net assets as of June 30, 2012. The Fund, which is managed by the ADWS, is designed to be self-supporting through employer contributions. The Fund became insolvent in 2009 when unemployment insurance claims significantly exceeded funding available to pay benefits. Under provisions of Title XII of the Social Security Act of 1935, Arkansas received $359.9 million in advances from the Federal Unemployment Account (FUA) through April 12, 2011, to cover eligible claims. As of June 30, 2012, the balance due is $309.5 million.

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 thousand to $12 thousand, which will increase total collections by approximately $50.0 million per year. Additional legislation during the 2011 regular session made changes to benefit payment calculations, duration and other provisions that will reduce the total cost of benefit payments.

(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 72201-3704
(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 (Teacher), administered by the Arkansas Teacher Retirement System board of trustees, and APERS, administered by the Arkansas Public Employees Retirement System board of trustees. These plans 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 72201-3704
(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	699	59	1	337	1	1
Contribution rates for the fiscal year ended June 30, 2012 (% of covered payroll):	4.00%-25.47%	24.72%	22.00%	14.00%	12.90%	12.00%
Legal or contractual maximum rates	25.47%	24.72%	22.00%	14.00%	12.90%	12.00%
Covered payroll (in thousands)	$ 1,686,000	$ 3,375	$ 29,498	$ 2,714,000	$ 131,000	$ 19,202
State plan members - contributory plans	5.00%	5.00%	9.25%	6.00%	6.00%	6.00%
Annual pension cost (in thousands)	$ 229,631	$ 1,845	$ 19,666	$ 398,823	$ 17,936	$ 5,465
Contributions made (in thousands)	$ 229,631	$ 1,845	$ 19,666	$ 389,823	$ 17,936	$ 5,465

* Arkansas State Police Retirement System

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
2012	APERS	$	229,631	100.00%
	District Judges		1,806	102.00%
	ASPRS		14,053	139.94%
	Teacher		443,649	89.90%
2011	APERS	$	195,629	100.00%
	District Judges		1,951	95.00%
	ASPRS		12,581	112.30%
	Teacher		417,319	95.90%
2010	APERS	$	169,604	100.00%
	District Judges		1,907	93.00%
	ASPRS		12,748	161.18%
	Teacher		362,850	107.30%

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 own 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. This is a noncontributory plan and its intent is to provide for funding of any amount of unfunded accrued actuarial liability of tier one. 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 in any commercial or industrial organization whose market value equaled 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 Teacher, Highway, or Judicial as the State's contribution to each plan for the year ended June 30, 2012, 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	6/30/2012	$	17,936	100.00%
	6/30/2011		17,661	100.00%
	6/30/2010		17,999	100.00%
Judicial	6/30/2012	$	5,465	100.00%
	6/30/2011		5,221	100.00%
	6/30/2010		4,668	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 to 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, 2012, is as follows (expressed in thousands):

		Highway		Judicial
Actuarial accrued liability	$	1,374,000	$	195,455
Acturial value of plan assets		1,239,900		167,796
Unfunded actuarial accrued liability (UAAL)	$	134,100	$	27,659
Funded ratio		90.24%		85.85%
Covered payroll	$	131,000	$	19,202
UAAL as a percentage of covered payroll		102.37%		144.04%

(d) Actuarial Assumptions

	APERS	APERS District Judges (1)	APERS ASPRS (1)	Teacher	Highway (4)	Judicial
Actuarial valuation date	June 30, 2012	June 30, 2012	June 30, 2012	June 30, 2012	June 30, 2012	June 30, 2012
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, Open	Level dollar, Closed	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	25 years	30 years	100 years (2)	36.3 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-25% corridor
Actuarial assumptions:						
Inflation rate	4.00%	4.00%	4.00%	3.25%	3.50%	2.75%
Investment rate of return*	8.00%	8.00%	8.00%	8.00%	8.00%	7.25%
Projected salary increases*	4.7%-10.6%	4.7%-9.8%	4.00%	3.25% - 9.10%	4.5%-11.5%	3.50%
Postretirement benefit increases	3.00% Compounded	3.00% Compounded	3.00% Compounded	3.00% Simple	3.00% Compounded	(3)

* Includes assumed inflation.

(1) Operated as Divisions of APERS

(2) The amortization period is the number of years it will take to pay off the unfunded liability of $4.7 billion assuming that the employer contribution rate remains at the 14% of payroll level. Since 2000, the period has varied from a low of 19 years to a high of over 100 years. Unless there is a substantial investment gain in FY 2013, it is very likely that the amortization period will remain over 100 years in the next valuation.

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

(4) The GASB Annual Required Contribution was determined with a 30-year amortization period. The remaining periods to amortize the UAAL based on the current contribution rates is 36.3 years.

(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 was insured under this act, to the extent of $100 thousand per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300 thousand 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 $460 million at June 30, 2012.

(f) Higher Education

All active higher education employees who work 20 or more hours per week have the option of participating in 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 or her 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 2012, total employer contributions to VALIC, TIAA-CREF and Fidelity were $107.9 million, while contributions to other plans were $1.4 million. Employee contributions to VALIC, TIAA-CREF, and Fidelity were $104.2 million, while contributions to other plans were $932 thousand.

(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 $123,500 in 2012.

(15) Postemployment Benefits Other Than Pensions

Governmental Activities

(a) Plan Descriptions

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

- Arkansas State Police (ASP) Medical (administered by UMR, Inc.) and Rx Plan (administered by LDI Integrated Pharmacy Services)
- 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: 659 active employees and 392 retirees and beneficiaries
- AEP: 32,682 active employees and 12,699 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 Legislature. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2012, the State contributed $4.1 million to ASP and $47.1 million to AEP. Plan members receiving benefits contributed $1.8 million to ASP and $29.3 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree only	$ 267	$ 236
Retiree & spouse	441	576
Medicare eligible		
Retiree only	$ 134	$ 117
Retiree & spouse	273	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 costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The State's annual OPEB cost for the current year and related information for each plan are as follows (expressed in thousands):

	ASP	AEP
Number of participating employers/contributing entities	1	1
Contribution rates for the fiscal year ended June 30, 2012 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	30%	38%
Annual required contribution (ARC)	$ 8,323	$ 188,884
Interest on net OPEB obligation	305	22,557
Adjustment to ARC	(397)	(30,773)
Annual OPEB cost	8,231	180,668
Contribution made	(4,063)	(47,108)
Increase in net OPEB obligation	4,168	133,560
Net OPEB obligation - beginning of year	7,635	501,259
Net OPEB obligation - end of year	$ 11,803	$ 634,819

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 two preceding years for each of the plans are as follows (expressed in thousands):

Plan	Fiscal Year		Annual OPEB Cost	Percentage Contributed		Net OPEB Obligation
ASP	2010	$	6,133	59%	$	5,683 (1)
	2011	$	6,250	69%	$	7,635
	2012	$	8,231	49%	$	11,803
AEP	2010	$	171,888	24%	$	371,119
	2011	$	172,618	25%	$	501,259
	2012	$	180,668	26%	$	634,819

(1) FY10 OPEB Obligation was restated by $978 thousand by ASP.

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2012, was as follows (expressed in thousands):

		ASP		AEP
Actuarial accrued liability	$	102,558	$	1,953,192
Actuarial value of plan assets				
Unfunded actuarial accrued liability (funding excess)	$	102,558	$	1,953,192
Funded ratio		0%		0%
Covered payroll	$	42,707	$	1,462,114
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		240%		134%

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 multi-year 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, 2011	July 1, 2012
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%	4.25%
Projected salary increases	N/A	N/A
Healthcare inflation rate	5% initial	Initial: 6% pre-Medicare 6% post-Medicare
	5% ultimate	4.25% ultimate
Inflation rate	N/A	3.00%

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

Governmental	$	632,446
Business-type		66,938
Component units		1,253
Pensions		2,924
Total net OPEB obligation	$	703,561

Business-Type Activities

Higher Education

(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 22,779 active employees and 3,029 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 1,757 active employees and 80 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 $1,318 per month.

The State's annual 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, 2012 (% 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%	76%	0%	0% up to age 65;100% after age 65	0% to 75%
Annual required contribution (ARC)	$ 30	$ 1,870	$ 1,058	$ 99	$ 48
Interest on net OPEB obligation	12	128	104	11	6
Adjustment to ARC	(24)	(218)	(150)	(12)	(7)
Annual OPEB cost	18	1,780	1,012	98	47
Contribution made	(28)	(204)	(417)	(24)	(24)
Increase (decrease) in net OPEB obligation	(10) (1)	1,576	595	74	23
Net OPEB obligation - beginning of year	191	4,278	2,592	182	106
Net OPEB obligation - end of year	$ 181	$ 5,854	$ 3,187	$ 256	$ 129

(1) Decrease in Net OPEB obligation is due to the change in agency early retirement policy which lowered cost.

	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, 2012 (% 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	17%	0%	100%	0% up to age 65;100% after age 65
Annual required contribution (ARC)	$ 48	$ 332	$ 64	$ 32	$ 61
Interest on net OPEB obligation	5	25	15	4	11
Adjustment to ARC	(6)	(43)	(18)	(5)	(14)
Annual OPEB cost	47	314	61	31	58
Contribution made	(18)	(92)	(7)	(20)	(7)
Increase (decrease) in net OPEB obligation	29	222	54	11	51
Net OPEB obligation - beginning of year	97	845	242	80	211
Net OPEB obligation - end of year	$ 126	$ 1,067	$ 296	$ 91	$ 262

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	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, 2012 (% 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%	39%
Annual required contribution (ARC)	$ 65	$ 148	$ 99	$ 44	$ 102
Interest on net OPEB obligation	8	24	15	6	16
Adjustment to ARC	(10)	(19)	(16)	(7)	(19)
Annual OPEB cost	63	153	98	43	99
Contribution made	(2)	(9)	(45)	(25)	(19)
Increase (decrease) in net OPEB obligation	61	144	53	18	80
Net OPEB obligation - beginning of year	155	536	245	112	262
Net OPEB obligation - end of year	$ 216	$ 680	$ 298	$ 130	$ 342

	SAU	UAFS	UAS1	UAS2	UCA
Number of participating employers/contributing entities	1	1	10	3	1
Contribution rates for the fiscal year ended June 30, 2012 (% 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%	44%
Annual required contribution (ARC)	$ 504	$ 167	$ 6,460	$ 70	$ 323
Interest on net OPEB obligation	41	22	1,590	11	17
Adjustment to ARC	(70)	(28)	(1,318)	(14)	(29)
Annual OPEB cost	475	161	6,732	67	311
Contribution made	(15)	(18)	(1,636)	(14)	(133)
Increase (decrease) in net OPEB obligation	460	143	5,096	53	178
Net OPEB obligation - beginning of year	1,375	416	35,331	202	570
Net OPEB obligation - end of year	$ 1,835	$ 559	$ 40,427	$ 255	$ 748

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 two preceding years for each of the plans are as follows (expressed in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation	
ANC	2010	$ 19	163%	$ 203	(1)
	2011	18	168%	191	(2)
	2012	18	156%	181	
ASU	2010	1,397	15%	3,006	
	2011	1,432	11%	4,278	
	2012	1,780	12%	5,854	
ATU	2010	1,085	42%	1,971	
	2011	1,075	42%	2,592	
	2012	1,012	41%	3,187	
BRTC	2010	52	37%	109	
	2011	98	26%	182	
	2012	98	25%	256	
EACC	2010	47	44%	79	
	2011	46	41%	106	
	2012	47	52%	129	
OC	2010	48	36%	64	
	2011	48	31%	97	
	2012	47	38%	126	
HSU	2010	325	34%	609	
	2011	328	28%	845	
	2012	314	29%	1,067	
MSCC	2010	62	0%	184	
	2011	62	6%	242	
	2012	61	12%	296	
NAC	2010	27	45%	74	
	2011	28	79%	80	
	2012	31	65%	91	
NPCC	2010	57	25%	161	
	2011	57	13%	211	
	2012	58	13%	262	
NWACC	2010	54	8%	104	
	2011	53	5%	155	
	2012	63	3%	216	
PTC	2010	161	3%	378	
	2011	163	3%	536	
	2012	153	6%	680	

(1) Decrease in FY10 Net OPEB obligation is due to agency over accruing by $60 thousand in FY09.
(2) Decrease in FY11 Net OPEB obligation is due to the change in agency early retirement policy which lowered cost.

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Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
RMCC	2010	$ 119	49%	$ 189
	2011	97	42%	245
	2012	98	46%	298
SACC	2010	41	30%	83
	2011	41	30%	112
	2012	43	58%	130
SAUT	2010	75	27%	184
	2011	100	22%	262
	2012	99	19%	342
SAU	2010	349	11%	1,032
	2011	361	5%	1,375
	2012	475	3%	1,835
UAFS	2010	142	15% (3)	298
	2011	140	16%	416
	2012	161	11%	559
UAS1	2010	7,061	28%	30,808
	2011	6,197	27%	35,331
	2012	6,732	24%	40,427
UAS2	2010	70	15%	152
	2011	69	27%	202
	2012	67	21%	255
UCA	2010	297	65%	426
	2011	304	53%	570
	2012	311	43%	748

(3) Percentage contributed in FY10 has been adjusted to reflect actual versus estimated contributions.

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2012, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 316	$ 11,981	$ 8,272	$ 572	$ 354
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 316	$ 11,981	$ 8,272	$ 572	$ 354
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,509	$ 101,214	$ 43,697	$ 5,608	$ 5,252
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	4%	12%	19%	10%	7%

	OC	HSU	MSCC	NAC	NPCC
Actuarial accrued liability	$ 279	$ 2,750	$ 334	$ 223	$ 391
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 279	$ 2,750	$ 334	$ 223	$ 391
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 4,363	$ 20,292	$ 6,877	$ 6,784	$ 11,486
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	6%	14%	5%	3%	3%

	NWACC	PTC	RMCC	SACC	SAUT
Actuarial accrued liability	$ 312	$ 741	$ 661	$ 292	$ 612
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 312	$ 741	$ 661	$ 292	$ 612
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 26,390	$ 19,585	$ 3,956	$ 8,022	$ 6,619
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	1%	4%	17%	4%	9%

	SAU	UAFS	UAS1	UAS2	UCA
Actuarial accrued liability	$ 3,571	$ 919	$ 63,292	$ 428	$ 2,722
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 3,571	$ 919	$ 63,292	$ 428	$ 2,722
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 17,200	$ 29,919	$ 995,948	$ 16,200	$ 66,112
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	21%	3%	6%	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 multi-year 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	NAC, NPCC, NWACC, OC, SACC, UAFS, UAS2	ASU, HSU, SAU, UCA	ATU	PTC	UAS1
Actuarial valuation date	July 1, 2010	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011	July 1, 2011
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%	5.25%	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(1)	7.8% initial	7.1% initial	9.5% initial
	5% ultimate	5% ultimate	4.5% ultimate(1)	4.8% ultimate	4.7% ultimate	5% ultimate
Inflation Rate	N/A	N/A	N/A	N/A	N/A	N/A

	EACC
Actuarial valuation date	July 1, 2009
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Discount rate	6.00%
Projected salary increases	N/A
Healthcare inflation rate	10% initial 5% ultimate
Inflation Rate	N/A

(1) 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	$	152,437
Noncurrent assets		225,242
Total assets		377,679
Liabilities		
Current liabilities		11,724
Noncurrent liabilities		56,752
Total liabilities		68,476
Net assets		
Restricted		309,203
Total net assets	$	309,203

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

		Construction Assistance Revolving Loan Fund
Licenses, permits and fees	$	2,542
Investment earnings (pledged against bonds)		5,425
Other operating income		8
Amortization of bond discounts and premiums		600
Other operating expense		(4,423)
Operating income (loss)		4,152
Nonoperating revenue/expenses:		
Grants and contributions		15,010
Transfers (to)/from other funds		(1,080)
Change in net assets		18,082
Total net assets, beginning of year		291,121
Total net assets, end of year	$	309,203

Condensed Statement of Cash Flows (expressed in thousands):

		Construction Assistance Revolving Loan Fund
Net cash provided (used) by:		
Operating activities	$	25,707
Noncapital financing activities		40,101
Investing activities		(20,702)
Net increase (decrease)		45,106
Cash and cash equivalents, beginning		77,095
Cash and cash equivalents, end	$	122,201

(17) Risk Management Programs

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 fully-funded basic and supplemental group term life insurance. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, state employees are given the option to participate in a deferred compensation plan.

Basic group term life insurance and accidental death and dismemberment coverage are 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. Costs are based on the age of the employee and level of coverage. Supplemental coverage is offered to State employees for employee and dependent coverage. Supplemental life insurance premiums are based upon age and amount of coverage.

Health plan 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 adjustments expenses for the current and prior fiscal year are as follows (expressed in thousands):

	2012	2011
Claim liability, beginning of year	$ 24,250	$ 24,250
Incurred Claims:		
Provision for insured events of current year	238,901	228,653
Total incurred claims and claim adjustment expense	238,901	228,653
Payments:		
Claims payments attributed to insured events of current year	224,256	212,364
Claims payments attributed to insured events of prior years	14,645	16,289
Total Payments	238,901	228,653
Claim liability, end of year	$ 24,250	$ 24,250

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 its inception. 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 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, Arkansas Code § 6-17-1117 authorizes the Department of Education to pay an additional matching amount of $35.0 million per fiscal year to the Employee Benefits Division. Effective July 1 of 2009, Act 1421 of 2009 authorizes the Department of Education to pay an additional matching amount of $15.0 million per fiscal year, for a total of $50.0 million, to the Employee Benefits Division.

Basic group term life insurance and accidental death and dismemberment coverage are offered to all public school employees covered by the health plan. Supplemental coverage is offered to public school employees for employee and dependent coverage without regard to health plan enrollment. Supplemental life insurance premiums are based upon age and amount of coverage for public school employees.

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

	2012	2011
Claim liability, beginning of year	$ 27,840	$ 27,840
Incurred Claims:		
Provision for insured events of current year	259,244	251,536
Total incurred claims and claim adjustment expense	259,244	251,536
Payments:		
Claims payments attributed to insured events of current year	240,671	230,561
Claims payments attributed to insured events of prior years	19,113	20,975
Total Payments	259,784	251,536
Claim liability, end of year	$ 27,300	$ 27,840

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 thousand deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), ACT 1762 of 2003, and varying deductible amounts up to $100 thousand per occurrence for the state agency involved. The total annual payout by AMAIT is capped at $1 million. 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 $100.0 million in earthquake zones 2 and 3 and $200.0 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 Governmental Activities when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30.0 million in high hazard Zone A ($500 thousand deductible) to $100.0 million in Zone X ($100 thousand 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 thousand liability and $25 thousand physical damage deductible paid by AMAIT. The total annual payout by AMAIT is capped at $800 thousand. Also, such commercial insurance generally provides coverage against liability losses up to $100 thousand per occurrence in state and $2.0 million per occurrence out of state. Seven higher education institutions and three State agencies have elected to purchase $1.0 million liability in state. Eleven State agencies purchased $500 thousand in state and $2.0 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 Governmental Activities 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. The Commission may authorize awards up to $12.5 thousand without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $12.5 thousand 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 awarded/allowed and awaiting review and approval to be paid by the General Assembly at June 30, 2012, is $487 thousand. 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 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 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):

	2012	2011
Claim liability, beginning of year	$ 70,046	$ 70,141
Incurred Claims:		
Provision for insured events of current year	14,317	15,654
Increase (decrease) in provision for insured events of prior years	(1,076)	(2,068)
Total incurred claims and claim adjustment expense	13,241	13,586
Payments:		
Claims payments attributed to insured events of current year	3,906	4,385
Claims payments attributed to insured events of prior years	8,872	9,296
Total Payments	12,778	13,681
Claim liability, end of year	$ 70,509	$ 70,046

(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 and 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 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 thousand 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 $190 thousand, for 2012. 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):

	2012	2011
Claim liability, beginning of year	$ 243,309	$ 239,005
Incurred Claims:		
Provision for insured events of current year	7,645	6,464
Increase (decrease) in provision for insured events of prior years	(2,111)	1,032
Increase due to decrease in discount period	11,779	11,557
Change in actuarial assumptions	18,471	
Total incurred claims and claim adjustment expense	35,784	19,053
Payments:		
Claims payments attributed to insured events of prior years	15,470	15,839
Total Payments	15,470	15,839
Transfers:		
Transfer in from second injury trust fund		1,090
Total Tranfers		1,090
Claim liability, end of year	$ 263,623	$ 243,309

Total unpaid claims and claim adjustment expenses at the beginning of year reflects the impact of Act 327 of 2009, which transfers some of the liabilities of the Second Injury Fund to the Death and Permanent Total Disability Fund effective January 1, 2010.

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):

	2012	2011
Claim liability, beginning of year	$ 1,971	$ 3,333
Incurred Claims:		
Provision for insured events of current year		
Increase (decrease) in provision for insured events of prior years	(1,134)	(1,018)
Increase due to decrease in discount period	93	161
Change in actuarial assumptions	11	
Total incurred claims and claim adjustment expense	(1,030)	(857)
Payments:		
Claims payments attributed to insured events of prior years	190	239
Total Payments	190	239
Transfers:		
Transfer to death and permanent total disability trust fund		(266)
Total Transfers		(266)
Claim liability, end of year	$ 751	$ 1,971

Total unpaid claims adjustment expenses at the beginning of year reflects the impact of Act 327 of 2009, which transfers some of the liabilities of the Second Injury Fund to the Death and Permanent Total Disability Fund effective January 1, 2010.

(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 reimburses tank owners up to $1.5 million per occurrence with a $7.5 thousand deductible as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with a $7.5 thousand 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 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):

	2012	2011
Claim liability, beginning of year	$ 12,051	$ 15,630
Incurred Claims:		
Provision for insured events of current year	5,303	4,753
Total incurred claims and claim adjustment expense	5,303	4,753
Payments:		
Claims payments attributed to insured events of current year	5,273	8,332
Total Payments	5,273	8,332
Claim liability, end of year	$ 12,081	$ 12,051

(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, the Fayetteville, the Medical Sciences, Little Rock, Pine Bluff, Monticello and Batesville campuses, state-wide operating units of the Arkansas Archeological Survey and Division of Agriculture, System Administration, Criminal Justice Institute, the Clinton School of Public Service, the Arkansas School for Mathematics, Sciences and the Arts, and the University of Arkansas Foundation, Inc., participate in the health insurance program which is administered by the System Administration. All ASU campuses participate in the health insurance programs, which are administered by a third party who 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):

	2012	2011
Claim liability, beginning of year	$ 14,081	$ 11,743
Incurred Claims:		
Provision for insured events of current year	147,269	129,784
Increase (decrease) in provision for insured events of prior years	(961)	(15)
Total incurred claims and claim adjustment expense	146,308	129,769
Payments:		
Claims payments attributed to insured events of current year	131,170	115,708
Claims payments attributed to insured events of prior years	13,074	11,723
Total Payments	144,244	127,431
Claim liability, end of year	$ 16,145	$ 14,081

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 thousand and $175 thousand 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 health care benefits to active uniformed members and retirees. 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, $6 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, 2012, 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, 2012, are as follows (expressed in thousands):

	2012	2011
Claim liability, beginning of year	$ 804	$ 1,132
Incurred Claims:		
Provision for insured events of current year	9,851	10,170
Increase (decrease) in provision for insured events of prior years	(63)	130
Total incurred claims and claim adjustment expense	9,788	10,300
Payments:		
Claims payments attributed to insured events of current year	9,167	9,366
Claims payments attributed to insured events of prior years	741	1,262
Total Payments	9,908	10,628
Claim liability, end of year	$ 684	$ 804

(18) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, its agencies and its 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 $3.1 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 $25.0 million.

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

	2012	2011
Litigation, beginning of year	$ 2,432	$ 1,051
Incurred litigation	1,133	2,357
Litigation payments/dismissals	(432)	(976)
Litigation, end of year	$ 3,133	$ 2,432

(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, 2012, the amount of expenditures which may be disallowed by the grantor cannot be determined, 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 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 years following the execution of the loan with an interest rate of three percent per annum. As of June 30, 2012, the State's loan receivable is $3.2 million and is recorded in the General Fund.

(d) Construction and Other Commitments

At June 30, 2012, the State has commitments of approximately $768.5 million for construction and other contracts and approximately $62.3 million for professional service contracts. The Arkansas Natural Resource Commission has approved $66.8 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2012.

(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, 2012, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $58.0 million. In addition, AEDC has committed to guarantee approximately $2.9 million in industrial development revenue bonds that have not closed at June 30, 2012. As of June 30, 2012, two 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 must 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 monitor and evaluate 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, 2012, the University would have incurred a liability of $49.5 million related to the issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest, and other expenses related to the issue.

While Arkansas's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear; therefore, the financial statements only reflect the amounts that were earned in fiscal year 2012. In fiscal year 2012, the State recorded a total of $50.5 million, with $5.0 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

(g) Business Incentives

The Create Rebate program is authorized by the Consolidated Incentives Act of 2003 (Arkansas Code Annotated § 15-4-2701 et. seq.). Financial incentive agreements are offered to non-retail, for-profit businesses in highly competitive circumstances at the discretion of the director of the Arkansas Economic Development Commission. The agreements can be offered for a period of up to 10 years. Cash payments are based on a company's annual payroll for new, full-time permanent employees. To be eligible for payment, a company is required to maintain a minimum payroll of $2.0 million annually for new, full-time permanent employees and file a claim with the Department of Finance and Administration. No claims may be filed until the minimum annual payroll of $2.0 million is met. The threshold must be met within 24 months of inception of the agreement. The State has accrued liabilities in the approximate amount of $130.8 million for the Create Rebate Business Incentive.

Changes in the balance of business incentives during the current and prior fiscal years are as follows (expressed in thousands):

		2012		2011
Business incentives, beginning of year	$	111,305	$	118,968
Incurred business incentives, net of allowance		36,018		5,188
Business incentives payments/dismissals		(16,514)		(12,851)
Business incentives, end of year	$	130,809	$	111,305

Business-Type Activities

(a) Litigation

The State's business-type 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, 2012, 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, 2012.

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

	2012	2011
Litigation, beginning of year	$ 0	$ 0
Incurred litigation	25	0
Litigation payments/dismissals	(25)	0
Litigation, end of year	$ 0	$ 0

(b) Construction and Other Commitments

Higher Education

At June 30, 2012, the State has commitments in its business-type activities of approximately $140.1 million for construction and other contracts and approximately $799 thousand for professional service contracts.

Arkansas Lottery Commission

The Arkansas Lottery Commission (ALC) contracts with vendors for its online lottery game services, instant ticket lottery game services and gaming system. These services are incurred as a percentage of sales and as such future obligations cannot be easily determined. ALC has a seven-year contract with these vendors that expires in 2016. Total fees paid on these contracts for the fiscal year ended June 30, 2012 was $24.2 million.

Arkansas Student Loan Authority

The Authority has contracted with and utilizes the services of EdFinancial Services, Inc. (EdFinancial) and Nelnet, Inc. as its third party student loan servicers. These third party servicers perform virtually all of the student loan servicing activities on behalf of the Authority including maintenance of borrower files, payment processing and application thereof, due diligence activities, and quarterly reporting to the United States Department of Education (USDE). In addition, the Authority has contracted with EdFinancial to perform a variety of administrative activities primarily related to marketing the Authority and certain other administrative functions on behalf of the Authority.

Arkansas Development Finance Authority

The Authority has $7.2 million of amounts recorded as cash and investments in the statement of net assets that may be disbursed to borrowers under loan and lease agreements closed prior to June 30, 2012.

The Authority offers continuous lending in its HomeToOwn Single Family Program, which offers 30-year mortgage loans to first time homebuyers, subject to income and purchase price limitations. The Authority allows lenders to reserve funds at a specific interest rate via the internet. The interest rate is determined by the Authority and can change at any time, based on program volume, conventional mortgage rates and other factors. At the time of the reservation, the Authority may or may not have corresponding long-term bonds to fund the loans. This exposes the Authority to interest rate risk. The Authority warehoused mortgage-backed securities created with some of these loans, funded with either unrestricted net assets, borrowings from the Federal Home Loan Bank of Dallas or draw-down bonds, and this also exposes the Authority to interest rate risk. At June 30, 2012, the Authority had accepted loan reservation and/or warehoused mortgage-backed securities of approximately $69.4 million, for which there were no corresponding long-term bond commitments. However, the Authority is participating in the New Issue Bond Program, whereby the Government Sponsored Enterprises (GSEs) have committed to purchase up to $30.0 million in ADFA single family bonds as of June 30, 2012. The interest rate on any GSE bonds purchased through December 31, 2012, is capped utilizing a rate calculation set forth in the bond documents. The commitment to purchase ADFA bonds expires December 31, 2012, unless extended by the federal government.

In 2003, the Authority initiated the funding for the Arkansas Institutional Fund (AIF), an institutional fund of funds venture capital investment program created by the Arkansas General Assembly in 2001. The Venture Capital Act of 2001 authorizes the Authority to assist in increasing the availability of equity and near-equity capital for emerging, expanding, relocating and restructuring enterprises in the state through the creation of an institutional partnership fund. The Bond Guaranty Fund is subject to the first $10 million of losses incurred by the AIF. The funding is structured as a guaranteed line of credit with a financial institution with draws occurring on an as-needed basis. The outstanding balance as of June 30, 2012, was $23.4 million. There were seven approved investments as of June 30, 2012, totaling $24.1 million, of which $4.6 million has yet to be funded, that are anticipated to become part of the AIF.

(19) Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity which results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. The Arkansas Lottery Commission (ALC) is an active participant in two separate joint venture arrangements: the Multi-State Lottery Association (MUSL) and the Decades of Dollars Consortium. The MUSL is audited annually by a separate independent audit firm. For Decades of Dollars, each Lottery in the Consortium annually subjects transactions, accounts and processes to a test of agreed upon procedures by an independent auditor in its state.

Multi-State Lottery Association

In July 2009, the ALC joined the MUSL, which is comprised of a group of U.S. lotteries that combine jointly to sell online Powerball and Mega Millions lottery tickets. The chief executive officer of each member lottery serves on the MUSL Board of Directors.

The ALC commenced Powerball sales on October 31, 2009. Mega Millions sales by the ALC began on January 31, 2010. As a member of the MUSL, the ALC is required to contribute to various prize reserve funds maintained by the MUSL. The prize reserve funds serve as a contingency reserve to protect the MUSL from unforeseen prize payment liabilities. The MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball and Mega Millions sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, will be returned to the ALC, upon leaving the MUSL. As of June 30, 2012, the ALC had reserve fund deposits with the MUSL of $1.7 million.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

ALC's portion of the MUSL's games for the fiscal year ended June 30, 2012, is summarized below (expressed in thousands):

	Powerball	Mega Millions
Operating revenues	$ 37,903	$ 25,572
Prizes	17,636	12,486

Decades of Dollars Consortium

On May 3, 2011, the ALC joined the Decades of Dollars Consortium comprised of the Georgia Lottery Corporation, Kentucky Lottery Corporation and Virginia Lottery to create and operate a multi-state lottery game entitled "DECADES OF DOLLARS". The chief officials of each member lottery serve as the Executive Committee.

The ALC's portion of revenues for "DECADES OF DOLLARS" game for the fiscal year ended June 30, 2012, was $5.2 million and prizes were $3.9 million.

(20) Subsequent Events

Primary Government

Governmental Activities

Arkansas Highway and Transportation Department

On November 8, 2011, the People of the State authorized the issuance of up to $575.0 million in Guaranteed Anticipated Revenue Bonds. The proceeds of the issue will be used for rehabilitation and reconstruction of the existing Interstate Highway System. Bonds were issued October 1, 2012, for $197.0 million.

November 6, 2012, the voters passed an amendment to levy a temporary sales and use tax for state highways and bridges, county roads, city streets and other surface transportation, with the state's portion to secure State of Arkansas general obligation four-lane highway construction and improvement bonds, in the total principal amount not to exceed $1.3 billion, for the purpose of construction and improvement of four-lane highways in the State of Arkansas.

Arkansas State Police

The Claims Commission awarded a claim against the State Police, for wrongful death, in the amount of $2.97 million, on November 15, 2012. This claim will need final approval by the legislature in 2013.

Arkansas Department of Environmental Quality

On August 16, 2012, there were $19.7 million in State Agency Facilities Revenue Refunding bonds issued. Bonds are refunding the State Agencies Facilities Revenue Bonds for the ADEQ project, Series 2005-A.

Business-Type Activities

Arkansas Department of Workforce Services

Between July 1 and October 30, 2012, The Department of Workforce Services voluntarily made payments in the amount of $40.0 million towards the outstanding Title XII Advances.

On September 20, 2012, the Department made a payment on accrued interest on the Title XII Advances of $10.3 million.

Arkansas Lottery Commission

On August 7, 2012, the Education Trust Account returned $6.3 million to the Arkansas Lottery Commission for excess funds for fiscal year 2012, which were deposited to the Trust Account and reflected in the Due to Other Funds. On August 10, 2012, upon the request of ADHE, a payment of $55.0 million was made from the Trust Account to ADHE.

University of Arkansas

On August 2, 2012, UAMS executed a seven year loan with Bank of America in the amount of $60.0 million. This loan will be used for a contract entered into with Epic Systems Corporation for the development and installation of an integrated clinical information system.

On September 7, 2012, the Board of Trustees adopted a resolution to approve the issuance of up to $9.0 million in Auxiliary Facilities Revenue Bonds for the purpose of renovating two residence halls on the Monticello campus. The bonds are expected to be issued by the end of December, 2012.

On September 13, 2012, the University of Arkansas at Fayetteville issued $60.5 million in Various Facility Revenue Bonds, Series 2012B. The bonds will finance capital improvements.

On October 19, 2012, the University of Arkansas at Little Rock issued $13.9 million in Auxiliary Enterprises Refunding Revenue Bonds, Series 2012B. Proceeds refunded Series 2004 Student Housing Revenue Bonds.

University of Central Arkansas

On August 3, 2012, the UCA Board of Trustees gave approval for the purchase of a lot and eight condominiums located at 321 Western Avenue in Conway. The closing occurred on September 6, 2012, and the total purchase price was $767 thousand. The proposed use of the property is for student housing.

On June 25, 2012, the Board of Trustees approved a request for the University to exercise its purchase option to acquire Bear Village Apartments from the University of Central Arkansas Foundation, Inc. On September 25, 2012, 2012 Series B bonds were issued in the amount of $11.9 million to pay for the apartments.

Arkansas Tech University

On June 14, 2012, the Board of Trustees authorized the issuance of revenue bonds in the amount of $1.5 million for Baseball Field Complex renovation on the Russellville campus. The bonds were issued on July 12, 2012. Completion of the renovation is set for June, 2013.

Henderson State University

On July 23, 2012, Henderson State University entered into an agreement with All American Investment Group, LLC for financing of the energy savings measures to be performed by Schneider Electric in the amount of $2.4 million.

North Arkansas College

On June 14, 2012, the Board of Trustees authorized the issuance of special obligation bonds in the amount of $3.5 million to construct a new science building and other possible capital improvements. The bonds were issued on August 7, 2012. Completion of the science building is scheduled for the fall of 2013.

Mid South Community College

On August 1, 2012, Mid South Community College issued a Series 2012 bond for $18.5 million to be used for general obligation refunding and improvements.

Required Supplementary Information

Buffalo River


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

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	2012	6/30/2012	$ 1,239,900	$ 1,374,000	$ 134,100	90.2%	$ 131,000	102.3%
	2011	6/30/2011	1,227,700	1,342,700	115,000	91.4%	129,000	89.1%
	2010	6/30/2010	1,199,400	1,305,000	105,600	91.9%	127,000	83.2%
Judicial	2012	6/30/2012	167,796	195,455	27,659	85.8%	19,202	144.0%
	2011	6/30/2011	165,377	186,635	21,258	88.6%	19,338	109.9%
	2010	6/30/2010	165,244	182,912	17,668	90.3%	18,630	94.8%

Actuarial assumptions are presented in Note 14.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget – Positive
	Original	Final	Amounts	(Negative)
Expenditures(1)				
Current:				
General government	$ 6,041,870	$ 6,085,315	$ 1,934,983	$ 4,150,332
Education	4,077,783	4,192,474	3,598,450	594,024
Health and human services	7,021,987	6,324,651	6,101,299	223,352
Law, justice and public safety	923,703	983,400	803,023	180,377
Recreation and resource development	456,650	466,880	271,714	195,166
Regulation of business and professionals	185,462	201,676	119,514	82,162
Transportation	541,103	575,733	372,432	203,301
Debt service	163,751	170,387	132,792	37,595
Capital outlay	700,164	887,109	702,363	184,746
Total expenditures	$ 20,112,473	$ 19,887,625	$ 14,036,570	$ 5,851,055

(1) 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, 2012

(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 multi-year 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 general revenue 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 support 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 organizational 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	$	14,146,911
Less non-cash federal grant expenditures		(809,931)
Less non-appropriated expenditures		(5,041,948)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		5,017,118
Refunds treated as reduction of revenue for financial statements purposes		684,666
New capital leases recorded in appropriated funds		(3,869)
Basis of accounting differences		43,623
Total statutory basis expenditures General fund	$	14,036,570

Required Supplementary Information
Ten-Year Claims Development Information (1)
Employee Benefits Division – Public School Employee Health and Life Benefit Plan

	2003	2004	2005	2006
Premium and investment revenues:				
Premium income	$ 45,694,279	$ 158,499,272	$ 209,344,487	$ 230,564,982
Investment interest income	68,853	233,550	586,801	1,570,234
Totals	$ 45,763,132	$ 158,732,822	$ 209,931,288	$ 232,135,216
Unallocated expenses:				
Operating costs	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832
Reinsurance premium expense	0	0	0	0
Totals	$ 675,968	$ 905,564	$ 1,234,945	$ 1,175,832
Estimated incurred claims and expenses, end of fiscal year	$ 35,916,834	$ 164,172,038	$ 198,727,802	$ 220,169,782
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	34,316,834	148,172,038	181,727,802	198,419,782
One year later	35,916,834	163,888,838	198,426,902	219,834,832
Two years later	N/A	164,172,038	198,678,502	220,245,907
Re-estimated incurred claims and expenses (2):				
End of fiscal year	35,916,834	164,172,038	198,727,802	220,169,782
One year later	35,916,834	164,172,038	198,727,802	220,169,782
Two years later	N/A	164,172,038	198,727,802	220,169,782
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Increase (decrease) in net incurred claims and claim adjustment expenses from original estimate	0	0	0	0
Number of plan participants	43,632	44,797	45,463	47,268

(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.

(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

2007	2008	2009	2010	2011	2012
$ 230,141,726	$ 239,686,872	$ 252,028,277	$ 265,671,434	$ 271,802,235	$ 273,702,538
2,352,048	2,482,253	1,322,380	442,355	302,462	180,027
$ 232,493,774	$ 242,169,125	$ 253,350,657	$ 266,113,789	$ 272,104,697	$ 273,882,565
$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158	$ 3,423,965	$ 6,374,870
0	0	0	0	0	0
$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158	$ 3,423,965	$ 6,374,870
$ 236,300,587	$ 208,506,000	$ 235,781,000	$ 237,226,000	$ 251,536,000	$ 259,784,000
213,550,587	185,756,000	211,281,000	209,386,000	224,266,659	232,820,863
235,854,687	207,975,925	235,244,450	236,679,328	251,226,738	
236,359,737	208,449,125	235,757,056	237,198,903		
236,300,587	208,506,000	235,781,000	237,226,000	251,536,000	259,784,000
236,300,587	208,506,000	235,781,000	237,226,000	251,536,000	
236,300,587	208,506,000	235,781,000	237,226,000		
0	0	0	0	0	0
0	0	0	0	0	0
48,846	50,370	50,277	52,094	53,347	54,866

Required Supplementary Information
Ten-Year Claims Development Information (1)
Workers' Compensation Commission – Death and Permanent Total Disability Trust Fund

	2003	2004	2005	2006
Premium and investment revenues:				
Premium income	$ 12,640,933	$ 8,380,469	$ 9,236,142	$ 8,326,813
Investment interest income	2,036,317	1,672,189	1,932,354	4,055,947
Totals	$ 14,677,250	$ 10,052,658	$ 11,168,496	$ 12,382,760
Unallocated expenses:				
Operating costs (2)	$ 334,881	$ 321,328	$ 324,698	$ 123,637
Estimated incurred claims and expenses, end of fiscal year	$ 7,707,310	$ 7,952,310	$ 9,343,245	$ 10,612,346
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	55,000	0	12,500	45,000
Two years later	55,500	60,000	254,500	60,000
Three years later	125,695	155,312	443,594	258,442
Four years later	492,077	559,647	1,084,352	666,938
Five years later	960,636	1,110,691	1,746,038	1,527,999
Six years later	1,921,699	1,941,198	2,737,246	2,435,131
Seven years later	2,664,563	2,852,760	3,639,491	
Eight years later	3,584,430	3,757,147		
Nine years later	4,350,581			
Re-estimated incurred claims and expenses:				
End of fund year	2,829,345	3,767,145	3,968,387	5,146,235
One year later	6,632,484	7,407,958	10,855,431	6,578,501
Two years later	9,082,661	11,023,365	13,658,153	9,955,357
Three years later	11,151,447	12,323,811	6,417,676	12,165,161
Four years later	11,454,147	14,614,740	13,325,459	14,248,771
Five years later	14,265,211	8,096,016	14,096,948	12,526,550
Six years later	14,130,937	14,278,584	18,320,630	22,168,949
Seven years later	14,829,670	16,018,643	19,579,015	
Eight years later	16,329,870	17,440,776		
Nine years later	17,273,118			
Increase (decrease) in estimated incurred claims and expense from end of policy year	9,565,808	9,488,466	10,235,770	11,556,603
Number of fund participants receiving benefits at end of year	1,336	1,347	1,324	1,336

(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.

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

2007	2008	2009	2010	2011	2012
$ 7,536,378	$ 9,016,067	$ 9,075,784	$ 8,226,832	$ 7,390,622	$ 10,462,123
6,098,515	6,325,923	3,590,255	2,315,616	1,701,541	970,017
$ 13,634,893	$ 15,341,990	$ 12,666,039	$ 10,542,448	$ 9,092,163	$ 11,432,140
$ 129,292	$ 120,693	$ 271,386	$ 285,513	$ 257,079	$ 274,375
$ 11,605,274	$ 10,896,034	$ 6,619,914	$ 5,640,789	$ 6,413,633	$ 7,645,295
0	0	0	0	0	0
40,000	23,750	20,000	0	0	
116,115	53,750	20,000	0		
456,230	188,555	20,000			
963,169	493,486				
1,840,785					
3,606,231	3,135,931	2,675,997	2,546,952	3,904,725	3,312,740
6,720,442	7,448,896	4,215,186	6,118,056	7,110,289	
11,299,265	9,810,061	5,837,915	6,897,305		
12,884,190	11,188,480	5,718,497			
14,829,242	14,777,103				
9,263,930					
(2,341,344)	3,881,069	(901,417)	1,256,516	696,656	(4,332,555)
1.342	1.356	1.349	1.454	1.501	1.481

Required Supplementary Information
Ten-Year Claims Development Information (1)
Workers' Compensation Commission – Second Injury Trust Fund

	2003	2004	2005	2006
Premium and investment revenues:				
Premium taxes	$ 1,784,175	$ 1,186,860	$ 1,294,907	$ 3,620,160
Interest income	142,761	80,943	60,958	74,445
Totals	$ 1,926,936	$ 1,267,803	$ 1,355,865	$ 3,694,605
Unallocated expenses:				
Operating costs (2)	$ 480,666	$ 526,768	$ 544,817	$ 584,142
Estimated incurred claims and expenses, end of fiscal year	$ 2,299,340	$ 2,610,930	$ 3,505,836	$ 3,792,416
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	208,690	70,605	34,500	51,755
Two years later	814,873	299,505	751,613	449,159
Three years later	1,348,617	1,219,840	1,044,728	766,086
Four years later	1,273,914	1,542,077	1,269,810	899,440
Five years later	1,368,925	1,720,501	1,314,373	912,715
Six years later	1,457,445	1,807,660	1,461,398	972,818
Seven years later	1,538,540	1,807,660	1,505,148	
Eight years later	1,588,879	1,832,660		
Nine years later	1,618,607			
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later	208,690	70,605	34,500	51,755
Two years later	1,253,217	437,313	1,013,605	449,159
Three years later	2,277,287	1,947,770	1,503,828	933,751
Four years later	1,742,436	2,665,638	2,042,671	899,440
Five years later	2,166,470	3,710,566	1,314,373	912,715
Six years later	2,261,324	1,807,660	1,461,398	1,186,548
Seven years later	1,673,149	1,807,660	1,505,148	
Eight years later	1,938,241	1,832,660		
Nine years later	1,753,565			
Increase (decrease) in estimated incurred claims and expense from end of policy year	(545,775)	(778,270)	(2,000,688)	(2,605,868)
Number of fund participants receiving benefits at end of year	102	111	122	128

(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.

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

2007	2008	2009	2010	2011	2012
$ 2,763,390	$ 1,327,517	$ 1,082,496	$ 659,098	$ 0	$ 0
101,278	91,863	35,500	18,800	9,679	5,512
$ 2,864,668	$ 1,419,380	$ 1,117,996	$ 677,898	$ 9,679	$ 5,512
$ 583,796	$ 642,794	$ 582,490	$ 531,955	$ 526,189	$ 483,246
$ 3,590,691	$ 1,709,853	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
169,875	0	0	0	0	
625,574	0	0	0		
672,724	0	0			
679,624	0				
679,624					
0	0	0	0	0	0
169,875	0	0	0	0	
625,574	0	0	0		
672,724	0	0			
679,624	0				
679,624					
(2,911,067)	(1,709,853)	0	0	0	0
119	112	109	2	3	3

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%
	7/1/2010	0	316	316	0.0%	8,509	4%
Arkansas State University	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%
	7/1/2011	0	11,981	11,981	0.0%	101,214	12%
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%
	7/1/2011	0	8,272	8,272	0.0%	43,697	19%
Black River Technical College	7/1/2007	0	454	454	0.0%	4,948	9%
	7/1/2010	0	572	572	0.0%	5,608	10%
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%
	7/1/2011	0	279	279	0.0%	4,363	6%
Henderson State University	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%
	7/1/2011	0	2,750	2,750	0.0%	20,292	14%
Mid South Community College	7/1/2007	0	295	295	0.0%	6,314	5%
	7/1/2010	0	334	334	0.0%	6,877	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%
	7/1/2011	0	223	223	0.0%	6,784	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%
	7/1/2011	0	391	391	0.0%	11,486	3%
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%
	7/1/2011	0	312	312	0.0%	26,390	1%
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%
	7/1/2011	0	741	741	0.0%	19,585	4%
Rich Mountain Community College	7/1/2007	0	725	725	0.0%	3,052	24%
	7/1/2010	0	661	661	0.0%	3,956	17%
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%
	7/1/2011	0	292	292	0.0%	8,022	4%
Southern Arkansas University - Technical Branch	7/1/2007	0	468	468	0.0%	5,853	8%
	7/1/2010	0	612	612	0.0%	6,619	9%
Southern Arkansas University	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%
	7/1/2011	0	3,571	3,571	0.0%	17,200	21%
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%
	7/1/2011	0	919	919	0.0%	29,919	3%
University of Arkansas System Self-Funded Plan	7/1/2009	0	66,620	66,620	0.0%	880,256	8%
	7/1/2010	0	58,439	58,439	0.0%	934,781	6%
	7/1/2011	0	63,292	63,292	0.0%	995,948	6%
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%
	7/1/2011	0	428	428	0.0%	16,200	3%
University of Central Arkansas	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%
	7/1/2011	0	2,722	2,722	0.0%	66,112	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%
	7/1/2011	0	102,558	102,558	0.0%	42,707	240%
Arkansas Employee Benefits Plan	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%
	7/1/2012	0	1,953,192	1,953,192	0.0%	1,462,114	134%

Actuarial assumptions are presented in Note 15.

Combining Financial Statements

Arkansas River


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE

NON-MAJOR ENTERPRISE FUNDS

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

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

Construction Assistance Revolving Loan Fund – This program is responsible for providing a perpetual fund for financing the construction of wastewater 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; to develop and redevelop 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; to finance energy efficiency retrofits and green energy implementation for industries; to hold equity investments made by the Risk Capital Matching Fund; and the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees.

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2012
(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	$ 552	$ 122,201	$ 11,677	$ 41,809	$ 176,239
Investments	105	29,310		13,202	42,617
Receivables:					
Accounts		510	1,117	522	2,149
Loans				6,720	6,720
Interest		416	36	284	736
Due from other funds			561		561
Advances to other funds				872	872
Inventories	8				8
Deferred charges	3				3
Total current assets	668	152,437	13,391	63,409	229,905
Noncurrent assets:					
Investments - restricted		2,676	48,009	8,004	58,689
Capital assets:					
Buildings	22,219				22,219
Equipment	1,003		94		1,097
Improvements other than building	446				446
Other depreciable/amortizable assets			240		240
Assets under construction	225		767		992
Less accumulated depreciation/amortization	(8,638)		(134)		(8,772)
Advances to other funds		933		6,364	7,297
Loans receivable, restricted		221,128		151,634	372,762
Other noncurrent assets	12	505		181	698
Total noncurrent assets	15,267	225,242	48,976	166,183	455,668
Total assets	$ 15,935	$ 377,679	$ 62,367	$ 229,592	$ 685,573

Combining Statement of Net Assets
Non-major Enterprise Funds
June 30, 2012
(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	$ 14	$ 202	$ 5,917	$ 134	$ 6,267
Accrued interest	51	202			253
Accrued and other current liabilities	10			109	119
Due to other funds	16			375	391
Loans and bonds payable	500	11,320			11,820
Claims, judgments and compensated absences	8		26,923		26,931
Deferred revenue			1,799		1,799
Total current liabilities	599	11,724	34,639	618	47,580
Noncurrent liabilities:					
Loans and bonds payable	2,000	56,381		28,112	86,493
Net postemployment benefits payable	129				129
Claims, judgments and compensated absences	41		377		418
Deferred revenue		371		2,605	2,976
Total noncurrent liabilities	2,170	56,752	377	30,717	90,016
Total liabilities	2,769	68,476	35,016	31,335	137,596
Net Assets					
Net assets:					
Invested in capital assets, net of related debt	12,755		967		13,722
Restricted for:					
Program requirements		309,203		198,257	507,460
Unrestricted	411		26,384		26,795
Total net assets	13,166	309,203	27,351	198,257	547,977
Total liabilities and net assets	$ 15,935	$ 377,679	$ 62,367	$ 229,592	$ 685,573

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(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	$ 2,394	$	$ 275,639	$	$ 278,033
Licenses, permits and fees		2,542		1,613	4,155
Investment earnings		5,425		3,353	8,778
Miscellaneous		8			8
Total operating revenues	2,394	7,975	275,639	4,966	290,974
Operating expenses:					
Cost of sales and services	1,018		2,026		3,044
Compensation and benefits	572				572
Supplies and services	589		21,679		22,268
General and administrative expenses	290	252	150	551	1,243
Benefits and aid payments			262,458		262,458
Federal financial assistance		91		303	394
Depreciation and amortization	814		18		832
Amortization of bond costs		(600)		(266)	(866)
Interest	142	4,080		757	4,979
Total operating expenses	3,425	3,823	286,331	1,345	294,924
Operating income (loss)	(1,031)	4,152	(10,692)	3,621	(3,950)
Nonoperating revenues (expenses):					
Investment earnings	3		156		159
Grants and contributions	4	15,010		11,188	26,202
Other non-operating revenue (expense)	7			628	635
Total nonoperating revenues (expenses)	14	15,010	156	11,816	26,996
Income (loss) before transfers and contributions	(1,017)	19,162	(10,536)	15,437	23,046
Transfers in	916	2,077		4,893	7,886
Transfers out	(14)	(3,157)	(350)	(3,561)	(7,082)
Change in net assets	(115)	18,082	(10,886)	16,769	23,850
Total net assets - beginning	13,281	291,121	38,237	181,488	524,127
Total net assets - ending	$ 13,166	$ 309,203	$ 27,351	$ 198,257	$ 547,977

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2012
(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	$ 2,394	$	$ 275,912	$	$ 278,306
Payments to employees	(560)				(560)
Payments of benefits			(262,998)		(262,998)
Payments to suppliers	(1,945)	(434)	(22,878)		(25,257)
Interest received (paid)	(152)	3,589		2,654	6,091
Loan administration received (paid)		20,263		(16,260)	4,003
Federal grant funds expended		(91)		(303)	(394)
Other receipts (payments)		2,380	(2,176)	1,265	1,469
Net cash provided by (used in) operating activities	(263)	25,707	(12,140)	(12,644)	660
Cash flows from noncapital financing activities:					
Direct lending receipts	(500)			28,198	27,698
Direct lending payments		(11,310)			(11,310)
Grants and contributions	4	15,015		11,206	26,225
Proceeds from bond issuance	3	37,476			37,479
Other non-operating revenue (expense)				628	628
Transfers in	916	2,077		4,893	7,886
Transfers out	(14)	(3,157)	(350)	(3,466)	(6,987)
Net cash provided by (used in) noncapital financing activities	409	40,101	(350)	41,459	81,619
Cash flows from capital and related financing activities:					
Acquisition and construction of capital assets	(210)		(767)		(977)
Net cash used in capital and related financing activities	(210)		(767)		(977)
Cash flows from investing activities:					
Purchase of investments		(29,431)		(19,768)	(49,199)
Proceeds from sale and maturities of investments	38	8,729	10,883		19,650
Interest and dividends on investments	3		149		152
Advance disbursements				(2,455)	(2,455)
Advance repayments				1,192	1,192
Net cash provided by (used in) investing activities	41	(20,702)	11,032	(21,031)	(30,660)
Net increase (decrease) in cash and cash equivalents	(23)	45,106	(2,225)	7,784	50,642
Cash and cash equivalents - beginning	575	77,095	13,902	34,025	125,597
Cash and cash equivalents - ending	$ 552	$ 122,201	$ 11,677	$ 41,809	$ 176,239
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,031)	$ 4,152	$ (10,692)	$ 3,621	$ (3,950)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	814		18		832
Amortization of bond costs		1,274		(436)	838
Net appreciation (depreciation) of investments		75		2	77
Net changes in assets and liabilities:					
Accounts receivable		53	(158)	(34)	(139)
Loans receivable		20,263		(15,877)	4,386
Inventory	1				1
Other current assets		(30)	(559)	(39)	(628)
Current liabilities	(10)				(10)
Accounts payable and other accrued liabilities	(74)	(80)	(1,180)	119	(1,215)
Net OPEB	27				27
Compensated absences	10				10
Deferred revenue			431		431
Net cash provided by (used in) operating activities	$ (263)	$ 25,707	$ (12,140)	$ (12,644)	$ 660

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, 2012
(Expressed in thousands)

	Teacher	APERS	Highway	Judicial	Total
Assets					
Cash and cash equivalents	$ 226,129	$ 190,772	$ 116,539	$ 6,285	$ 539,725
Receivables:					
Employee	17,221	499	351		18,071
Employer	27,512	2,623	691	6	30,832
Interest and dividends	17,773	16,639	2,568	704	37,684
Other	75,016	31,224	516	148	106,904
Due from other funds	2,424	2			2,426
Total receivables	139,946	50,987	4,126	858	195,917
Investments at fair value:					
U.S. government securities	188,878	246,245	49,338	19,730	504,191
Bonds, notes, mortgages and preferred stock	458,578	64,187	5,842	378	528,985
Common stock	2,218,495	1,875,042	795,038	41,700	4,930,275
Real estate	85,931	232,401	1,273		319,605
International investments	3,182,033	1,563,893	19,116	1,419	4,766,461
Mutual funds		539,199		14,540	553,739
Pooled investment funds	1,791,668	55,742		50,234	1,897,644
Corporate obligations	304,653	679,112	189,126	30,629	1,203,520
Asset and mortgage-backed securities	65,969	183,887		6,238	256,094
Other	2,963,210	277,101	49,715	(10)	3,290,016
Total investments	11,259,415	5,716,809	1,109,448	164,858	18,250,530
Securities lending collateral	682,684	587,742			1,270,426
Capital assets	223	55			278
Other assets	142	24			166
Total assets	12,308,539	6,546,389	1,230,113	172,001	20,257,042
Liabilities					
Accounts payable and other liabilities	9,961	8,614	100	309	18,984
Investment principal payable	127,712	46,136		1,756	175,604
Obligations under securities lending	685,241	598,599			1,283,840
Postemployment benefit liability	1,601	1,323			2,924
Due to other funds	19	78			97
Total liabilities	824,534	654,750	100	2,065	1,481,449
Net Assets					
Held in trust for employees' pension benefits	$ 11,484,005	$ 5,891,639	$ 1,230,013	$ 169,936	$ 18,775,593

Combining Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

	Teacher	APERS	Highway	Judicial	Total
Additions:					
Contributions:					
Members	$ 117,659	$ 41,474	$ 8,580	$ 890	$ 168,603
Employers	398,826	236,166	17,936	2,305	655,233
Supplemental contributions		7,737	5	2,335	10,077
Title fees		4,246			4,246
Court fees		1,363		815	2,178
Reinstatement fees		1,163			1,163
Total contributions	516,485	292,149	26,521	6,345	841,500
Investment income:					
Net increase (decrease) in fair value of investments	(221,724)	(132,716)	(26,273)	(642)	(381,355)
Interest, dividends and other	134,822	123,907	20,254	3,653	282,636
Real estate operating income (loss)	8,198	(35)			8,163
Securities lending income	4,563	1,953			6,516
Total investment income	(74,141)	(6,891)	(6,019)	3,011	(84,040)
Less investment expense	44,648	22,144	5,798	862	73,452
Net investment income	(118,789)	(29,035)	(11,817)	2,149	(157,492)
Miscellaneous	135	8,306		(29)	8,412
Total additions (losses)	397,831	271,420	14,704	8,465	692,420
Deductions:					
Benefits paid to participants or beneficiaries	791,845	380,980	82,216	9,280	1,264,321
Refunds of employee/employer contributions	9,225	7,421	913	7	17,566
Administrative expenses	7,633	6,826	64	39	14,562
Total deductions	808,703	395,227	83,193	9,326	1,296,449
Change in net assets held in trust for employees' pension benefits	(410,872)	(123,807)	(68,489)	(861)	(604,029)
Net assets - beginning	11,894,877	6,015,446	1,298,502	170,797	19,379,622
Net assets - ending	$ 11,484,005	$ 5,891,639	$ 1,230,013	$ 169,936	$ 18,775,593

Combining Statement of Fiduciary Net Assets
Agency Funds
June 30, 2012
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 11,120	$ 30,708	$ 41,828
Receivables:			
Interest and dividends		22	22
Other		87	87
Total receivables		109	109
Investments at fair value:			
Certificates of deposit	1,060	19,295	20,355
Bonds, government securities, notes and mortgages		83,724	83,724
Total investments	1,060	103,019	104,079
Financial assurance instruments	284,791	2,329	287,120
Total assets	$ 296,971	$ 136,165	$ 433,136
Liabilities			
Accounts payable and other liabilities	$	$ 359	$ 359
Due to other governments		119,361	119,361
Due to third parties	296,971	16,445	313,416
Total liabilities	$ 296,971	$ 136,165	$ 433,136

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Assets				
Cash and cash equivalents	$ 9,966	$ 2,193	$ 1,039	$ 11,120
Receivables:				
Interest and dividends	1		1	
Investments at fair value:				
Certificates of deposit	1,210		150	1,060
Financial assurance instruments	299,207		14,416	284,791
Total assets	$ 310,384	$ 2,193	$ 15,606	$ 296,971
Liabilities				
Due to third parties	$ 310,384	$ 2,193	$ 15,606	$ 296,971
Total liabilities	$ 310,384	$ 2,193	$ 15,606	$ 296,971

	Other Agencies			
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Assets				
Cash and cash equivalents	$ 29,815	$ 1,995,309	$ 1,994,416	$ 30,708
Receivables:				
Interest and dividends	18	22	18	22
Other	43	222	178	87
Investments at fair value:				
Certificates of deposit	20,669	9,850	11,224	19,295
Bonds, government securities, notes, mortgages and preferred stock	79,330	83,658	79,264	83,724
Financial assurance instruments	2,249	100	20	2,329
Total assets	$ 132,124	$ 2,089,161	$ 2,085,120	$ 136,165
Liabilities				
Accounts payable and other liabilities	$ 9	$ 41,788	$ 41,438	$ 359
Due to other governments	115,623	982,636	978,898	119,361
Due to third parties	16,492	1,080,180	1,080,227	16,445
Total liabilities	$ 132,124	$ 2,104,604	$ 2,100,563	$ 136,165

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2012
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2011	Additions	Reductions	Balance June 30, 2012
Assets				
Cash and cash equivalents	$ 39,781	$ 1,997,502	$ 1,995,455	$ 41,828
Receivables:				
Interest and dividends	19	22	19	22
Other	43	222	178	87
Investments at fair value:				
Certificates of deposit	21,879	9,850	11,374	20,355
Bonds, government securities, notes, mortgages, and preferred stock	79,330	83,658	79,264	83,724
Financial assurance instruments	301,456	100	14,436	287,120
Total assets	$ 442,508	$ 2,091,354	$ 2,100,726	$ 433,136
Liabilities				
Accounts payable and other liabilities	$ 9	$ 41,788	$ 41,438	$ 359
Due to other governments	115,623	982,636	978,898	119,361
Due to third parties	326,876	1,082,373	1,095,833	313,416
Total liabilities	$ 442,508	$ 2,106,797	$ 2,116,169	$ 433,136


GREAT SEAL OF THE STATE OF ARKANSAS
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Statistical Section

Bull Shoals Lake


GREAT SEAL OF THE STATE OF ARKANSAS
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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:

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

	2012	2011(1)	2010	2009
Primary Government				
Governmental Activities				
Invested in capital assets, net of related debt	$ 9,632,774	$ 9,296,899	$ 8,886,979	$ 8,766,290
Restricted	1,256,134	1,175,983	1,253,570	734,837
Unrestricted	589,166	1,024,091	1,251,501	1,922,388
Total governmental activities net assets	11,478,074	11,496,973	11,392,050	11,423,515
Business-Type Activities				
Invested in capital assets, net of related debt	1,889,473	1,805,096	1,757,523	1,690,161
Restricted	892,101	849,209	760,352	726,800
Unrestricted	556,124	429,293	311,584	325,596
Total business-type activities net assets	3,337,698	3,083,598	2,829,459	2,742,557
Total Primary Government				
Invested in capital assets, net of related debt	11,522,247	11,101,995	10,644,502	10,456,451
Restricted	2,148,235	2,025,192	2,013,922	1,461,637
Unrestricted	1,145,290	1,453,384	1,563,085	2,247,984
Total primary government activities net assets	$ 14,815,772	$ 14,580,571	$ 14,221,509	$ 14,166,072

(1) Fiscal year 2011 balances adjusted in fiscal year 2012.

	2008	2007	2006	2005	2004	2003
	$ 8,210,615	$ 7,937,210	$ 7,880,406	$ 7,563,452	$ 7,375,246	$ 7,009,304
	863,721	812,989	672,391	506,508	231,314	178,871
	2,349,314	2,469,825	2,001,993	1,803,726	1,657,482	1,399,219
	11,423,650	11,220,024	10,554,790	9,873,686	9,264,042	8,587,394
	1,500,418	1,456,147	1,244,773	1,200,731	1,159,058	1,106,738
	954,661	882,865	879,536	760,011	649,458	567,056
	459,677	410,378	509,394	463,153	419,697	388,486
	2,914,756	2,749,390	2,633,703	2,423,895	2,228,213	2,062,280
	9,711,033	9,393,357	9,125,179	8,764,183	8,534,304	8,116,042
	1,818,382	1,695,854	1,551,927	1,266,519	880,772	745,927
	2,808,991	2,880,203	2,511,387	2,266,879	2,077,179	1,787,705
	$ 14,338,406	$ 13,969,414	$ 13,188,493	$ 12,297,581	$ 11,492,255	$ 10,649,674

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

	2012	2011	2010	2009
Governmental				
Expenses				
General government	$ 1,559,775	$ 1,477,309	$ 1,356,657	$ 1,310,341
Education	3,648,068	3,769,004	3,605,065	3,338,002
Health and human services	6,709,730	6,411,416	6,144,706	5,457,305
Transportation	766,297	759,872	731,317	699,737
Law, justice and public safety	794,165	748,590	779,374	820,960
Recreation and resources development	265,156	350,530	277,402	243,419
Regulation of business and professionals	118,934	120,320	105,968	107,347
Interest on long-term debt	39,852	44,824	52,145	55,193
Total expenses	13,901,977	13,681,865	13,052,634	12,032,304
Program Revenues				
Charges for services				
General government	348,130	336,193	325,072	276,112
Education	6,372	6,675	6,469	18,637
Health and human services	427,079	385,693	362,532	303,174
Transportation	113,081	110,831	107,818	147,267
Law, justice and public safety	79,734	75,051	73,601	70,262
Recreation and resources development	81,637	81,076	79,780	106,988
Regulation of business and professionals	97,271	87,526	80,079	76,695
Operating grants	5,756,464	6,092,989	5,868,623	4,943,264
Capital grants and contributions	644,621	551,523	493,064	455,765
Total program revenues	7,554,389	7,727,557	7,397,038	6,398,164
Net (Expense) Revenue	(6,347,588)	(5,954,308)	(5,655,596)	(5,634,140)
General Revenues and Transfers				
Taxes				
Personal and corporate income	2,794,097	2,688,093	2,468,798	2,507,368
Consumer sales and use	2,543,873	2,483,908	2,376,891	2,487,944
Gas and motor carrier	442,658	444,555	449,274	444,496
Other	945,773	927,922	903,113	815,206
Investment earnings	40,374	43,232	52,809	82,681
Miscellaneous income	367,531	343,874	330,397	286,173
Loss on sale of fixed assets				
Transfers - internal activities	(805,617)	(844,028)	(885,711)	(955,484)
Restatement		(28,325)	(71,440)	(34,379)
Total general revenues and transfers	6,328,689	6,059,231	5,624,131	5,634,005
Total Governmental Activities Change in Net Assets	$ (18,899)	$ 104,923	$ (31,465)	$ (135)

2008	2007	2006	2005	2004	2003
$ 1,296,232	$ 1,156,301	$ 1,187,512	$ 1,042,440	$ 1,071,734	$ 1,048,805
3,291,054	3,153,653	3,048,477	2,881,337	2,342,543	2,326,854
5,195,317	4,855,759	4,663,898	4,538,242	4,100,830	3,785,128
668,305	625,911	642,297	626,138	606,900	620,424
631,793	587,413	620,905	518,579	529,693	441,258
244,959	219,283	201,955	175,097	189,406	243,519
105,620	119,225	115,887	117,525	130,349	115,983
57,923	56,143	59,501	60,101	56,906	55,677
11,491,203	10,773,688	10,540,432	9,959,459	9,028,361	8,637,648
291,216	269,310	256,641	270,746	279,902	252,146
16,638	14,322	13,501	9,217	4,617	10,057
244,706	234,181	217,429	214,646	124,321	173,949
146,463	137,338	133,993	130,190	122,873	132,673
72,066	64,666	63,251	60,540	61,163	24,350
79,438	61,844	55,223	55,026	52,597	51,626
81,585	86,721	89,950	76,026	67,172	75,160
4,410,782	4,180,653	4,150,897	3,997,615	3,805,225	3,802,814
413,055	422,270	392,744	431,739	454,668	15,419
5,755,949	5,471,305	5,373,629	5,245,745	4,972,538	4,538,194
(5,735,254)	(5,302,383)	(5,166,803)	(4,713,714)	(4,055,823)	(4,099,454)
2,655,399	2,522,806	2,374,801	2,164,445	1,920,448	1,722,167
2,544,356	2,618,936	2,509,664	2,380,921	1,956,032	1,788,327
456,223	462,732	456,223	450,281	449,960	439,483
790,010	785,213	760,431	720,948	695,623	638,469
172,081	162,603	96,369	58,348	36,651	46,139
274,730	247,395	370,352	203,101	295,706	292,716
					(31,910)
(947,339)	(811,518)	(719,933)	(654,686)	(637,949)	(596,261)
(6,580)	(20,550)			16,000	
5,938,880	5,967,617	5,847,907	5,323,358	4,732,471	4,299,130
$ 203,626	$ 665,234	$ 681,104	$ 609,644	$ 676,648	$ 199,676

Continued on the following page

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

Continued from the previous page

	2012	2011	2010	2009
Business-Type				
Expenses				
Higher education	$ 3,472,444	$ 3,362,705	$ 3,191,697	$ 3,021,439
Workers' Compensation Commission	45,243	29,768	15,918	29,349
Department of Workforce Services	618,522	776,734	1,211,812	901,064
Lottery Commission (1)	379,139	371,716	302,579	16
War Memorial Stadium Commission	3,425	3,545	3,439	2,585
Public School Employee Health and Life				
Benefit Plan (2)	286,331	275,743	260,194	259,385
Revolving loans	5,168	12,940	18,675	3,941
Total expenses	4,810,272	4,833,151	5,004,314	4,217,779
Program Revenues				
Charges for services				
Higher education	1,524,943	1,471,639	1,529,344	1,424,219
Workers' Compensation Commission				
Lottery Commission (1)	473,624	465,075	384,565	
War Memorial Stadium Commission	2,394	2,760	1,852	1,803
Public School Employee Health and Life				
Benefit Plan (2)	275,639	274,073	268,312	252,927
Revolving loans	4,155	4,001	3,732	3,485
Operating grants	1,218,671	1,325,685	1,498,215	928,570
Capital grants and contributions	66,419	44,313	33,052	52,438
Total program revenues	3,565,845	3,587,546	3,719,072	2,663,442
Net (Expense) Revenue	(1,244,427)	(1,245,605)	(1,285,242)	(1,554,337)
Business-Type Revenues and Transfers				
Taxes				
Other	491,994	449,146	377,460	320,271
Investment earnings	28,051	52,979	54,846	(8,628)
Miscellaneous income	172,865	153,592	82,176	108,788
Loss on sale of fixed assets				
Transfers - internal activities	805,617	844,027	885,711	955,484
Restatement			(28,049)	6,223
Total business-type revenues and transfers	1,498,527	1,499,744	1,372,144	1,382,138
Total Business-Type Activities Changes in				
Net Assets	254,100	254,139	86,902	(172,199)
Total Primary Government Change in Net Assets	$ 235,201	$ 359,062	$ 55,437	$ (172,334)

(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.

2008	2007	2006	2005	2004	2003
$ 2,851,140	$ 2,628,963	$ 2,422,557	$ 2,256,317	$ 2,121,960	$ 1,987,141
53,967	33,363	36,629	35,517	31,829	33,938
432,661	384,313	322,205	325,595	310,539	482,669
3,990	3,293	4,310	1,830	1,726	1,799
232,252	240,944	219,544	202,137		
4,203	4,406	4,603	4,766	5,671	5,866
3,578,213	3,295,282	3,009,848	2,826,162	2,471,725	2,511,413
1,345,783	1,196,351	1,160,194	1,054,808	991,698	915,015
					6
1,860	1,980	1,436	746	1,349	1,556
241,839	232,558	233,250	211,430		
3,335	3,120	2,838	2,364		
626,798	578,648	566,200	602,649	549,004	544,918
72,677	60,447	59,025	70,432	56,889	88,396
2,292,292	2,073,104	2,022,943	1,942,429	1,598,940	1,549,891
(1,285,921)	(1,222,178)	(986,905)	(883,733)	(872,785)	(961,522)
310,728	306,019	326,343	310,431	318,555	265,911
57,064	96,394	61,462	48,310	40,237	48,295
136,156	123,934	88,975	65,988	35,119	58,436
					(4,972)
947,339	811,518	719,933	654,686	637,949	596,261
				6,858	
1,451,287	1,337,865	1,196,713	1,079,415	1,038,718	963,931
165,366	115,687	209,808	195,682	165,933	2,409
$ 368,992	$ 780,921	$ 890,912	$ 805,326	$ 842,581	$ 202,085

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

	2012	2011(1)	2010	2009
General Fund				
Nonspendable	$ 288,814	306,275		
Restricted	494,217	553,509		
Committed	1,505,457	1,555,139		
Assigned	252,590	382,308		
Unassigned	714,519	685,463		
Total General Fund	3,255,597	3,482,694		
Total Fund Balances, Governmental Funds	$ 3,255,597	3,482,694		
General Fund				
Reserved			$ 1,838,326	$ 1,276,214
Unreserved			1,836,912	2,256,642
Total General Fund			3,675,238	3,532,856
Total Fund Balances, Governmental Funds			$ 3,675,238	$ 3,532,856

(1) Change in presentation beginning in Fiscal Year 2011 is due to implementation of GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Restatement prior to fiscal year 2011 is not feasible. Fiscal year 2011 balance has been restated in fiscal year 2012.

	2008	2007	2006	2005	2004	2003
	$ 1,257,856	$ 1,227,194	$ 954,015	$ 988,971	$ 712,864	$ 769,067
	2,309,421	2,272,762	1,988,211	1,532,038	1,384,917	973,152
	3,567,277	3,499,956	2,942,226	2,521,009	2,097,781	1,742,219
	$ 3,567,277	$ 3,499,956	$ 2,942,226	$ 2,521,009	$ 2,097,781	$ 1,742,219

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

	2012	2011	2010	2009
Revenues:				
Taxes:				
Personal and corporate income	$ 2,798,083	$ 2,697,352	$ 2,471,420	$ 2,549,965
Consumer sales and use	2,552,282	2,491,772	2,390,819	2,502,403
Gas and motor carrier	442,772	444,232	449,754	444,573
Other	944,406	927,452	903,618	813,733
Intergovernmental	6,402,940	6,642,135	6,364,695	5,394,538
Licenses, permits and fees	1,186,346	1,109,258	1,055,693	1,031,568
Investment earnings	40,374	43,232	52,809	82,681
Miscellaneous	352,317	344,241	336,775	278,046
Total revenues	14,719,520	14,699,674	14,025,583	13,097,507
Expenditures:				
Current:				
General government	1,426,718	1,367,985	1,237,895	1,190,436
Education	3,644,195	3,764,814	3,600,560	3,333,875
Health and human services	6,696,046	6,401,101	6,129,257	5,441,822
Transportation	379,278	391,019	365,980	348,665
Law, justice and public safety	763,725	719,401	747,379	794,793
Recreation and resources development	246,158	330,301	258,322	225,461
Regulation of business and professionals	117,450	119,058	108,748	105,752
Debt service:				
Principal retirement	83,111	204,701	95,924	101,054
Interest expense	44,865	52,665	53,303	55,766
Bond issuance costs	1,365		1,675	406
Capital outlay	744,000	683,872	614,241	561,354
Total expenditures	14,146,911	14,034,917	13,213,284	12,159,384
Excess (deficiency) of revenues over expenditures	572,609	664,757	812,299	938,123
Other financing sources (uses):				
Issuance of debt	85,170	11,391	324,745	18,721
Issuance of refunding bonds	39,565			
Bond discounts/premiums	1,588		21,045	(618)
Payment to refunding escrow agent	(127,300)		(174,165)	
Capital leases	3,869		19,520	3,892
Installment sales				
Sale of capital assets	3,011	4,083	2,476	2,924
Transfers in	216,443	188,947	160,402	72,467
Transfers out	(1,022,052)	(1,032,902)	(1,046,121)	(1,027,604)
Restatement		(28,820)	22,181	(42,326)
Total other financing sources and uses	(799,706)	(857,301)	(669,917)	(972,544)
Net change in fund balances	(227,097)	(192,544)	142,382	(34,421)
Fund balances-July 1	3,482,694	3,675,238	3,532,856	3,567,277
Fund balances-June 30	$ 3,255,597	$ 3,482,694	$ 3,675,238	$ 3,532,856
Debt Service as a percentage of noncapital expenditures:	0.95%	1.93%	1.18%	1.35%

2008	2007	2006	2005	2004	2003
$ 2,644,852	$ 2,515,958	$ 2,374,853	$ 2,169,849	$ 1,914,067	$ 1,714,603
2,551,222	2,624,325	2,519,443	2,382,865	1,951,475	1,770,946
456,216	463,362	456,569	450,269	450,444	439,614
790,122	784,936	760,799	721,144	694,802	638,510
4,832,649	4,594,212	4,540,408	4,418,148	4,249,189	3,823,171
957,424	886,106	853,616	836,688	717,092	750,872
172,081	162,603	96,369	57,999	36,651	46,139
275,646	287,031	345,978	248,138	313,952	250,566
12,680,212	12,318,533	11,948,035	11,285,100	10,327,672	9,434,421
1,190,857	1,213,597	1,137,458	1,058,514	1,029,316	1,044,164
3,286,143	3,149,468	3,044,735	2,877,770	2,336,813	2,324,631
5,184,858	4,844,657	4,653,553	4,526,132	4,065,745	3,772,155
338,062	297,816	320,417	319,140	312,688	346,282
606,633	552,728	588,661	480,246	496,109	416,353
228,663	187,970	186,137	159,709	159,895	221,987
109,818	112,833	112,623	114,484	125,968	108,378
107,070	103,782	97,583	46,723	36,809	40,066
59,671	59,752	61,065	58,866	56,769	50,341
345	1,317	818	2,905	1,194	624
628,536	611,567	673,624	704,117	755,373	692,898
11,740,656	11,135,487	10,876,674	10,348,606	9,376,679	9,017,879
939,556	1,183,046	1,071,361	936,494	950,993	416,542
35,417	38,320	71,993	116,717	24,974	224,020
	224,855	15,540			31,150
(306)	5,248	1,967	2,844	620	10,329
(4,523)	(107,806)	(24,371)	(60,325)		(32,737)
32,047	22,855	2,223	80,010	4,961	10,846
13,210					
2,943	2,717	2,297	2,289	2,296	
82,277	60,316	47,254	46,495	49,099	5,266
(1,033,300)	(871,821)	(767,047)	(701,296)	(677,381)	(601,527)
(872,235)	(625,316)	(650,144)	(513,266)	(595,431)	(352,653)
67,321	557,730	421,217	423,228	355,562	63,889
3,499,956	2,942,226	2,521,009	2,097,781	1,742,219	1,678,330
$ 3,567,277	$ 3,499,956	$ 2,942,226	$ 2,521,009	$ 2,097,781	$ 1,742,219
1.50%	1.55%	1.55%	1.09%	1.09%	1.09%

Schedule 5
Revenue Base-Sales and Use Tax Collections by Industry (Unaudited)
Last Ten Fiscal Years
(Expressed in thousands)

Industry	2012 Revenue base	2012 Percent of total	2011 Revenue base	2011 Percent of total	2010 Revenue base	2010 Percent of total	2009 Revenue base	2009 Percent of total
Agriculture, forestry, fishing and hunting	$ 91,870	0.22%	$ 97,379	0.24%	$ 97,655	0.23%	$ 112,929	0.23%
Mining	179,724	0.43%	163,822	0.40%	251,689	0.60%	311,266	0.62%
Utilities	4,503,890	10.73%	4,095,947	9.93%	4,233,123	10.03%	5,493,990	11.00%
Construction	687,874	1.64%	589,146	1.43%	564,684	1.34%	612,122	1.23%
Manufacturing	3,496,777	8.33%	3,404,998	8.25%	3,262,473	7.73%	3,864,172	7.73%
Wholesale trade	4,190,055	9.98%	3,974,829	9.64%	3,910,161	9.26%	4,645,027	9.30%
Retail trade	18,902,064	45.02%	19,055,734	46.20%	19,632,455	46.50%	21,901,249	43.85%
Transportation and warehousing	233,868	0.56%	277,598	0.67%	283,412	0.67%	417,326	0.84%
Information	2,240,706	5.34%	2,590,266	6.28%	3,056,493	7.24%	5,253,774	10.52%
Finance and insurance	56,658	0.13%	55,309	0.13%	62,647	0.15%	67,089	0.13%
Real estate, rental and leasing	828,383	1.97%	877,160	2.13%	827,440	1.96%	957,993	1.92%
Professional, scientific and technical services	145,235	0.34%	144,678	0.35%	119,903	0.28%	143,516	0.29%
Management of companies and enterprises	65	0.00%	483	0.00%	167	0.00%	56,835	0.11%
Administrative, support, waste management and remediation services	759,126	1.81%	689,466	1.67%	671,947	1.59%	653,184	1.31%
Educational services	46,622	0.11%	44,236	0.11%	49,553	0.12%	36,476	0.07%
Health care and social services	85,206	0.20%	56,141	0.13%	92,069	0.22%	72,416	0.14%
Arts, entertainment and recreation	185,971	0.44%	167,512	0.41%	162,494	0.38%	177,186	0.35%
Accommodation and food services	3,810,775	9.08%	3,515,932	8.52%	3,528,970	8.36%	3,754,045	7.52%
Other services (except public administration)	1,479,326	3.52%	1,374,149	3.33%	1,332,520	3.16%	1,342,494	2.69%
Public administration	63,344	0.15%	75,043	0.18%	74,704	0.18%	74,436	0.15%
Total (1)	$ 41,987,539	100%	$ 41,249,828	100%	$ 42,214,559	100%	$ 49,947,525 (2)	100%
Direct sales tax rate	6% (General) 1.50% (Food) 2.75% (Mfg util tax) 5.25% (Electricity)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.00% (Mfg util tax)	

(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

2008		2007		2006		2005		2004		2003	
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
$ 105,304	0.25%	$ 108,964	0.27%	$ 103,605	0.26%	$ 110,174	0.29%	$ 91,427	0.28%	$ 117,991	0.36%
246,908	0.60%	224,806	0.55%	187,394	0.48%	154,114	0.41%	111,126	0.34%	111,704	0.34%
4,708,255	11.40%	4,532,525	11.06%	4,380,370	11.17%	3,657,722	9.72%	3,332,085	10.14%	3,176,490	9.63%
529,727	1.28%	493,295	1.20%	466,170	1.19%	405,129	1.08%	326,167	0.99%	347,510	1.05%
3,624,193	8.77%	3,670,740	8.96%	3,438,906	8.77%	3,362,676	8.94%	2,729,986	8.30%	2,801,495	8.49%
4,218,275	10.21%	4,205,431	10.26%	3,982,576	10.16%	3,802,827	10.11%	3,194,942	9.72%	3,314,094	10.04%
18,485,279	44.75%	18,655,946	45.51%	18,145,437	46.27%	17,778,800	47.25%	16,013,365	48.71%	15,982,194	48.42%
362,152	0.88%	384,758	0.94%	281,285	0.72%	252,335	0.67%	161,738	0.49%	392,981	1.19%
2,722,146	6.59%	2,653,893	6.47%	2,525,643	6.44%	2,454,873	6.53%	2,342,534	7.12%	2,135,098	6.47%
57,703	0.14%	47,903	0.12%	46,611	0.12%	47,115	0.13%	44,144	0.13%	48,966	0.15%
832,469	2.02%	803,267	1.96%	724,694	1.85%	701,230	1.86%	608,522	1.85%	591,972	1.79%
112,101	0.27%	108,423	0.26%	99,865	0.25%	102,152	0.27%	87,395	0.27%	86,886	0.26%
120	0.00%	293	0.00%	27	0.00%	38	0.00%	15	0.00%	5	0.00%
585,095	1.42%	550,851	1.34%	520,973	1.33%	481,704	1.28%	197,552	0.60%	168,243	0.51%
41,684	0.10%	41,719	0.10%	43,524	0.11%	50,060	0.13%	45,713	0.14%	50,875	0.16%
64,206	0.16%	62,036	0.15%	54,830	0.14%	62,941	0.17%	59,786	0.18%	67,447	0.20%
159,423	0.39%	161,053	0.39%	152,619	0.39%	151,894	0.40%	125,084	0.38%	128,727	0.39%
3,198,652	7.74%	3,117,969	7.61%	2,975,856	7.59%	2,969,613	7.89%	2,544,689	7.74%	2,588,666	7.84%
1,182,542	2.86%	1,102,308	2.69%	1,018,174	2.60%	1,024,751	2.72%	808,652	2.46%	842,348	2.55%
72,240	0.17%	65,026	0.16%	64,070	0.16%	56,261	0.15%	50,974	0.16%	53,507	0.16%
$ 41,308,474	100%	$ 40,991,206	100%	$ 39,212,629	100%	$ 37,626,409	100%	$ 32,875,896	100%	$ 33,007,199	100%
6.00% (General) 3.00% (Food) 4.50% (Mfg util tax)		6.00%		6.00%		6.00%		5.125% (07/03-02/04) 6.00% (03/04-06/04)		5.125%	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2003
(Expressed in thousands, except number of taxpayers)

	2012				2003	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 5,479	0.23%	760	1.10%	$ 6,047	0.36%
Mining	10,577	0.45%	196	0.28%	5,725	0.35%
Utilities	263,899	11.20%	721	1.05%	162,795	9.62%
Construction	41,243	1.75%	2,247	3.26%	17,810	1.05%
Manufacturing	198,829	8.44%	4,255	6.17%	143,577	8.49%
Wholesale trade	247,631	10.51%	5,892	8.54%	169,847	10.04%
Retail trade	993,915	42.19%	28,985	42.03%	819,087	48.42%
Transportation and warehousing	14,020	0.60%	1,224	1.78%	20,140	1.19%
Information	134,328	5.70%	995	1.44%	109,424	6.47%
Finance and insurance	3,399	0.14%	301	0.44%	2,510	0.15%
Real estate, rental and leasing	49,683	2.11%	1,471	2.13%	30,339	1.79%
Professional, scientific and technical services	8,709	0.37%	1,713	2.48%	4,453	0.26%
Management of companies and enterprises	4	0.00%	7	0.01%	0	0.00%
Administrative, support, waste management and remediation services	45,534	1.93%	3,595	5.21%	8,622	0.51%
Educational services	2,795	0.12%	279	0.41%	2,607	0.16%
Health care and social services	5,092	0.22%	1,136	1.65%	3,457	0.20%
Arts, entertainment and recreation	11,140	0.47%	1,048	1.52%	6,597	0.39%
Accommodation and food services	227,490	9.66%	6,940	10.06%	132,669	7.84%
Other services (except public administration)	88,672	3.76%	7,145	10.36%	43,170	2.55%
Public administration	3,526	0.15%	52	0.08%	2,742	0.16%
Total	$ 2,355,965	100%	68,962	100%	$ 1,691,618	100%

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)

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
Governmental										
General	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986
Special							205	370	460	585
Revenue bond	2,545	1,385		2,575	5,703	2,925	2,988			
Add (deduct):										
Deferred bond refunding loss	(21,072)	(16,849)	(20,593)	(11,852)	(13,140)	(14,263)	(5,542)	(4,807)	(1,011)	(1,064)
Issuance premiums/(discounts)	17,438	21,287	28,002	12,614	15,786	18,689	15,814	16,141	15,339	16,709
Other debt instruments										25
Notes payable to component unit	98,883	100,674	100,788	109,893	117,390	121,644	123,256	96,683	57,148	56,331
Notes payable to pension trust fund		2,685	5,172	7,474	9,606	11,580	13,408	15,100	16,667	18,118
Revolving loan fund		155								
Notes payable to healthcare financing administration								171	721	1,131
Capital leases	3,576		692	1,874	4,586	3,520	4,420	6,927	9,536	11,862
Capital leases with component unit	128,540	131,468	137,949	123,800	131,792	111,450	97,824	107,522	70,582	76,041
Installment sale with component unit	11,380	11,870	12,340	12,795	13,210					
Total governmental activities debt	922,988	1,008,543	1,207,072	1,114,772	1,197,228	1,227,738	1,152,775	1,182,965	1,092,615	1,100,724
Business-Type										
Special obligation:										
War Memorial Stadium Commission	2,500	3,000	1,700							940
Construction Assistance Revolving Loan Fund	63,340	41,995	57,910	65,120	72,965	78,775	83,955	88,910	93,530	103,275
Safe Drinking Water Revolving Loan Fund	24,375									
College & University revenue bonds	1,651,225	1,594,226	1,402,967	1,314,295	1,246,075	1,197,070	1,155,673	895,910	661,551	637,229
Add (deduct): issuance premiums/(discounts)	27,663	15,635	9,214	8,364	9,307	8,912	8,803	100	(123)	(1,124)
Notes payable	66,170	56,988	45,092	47,285	32,016	22,920	17,930	17,128	14,519	22,281
Notes payable with component unit	1,509	2,046	2,550	3,042	3,518	5,857	6,666	8,728	9,675	6,349
Capital leases	43,537	46,178	40,408	45,002	42,002	29,737	25,092	21,470	17,450	8,114
Capital leases with component unit	358	420	620	810	995	1,174	1,354	1,665	1,960	2,240
Total business-type activities debt	1,880,677	1,760,488	1,560,461	1,483,918	1,406,878	1,344,445	1,299,473	1,033,911	798,562	779,304
Total Primary Government Debt	2,803,665	2,769,031	2,767,533	2,598,690	2,604,106	2,572,183	2,452,248	2,216,876	1,891,177	1,880,028
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (1)	2.72%	2.77%	2.89%	2.80%	2.76%	2.88%	2.96%	2.86%	2.57%	2.72%
Per capita (2)	947	942	947	896	905	902	868	795	687	689
Net General Obligation Bonded Debt										
Gross bonded debt (3)	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173	$ 920,986
Less: debt service funds	(146,247)	(136,092)	(243,153)	(183,325)	(255,139)	(248,143)	(111,587)	(100,166)	(37,561)	(27,639)
Net bonded debt	$ 535,451	$ 619,776	$ 699,569	$ 672,274	$ 657,156	$ 724,050	$ 788,815	$ 844,692	$ 885,612	$ 893,347
Per capita (2)	$ 181	$ 211	$ 239	$ 232	$ 228	$ 254	$ 279	$ 303	$ 322	$ 327
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	$ 213,547	$ 241,281	$ 521,450	$ 612,400	$ 691,150	$ 753,780	$ 753,780	$ 580,700	$ 404,650	$ 313,780
Less: deferred bond refunding loss	(5,428)							(241)	(1,117)	(10)
Notes payable	183,866	217,373	252,700							6,860
Arkansas Development Finance Authority:										
Bonds payable	822,034	954,340	1,153,676	1,080,671	1,084,940	1,133,632	1,114,118	1,173,362	1,145,682	1,418,162
Notes payable	39,527	13,634	4,236		205,723	220,751	312,307	326,055	216,315	
Add (deduct): issuance premiums/(discounts)	854	1,318	1,756	2,232	2,951	2,686	(517)	(961)	(2,098)	(1,715)
U of A Foundation annuity obligations	14,804	15,967	16,669	15,443	18,362	19,606	18,524	16,783	15,376	14,748
Total Component Unit Debt	1,269,204	1,443,913	1,950,487	1,710,746	2,003,126	2,130,455	2,198,212	2,095,698	1,778,808	1,751,825
Total Debt	$ 4,072,869	$ 4,212,944	$ 4,718,020	$ 4,309,436	$ 4,607,232	$ 4,702,638	$ 4,650,460	$ 4,312,574	$ 3,669,985	$ 3,631,853
Debt Ratios										
Ratio of total debt to personal income (1)	3.96%	4.21%	4.92%	4.64%	4.88%	5.27%	5.61%	5.57%	4.98%	5.25%
Per capita (2)	$ 1,376	$ 1,433	$ 1,614	$ 1,486	$ 1,601	$ 1,649	$ 1,647	$ 1,547	$ 1,333	$ 1,331

(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							
2012	$ 182,428	$ 3,876	$ 178,552	$ 8,772	$ 6,367	$ 15,139	11.79
2011	161,448	6,173	155,275	12,380	6,747	19,127	8.12
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							
2012	$ 35,424	$ 9,768	$ 25,656	$ 4,650	$ 7,908	$ 12,558	2.04
2011	54,774	23,103	31,671	4,380	7,532	11,912	2.66
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							
2012	$ 1,234,078	$ 689,269	$ 544,809	$ 37,213	$ 50,729	$ 87,942	6.20
2011	1,176,401	713,340	463,061	29,904	46,107	76,011	6.09
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							
2012	$ 10,266	$ 0	$ 10,266	$ 1,900	$ 3,460	$ 5,360	1.92
2011	7,898	1,338	6,560	1,975	2,312	4,287	1.53
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:							
2012	$ 88,453	$ 5,306	$ 83,147	$ 27,733	$ 3,047	$ 30,780	2.70
2011	77,732	4,610	73,122	26,219	5,023	31,242	2.34
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

(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
2012 (1)	2,960	$ 102,937	$ 34,778	7.3%
2011	2,940	99,957	33,995	8.0%
2010	2,923	95,844	32,786	7.9%
2009	2,900	92,871	32,022	7.5%
2008	2,877	94,461	32,832	5.4%
2007	2,852	89,313	31,316	5.3%
2006	2,824	82,918	29,358	5.3%
2005	2,787	77,476	27,800	5.1%
2004	2,754	73,720	26,767	5.6%
2003	2,728	69,231	25,374	5.8%

(1) Projected numbers

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

Schedule 10
Principal Employers (Unaudited)
Current Year as Compared to 2002*

2012	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	56,705	4.8%
2	Wal-Mart Stores, Inc.	46,531	4.0%
3	Tyson Foods, Inc.	23,300	2.0%
4	U.S. Federal Government	20,400	1.7%
5	Baptist Health	7,878	0.7%
6	Sisters of Mercy Health System	6,150	0.5%
7	J.B. Hunt Transportation Services, Inc.	4,270	0.4%
8	Arkansas Children's Hospital	4,194	0.3%
9	Kroger Co.	3,875	0.3%
10	Simmons Foods, Inc.	3,238	0.3%
		176,541	15.0%

2002	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	49,579	4.3%
2	Wal-Mart Stores, Inc.	42,462	3.7%
3	Tyson Foods, Inc.	24,274	2.1%
4	U.S. Federal Government	20,774	1.8%
5	Baptist Health	7,369	0.6%
6	ConAgra, Inc.	6,400	0.6%
7	Whirlpool Corp.	4,500	0.4%
8	Energy Corp.	4,000	0.4%
9	Georgia Pacific Corp.	3,731	0.3%
10	Beverly Enterprises, Inc.	3,667	0.3%
		166,756	14.5%

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

* 2003 data unavailable as of print date

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

Full-Time Employees

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Department of Finance and Administration - Revenue	1,425	1,426	1,423	1,473	1,443	1,420	1,370	1,371	1,352	1,319
Department of Workforce Services (1)	1,115	1,178	1,221	1,102	976	907	852	702	750	881
All other	2,781	2,816	2,868	2,913	2,816	2,764	2,741	2,678	2,632	2,720
Education										
Department of Career Education	493	511	491	490	493	494	498	503	501	503
Department of Education	381	372	387	384	371	346	359	318	317	391
All other	849	893	914	914	979	965	954	877	882	885
Heath and Human Services										
Department of Human Services	7,948	7,891	8,011	7,755	7,617	7,524	7,324	7,244	7,222	7,146
Department of Health	2,725	2,863	2,867	2,926	2,907	2,887	2,763	2,771	2,757	2,854
All other	664	674	669	548	473	458	458	409	404	394
Transportation										
Department of Highway and Transportation	3,567	3,587	3,558	3,587	3,576	3,614	3,676	3,749	3,755	3,698
Law, Justice and Public Safety										
Department of Correction	4,158	4,056	3,950	3,890	3,750	3,792	3,745	3,354	3,310	3,362
Arkansas State Police	956	963	971	972	985	966	934	903	843	818
All other	2,758	2,731	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	1,344	1,308	1,323	1,321	1,291	1,298	1,214	1,138	1,127	1,138
Arkansas Game and Fish Commission	636	627	621	679	647	649	634	621	635	610
All other	837	868	887	890	1,010	988	990	933	922	929
Regulation of Business and Professionals										
Department of Insurance	189	194	190	192	189	185	192	182	184	175
All other	1,077	1,064	1,061	1,057	941	922	909	612	592	597
Proprietary Funds										
Colleges and Universities (2)	22,593	22,491	22,727	21,846	19,529	20,269	19,088	N/A	N/A	N/A
Workers' Compensation Commission	108	113	119	123	127	135	137	141	141	138
Arkansas Lottery Commission(3)	85	83	84	N/A	N/A	N/A	N/A	N/A	N/A	N/A
War Memorial Stadium Commission (4)	16	42	40	25	32	25	21	29	N/A	N/A
State Total	56,705	56,751	57,109	55,871	52,938	53,161	51,405	30,921	30,677	30,632

(1) Department of Workforce Services employees restated to reflect proper classification
(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
Several seasonal employees at War Memorial Stadium were terminated in FY12 due to lack of need.

Sources: 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

	2012	2011	2010	2009
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	799,564	778,521	852,998	820,155
Registered vehicles	3,904,307	3,818,476	3,700,308	3,619,926
Income Tax Administration				
Total electronic tax filers	971,603	878,471	791,646	777,486
EFT estimate payments by corporations	3,475	2,342	1,961	1,769
EFT withholding payments	411,925	211,129	231,209	161,404
Education				
Department of Education				
All school districts				
Average daily membership	457,737	457,717	458,172	457,566
Number of certified personnel	36,290	35,637	36,050	36,201
Average salary of K-12 classroom full-time employees	$ 46,946	$ 46,663	$ 46,601	$ 45,862
Per pupil expenditures	$ 9,379	$ 9,315	$ 9,112	$ 8,308
Foundation aid per student	$ 6,144	$ 6,023	$ 5,905	$ 5,789
Assessed valuation (in millions)	$ 41,877	$ 40,484	$ 39,567	$ 38,667
Higher Education				
Public institutions				
Net enrollment	159,460	155,924	149,327	140,402
Undergraduate degrees awarded	28,955	30,614	26,449	23,708
Graduate degrees awarded	5,976	5,412	4,811	4,141
Private institutions				
Fall net enrollment	17,351	16,500	15,507	14,952
Undergraduate degrees awarded	2,621	2,425	2,425	2,295
Graduate degrees awarded	560	501	522	532
Health and Human Services				
Department of Human Services				
Foster care recipients	7,739	7,959	7,491	7,446
Percent of population	0.26%	0.27%	0.26%	0.26%
Food stamp recipients	693,564	678,358	643,420	577,329
Percent of population	23.55%	23.03%	22.27%	20.09%
Medicaid recipients	776,050	770,792	755,607	747,851
Percent of population	26.35%	26.16%	26.15%	26.03%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)	165,795	169,732	169,789	187,880
Percent of population	5.63%	5.76%	5.83%	6.50%
Doses of vaccine administered (1)	534,759	688,116	1,144,245	888,011
In-home patients served	23,907	26,683	24,391	24,140

(1) Commenced Flu Vaccine Program in 2008; in 2010 had H1N1 Pandemic

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

2008	2007	2006	2005	2004	2003
728,893	734,555	727,765	731,155	736,200	702,810
3,363,504	3,272,311	2,993,975	2,907,650	2,810,529	2,742,630
762,741	676,504	620,490	598,127	538,528	495,842
1,697	1,662	1,501	1,185	1,068	902
170,071	140,678	125,999	103,356	91,536	93,888
459,460	459,865	457,490	450,910	447,872	439,742
36,194	36,112	35,371	35,201	34,024	33,014
$ 45,393	$ 44,493	$ 43,088	$ 41,489	$ 39,266	$ 37,536
$ 8,256	$ 7,992	$ 7,687	$ 7,307	$ 6,475	$ 6,168
$ 5,719	$ 5,662	$ 5,528	$ 5,400	$ 4,721	$ 4,688
$ 35,970	$ 33,438	$ 31,275	$ 29,274	$ 27,748	$ 26,346
135,525	131,445	127,419	123,462	119,963	114,366
21,180	19,930	19,038	18,225	17,046	16,933
3,873	3,613	3,585	3,525	3,248	3,016
14,496	13,981	13,536	12,333	11,885	11,477
2,284	2,286	2,420	2,394	2,309	2,204
520	491	455	306	271	236
6,974	7,194	6,809	6,401	6,502	6,202
0.24%	0.25%	0.24%	0.23%	0.24%	0.23%
556,735	553,618	558,521	544,752	490,641	457,888
19.54%	19.60%	19.94%	19.62%	17.82%	16.79%
744,269	742,965	729,800	688,150	663,920	626,036
26.13%	26.30%	26.06%	24.79%	24.12%	22.95%
163,766	160,687	158,393	156,654	153,570	149,063
5.71%	5.69%	5.66%	5.64%	5.58%	5.46%
503,185	414,971	420,359	499,075	464,491	480,150
26,393	26,732	27,374	24,844	27,499	26,575

Continued on the following page

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

Continued from the previous page

	2012	2011	2010	2009
Transportation				
Highway and Transportation Department				
Miles of state highway maintained (2)	N/A	16,414	16,416	16,443
Law, Justice and Public Safety				
Department of Correction				
Custody population count	14,151	14,129	13,908	13,237
Inmate cost per day	$ 61.83	$ 61.50	$ 60.03	$ 60.19
Operating capacity	13,919	13,496	13,133	12,723
Inmate care/custody operating expenses (in thousands)	$ 316,659	$ 304,658	$ 288,609	$ 277,491
Arkansas State Police				
Commissioned officers	535	536	546	542
Number of homicides investigated	219	211	227	214
Total citations issued	207,651	246,417	266,764	269,080
Total motorist assists	24,002	28,838	26,660	22,708
Total number of traffic accidents	14,813	14,977	16,320	16,306
Total criminal investigations	4,017	4,152	3,038	3,367
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,374	54,343	54,161	54,166
Game and Fish Commission				
Fishing licenses sold	722,041	663,426	701,805	698,071
Hunting licenses sold	467,167	454,794	448,625	462,164
Lifetime licenses sold	27,721	25,379	26,360	27,734
Other licenses sold	39,193	34,243	32,989	28,879
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	88,910	85,865	83,231	82,123
Total consumer complaints received	2,387	2,352	3,008	2,881
Total consumer complaints closed	2,221	2,167	3,111	3,021
Total dollars recovered for consumers (in thousands)	$ 3,982	$ 4,678	$ 10,608	$ 11,632

(2) Fiscal year 2012 figures not available as of print date

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

2008	2007	2006	2005	2004	2003
16,428	16,438	16,440	16,444	16,419	16,383
13,293	12,828	12,690	12,568	12,675	11,672
$ 57.13	$ 52.64	$ 52.12	$ 48.24	$ 47.32	$ 44.11
12,723	12,552	12,403	12,178	11,640	11,124
$ 272,844	$ 253,888	$ 243,208	$ 215,042	$ 209,543	$ 185,682
550	544	527	529	533	492
199	219	196	171	167	224
271,125	243,234	244,649	258,627	211,023	192,379
21,380	21,069	21,167	23,946	23,173	22,633
16,759	16,561	16,556	18,726	18,143	18,029
3,251	2,688	2,119	2,883	3,375	3,215
54,623	53,741	53,402	52,747	52,553	52,517
680,770	748,184	719,411	747,756	726,592	734,236
417,560	408,253	375,834	410,606	413,723	431,615
23,241	21,997	19,467	20,657	22,284	10,143
21,774	24,268	22,880	25,829	27,767	26,975
77,310	66,987	60,933	49,087	33,970	25,866
2,976	3,080	2,850	3,157	3,320	3,661
3,068	2,927	2,901	3,132	3,416	3,345
$ 8,768	$ 5,161	$ 5,913	$ 5,955	$ 5,433	$ 2,573

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

	2012	2011	2010	2009	2008	2007	2006	2005	2004	2003
General Government										
Dept of Finance and Administration - Revenue										
Vehicles	174	180	182	181	177	180	188	168	162	146
Education										
Department of Education										
Vehicles	217	202	216	219	207	217	255	244	229	206
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	448	444	442	446	449	459	457	456	417	439
Vehicles	582	560	516	516	496	486	482	488	491	492
Department of Health										
Buildings	8	8	8	8	8	8	9	8	8	8
Vehicles	138	135	131	154	134	148	142	142	142	143
Transportation										
Highway and Transportation Department										
Passenger vehicles	2,626	2,719	2,667	2,683	2,718	2,635	2,686	2,713	2,714	2,764
Law, Justice and Public Safety										
Department of Correction										
Correctional units	19	20	20	20	20	20	20	19	19	18
Vehicles	428	411	419	430	384	399	406	391	387	335
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	820	809	877	855	885	854	860	745	685	742
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	372	353	356	355	342	331	362	323	321	310
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	890	895	1,038	979	960	1,025	1,029	1,054	1,033	1,090
Boats	599	589	580	576	572	568	570	560	560	508
Regulation of Business and Professionals										
Vehicles	129	118	120	119	105	98	94	93	92	88

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

Schedule 14
Miscellaneous Statistics (Unaudited)

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


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