Arkansas

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2013

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Fiscal Year Ended June 30, 2013

Mike Beebe
Governor

Richard A. Weiss
Director
Department of Finance and Administration

Prepared By
The Department of Finance and Administration
Office of Accounting

Act 501 of 2013 reduced the requirements of state agencies to print annual reports, as such the State of Arkansas's Comprehensive Annual Financial Report is available in electronic format at http://www.dfa.arkansas.gov/offices/accounting/Pages/CAFR.aspx.

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

Governor Mike Beebe

STATE OF ARKANSAS

MIKE BEEBE

GOVERNOR

December 23, 2013

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 is an important part of our efforts to ensure that the State's finances are accounted for in an accurate and timely manner. The financial statements and accompanying disclosures provide detailed information of Arkansas's financial status to the national credit markets on an annual basis.

I am pleased to report that the Fiscal Year 2012 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. The State has received this prestigious award fifteen times.

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

Sincerely yours,

Mike Beebe

ACKNOWLEDGMENTS

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

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2013

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

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December 23, 2013

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, 2013.

This report has been prepared by the Department of Finance and Administration (DFA) 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 DFA. 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 the safeguarding of assets against loss from unauthorized use or disposition and 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, 2013. 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.

The Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the government's financial activities. This letter of transmittal complements the 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: executive, legislative and judicial. The executive department is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State 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 DFA, which 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 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 entities 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 the financial statements is on the primary government and its activities. Separately issued financial statements are available from the 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 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 the State'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, the State has continued to attract new businesses. Bad Boy Mowers broke ground on the site of its $7.4 million expansion at the company's headquarters in Batesville. ConAgra Foods broke ground in March on its new, expanded facility in Russellville, adding an estimated 80-plus jobs. Midcontinent Independent System Operator (MISO), a regional transmission organization, will expand its presence in Arkansas, hiring 35 to 50 workers to outfit its new Southern Region hub in Little Rock. Entergy Arkansas estimates savings of $263 million to its customers over the first 10 years of MISO membership. A new Health Management Regional Service Center in Fort Smith will employ over 500 associates. Internet marketing company Inuvo will move its corporate headquarters from New York to Conway. Big River Steel, LLC announced plans to build a more than $1.0 billion steel mill in Mississippi County, employing over 500 people. Arms manufacturers Walther Arms and Umarex USA announced that both companies will locate their North American headquarters facilities at a shared site at Chaffee Crossing in Fort Smith. Several more companies announced expansion plans, including American Air Filter in Fayetteville, Enviro Tech Chemical Services in Helena-West Helena, PrivacyStar in Conway, Custom Aircraft Cabinets in Sherwood, and Dassault Falcon Jet in Little Rock. Targeted business incentives provide start-up companies with a 33 percent transferable income tax credit for research and development, a 10 percent payroll tax credit for up to five years, and sales and use tax refunds for equipment and building materials. Businesses targeted are those that develop knowledge-based businesses from the intellectual property primarily generated by the State's research universities. To date, 31 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $90.0 million.

ECONOMIC CONDITION AND OUTLOOK

Personal Income: Personal income consists of wages and salaries, dividends, interest, rent and transfer payments such as social security and other retirement incomes but does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of $105.7 billion in the fiscal year ended June 30, 2013. This represented an increase of $3.3 billion or 3.3 percent from fiscal year 2012. Fiscal year 2014 is estimated at $109.4 billion, in current dollars, an increase of $3.6 billion or 3.4 percent from fiscal year 2013.

Wage and Salary Disbursements: Wage and salary disbursements, measured in current dollars, rose to $48.5 billion in the fiscal year ended June 30, 2013, an increase of $1.3 billion or 2.8 percent from fiscal year 2012. Fiscal year 2014 is estimated at $50.0 billion, in current dollars, an increase of $1.5 billion or 3.0 percent from fiscal year 2013.

Employment: In the fiscal year ended June 30, 2013, revised wage and salary employment in Arkansas averaged 1.18 million jobs. This represented an increase of approximately 4 thousand jobs or 0.3 percent compared to the fiscal year ended June 30, 2012. In fiscal year 2014, wage and salary employment is expected to average 1.19 million jobs. This represents a projected increase of 13 thousand jobs or 1.1 percent from fiscal year 2013.

Net Available General Revenues: Actual net available general revenues collected in the fiscal year ended June 30, 2013 totaled $5.0 billion with a $299.5 million surplus above net available distribution. The net available collected was $275.4 million or 5.8 percent above the net available for fiscal year 2012. For fiscal year 2014, net available general revenue collections are estimated at $4.9 billion, a decrease of $69.4 million or 1.4 percent from fiscal year 2013, and $13.8 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 5.1% 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 of the Second Extraordinary Session of 2003 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. Effective starting in fiscal year 2013, a portion of motor fuel taxes is also deposited to the Educational Adequacy Fund to offset the revenue loss from exempting truck tractors and semitrailers from sales tax. These revenues are deposited to the Educational Adequacy Fund to provide an adequate educational system. In fiscal year 2013, $444.8 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2014 net tax collections estimated to be $459.0 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. ARRA's three main goals were: 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, 2013, the State has received $3.5 billion in ARRA funds since the inception of the program. ARRA requires states, like Arkansas, to meet unprecedented standards for accountability and transparency in tracking where and how ARRA 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 has invested funds in projects and initiatives that will lay the groundwork for future economic growth in Arkansas. The ARRA program began winding down in fiscal year 2012 with no new major projects undertaken in 2013.

RELEVANT FINANCIAL POLICIES

Balanced Budget: Arkansas Code Title 19 (Public Finance) provides for a balanced budget and requires the Director of DFA, who is the Chief Fiscal Officer (CFO) of the State, to be aware of the actual and estimated funds available at all times in order 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 DFA Office of Budget. Each agency provides an annual revenue forecast which is the basis for establishing the agency's "funded appropriation." This funded appropriation will be adjusted by the Office of Budget as necessary for shortfalls in anticipated revenue collection.

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

MAJOR INITIATIVES

Education: The goal of the Arkansas Department of Education (ADE) is to assist schools in helping students become ready for colleges and careers. By supporting students, teachers and school district administrators through curriculum development and ongoing, research-based learning, the State has witnessed gains in the educational attainment of students as shown below:

- Arkansas is helping lead the way with the Common Core State Standards Initiative. The three-year phase-in began during the 2011-2012 school year with grades K through 2. Grades 3 through 8 were phased in during the 2012-2013 school year. The 2013-2014 school year is the final phase-in, which is occurring in grades 9 through 12.
- The ADE is playing a key role in the Governor's Science Technology Engineering and Math (STEM) Works project by helping institute New Tech, Project Lead the Way and Environmental and Spatial Technologies (EAST) Core schools throughout Arkansas. As of September 2013, 41 high schools and three universities are participating in the program.
- ADE is piloting the Arkansas Teacher Excellence Support System, a state-wide educator evaluation system, during the 2013-2014 school year. The first full year of implementation will be during the 2014-2015 school year.

Highway and Transportation: The Arkansas State Highway and Transportation Department (AHTD) cut the ribbon on numerous construction projects across the state this year. One of the largest of those was the Highway 549 Loop in Texarkana.

Work also began on an Interstate Rehabilitation project on Interstate 540 in Fort Smith that is the largest single contract ever awarded by the Highway Commission at $78.8 million. The project will rehabilitate seven miles of main travel lanes and rebuild nine bridges.

In addition, new Arkansas Welcome Centers were constructed in West Memphis and Helena-West Helena. In Fort Smith, a new AHTD District 4 Headquarters was completed.

AHTD adopted a new cable median barrier policy this year that will construct over 400 miles of cable barriers over the next three years. The barriers reduce the chances of vehicles crossing the median into oncoming traffic and have proven to be very effective in enhancing motorists' safety.

AHTD's 24-hour Litter Hotline reached a milestone in 2013. Due to the efforts of citizens calling the Hotline, the number of "letters of warning" mailed to litter offenders passed the 50,000 mark. The program is in its eighth year.

AHTD introduced a new website this fall called IDriveArkansas.com. The site assists motorists as they drive the highways of Arkansas. Up-to-the-minute information on weather conditions, construction zones, potential lane closures and current traffic conditions, among other things, are available at the website. The new website complements AHTD's other site, www.ArkansasHighways.com.

State Parks: There are 52 state parks encompassing 54,358 acres of wetlands, forests, fish and wildlife habitats, recreational facilities and unique historic and cultural resources. Within the parks are 1,781 campsites, 4 lodges, 199 fully equipped cabins, 10 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 140 hiking, mountain bike, backpack, equestrian and multi-use trails covering 388 miles. Over 7.8 million visitors came to the state parks with 644,108 visitors participating in more than 44,084 educational and recreational programs and special events throughout the park system in the fiscal year ended June 30, 2013.

Over $158.8 million in capital improvements and major maintenance projects have been completed throughout the Arkansas State Park system funded by Amendment 75, the one-eighth per-cent Conservation Tax, since its passage in 1996.

Fourteen construction and major renovation projects were completed during fiscal year 2013 totaling $7.7 million. Examples of these completed projects throughout Arkansas State Parks include: 10 new cabins at Lake Fort Smith State Park, Craft Village walkway improvements (Phase II) at Ozark Folk Center State Park, reconstruction of the pedestrian suspension bridge at Devil's Den State Park, new laundry facility at Lake Catherine State Park, bathhouse renovation at Lake Dardanelle State Park and new Visitor Center at Mississippi River State Park.

The popularity of the State parks' family of websites and social networking sites continues to grow, bringing visitors to experience park programs, events, quality facilities and natural, historical and cultural resources. Arkansas State Parks has over 63,000 "friends" on Facebook, over 5,000 followers on Twitter, over 1,300 followers on Google+ and over 300 followers on Pinterest taking advantage of the benefits and values of their 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 ended June 30, 2013, was an interesting period for the tourism/hospitality industry. The statewide tourism tax collections showed some strength as the national economy continued its slow recovery. Several of the State's key marketing areas – places such as Dallas, Houston, Oklahoma City and Tulsa – experienced growth as the energy sector expanded. Intrastate regions, such as northwest Arkansas, also exhibited gains.

The State's tourism product again recorded improvement with the opening of the new and long-awaited Mississippi River State Park near Marianna, opening of the Holiday Springs Water Park in Texarkana, opening of the new Welcome Center in West Memphis, opening of the 21C Museum Hotel in Bentonville (named by *Conde Nast Traveler* magazine as one of the top 100 hotels in the world), opening of the Texarkana Convention Center and its adjacent hotels and conversion of the Peabody Hotel in downtown Little Rock to the Marriott Little Rock.

There are also several key developments still in the pipeline. The cornerstone for the US Marshal Museum in Fort Smith is now in place with the projected opening in 2015. The Razorback Greenway Project, which will feature an extensive bicycle/pedestrian network for northwest Arkansas, is making progress. The Johnny Cash Boyhood Home in Dyess is scheduled to open within the next few months. Queen Wilhelmina State Park's reopening date has been pushed back due to construction delays, but the remodeled lodge will be a nice improvement. A new state Welcome Center will open in Helena/West Helena. In southeast Arkansas, the Delta Resort Conference Center & Spa will soon cater to an upscale crowd.

Syndicated research from Hitwise confirms that the State's investments in the www.Arkansas.com website continue to pay off with it consistently ranking among the top five state tourism websites in terms of market share. Likewise, the spring 2013 focus group project with Wild Alchemy will provide important direction for the State's 2014 marketing campaign.

Human Services: The Department of Human Services (DHS) has more than 7,400 employees who serve more than 1.3 million Arkansans every year. The staff is organized into 10 major service-delivery divisions and four support offices headquartered in the Donaghey Plaza Complex, with 83 county offices throughout the State. DHS continues to invest in new initiatives and improvements to existing services.

In 2012, DHS and the State's two largest private insurance companies together launched the Arkansas Health Care Payment Improvement Initiative. The initiative serves a dual purpose to improve both quality of care and efficiency in the Medicaid program to make it sustainable in the long term. Designed to be implemented in phases, the first phase moves 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 by identifying episodes of care. An episode is the collection of care provided to treat a particular condition for a given length of time. During 2013, the initiative completed its first year of episode-based reporting for two episodes of care: prenatal care and upper respiratory infections.

In 2013, the State Legislature passed a law allowing the State to use federal Medicaid dollars to pay the private health insurance premiums for low-income Arkansans and DHS staff began working to develop policies, business processes, and procedures necessary to implement the new law, called the Health Care Independence Act of 2013 (commonly called the Arkansas Private Option). This innovative program is unlike any other program in the country, and it is estimated to provide health care to about 200,000 to 250,000 Arkansans, many of whom have gone without insurance for years.

DHS is also in the process of upgrading their information systems framework to take advantage of new technologies. This new Eligibility and Enrollment Framework (EEF) is in the beginning stage of development and will replace a legacy system that was created more than 30 years ago. All development efforts to date have been focused on preparing the system to meet the requirements of the 2010 Patient Protection and Affordable Care Act (ACA) and to enable enrollment into the Arkansas Private Option. For the past three years, DHS staff has worked to develop policy, train employees, and enhance the systems used to prepare for changes under the ACA and the Arkansas Private Option.

By taking advantage of the new information system technologies, DHS will be able to utilize rules engines, real-time data verification hubs and automated business processes to increase both productivity and program integrity. These efficiencies will allow the management of larger caseloads without increasing staffing levels. When complete (estimated in December 2014), the new EEF will support the administration of the Medicaid, Supplemental Nutrition Assistance Program, Private Option and Temporary Assistance for Needy Families programs.

DHS will continue to invest in technology to maximize limited resources while maintaining quality services that support the most vulnerable Arkansans.

Information Technology: Arkansas remains a leader in digital government. The Arkansas Department of Information Systems (DIS) is consistently working to improve access to new technologies for state agencies, boards, and commissions, 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 a 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 and migrating from IPv4 addresses to IPv6 addresses. These initiatives help 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) which provides a methodology, hardware, software, training and user assistance for the development, maintenance and testing of all-hazards plans for Arkansas state agencies, boards and commissions to ensure that state government is prepared for any potential disaster, whether natural or man-made. As of June 30, 2013, over 1,510 planners from the above mentioned entities as well as school districts, counties and cities are maintaining approximately 1,895 plans in the State. 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. The SCSO combats 10-16 million “denies” on 1,100 firewalls maintained for public organizations on the State network in order to protect sensitive State information. SCSO also blocks 855,000 spam emails on the State email server each day, blocks an average of 3,500 daily attacks from outside the State network and correlates 3-4 billion events daily on the State network looking for malicious traffic.

The State web portal, www.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 expedites $1.7 million in mobile payments and $2.5 billion in eGov transactions, supports more than 190 state and local government agencies and offers more than 500 online services including: inmate deposits, probation/parole payments, Arkansas Works job and education search, business tax filings, game and fish licenses, unclaimed property search, hot check restitution payments and county tax payments, among others. There have been over 2 million site visits to www.Arkansas.gov.

The acquisition of a secondary data center facility in West Little Rock will fortify the State’s ability to maintain operability of the technology applications that support the delivery of public services to state agencies, boards, commissions and citizens in the event of a system failure or disaster. The facility was purchased by the Arkansas Development Finance Authority on behalf of DIS and the State. The facility will enable the live backup of critical public data and will allow for the immediate conversion of data to the secondary site if an event impacts an entity’s primary site.

Arkansas Lottery Commission: In November 2008, Amendment 3 passed authorizing the legislature to establish a lottery, from which the proceeds would be used to fund scholarships for Arkansas students to Arkansas two-year and four-year higher education institutions. Acts 605 and 606 of the 87th General Assembly established the Arkansas Lottery Commission (ALC) for the purpose of establishing, operating and regulating State lotteries as authorized by the Arkansas Constitution. ALC is charged with overseeing the lottery operations of the State and consists of nine members with three members appointed by each of the following: the Governor, the Speaker of the House of Representatives and the President Pro Tempore of the Senate. ALC commenced sales of instant scratch-off tickets on September 28, 2009, Powerball® on October 31, 2009, Cash 3 on December 14, 2009, Mega Millions® on January 31, 2010, Cash 4 on July 12, 2010, Arkansas Million-Dollar Raffle on July 14, 2010, Fast Play games on October 25, 2010, Decades of Dollars on May 3, 2011, Arkansas 50/50 on October 1, 2011 and Natural State Jackpot on August 27, 2012. Sales for the Arkansas Million Dollar Raffle concluded April 6, 2011. For the fiscal year ended June 30, 2013, ALC had operating revenues of $440.1 million, paid gaming prizes of

$292.1 million, paid selling commissions to Arkansas retailers of $25 million and provided $90.3 million in scholarship funds, after payment of other lottery expenses.

Health: The Arkansas Department of Health (ADH) celebrated its Centennial during fiscal year 2013, tracing its origins and reflecting on its accomplishments back to 1913. In recent years, ADH has seen numerous accomplishments including the passage of the Clean Indoor Air Act, the creation of a statewide trauma system, the construction of a state-of-the art public health laboratory, and the expansion of mass flu clinics and school flu clinics throughout the State. ADH will continue to strengthen its efforts to improve oral health and reduce obesity, tobacco use, chronic diseases, teen pregnancies and infant deaths.

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 for its CAFR for the fiscal year ended June 30, 2012. This was the fifteenth 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 CAFR. 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.

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

Government Finance Officers Association

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, 2012

Jeffrey R. Emer

Executive Director/CEO


GREAT SEAL OF THE STATE OF ARKANSAS
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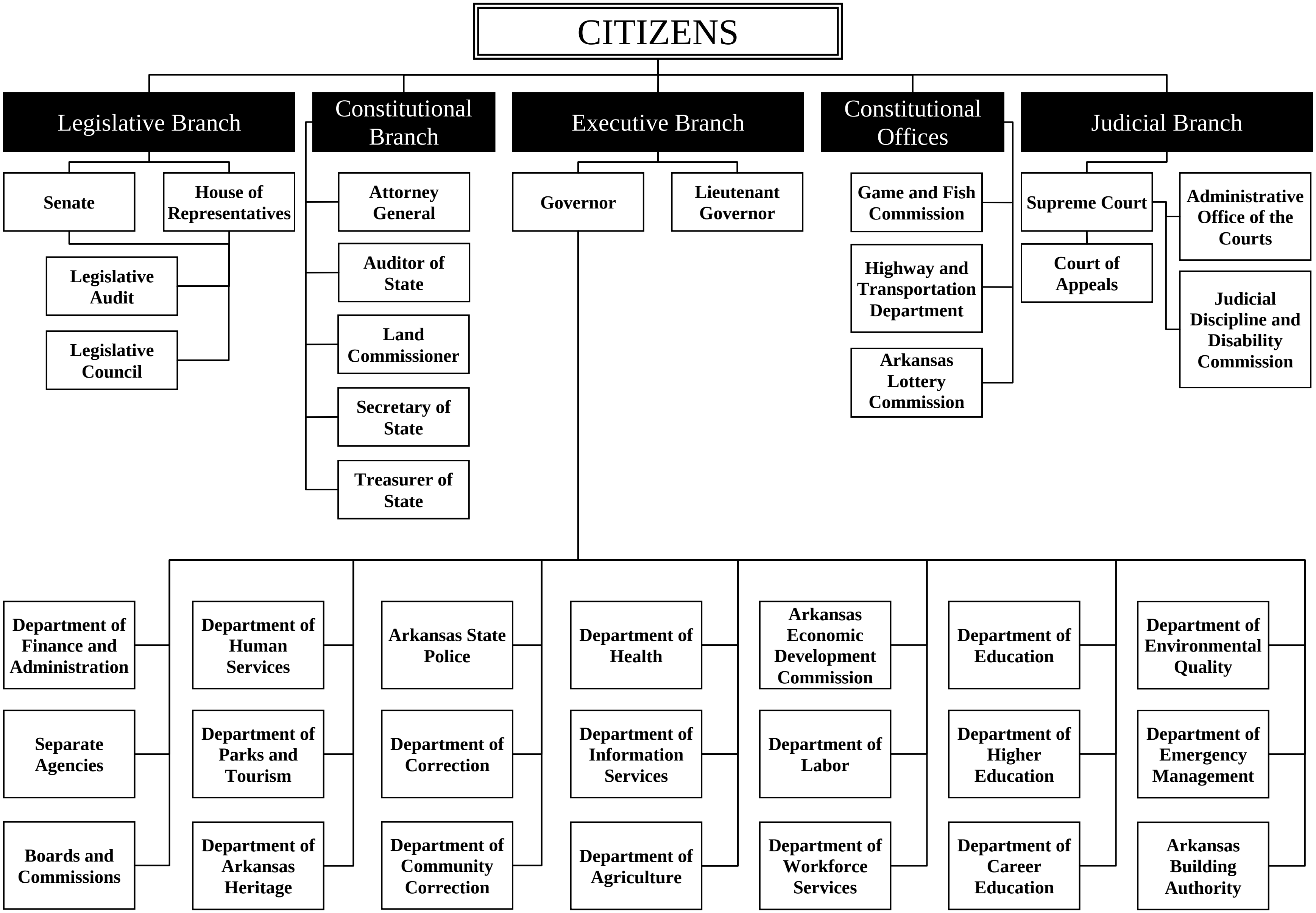
CITIZENS
Legislative Branch
Constitutional Branch
Executive Branch
Constitutional Offices
Judicial Branch
Senate
House of Representatives
Legislative Audit
Legislative Council
Attorney General
Auditor of State
Land Commissioner
Secretary of State
Treasurer of State
Governor
Lieutenant Governor
Game and 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 Michael Lamoureux	Jim Hannah
Lieutenant Governor	***Speaker of the House***	***Associate Justice***
Mark A. Darr	Representative Davy Carter	Josephine L. Hart
Attorney General		***Associate Justice***
Dustin McDaniel		Donald L. Corbin
Auditor of State		***Associate Justice***
Charlie Daniels		Karen R. Baker
Land Commissioner		***Associate Justice***
John Thurston		Cliff Hoofman
Secretary of State		***Associate Justice***
Mark Martin		Courtney Hudson Goodson
Treasurer of State		***Associate Justice***
Charles L. Robinson		Paul E. Danielson

GREAT SEAL OF THE STATE OF ARKANSAS

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Financial Section


GREAT SEAL OF THE STATE OF ARKANSAS
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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:

Report on the Financial Statements

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, 2013, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 30% of the revenues of the business-type activities opinion unit and 20% of the assets and 47% of the revenues of the Higher Education major enterprise fund opinion unit.

- The Department of Workforce Services (Administrative), a portion of the General Fund, which represents less than 1% of the assets and 1% of the revenues of the governmental activities opinion unit and 1% of the assets and 1% of the revenues of the General Fund opinion unit.

- The Department of Workforce Services (Unemployment Insurance Fund), 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 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall financial statement presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above 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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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.

Other Information

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 combining financial statements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 other auditors. In our opinion, based on our audit, the procedures performed as described above, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2013, 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* in considering the State of Arkansas's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
December 23, 2013
CAFR00113


GREAT SEAL OF THE STATE OF ARKANSAS
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Management's Discussion and Analysis

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 year ended June 30, 2013. The State's June 30, 2013, 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 Position – Primary Government – Net position may serve over time as a useful indicator of a government's financial position. The assets of the State exceeded its liabilities for the year ended June 30, 2013, by $15.1 billion (presented as "Total net position"). The net position of the State increased $292.2 million during the year. The governmental activities net position increased by $11.2 million and the business-type activities increased by $281.0 million. Of the total net position, $1.2 billion (8.0%) is reported as unrestricted. Unrestricted net position represents the amount available to meet the State's ongoing obligations to citizens and creditors. An additional portion of the State's net position, $2.2 billion (14.9%), 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 position, $11.6 billion (77.1%), 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, 2013, was $3.2 billion. Additional debt totaling $868.5 million was entered into during the year. $432.7 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, 2013, the State's General Fund reported a fund balance of $3.3 billion. Of this balance, $320.3 million (9.7%) of the total fund balance is nonspendable, $555.6 million (16.7%) of the total fund balance is restricted, $1.3 billion (38.7%) of the total fund balance is committed, $205.2 million (6.2%) of the total fund balance is assigned and $952.6 million (28.7%) 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 increased $64.4 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 June 30, 2013. 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 year ended June 30, 2013, are accounted for, even if the cash involved was not received or paid by June 30, 2013.

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

> The *Statement of Net Position* presents all of the government's assets and liabilities; the difference between the assets and liabilities is reported as "net position." Over time, increases or decreases in the State's net position 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 position changed during the most recent year ended June 30, 2013, and a comparison between program revenues and direct expenses for each function of the State.
>
> The *Statement of Net Position* 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 position and the revenues, expenses and changes in fund net position 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 Energy Efficient and Conservation Block Grant/Residential 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 includes 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 Position
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Current assets	$ 4,208,316	$ 4,086,985	$ 1,836,786	$ 1,778,060	$ 6,045,102	$ 5,865,045
Noncurrent assets	245,915	224,421	2,386,334	2,210,985	2,632,249	2,435,406
Capital assets	10,307,919	10,071,820	3,717,151	3,508,958	14,025,070	13,580,778
Total assets	14,762,150	14,383,226	7,940,271	7,498,003	22,702,421	21,881,229
Current liabilities	1,271,906	1,197,712	679,357	791,353	1,951,263	1,989,065
Long-term liabilities	2,000,998	1,707,440	3,642,172	3,368,952	5,643,170	5,076,392
Total liabilities	3,272,904	2,905,152	4,321,529	4,160,305	7,594,433	7,065,457
Net position						
Net investment in capital assets	9,714,929	9,632,774	1,929,075	1,889,473	11,644,004	11,522,247
Restricted	1,319,560	1,256,134	928,743	892,101	2,248,303	2,148,235
Unrestricted	454,757	589,166	760,924	556,124	1,215,681	1,145,290
Total net position	$ 11,489,246	$ 11,478,074	$ 3,618,742	$ 3,337,698	$ 15,107,988	$ 14,815,772

The net position of the governmental activities increased $11.2 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). During year ended June 30, 2013, the economy continued to show signs of recovery. Personal income taxes increased due to growth in personal 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 and Arkansas Department of Highway and Transportation expenditures related to the Connecting Arkansas program. These were offset by decreases in grant expenditures as a result of the expiration and complete utilization of funding from the ARRA.

The net position of the business-type activities increased $281.0 million. Revenues decreased, primarily due to an overall decrease in revenues from grants offset by increases in revenues from tuition received by Higher Education and unemployment taxes received by Department of Workforce Services. Expenses also decreased due to a decrease in benefit and aid payments paid by the Department of Workforce Services.

The book value of capital assets as of June 30, 2013, was $10.3 billion for governmental activities and $3.7 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequently 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 Position
(Expressed in thousands)

	Governmental Activities		Business-Type Activities		Totals	
	2013	**2012**	**2013**	**2012**	**2013**	**2012**
Revenues:						
Program revenues:						
Charges for services	$ 1,146,249	$ 1,153,304	$ 2,768,031	$ 2,280,755	$ 3,914,280	$ 3,434,059
Operating grants and contributions	5,642,584	5,756,464	1,129,853	1,218,671	6,772,437	6,975,135
Capital grants and contributions	609,062	644,621	31,602	66,419	640,664	711,040
General revenues:						
Personal and corporate taxes	3,013,345	2,794,097			3,013,345	2,794,097
Sales and use taxes	2,570,848	2,543,873			2,570,848	2,543,873
Motor fuel taxes	437,310	442,658			437,310	442,658
Other taxes	955,369	945,773	30,402	491,994	985,771	1,437,767
Other revenues:						
Investment earnings (loss)	(1,911)	40,374	37,655	28,051	35,744	68,425
Miscellaneous income	313,003	367,531	210,293	172,865	523,296	540,396
Total revenues	14,685,859	14,688,695	4,207,836	4,258,755	18,893,695	18,947,450
Expenses:						
Governmental expenses:						
Education	3,587,503	3,648,068			3,587,503	3,648,068
Health and human services	6,769,015	6,709,730			6,769,015	6,709,730
Transportation	823,616	766,297			823,616	766,297
Law, justice and public safety	747,845	794,165			747,845	794,165
Recreation and resources development	258,084	265,156			258,084	265,156
General government	1,538,578	1,559,775			1,538,578	1,559,775
Regulation of business and professionals	124,065	118,934			124,065	118,934
Interest expense	41,036	39,852			41,036	39,852
Business-type expenses:						
Higher education			3,499,550	3,472,444	3,499,550	3,472,444
Workers' Compensation Commission			18,368	45,243	18,368	45,243
Department of Workforce Services			521,449	618,522	521,449	618,522
Lottery Commission			352,063	379,139	352,063	379,139
War Memorial Stadium Commission			3,242	3,425	3,242	3,425
Public School Employee Health and Life Benefit Plan			306,798	286,331	306,798	286,331
Revolving loans			10,267	5,168	10,267	5,168
Total expenses	13,889,742	13,901,977	4,711,737	4,810,272	18,601,479	18,712,249
Increase (decrease) in net position before transfers	796,117	786,718	(503,901)	(551,517)	292,216	235,201
Transfers - internal activities	(784,945)	(805,617)	784,945	805,617		
Increase (decrease) in net position	11,172	(18,899)	281,044	254,100	292,216	235,201
Net position - beginning	11,478,074	11,496,973	3,337,698	3,083,598	14,815,772	14,580,571
Net position - ending	$ 11,489,246	$ 11,478,074	$ 3,618,742	$ 3,337,698	$ 15,107,988	$ 14,815,772

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $6.5 billion were funded by normal State taxing activities.

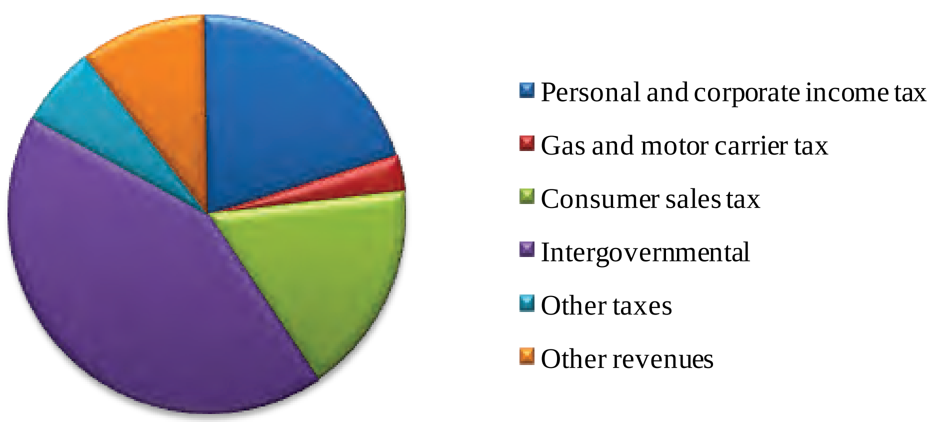
FUND HIGHLIGHTS AND ANALYSIS

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 years ended June 30, 2013 and 2012 (expressed in thousands). The information presented includes Revenues 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)

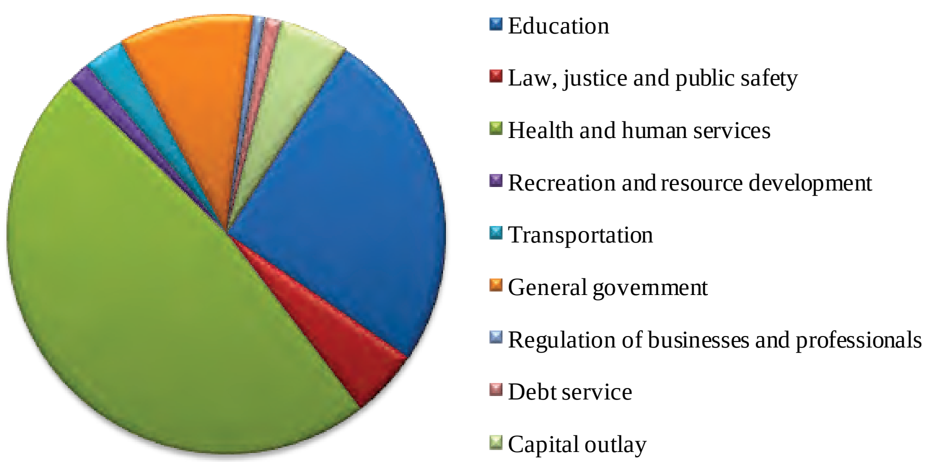
Revenues	2013	2012	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,011,514	$ 2,798,083	7.63%
Gas and motor carrier tax	436,390	442,772	(1.44%)
Consumer sales tax	2,571,964	2,552,282	0.77%
Intergovernmental	6,232,982	6,402,940	(2.65%)
Other taxes	956,482	944,406	1.28%
Other revenues	1,505,823	1,579,037	(4.64%)
Total	$ 14,715,155	$ 14,719,520	(0.03%)



Governmental revenues remained relatively constant with a decrease of 0.03%. This is primarily due to decreases in revenue from federal grants and other revenue which is offset by increases in revenues from personal and corporate income taxes, consumer sales tax and other taxes. Federal grant revenue and reimbursements decreased by $170.0 million as a result of the expiration and complete utilization of funding from the ARRA. Other revenues decreased by $73.2 million primarily due to the change in fair market value of the investments the State had on hand at June 30, 2013. Personal and corporate income tax revenue increased by $213.4 million and consumer sales tax increased by $19.7 million as a result of continued economic and market recovery. Other taxes increased by $12.1 million primarily due to the increase in severance tax, real estate transfer tax and property tax revenue. Severence tax increased due to an increase in the value of natural gas and oil prices. Real estate and property taxes increased due to an increase in property sold during the year ended June 30, 2013. These increases were offset by a decrease in cigarette taxes due primarily to the decrease in cigarette sales nationwide.

Expenditures by Function - General Fund (expressed in thousands)

Expenditures	2013	2012	Increase (Decrease) Percent
Education	$ 3,583,254	$ 3,644,195	(1.67%)
Law, justice and public safety	718,798	763,725	(5.88%)
Health and human services	6,761,841	6,696,046	0.98%
Recreation and resource development	238,143	246,158	(3.26%)
Transportation	422,153	379,278	11.30%
General government	1,410,902	1,426,718	(1.11%)
Regulation of businesses and professionals	120,715	117,450	2.78%
Debt service	173,027	129,341	33.78%
Capital outlay	725,445	744,000	(2.49%)
Total	$ 14,154,278	$ 14,146,911	0.05%



The State's agencies expenditures increased for the year ended June 30, 2013, by 0.05%. Expenses increased primarily due to increases in Medicaid grant program expenditures, healthcare reform expenditures, Connecting Arkansas program expenditures, and debt service 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 by $65.8 million, with Medicaid expenditures accounting for most of the change. Transportation increased by $42.9 million primarily due to highway improvements that were made in accordance with the Connecting Arkansas program. Regulation of businesses and professionals expenditures increased by $3.3 million due to additional contractual services related to healthcare reform. Debt service increased by $43.7 million due to an increase in principal payments on bonds. Education decreased by $60.9 million, Law, justice and public safety expenditures decreased by $44.9 million, General government's expenditures decreased by $15.8 million, Recreation and resource development expenditures decreased by

$8.0 million and Capital outlay expenditures decreased by $18.6 million due to decreases in grant expenditures as a result of decreased ARRA funding.

Changes in Fund Balance – General Fund

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 June 30, 2013. At June 30, 2013, the State's General Fund reported an ending fund balance of $3.3 billion, which is an increase of $64.4 million in comparison to June 30, 2012.

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 for year ended June 30, 2011. Note 1 provides an explanation of the various classifications.

Fund balance consisted of the following:

- Nonspendable, $320.3 million or 9.7% of total fund balance
- Restricted, $555.6 million or 16.7%
- Committed, $1.3 billion or 38.7%
- Assigned, $205.2 million or 6.2%
- Unassigned, $952.6 million or 28.7%

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 $23.8 billion, and the accumulated depreciation was $9.8 billion at June 30, 2013. The net book value was $14.0 billion. Depreciation expense was $488.9 million for the governmental activities and $227.5 million for the business-type activities.

Major capital asset events during the current year ended June 30, 2013, included the following:

- Arkansas Department of Human Services expended $0.6 million on upgrade of vehicles, $0.3 million on a new phone system and $3.7 million for computer, printer and scanner upgrades.
- The Department of Arkansas Heritage expended $2.4 million on a natural area land acquisition known as Devils Eyebrow Eagles Bluff. They also expended $0.5 million on renovations to various buildings and $0.8 million on purchasing Art/Historical Treasures.
- Arkansas Department of Veterans Affairs expended $1.0 million on the Birdeye and NLR veterans cemeteries.
- Arkansas State Police expended $2.4 million for new police pursuit vehicles, $1.0 million for AFIS Fingerprint Stations and $1.0 million for a new training center.

- Arkansas Department of Correction expended $3.0 million on the North Central Unit Barracks expansion and $1.2 million on upgrades of vehicles and farm equipment.
- Arkansas Military Department expended $2.3 million on facility renovations for West Memphis Armory, Patriot Hall, Camden Family Readiness Center and the Firing Range. They also expended $16.2 million on the Combined Support Maintenance Shop.
- Arkansas Department of Revenue expended $2.7 million on Driver Services Motor Vehicle software.
- Arkansas Game and Fish Commission expended $1.3 million on infrastructure, roads, parking and boat ramps at various wildlife management areas. They also expended $1.6 million on upgrades of vehicles and $0.7 million on the Jonesboro Regional Office.
- Arkansas Department of Highway and Transportation constructed roads, bridges and overlays for $604.8 million and purchased right-of-ways for $23.0 million.
- Arkansas Department of Parks and Tourism expended $1.4 million on residences for various parks and $9.7 million on improvements to various parks.
- Arkansas Department of Finance and Administration expended $1.5 million on Arkansas Benefits software.

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

Debt Administration

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

Depending on the issuing entity, the State's bonds are rated between Aaa and Baa1 by Moody's Investor Service, with general obligation bonds generally rated Aa2. The Aa rating indicates very strong creditworthiness compared to similar issues. The bonds issued by the following agencies and organizations have not been rated: Henderson State University, Southern Arkansas University, Southern Arkansas University – Tech Branch, College of the Ouachitas, Southeast Arkansas College, East Arkansas Community College, Arkansas Northeastern College, North Arkansas College, Rich Mountain Community College, South Arkansas Community College, Black River Technical College, Ozarka College and National Park Community College.

Governmental Activities

The State's governmental activities had $1.1 billion in bonds, notes payable, installment sales payable and capital leases outstanding at June 30, 2013, versus $911.6 million at June 30, 2012. The net increase is approximately $154.4 million.

Notes payable, installment sales payable and capital leases to component units had a net decrease of $6.0 million during year ended June 30, 2013. For year ended June 30, 2013, bonds payable had a net increase of $160.7 million with $107.7 million paid toward principal payments. Notes payable and capital leases to outside entities had a net decrease of $331 thousand.

The State's governmental activities had approximately $234.2 million of claims and judgments outstanding at June 30, 2013, compared to $241.5 million at June 30, 2012. Other obligations include accrued sick leave and vacation pay of $153.8 million at June 30, 2013. The State's governmental activities also had $779.4

million recorded for net other postemployment benefits obligation at June 30, 2013. For year ended June 30, 2013, governmental activities included $22.5 million recorded for pollution remediation.

Business-type Activities

The State's business-type activities had $2.1 billion in bonds, notes payable and capital leases outstanding at June 30, 2013, versus $1.9 billion at June 30, 2012. The net increase was approximately $231.8 million.

New debt resulted primarily from the issuance of revenue and general obligation bonds. Although there were increases in bonds, notes payable and capital leases, the most significant increases are listed below:

- The University of Arkansas at Little Rock issued $10.8 million in Series 2013A Student Fee Revenue Refunding Bonds (UALR Project) and $6.5 million taxable bonds, to advance refund $17.0 million of the Series 2004B bond.
- The University of Arkansas for Medical Sciences issued $112.7 million in Various Facilities Revenue Refunding Bonds, Series 2013, to advance refund Various Facility Revenue Refunding Bonds Series 2004A and Series 2004B.
- Arkansas State University Jonesboro Campus issued $28.9 million in tax exempt refunding bonds for the Jonesboro campus to advance refund outstanding bonds dated March 1, 2004.
- Arkansas State University Mountain Home Campus issued $7.0 million in taxable refunding bonds to refund outstanding bonds dated January 29, 2008.
- Mid-South Community College issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2012 totaling $18.5 million to refund outstanding bonds dated May 16, 2007.
- The University of Arkansas for Medical Sciences entered into a $60.0 million note payable with Bank of America to finance the purchase of the Epic information system.

The colleges and universities also entered into capital leases totaling $21.1 million, as well as notes payable totaling $77.6 million. The State reduced bonds, notes payable and capital leases by $327.9 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $301.9 million of claims and judgments outstanding at June 30, 2013, compared to $307.8 million at June 30, 2012. Other obligations included accrued sick leave and vacation pay of $104.9 million at June 30, 2013. The State's business-type activities also had $77.4 million recorded for net other postemployment benefits obligation at June 30, 2013.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Functions	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts
General government	$ 5,945,095	$ 5,973,456	$ 1,882,457
Education	3,897,546	3,941,707	3,537,489
Health and human services	7,090,441	6,466,411	6,170,379
Law, justice and public safety	934,188	952,778	749,676
Recreation and resources development	444,251	474,457	320,474
Regulation of business and professionals	185,074	233,656	121,030
Transportation	546,881	596,498	385,363
Debt	163,514	194,248	160,794
Capital outlay	934,497	886,409	732,447
Total	$ 20,141,487	$ 19,719,620	$ 14,060,109

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 $421.9 million. The increases in Education, General government and Law, justice and public safety were primarily due to unanticipated federal grants received by the State after the original budget was established. The decrease in Health and human services was mainly due to the transfer of appropriation for the payment of benefits from a governmental fund to an enterprise fund. The decrease in Capital outlay was primarily due to blocking of appropriations for lack of funding.

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

Statement of Net Position
June 30, 2013
(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	$ 520,930	$ 933,669	$ 1,454,599	$ 129	$ 146,547
Cash and cash equivalents-restricted		39,569	39,569		
Investments	2,631,777	367,833	2,999,610	17,190	1,024
Receivables, net:					
Accounts	127,521	416,852	544,373		712
Taxes	367,512		367,512		
Medicaid	208,104		208,104		
Loans	21,616	12,945	34,561		1,637
Leases	89		89		
Interest	17,057	1,320	18,377	6,205	3,049
Other	43,078	11,269	54,347	197	
Internal balances	31,722	(31,722)			
Due from other governments	157,390	10,661	168,051		
Prepaid items	20,915	4,021	24,936		
Inventories	59,841	32,989	92,830		
Deposits with bond trustee		25,820	25,820		
Current deferred charges	764		764		
Other current assets		11,560	11,560		
Total current assets	4,208,316	1,836,786	6,045,102	23,721	152,969
Noncurrent assets:					
Cash and cash equivalents, restricted		151,005	151,005		
Deposits with component unit	22,713		22,713		
Deposits with bond trustee		265,337	265,337		
Deposits with Multi-State Lottery Association		1,774	1,774		
Investments	5	290,631	290,636		519,795
Receivables, net		52,595	52,595		
Loans and mortgages receivable	216,979	412,355	629,334	354,626	201,415
Loans and capital leases receivable from primary government					222,989
Capital leases receivable	849		849		4,836
Due from other governments	213	1,703	1,916		
External portion of investment pool		1,198,369	1,198,369		
Installment sale agreement with primary government					10,870
Deferred charges	5,156		5,156	5,377	2,763
Financial assurance instruments		11,502	11,502		
Other noncurrent assets		1,063	1,063	233	40
Total noncurrent assets	245,915	2,386,334	2,632,249	360,236	962,708
Capital assets (net of accumulated depreciation):					
Capital assets, non depreciable					
Land	776,573	135,953	912,526	670	
Construction in progress	1,585,509	320,051	1,905,560		
Construction in progress - intangibles	61		61		
Other non depreciable assets	15,949	2,675	18,624		
Total capital assets, non depreciable	2,378,092	458,679	2,836,771	670	
Capital assets, depreciable					
Land improvements	62,306		62,306		
Infrastructure	6,660,726	241,861	6,902,587		
Buildings	953,287	2,717,267	3,670,554	1,678	
Equipment	202,080	197,185	399,265	546	102
Improvements other than building		15,226	15,226		
Leasehold improvements		3,510	3,510		
Intangibles	40,629	14,672	55,301		
Other capital assets	10,799	68,751	79,550		
Total capital assets, depreciable	7,929,827	3,258,472	11,188,299	2,224	102
Total capital assets, net of depreciation	10,307,919	3,717,151	14,025,070	2,894	102
Total noncurrent assets and capital assets	10,553,834	6,103,485	16,657,319	363,130	962,810
Total assets	$ 14,762,150	$ 7,940,271	$ 22,702,421	$ 386,851	$ 1,115,779

Statement of Net Position
June 30, 2013
(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	$ 50,576	$ 135,408	$ 185,984	$ 2,700	$ 5,036
Prizes payable		18,798	18,798		
Accrued interest	6,886	16,724	23,610		8,762
Accrued and other current liabilities	151,354	87,512	238,866		
Medicaid payable	319,147		319,147		
Income tax refunds payable	357,695		357,695		
Due to other governments	92,627	169,606	262,233		
Workers' compensation benefits payable		15,416	15,416		
Funds held in trust for others		9,845	9,845		
Bonds, notes and leases payable	121,246	111,295	232,541	327,328	32,380
Installment sales payable	530		530		
Claims, judgments, arbitrage and compensated absences	143,195	59,601	202,796		
Pollution remediation obligation	1,231		1,231		
Deferred revenue	27,419	55,152	82,571		
Total current liabilities	1,271,906	679,357	1,951,263	330,028	46,178
Long-term liabilities:					
Workers' compensation benefits payable		240,699	240,699		
External portion of investment pool		1,198,369	1,198,369		
Bonds, notes and leases payable	945,256	2,001,161	2,946,417		736,433
Installment sales payable	10,340		10,340		
Claims, judgments, arbitrage and compensated absences	244,784	91,077	335,861		
Pollution remediation obligation	21,257		21,257		
Net post employment benefits obligation	779,361	77,413	856,774	153	1,405
Deposits held on behalf of primary government					22,713
Other noncurrent liabilities		11,501	11,501		10,024
Deferred revenue		21,952	21,952		3,674
Total long-term liabilities	2,000,998	3,642,172	5,643,170	153	774,249
Total liabilities	3,272,904	4,321,529	7,594,433	330,181	820,427
Net Position					
Net position:					
Net investment in capital assets	9,714,929	1,929,075	11,644,004	2,894	102
Restricted for:					
Debt service	299,325	21,797	321,122		
Other capital projects	101,787	121,278	223,065		
Bond and resolution program					185,069
Program requirements	598,277	570,321	1,168,598		
Lottery	40,693		40,693		
Tobacco settlement	279,478		279,478		
Non-expendable - endowment		87,223	87,223		
Expendable-capital projects, debt service, loans and other		128,124	128,124	53,776	
Unrestricted	454,757	760,924	1,215,681		110,181
Total net position	11,489,246	3,618,742	15,107,988	56,670	295,352
Total liabilities and net position	$ 14,762,150	$ 7,940,271	$ 22,702,421	$ 386,851	$ 1,115,779

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, 2013
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $7,824 and unamortized discount of $5,238	$	38,470
Interest receivable		2,375
Cash value of life insurance		986
Land, buildings and equipment net of accumulated depreciation of $256		1,107
Investments		745,145
Total assets	$	788,083
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	8,052
Annuity obligations		15,204
Total liabilities		23,256
Net assets:		
Unrestricted		81,421
Temporarily restricted		135,973
Permanently restricted		547,433
Total net assets		764,827
Total liabilities and net assets	$	788,083

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, 2013
(Expressed in thousands)

Assets		
Investments	$	466,010
Liabilities and Net Assets		
Liabilities:		
Accounts Payable	$	99
Total liabilities		99
Net assets:		
Temporarily restricted		31,051
Permanently restricted		434,860
Total net assets		465,911
Total liabilities and net assets	$	466,010

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

Statement of Activities
For the Year Ended June 30, 2013
(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	$ 1,538,578	$ 349,146	$ 287,399	$ 414
Education	3,587,503	5,537	594,421	378
Health and human services	6,769,015	427,284	4,621,173	698
Transportation	823,616	110,722	1,729	574,543
Law, justice and public safety	747,845	83,600	94,683	32,633
Recreation and resources development	258,084	83,163	33,753	396
Regulation of business and professionals	124,065	86,797	9,426	
Interest expense	41,036			
Total governmental activities	13,889,742	1,146,249	5,642,584	609,062
Business-type activities:				
Higher education	3,499,550	1,572,301	884,874	31,602
Workers' Compensation Commission	18,368	17,372		
Department of Workforce Services	521,449	454,253	210,356	
Lottery Commission	352,063	440,105		
War Memorial Stadium Commission	3,242	2,337	9	
Public School Employee Health and Life Benefit Plan	306,798	277,390		
Revolving Loans	10,267	4,273	34,614	
Total business-type activities	4,711,737	2,768,031	1,129,853	31,602
Total primary government	$ 18,601,479	$ 3,914,280	$ 6,772,437	$ 640,664
Component units:				
Arkansas Student Loan Authority	$ 16,542	$ 16,024	$	
Arkansas Development Finance Authority	54,570	31,235	28,313	
Total component units	$ 71,112	$ 47,259	$ 28,313	

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

Change in net position
Net position - beginning
Net position - 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
$ (901,619)	$	$ (901,619)		
(2,987,167)		(2,987,167)		
(1,719,860)		(1,719,860)		
(136,622)		(136,622)		
(536,929)		(536,929)		
(140,772)		(140,772)		
(27,842)		(27,842)		
(41,036)		(41,036)		
(6,491,847)		(6,491,847)		
	(1,010,773)	(1,010,773)		
	(996)	(996)		
	143,160	143,160		
	88,042	88,042		
	(896)	(896)		
	(29,408)	(29,408)		
	28,620	28,620		
	(782,251)	(782,251)		
(6,491,847)	(782,251)	(7,274,098)		
			$ (518)	$
				4,978
			(518)	4,978
3,013,345		3,013,345		
2,570,848		2,570,848		
437,310		437,310		
955,369	30,402	985,771		
6,976,872	30,402	7,007,274		
(1,911)	37,655	35,744		
313,003	210,293	523,296	123	
(784,945)	784,945	-		
6,503,019	1,063,295	7,566,314	123	
11,172	281,044	292,216	(395)	4,978
11,478,074	3,337,698	14,815,772	57,065	290,374
$ 11,489,246	$ 3,618,742	$ 15,107,988	$ 56,670	$ 295,352

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2013
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 13,834	$ 34,534	$ 13,538	$ 61,906
Interest and dividends	3,101	5,235	292	8,628
Net realized and unrealized gains on investments	5,157	17,227	38,353	60,737
Other	100			100
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	51,748	(51,748)		
Total revenues, gains and other support	73,940	5,248	52,183	131,371
Expenses and losses:				
Program services:				
Construction	9,850			9,850
Research	16,466			16,466
Faculty/staff support	14,209			14,209
Scholarships and awards	8,980			8,980
Public/staff relations	2,142			2,142
Equipment	4,383			4,383
Sponsored programs	1,087			1,087
Other	11,386			11,386
Total program services	68,503			68,503
Supporting services:				
Management and general	434			434
Fund raising	1,593			1,593
Change in value of split-interest agreements			(45)	(45)
Provision for loss on uncollectible pledges	199	11,409	62	11,670
Total supporting services	2,226	11,409	17	13,652
Total expenses and losses	70,729	11,409	17	82,155
Change in net assets	3,211	(6,161)	52,166	49,216
Net assets - beginning	78,210	142,134	495,267	715,611
Net assets - ending	$ 81,421	$ 135,973	$ 547,433	$ 764,827

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 Year Ended June 30, 2013
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 2,649	$ 88	$ 2,737
Net realized and unrealized gains on investments		13,266	32,722	45,988
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	18,618	(9,518)	(9,100)	
Total revenues, gains and other support	18,618	6,397	23,710	48,725
Expenses and losses:				
Program services:				
Construction	4,685			4,685
Research	1,170			1,170
Faculty/staff support	2,391			2,391
Scholarships and awards	9,267			9,267
Equipment and technology	953			953
Other	152			152
Total program services	18,618			18,618
Change in net assets		6,397	23,710	30,107
Net assets - beginning		24,654	411,150	435,804
Net assets - ending	$	$ 31,051	$ 434,860	$ 465,911

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

Balance Sheet
Governmental Fund
June 30, 2013
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	520,930
Investments		2,631,782
Receivable, net:		
Accounts		127,417
Taxes		367,512
Medicaid		208,104
Loans		238,595
Leases		938
Interest		17,057
Other		43,078
Due from other funds		42,976
Due from other governments		157,603
Advances to other funds		6,671
Prepaid items		20,915
Inventories		59,841
Deposits with component unit		22,713
Total assets	$	4,466,132
Liabilities and Fund Balance		
Liabilities:		
Accounts payable	$	48,111
Accrued and other current liabilities		164,327
Deferred revenue		143,931
Income tax refunds payable		357,695
Due to other governments		92,627
Due to other funds		19,352
Advances from other funds		933
Medicaid claims payable		319,147
Total liabilities		1,146,123
Fund balance:		
Nonspendable		
Prepaid items		20,915
Inventories		59,841
Loans		238,595
Leases		938
Restricted		555,555
Committed		1,286,331
Assigned		205,204
Unassigned		952,630
Total fund balance		3,320,009
Total liabilities and fund balance	$	4,466,132

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 Position
June 30, 2013
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 3,320,009
Amounts reported for governmental activities in the Statement of Net Position 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	$ 930,662	
Infrastructure assets	12,615,109	
Other capital assets	3,948,092	
Accumulated depreciation	(7,185,944)	
Total capital assets		10,307,919
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.		5,920
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.		116,512
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:		
Bonds, notes and leases payable	$ (1,041,139)	
Installment sales payable	(10,870)	
Claims, judgments, arbitrage and compensated absences	(375,007)	
Net OPEB obligation	(779,361)	
Pollution remediation obligation	(22,488)	
Loss of early retirement	18,043	
Unamortized bond issue premium	(45,109)	
Accrued interest on bonds, notes, installment sales payable and leases	(6,886)	
Unamortized bond issue discounts	1,703	
Total long-term liabilities		(2,261,114)
Net position of governmental activities		$ 11,489,246

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 Year Ended June 30, 2013
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,011,514
Consumers sales and use		2,571,964
Gas and motor carrier		436,390
Other		956,482
Intergovernmental		6,232,982
Licenses, permits and fees		1,182,989
Investment earnings		(1,911)
Miscellaneous		324,745
Total revenues		14,715,155
Expenditures:		
Current:		
General government		1,410,902
Education		3,583,254
Health and human services		6,761,841
Transportation		422,153
Law, justice and public safety		718,798
Recreation and resources development		238,143
Regulation of business and professionals		120,715
Debt service:		
Principal retirement		125,590
Interest		46,206
Bond issuance costs		1,231
Capital outlay		725,445
Total expenditures		14,154,278
Excess of revenues over expenditures		560,877
Other financing sources (uses):		
Issuance of debt		264,159
Bond discounts/premiums		33,742
Lease proceeds		6,325
Sale of capital assets		3,596
Transfers in		304,538
Transfers out		(1,089,457)
Payment to refunding escrow agent		(19,368)
Total other financing sources and uses		(496,465)
Net change in fund balance		64,412
Fund balance - beginning		3,255,597
Fund balance - ending	$	3,320,009

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2013
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 64,412
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	$ 725,445	
Depreciation expense	(488,944)	
Excess of capital outlay over depreciation expense		236,501
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to decrease net position.		3,982
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(265,739)
Bonds issued at a premium provide current financial resources to government funds, but decrease the long-term liabilities in the Statement of Net Position.		(33,875)
Bonds issued at a discount reduce current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		134
Bond issuance costs are expenditures to governmental funds, but are current deferred charges in the Statement of Net Position.		1,231
Payment to refunding escrow agents use current financial resources to governmental funds but reduce long-term liabilities in the Statement of Net Position.		19,368
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 Position, the lease obligation is reported as a liability.		(6,325)
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 Position. In the current year, these amounts consist of:		
Bond, loan and lease principal retirement		125,590
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		13,740
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	$ 3,115	
Increase in claims, judgments, arbitrage and compensated absences	(922)	
Amortization of bond premium and discount	7,760	
Amortization of bond issuance costs	(859)	
Amortization of early retirement	(4,599)	
Decrease in pollution remediation obligations	101	
Loss on sale of capital assets	(4,423)	
Increase in accrued interest	(1,105)	
Increase in other postemployment benefits obligations	(146,915)	
Total additional expenditures		(147,847)
Change in net position of governmental activities		$ 11,172

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

Statement of Net Position
Proprietary Funds
June 30, 2013
(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	$ 559,606	$ 16,044	$ 185,641	$ 4,471	$ 167,907	$ 933,669
Cash and cash equivalents - restricted				39,569		39,569
Investments	205,040	117,248			45,545	367,833
Receivables						
Accounts receivable, net	244,541	8,146	150,001	10,814	3,350	416,852
Loans & notes receivable, net	7,206				5,737	12,943
Interest	156	243	53		868	1,320
Due from other funds	14,805	652	1,886	7	2	17,352
Due from other governments	8,895		1,766			10,661
Other current receivables	11,269					11,269
Advances to other funds					885	885
Inventories	32,983				6	32,989
Prepaid items	3,940	49		32		4,021
Deposits with bond trustee	25,820					25,820
Other current assets	11,557				3	11,560
Total current assets	1,125,818	142,382	339,347	54,893	224,303	1,886,743
Noncurrent assets:						
Cash and cash equivalents - restricted	130,934			20,071		151,005
Deposits with Multi-State Lottery Association				1,774		1,774
Investments						
Endowment	229,932					229,932
Restricted	1,985	108			25,423	27,516
Unrestricted	33,183					33,183
Receivables						
Loans & notes receivable, net	51,644					51,644
Due from other governments	1,703					1,703
Other noncurrent receivables	951					951
Capital assets:						
Land	135,373	580				135,953
Infrastructure	400,694					400,694
Buildings	4,331,815	2,272	4,000		22,444	4,360,531
Equipment	725,112	833	49	527	1,362	727,883
Improvements other than building	25,673				446	26,119
Leasehold improvements	3,012			498		3,510
Construction in progress	318,565				1,486	320,051
Other depreciable assets	367,659	558	273		240	368,730
Less accumulated depreciation	(2,612,237)	(2,775)	(1,061)	(667)	(9,580)	(2,626,320)
External portion of investment pool	1,198,369					1,198,369
Advances to other funds					6,412	6,412
Loans receivable - restricted					412,355	412,355
Deposits with bond trustee	265,337					265,337
Financial assurance instruments		11,502				11,502
Other noncurrent assets	534				529	1,063
Total noncurrent assets	5,610,238	13,078	3,261	22,203	461,117	6,109,897
Total assets	$ 6,736,056	$ 155,460	$ 342,608	$ 77,096	$ 685,420	$ 7,996,640

Statement of Net Position
Proprietary Funds
June 30, 2013
(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	$ 76,962	$ 7	$ 51,926	$ 228	$ 6,285	$ 135,408
Prizes payable				18,798		18,798
Accrued interest	11,833		4,662		229	16,724
Accrued and other current liabilities	85,983	147		1,270	112	87,512
Advances from other funds	3,152					3,152
Due to other funds	3,407	6	19	39,533	369	43,334
Due to other governments		1	169,605			169,606
Funds held in trust for others	9,845					9,845
Workers' compensation benefits payable		15,416				15,416
Bonds, notes and leases payable	98,685				12,610	111,295
Claims, judgements and compensated absences	29,889	109		48	29,555	59,601
Deferred revenue	52,835			302	2,015	55,152
Total current liabilities	372,591	15,686	226,212	60,179	51,175	725,843
Noncurrent liabilities:						
Workers' compensation benefits payable		240,699				240,699
External portion of investment pool	1,198,369					1,198,369
Advances from other funds	9,883					9,883
Bonds, notes and leases payable	1,927,440				73,721	2,001,161
Net postemployment benefits payable	72,785	3,445		1,024	159	77,413
Claims, judgements and compensated absences	89,860	635		282	300	91,077
Deferred revenue	19,329				2,623	21,952
Other noncurrent liabilities		11,501				11,501
Total noncurrent liabilities	3,317,666	256,280		1,306	76,803	3,652,055
Total liabilities	3,690,257	271,966	226,212	61,485	127,978	4,377,898
Net Position						
Net investment in capital assets	1,909,590	1,468	3,261	358	14,398	1,929,075
Restricted for:						
Expendable						
Debt service	21,797					21,797
Capital projects	121,278					121,278
Program requirements	3,040			21,000	546,281	570,321
Other	126,280			1,844		128,124
Nonexpendable - endowments	87,223					87,223
Unrestricted (deficit)	776,591	(117,974)	113,135	(7,591)	(3,237)	760,924
Total net position	3,045,799	(116,506)	116,396	15,611	557,442	3,618,742
Total liabilities and net position	$ 6,736,056	$ 155,460	$ 342,608	$ 77,096	$ 685,420	$ 7,996,640

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

Statement of Revenues, Expenses and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2013
(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	$ 1,280,829	$	$	$	$ 279,727	$ 1,560,556
Lottery collections				439,548		439,548
Licenses, permits and fees	291,472			557	4,273	296,302
Grants and contributions	402,875					402,875
Insurance taxes		17,372				17,372
Unemployment taxes			454,253			454,253
Investment earnings					8,743	8,743
Miscellaneous	166,109	226	41,004	4	435	207,778
Total operating revenues	2,141,285	17,598	495,257	440,109	293,178	3,387,427
Operating expenses:						
Cost of sales and services				47,103	923	48,026
Lottery prize payments				292,124		292,124
Compensation and benefits	2,132,797	9,043		6,049	586	2,148,475
Supplies and services	859,889	696	5,683	5,374	25,629	897,271
General and administrative expenses	1,651	799	2,192	1,231	890	6,763
Federal financial assistance					6,040	6,040
Scholarships and fellowships	215,508					215,508
Benefit and aid payments		7,723	506,545		281,820	796,088
Depreciation and amortization	226,257	100	147	182	836	227,522
Amortization of bond costs					(1,202)	(1,202)
Interest					4,785	4,785
Total operating expenses	3,436,102	18,361	514,567	352,063	320,307	4,641,400
Operating income (loss)	(1,294,817)	(763)	(19,310)	88,046	(27,129)	(1,253,973)
Nonoperating revenues (expenses):						
Investment earnings	28,502	(1,224)	(529)	323	1,840	28,912
Taxes	30,402					30,402
Grants and contributions	481,999		210,356		34,623	726,978
Interest and amortization expense	(62,097)	(7)	(6,882)			(68,986)
Loss on sale of capital assets	(1,351)					(1,351)
Other nonoperating revenue (expense)	1,614				901	2,515
Total nonoperating revenues (expenses)	479,069	(1,231)	202,945	323	37,364	718,470
Income (loss) before transfers and contributions	(815,748)	(1,994)	183,635	88,369	10,235	(535,503)
Transfers in	968,369		104,831	7,142	9,141	1,089,483
Transfers out	(78,988)	(1)	(118,039)	(97,599)	(9,911)	(304,538)
Capital grants and contributions	31,493					31,493
Donated assets	109					109
Change in net position	105,235	(1,995)	170,427	(2,088)	9,465	281,044
Total net position - beginning	2,940,564	(114,511)	(54,031)	17,699	547,977	3,337,698
Total net position - ending	$ 3,045,799	$ (116,506)	$ 116,396	$ 15,611	$ 557,442	$ 3,618,742

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, 2013
(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	$ 1,302,316	$	$	$ 440,234	$ 278,539	$ 2,021,089
Cash received from other government agencies	396,292					396,292
Auxiliary enterprise charges	244,308					244,308
Payments to employees	(2,017,838)	(8,371)		(5,692)	(549)	(2,032,450)
Payments of benefits	(188,278)	(15,981)	(508,320)		(279,320)	(991,899)
Payments to suppliers	(846,986)	(1,512)	(7,627)	(52,261)	(26,155)	(934,541)
Insurance taxes		18,131				18,131
Unemployment taxes			420,907			420,907
Payments for lottery prizes				(289,314)		(289,314)
Interest received (paid)	169				5,064	5,233
Loan administration received (paid)	(6,991)				(37,921)	(44,912)
Federal grant funds expended					(6,041)	(6,041)
Other receipts (payments)	40,033	226	41,004	(2,228)	3,803	82,838
Net cash provided by (used in) operating activities	(1,076,975)	(7,507)	(54,036)	90,739	(62,580)	(1,110,359)
Cash flows from noncapital financing activities:						
Direct lending receipts	573,759					573,759
Direct lending payments	(571,563)				(11,820)	(583,383)
Taxes	27,775					27,775
Grants and contributions	461,389		208,627		34,929	704,945
Proceeds from bond issuance					3	3
Other receipts (payments)	22,341		(151,852)			(129,511)
Transfers in	968,369		104,831	6,342	9,141	1,088,683
Transfers out	(78,988)	(1)	(118,039)	(115,200)	(9,950)	(322,178)
Net cash provided by (used in) noncapital financing activities	1,403,082	(1)	43,567	(108,858)	22,303	1,360,093
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(220,503)	(14)				(220,517)
Interest paid on capital debts and leases	(71,957)	(9)			(128)	(72,094)
Acquisition and construction of capital assets	(387,462)	(5)			(1,026)	(388,493)
Proceeds from governmental sources	3,112					3,112
Proceeds from long-term borrowings	354,487					354,487
Proceeds from sale of capital assets	299					299
Other receipts (payments) (1)	52,099					52,099
Net cash used in capital and related financing activities	(269,925)	(28)			(1,154)	(271,107)
Cash flows from investing activities:						
Purchase of investments	(167,740)				(30,601)	(198,341)
Proceeds from sale and maturities of investments	140,421	3,639			63,620	207,680
Interest and dividends on investments	5,513	(1,126)	(582)	323	80	4,208
Net cash provided by (used in) investing activities	(21,806)	2,513	(582)	323	33,099	13,547
Net increase (decrease) in cash and cash equivalents	34,376	(5,023)	(11,051)	(17,796)	(8,332)	(7,826)
Cash and cash equivalents - beginning	656,164	21,067	196,692	81,907	176,239	1,132,069
Cash and cash equivalents - ending	$ 690,540	$ 16,044	$ 185,641	$ 64,111	$ 167,907	$ 1,124,243

(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, 2013
(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)	$ (1,294,817)	$ (763)	$ (19,310)	$ 88,046	$ (27,129)	$ (1,253,973)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	226,137	100	147	182	836	227,402
Amortization	120				(349)	(229)
Net (appreciation) depreciation of investments					120	120
Other operating activities	4,245					4,245
Net changes in assets and liabilities:						
Accounts receivable	(21,821)	759	(33,346)	157	(1,508)	(55,759)
Loans receivable	80				(37,737)	(37,657)
Inventory	(1,181)				2	(1,179)
Prepaid items		(15)				(15)
Other current assets	(1,537)			(7)	412	(1,132)
Other assets				(89)		(89)
Current liabilities	(3,936)		248			(3,688)
Accounts payable and other accrued liabilities	11,550	(8,253)	(1,775)	2,148	2,520	6,190
Net other postemployment benefits	9,647	626		296	30	10,599
Compensated absences	(4,802)	39		38	7	(4,718)
Deferred revenue	(660)			(32)	216	(476)
Net cash provided by (used in) operating activities	$ (1,076,975)	$ (7,507)	$ (54,036)	$ 90,739	$ (62,580)	$ (1,110,359)
Non-cash investing, capital and financing activities:						
Increase (Decrease) in fair value of investments	$ 549					$ 549
Donated capital assets	158,679					158,679
CD interest reinvested	32					32
Capital gifts	5,844					5,844
Fixed asset acquisition paid for by the State of Arkansas	21,065					21,065
Fixed asset acquisition directly from bond/note proceeds	10					10
Proceeds from refunding bond issues deposited directly with trustee	47,876					47,876
Proceeds from construction bond issues deposited directly with trustee	16,000					16,000
Proceeds from refunding bonds	4,282					4,282
Proceeds from special obligation bonds and accrued interest	3,417					3,417
Bond proceeds, premiums, accrued interest deposited directly with trustee	219,997					219,997
Bond discount and issue costs	3,775					3,775
Deferral on debt defeasance	8					8
Bond premium	28					28
Capital assets acquired by incurring capital leases and notes payable	15,614					15,614
Principal on long term debt paid directly by UA Foundation, Inc.	11					11
Principal on capital debt paid by trustee	5,564					5,564
Interest on capital debt paid by trustee	485					485
Accrued interest	239					239
Gain/(Loss) on disposal of capital assets	(554)					(554)
Valuation adjustment to capital assets	1,731					1,731
Construction expenditures paid directly from bond trustee	229					229
Revenue received by bond trustee	689					689
Interest subsidy Series 2010B	117					117
Payments by Foundation for scholarships	98					98
Deferred revenue from skybox purchase	850					850

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2013
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 499,067	$ 36,867
Receivables:		
Employee	10,584	
Employer	33,285	
Investment principal	251,123	
Interest and dividends	39,800	19
Other	12,004	12
Due from other funds	2,465	
Total receivables	349,261	31
Investments at fair value		
Certificates of deposit		23,154
U.S. government securities	527,038	
Bonds, notes, mortgages and preferred stock	519,920	92,457
Common stock	5,533,313	
Real estate	373,887	
International investments	5,802,579	
Pooled investment funds	2,730,391	
Corporate obligations	1,127,217	
Asset and mortgage-backed securities	222,509	
Other	3,585,157	
Total investments	20,422,011	115,611
Securities lending collateral	1,407,921	
Financial assurance instruments		268,992
Capital assets	269	
Other assets	175	
Total assets	22,678,704	421,501
Liabilities		
Accounts payable and other liabilities	18,659	359
Investment principal payable	230,324	
Obligations under securities lending	1,408,904	
Postemployment benefit liability	3,661	
Due to other governments		131,137
Due to other funds	107	
Due to third parties		290,005
Total liabilities	1,661,655	421,501
Net Position		
Held in trust for employees' pension benefits	21,017,049	
Total net position	$ 21,017,049	$

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2013
(Expressed in thousands)

	Pension Trust Funds
Additions:	
Contributions:	
Members	$ 168,076
Employers	676,577
Supplemental contributions	11,215
Title fees	4,357
Court fees	1,969
Reinstatement fees	882
Total contributions	863,076
Investment income:	
Net increase (decrease) in fair value of investments	2,549,768
Interest, dividends and other	279,387
Other investment income	15,275
Securities lending income	4,511
Total investment (loss)	2,848,941
Less investment expense	76,519
Net investment (loss)	2,772,422
Miscellaneous	7,107
Total additions	3,642,605
Deductions:	
Benefits paid to participants or beneficiaries	1,365,021
Refunds of employee/employer contributions	20,648
Administrative expenses	15,480
Total deductions	1,401,149
Change in net position held in trust for employees' pension benefits	2,241,456
Net position - beginning	18,775,593
Net position - ending	$ 21,017,049

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

Notes to the Financial Statements – Table of Contents

Notes to the Financial Statements
For the Year Ended June 30, 2013

(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 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.

Two component units meet the criteria to be discretely presented in the financial statements. The financial information of the organizations is presented in separate columns in the government-wide financial statements to emphasize that they are legally separate from the State.

The State is financially accountable for these organizations because the board members are appointed by the governor or other elected officials and the State is able to impose its will on their operations.

Arkansas Student Loan Authority (ASLA) was established pursuant to Act 873 of 1977. ASLA provides access to, and information about, educational funding for all Arkansas students interested in attending institutions of higher education. The students attend qualified Arkansas educational institutions or are Arkansas residents who attend qualified institutions located outside the State of Arkansas. The board consists of seven members appointed by the governor. Bonds cannot be issued by ASLA without the consent of the State Board of Finance and approval of the governor.

Complete financial statements for ASLA can be obtained by contacting:

Arkansas Student Loan Authority
3801 Woodland Heights Road, Suite 200
Little Rock, AR 72212
Website: http://www.asla.info/

Arkansas Development Finance Authority (ADFA) was established pursuant to Act 1062 of 1985, as amended. 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. The board has the authority to hire a president who serves at the will of the governor.

Complete financial statements of ADFA can be obtained by contacting:

Arkansas Development Finance Authority
900 West Capitol, Suite 310
P. O. Box 8023
Little Rock, AR 72203
Website: http://www.arkansas.gov/adfa/

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 and 61.

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 current or previous 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.
535 Research Center Blvd.
Suite 120
Fayetteville, AR 72701

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

The foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. 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) 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, 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.

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.

(e) Government-Wide Financial Statements

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets, and adjusted for any deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt.
- Restricted net position results when constraints placed on asset use are either externally imposed by creditors, grantors, contributors or the like or imposed by law through constitutional provision or enabling legislation. The amount of restricted assets is reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position does not meet the definition of the two preceding categories and is 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.

(f) 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 position, 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 are descriptions 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. Operating revenues include assessments, fees and charges paid by insurance carriers, self-insured employers and public employers. Operating expenses include benefit and aid payments, administrative expenses, and depreciation and amortization of capital assets.

Department of Workforce Services - Unemployment Insurance Fund

The Unemployment Insurance Fund reports the Unemployment Insurance Program administered by the Department of Workforce Services. Operating revenues include contributions from employers for unemployment insurance and other charges. Operating expenses include benefit and aid payments, administrative expenses and depreciation on capital assets.

Arkansas Lottery Commission Fund

The Arkansas Lottery Commission Fund's primary purpose is to supplement higher education scholarships with net proceeds from the State's 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; financing of energy efficiency and conservation projects for residential homes; 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.

(g) Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position 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 position. 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, 2013, five campuses, the University of

Arkansas Cooperative Extension Service, and five foundations participated in the Pool. The foundations hold approximately $1.5 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 position. Cash, cash equivalents and investments relating to university endowments are also reflected as noncurrent assets in the statement of net position.

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 thousand. All other capital assets, including equipment, are capitalized when the cost of an individual item exceeds $5 thousand 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 $1.0 million for internally generated software or $5 thousand 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	5-10 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, 2013, is $45.6 million and is not reflected in the financial statements.

Depreciation and Useful Lives

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

Assets	Years
Equipment	5-20
Buildings & building improvements	20-50
Infrastructure	10-40
Land improvements	10-100
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 that 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, 2013, is related to projected refund estimates attributable to fiscal year 2013 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.

Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

The State did not report any deferred outflows of resources or deferred inflows of resources as of June 30, 2013.

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, discounts and 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, discounts and 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 Position/Fund Balance

The difference between total assets, total deferred outflows of resources, total liabilities and total deferred inflows of resources is presented as “Net Position” 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 Position

Assets and net position 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.

(h) 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, 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.

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

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 and 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* and GASB Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments.* 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 required supplementary information for both defined benefit and defined contribution pension plans. The new information will enhance the decision-usefulness of the financial reports of these pension plans, their value for assessing accountability, and their transparency. 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 accounting and 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, 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).

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, establishes accounting and financial reporting requirements for combinations and disposals of government operations. Government combinations include a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The Statement provides guidance specific to situations and circumstances encountered within the governmental environment. Specific guidance provided by the Statement includes determining whether a specific combination is a merger, acquisition or transfer of operations; how acquired assets and assumed liabilities are to be measured; and the reporting of the disposal of government operations that have been transferred or sold. Disclosures are required to be made about government combinations and disposals to enable evaluation of the transactions. The provisions in Statement No. 69 are effective for fiscal years beginning after December 15, 2013 (i.e., fiscal year 2015).

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, requires a state or local government guarantor that offers a nonexchange financial guarantee to another government, organization, or individual to recognize a liability on its financial statements when it is *more likely than not* that the guarantor will be required to make a payment to the obligation holders under the agreement. A financial guarantee is a commitment by the government to indemnify a holder on an obligation issued by another entity if the issuing entity does not fulfill its payment requirements. If the government extending the guarantee does not receive equal or approximately equal value in return, then it is a nonexchange financial guarantee. The Statement also provides reporting and disclosure guidance for governments that issue obligations guaranteed by a nonexchange financial guarantee. The requirements of this Statement are effective for reporting periods beginning after June 15, 2013 (i.e. fiscal year 2014).

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, eliminates a potential source of understatement of the restated beginning net position in the first year of implementation of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. When transitioning to Statement 68, Statement 71 requires a state or local government to recognize a beginning deferred outflow of resources for pension contributions made between the measurement date of the beginning net pension liability and the beginning of the initial fiscal year of implementation. The requirements of this Statement are effective for reporting periods 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 in excess of FDIC deposit insurance coverage with securities pledged to a cash fund agency by a financial institution to be held by a third party custodian is 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, 2013, the reported bank balances of the general fund were $798,276,019. Of this amount, $1,912,512 was uninsured and uncollateralized, $6,572,132 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 $60,492,599 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the enterprise funds were $888,607,735. Of this amount, $25,424,808 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 $81,474,636 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the fiduciary funds were $98,585,648. Of this amount, $18,443,186 was uninsured and uncollateralized, and $5,659,748 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2013, the reported bank balances of the component units were $8,191,014. Of this amount, $5,533,000 was uninsured and uncollateralized, and $352,000 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, 2013, 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					
Commercial paper	$ 37,902	$ 37,902	$	$	$
Money market mutual funds	214,400	214,400			
Negotiable certificates of deposit	2,236	1,094	1,142		
Other loans	37,532		3,611	33,921	
Other short-term investments	172	172			
U.S. government agencies	2,165,412	8,430	2,156,982		
U.S. treasuries	17,262	9,684	3,800		3,778
Subtotal	2,474,916	271,682	2,165,535	33,921	3,778
Enterprise funds					
Corporate bonds	10,319	3,081	5,272	1,588	378
Commerical paper	2,477	2,477			
Money market mutual fund	156,664	156,436		228	
Mutual bond fund	355		355		
Negotiable certificates of deposit	1,897		1,897		
Other loans	2,453		236	2,217	
U.S. government agencies	270,069	98,740	166,998	1,760	2,571
U.S. treasuries	33,753	31,679	1,950	124	
Subtotal	477,987	292,413	176,708	5,917	2,949
Fiduciary funds					
Asset and mortgage-backed securities	425,950	120,504	76,783	13,628	215,035
Bonds and loans	28,301	3	4,640	18,577	5,081
Commercial paper	1,608	1,608			
Commingled funds	1,673,534	27,914	380,626	1,187,680	77,314
Conventional mortgages	9,273		9,273		
Corporate bonds	1,847,193	278,992	749,779	449,659	368,763
External investment pools	703,833	610,653	70,614	22,566	
International investments	83,827	6,048	21,596	33,925	22,258
Municipal bonds	8,154	2,826	2,627	1,879	822
Other loans	1,592		153	1,439	
Short-term investments	792,466	792,466			
U.S. government agencies	573,289	50,899	219,078	111,237	192,075
Subtotal	6,149,020	1,891,913	1,535,169	1,840,590	881,348
Component units					
Domestic corporate bonds	4,138	387	2,141	1,330	280
Guaranteed investment contracts	12,506		2,104		10,402
Money market mutual funds	149,783	149,783			
Mortgage-backed securities	484,237			9,211	475,026
Mutual bond funds	984	984			
U.S. government agencies	17,949	441	11,847	3,866	1,795
U.S. treasuries	7,385	3,628	3,352	405	
Subtotal	676,982	155,223	19,444	14,812	487,503
Total	$ 9,778,905	$ 2,611,231	$ 3,896,856	$ 1,895,240	$ 1,375,578

Corporate Bonds

As of June 30, 2013, 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 $547,060,424, $316,587,968, $161,793,945 and $27,309,166, 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, 2013, only the bonds held by ASHERS were considered highly sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2013, APERS and ATRS held convertible bonds with fair values of $176,656,875 and $353,837,845, 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, 2013, 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. 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, 2013, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General fund			
AAA	$ 125,238	Aaa	$ 2,290,650
AA	2,165,412	P1	37,902
A1	37,902	Unrated	129,102
Unrated	129,102		
Subtotal	2,457,654		2,457,654
Enterprise funds			
AAA	371,156	Aaa	389,443
AA	155,166	Aa	275
A	3,612	A	1,617
A1	2,477	P1	2,477
B and below	847	Baa and below	565
Unrated	57,275	Unrated	196,156
Subtotal	590,533		590,533
Fiduciary funds			
AAA	194,183	Aaa	883,977
AA	949,837	Aa	278,724
A	721,335	A	287,330
A1	1,608	P1	280,130
BBB	561,170	Baa	590,881
BB	279,594	Ba	204,404
B	230,851	B	230,173
CCC or lower	45,299	C or lower	37,947
Unrated	3,058,567	Unrated	3,248,878
Subtotal	6,042,444		6,042,444
Component units			
AAA	151,705	Aaa	659,195
AA	518,952	Aa	5,406
A	2,555	A	4,009
BBB	1,274	Baa	5,853
Unrated	2,496	Unrated	2,519
Subtotal	676,982		676,982
Total	$ 9,767,613		$ 9,767,613

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, 2013, the reported amount of the fiduciary funds' investments was $6,149,020,257. Of this amount, $948,127 was 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 $523,566,247, Federal National Mortgage Association securities of $1,256,710,342, and Federal Home Loan Mortgage Corporation securities of $266,141,844 or 20.96%, 50.30%, and 10.65%, respectively. The State's investments representing greater than 5% of total investments of the enterprise fund included Federal Home Loan Bank securities of $65,676,547 and Federal National Mortgage Association securities of $90,102,654 or 6.25% and 8.58%, respectively.

The Arkansas Development Finance Authority (ADFA) and the Arkansas Student Loan Authority (ASLA), component units of the State, place no limit on the amount that may be invested in any one issuer. The component units' investments in Federal National Mortgage Association securities represented $45,393,825 or 6.71% 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, 2013, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Cash
Australian Dollar	$ 39,273	$ 2,920	$ 35,990	$ 360	$ 3
Brazilian Real	18,223	7,006	10,307	903	7
British Pound Sterling	352,026	4,497	349,994	(3,114)	649
Canadian Dollar	45,360	9,501	35,045	472	342
Chilean Peso	3,485	2,336		952	197
Chinese Yuan Renmir	10,824		10,047	777	
Columbian Peso	2,208	1,477	168	563	
Czech Koruna	(5)			(5)	
Danish Krone	26,308		26,308		
Euro	338,347	42,285	338,388	(46,930)	4,604
Hong Kong Dollar	79,377		78,424	858	95
Hungarian Forint	(113)			(113)	
Indian Rupee	548				548
Indonesian Rupiah	4,839		4,295	544	
Japanese Yen	163,929	980	184,958	(22,524)	515
Malaysian Ringgit	13,678	3,316	9,946	381	35
Mexico Nuevo Peso	22,919	8,487	11,872	2,553	7
New Taiwan Dollar	9,872		9,833		39
New Zealand Dollar	4,282	2,840		1,442	
Norwegian Krone	25,630		23,506	2,124	
Peruvian Nuevo Sol	(28)	316		(344)	
Philippine Peso	7,364	5,644	1,533	187	
Polish Zloty	379			379	
Russian Ruble	4,862		4,817	45	
Singapore Dollar	6,981		4,898	2,082	1
South African Rand	8,087		7,545	542	
South Korean Won	13,010		12,627	381	2
Swedish Krona	57,083		54,828	2,189	66
Swiss Franc	120,332		120,266		66
Thailand Baht	1,930		1,778		152
Turkish Lira	6,106		6,096		10
Uruguayan Peso	775	775			
Total Fair Value	$ 1,387,891	$ 92,380	$ 1,343,469	$ (55,296)	$ 7,338

(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 position. 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 position. At June 30, 2013, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $117.6 million, collectively. Market values of these outstanding contracts were $114.6 million resulting in an unrealized loss of $3.0 million. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $174.7 million at June 30, 2013. Market values of these contracts were $169.9 million resulting in an unrealized gain of approximately $4.8 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, 2013, the retirement systems held $236.9 million of mortgage-backed securities.

Asset-Backed Securities

As of June 30, 2013, APERS, ATRS and AJRS held asset-backed securities with the combined fair value of $194.9 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 $1.2 billion and $28.9 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, 2013, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows (expressed in thousands):

Foreign Currency Forward	Change in Fair Value	Fair Value	Notional Amount	
Australian Dollar	$ 67,006	$ (128,742)	AUD	$ 393,457
Brazilian Real	(1,414)	(1,414)	BRL	2,040,220
Canadian Dollar	1,849	(54,865)	CAD	672,711
Swiss Franc	51,036		CHF	
Chilean Peso	(36,565)	(36,565)	CLP	488,816,440
Chinese Yuan Renminbi	31,943	31,943	CNY	4,866,214
Columbian Peso	(5,030)	(5,030)	COP	1,098,664,610
Czech Koruna	(21,178)	(21,178)	CZK	(94,662)
Euro	1,435,605	1,163,156	EUR	29,101,849
British Pound Sterling	269,743	83,229	GBP	(434,379)
Hong Kong Dollar	3,719	(5)	HKD	345,975
Hungarian Forint	(982)	(982)	HUF	(25,672,652)
Indonesian Rupiah	(15,890)	(15,890)	IDR	983,595
Japanese Yen	1,352,180	1,452,262	JPY	(2,207,606,044)
South Korean Won	(459)	(459)	KRW	438,094,100
Mexican Nuevo Peso	(47,601)	(47,601)	MXN	24,343,843
Malaysian Ringgit	(202)	(202)	MYR	1,213,055
Norwegian Krone	(103,448)	(164,323)	NOK	12,979,610
New Zealand Dollar	(162,352)	(162,352)	NZD	1,869,901
Peruvian Nuevo Sol	2,433	2,433	PEN	(957,692)
Philippine Peso	(10,175)	(10,175)	PHP	(8,385,538)
Polish Zloty	(85,641)	(85,641)	PLN	1,265,097
Russian Ruble	(36,343)	(36,343)	RUB	1,488,968
Swedish Krona	(116,086)	(116,086)	SEK	14,779,347
Singapore Dollar	(92,298)	(92,298)	SGD	2,640,151
Thai Baht	10,791		THB	
United States Dollar	(1,598,058)	16,596	USD	15,219,654
South African Rand	86,570		ZAR	
Total Foreign Currency Forwards	$ 979,153	$ 1,769,468		
Futures Contract	$ 46,768	$ 46,768	EUR	$ (4,100,000)
Futures Contract	608,962	608,962	USD	(29,400,000)
Total Futures Contracts	$ 655,730	$ 655,730		
Foreign Currency Swaps	$ (17,540,870)	$ (17,540,870)	EUR	$ (14,124,655)
Foreign Currency Swaps	(889,345)	(889,345)	JPY	(82,060,000)
Foreign Currency Swaps	18,881,750	18,881,750	USD	18,803,784
Total Foreign Currency Swaps	$ 451,535	$ 451,535		
Credit Default Swaps	$ 72,116	$ 72,116	EUR	$ 13,200,000
Credit Default Swaps	(234,927)	(234,927)	USD	23,000,000
Total Credit Default Swaps	$ (162,811)	$ (162,811)		

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Interest Rate Swaps		Change in Fair Value		Fair Value	Notional Amount		
Interest Rate Swaps - Pay Fixed/Receive Float	$	772,024	$	772,024	USD	$	70,095,000
Interest Rate Swaps - Pay Float/Receive Fixed		(9,193)		(9,193)	AUD		4,260,000
Interest Rate Swaps - Pay Float/Receive Fixed		(616,983)		(616,983)	BRL		7,633,594
Interest Rate Swaps - Pay Float/Receive Fixed		(652)		(652)	CAD		4,730,000
Interest Rate Swaps - Pay Float/Receive Fixed		(654)		(654)	CLP		925,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(7,863)		(7,863)	CNY		12,100,000
Interest Rate Swaps - Pay Float/Receive Fixed		1,976		1,976	COL		3,400,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		891		891	CZK		50,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		38,294		38,294	EUR		7,580,000
Interest Rate Swaps - Pay Float/Receive Fixed		1,400		1,400	HUF		950,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(18,344)		(18,344)	INR		35,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(56,054)		(56,054)	JPY		735,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		85		85	KRW		2,200,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(105,432)		(105,432)	MXN		80,800,000
Interest Rate Swaps - Pay Float/Receive Fixed		(322)		(322)	MYR		6,100,000
Interest Rate Swaps - Pay Float/Receive Fixed		3,904		3,904	NOK		28,600,000
Interest Rate Swaps - Pay Float/Receive Fixed		20,098		20,098	NZD		4,980,000
Interest Rate Swaps - Pay Float/Receive Fixed		1,610		1,610	PLN		14,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(32,790)		(32,790)	RUB		35,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(3,516)		(3,516)	SGD		7,300,000
Interest Rate Swaps - Pay Float/Receive Fixed		100		100	THB		61,000,000
Interest Rate Swaps - Pay Float/Receive Fixed		(286,960)		(286,960)	USD		41,290,000
Interest Rate Swaps - Pay Float/Receive Fixed		14,046		14,046	ZAR		12,000,000
Total Interest Rate Swaps	$	(284,335)	$	(284,335)			
Mortgage-Backed TBA	$	(26,925)	$	(26,925)	USD	$	2,990,000
Rights	$	15,133	$	15,133		$	89,017
Warrants	$	2,629,968	$	2,668,472		$	1,202,014

Component Units

Mortgage-Backed Securities

Arkansas Development Finance Authority (ADFA) invests in various asset and mortgage-backed securities. These securities are reported at fair value in the statement of net position. 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 rates affect the cash flows of these securities and may result in changes in fair value. The overall return or 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, 2013, ADFA held $484.2 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, 2013 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 position. 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, 2013, the carrying value and fair value of the underlying securities was $1.4 billion. At June 30, 2013, 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, 2013, 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	$ 244,916 (3)	$ 662,934	$	$ 208,104	$ 938	$ 284,589	$ 17,057	$ 47,074	$ (462,911)	$ 1,002,701
Higher education fund	277,196					67,483	156	11,269	(40,337)	315,767
Workers' Compensation Commission	8,146 (3)						243			8,389
Department of Workforce Services	190,001						53		(40,000)	150,054
Lottery Commission	10,814									10,814
Non-major enterprise funds	3,751					418,092	868		(401)	422,310
Pension trust			43,869				290,923	12,004		346,796
Agency							19	33	(21)	31
Total	$ 734,824	$ 662,934	$ 43,869	$ 208,104	$ 938	$ 770,164	$ 309,319	$ 70,380	$ (543,670)	$ 2,256,862

(1) Receivable balances of $3,701 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $105 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 Position.

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Other Receivables	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Student Loan Authority	$	$ 355,532	$	$ 6,205	$	$ 197	$ (906)	$ 361,028
Arkansas Development Finance Authority	712	384,525	128,608	3,049		10,870	(82,256)	445,508
University of Arkansas Foundation				2,375	46,294		(7,824)	40,845
Total	$ 712	$ 740,057	$ 128,608	$ 11,629	$ 46,294	$ 11,067	$ (90,986)	$ 847,381

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From							
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Arkansas Lottery Commission	Non-major Enterprise Funds	Pension Trust	Total
General fund	$	$ 3,060	$ 6	$	$ 39,436	$ 369	$ 105 (1)	$ 42,976
Higher education fund	14,690			19	96			14,805
Workers' Compensation Commission	302	347			1		2 (1)	652
Department of Workforce Services	1,886							1,886
Lottery	7							7
Non-major enterprise funds	2							2
Pension trust	2,465 (2)							2,465
Total	$ 19,352	$ 3,407	$ 6	$ 19	$ 39,533	$ 369	$ 107	$ 62,793

(1) $105 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) $2,465 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 contributions and admin costs, unemployment contributions, information technology services and grants; (2) $1.9 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $14.7 million due to the Higher Education Fund from the General Fund for college Technical Bond payment requisitions and grants; (4) $39.4 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) $2.5 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	$	$ 6,671	$ 6,671
Non-major enterprise funds	933	6,364	7,297
Total	$ 933	$ 13,035	$ 13,968

Advances include (1) an outstanding balance of $6.7 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 $6.4 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**	**Department of Workforce Services**	**Lottery Commission**	**Non-Major Enterprise Funds**	**Total**
General fund	$	$ 968,369	$ 104,805	$ 7,142	$ 9,141	$ 1,089,457
Higher education fund	78,988					78,988
Workers' Compensation Commission	1					1
Department of Workforce Services	118,039					118,039
Lottery Commission	97,599					97,599
Non-major enterprise funds	9,911					9,911
Total	$ 304,538	$ 968,369	$ 104,805	$ 7,142	$ 9,141	$ 1,393,995

Transfers include (1) $1.0 billion transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (2) $79.0 million transferred from the Higher Education Fund, which includes $73.9 million to the Department of Human Services within the General Fund for the transfer of a portion of the state funding provided to the University of Arkansas Medical School to be used for the Medicaid Program; (3) $13.2 million net transferred from Department of Workforce Services to the General Fund. This amount includes: $6.5 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; $2.5 million for worker training purposes and $4.2 million for payroll and other administration expenses of the Unemployment Insurance program; (4) $97.6 million transferred from the Arkansas Lottery Commission to the General fund for administering the Arkansas Lottery Scholarship Program for the 2011/2012 academic school year; (5) $7.1 million transferred from the General Fund to the Arkansas Lottery Commission to fund the Scholarship

Shortfall Reserve Trust Account and (6) the Non-Major Enterprise Funds transfers include: the Arkansas Natural Resources Commission being reimbursed $1.1 million net from the Construction Assistance Loan Fund; $3.3 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 and a transfer of $4.4 million was from the Non-Major Enterprise Funds to reimburse $3.7 million to the Department of Health and $0.7 million to Arkansas Natural Resources Commission for assistance in building clean drinking water facilities.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2013, was as follows (expressed in thousands):

	Balance June 30, 2012	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2013
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 744,731	$ (46)	$ 32,045	$ (157)	$ 776,573
Construction in progress	1,490,491	(532,926)	627,944		1,585,509
Construction in progress - intangibles	61				61
Other non-depreciable/amortizable assets	15,769	116	64		15,949
Total capital assets, not being depreciated/ amortized	2,251,052	(532,856)	660,053	(157)	2,378,092
Capital asset, being depreciated/amortized:					
Land improvements	155,174	(1,877)	868	(76)	154,089
Infrastructure	12,189,475	515,312	2,729	(92,407)	12,615,109
Buildings	1,488,062	23,684	16,614	(4,386)	1,523,974
Equipment	695,306	4,285	40,405	(35,129)	704,867
Intangibles	101,876	(423)	4,125	(1,114)	104,464
Other depreciable/amortizable assets	12,582	53	651	(18)	13,268
Total capital assets, being depreciated/amortized	14,642,475	541,034	65,392	(133,130)	15,115,771
Subtotal	16,893,527	8,178	725,445	(133,287)	17,493,863
Less accumulated depreciation for:					
Land improvements	(87,161)	1,080	(5,778)	76	(91,783)
Infrastructure	(5,650,413)	(7,199)	(389,125)	92,354	(5,954,383)
Buildings	(545,045)	(636)	(28,217)	3,211	(570,687)
Equipment	(483,699)	(174)	(50,827)	31,913	(502,787)
Intangibles	(50,641)	403	(14,585)	988	(63,835)
Other depreciable/amortizable assets	(4,748)	2,680	(412)	11	(2,469)
Total accumulated depreciation/amortization	(6,821,707)	(3,846)	(488,944)	128,553	(7,185,944)
Governmental activities capital assets, net	$ 10,071,820	$ 4,332	$ 236,501	$ (4,734)	$ 10,307,919

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

An expense of $1.1 million was recorded for the impairment of a building due to its closure with no plans for future use. The impairment is recorded in the government-wide financial statements.

	Balance June 30, 2012	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2013
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 127,401	$ 14	$ 8,539	$ (1)	$ 135,953
Construction in progress	325,459	(252,855)	279,867	(32,420)	320,051
Easements	2,627		48		2,675
Total capital assets, not being depreciated	455,487	(252,841)	288,454	(32,421)	458,679
Capital assets, being depreciated:					
Improvements other than building	21,890	664	3,565		26,119
Leasehold improvements	3,510				3,510
Buildings	4,069,937	196,676	96,471	(2,553)	4,360,531
Equipment	694,664	6,882	62,299	(35,962)	727,883
Infrastructure	339,673	55,416	5,632	(27)	400,694
Intangibles	104,920	44	162	(2,229)	102,897
Art/historic treasures	807		33		840
Library holdings	205,736	(6,428)	6,762	(11,603)	194,467
Other depreciable assets	62,220	(4,360)	11,087	(1,096)	67,851
Total capital assets, being depreciated	5,503,357	248,894	186,011	(53,470)	5,884,792
Subtotal	5,958,844	(3,947)	474,465	(85,891)	6,343,471
Less accumulated depreciation for:					
Improvements other than building	(9,461)		(1,432)		(10,893)
Buildings	(1,510,005)	(7)	(135,077)	1,825	(1,643,264)
Equipment	(506,515)	(1,767)	(57,339)	34,923	(530,698)
Infrastructure	(141,154)	2	(17,696)	15	(158,833)
Intangibles	(87,178)	(8)	(3,268)	2,229	(88,225)
Art/historic treasures	(20)	(19)			(39)
Library holdings	(162,339)	205	(6,647)	11,580	(157,201)
Other depreciable assets	(33,214)	1,698	(6,063)	412	(37,167)
Total accumulated depreciation	(2,449,886)	104	(227,522)	50,984	(2,626,320)
	$ 3,508,958	$ (3,843)	$ 246,943	$ (34,907)	$ 3,717,151

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

Component Units

Activity for ADFA for the year ended June 30, 2013, was as follows (expressed in thousands):

	Balance June 30, 2012	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2013
ADFA:					
Capital assets being depreciated:					
Equipment	$ 534	$ (14)	$ 16	$ (20)	$ 516
Less accumulated depreciation for:					
Equipment	(408)	14	(39)	19	(414)
ADFA capital assets, net	$ 126	$ 0	$ (23)	$ (1)	$ 102

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

Activity for ASLA for the year ended June 30, 2013, was as follows (expressed in thousands):

	Balance June 30, 2012	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2013
ASLA:					
Capital assets not being depreciated:					
Land	$ 670	$	$	$	$ 670
Capital assets being depreciated:					
Building	2,009				2,009
Equipment	951		136		1,087
Total capital assets, being depreciated	2,960		136		3,096
Subtotal	3,630		136		3,766
Less accumulated depreciation for:					
Building and equipment	(794)		(78)		(872)
ASLA capital assets, net	$ 2,836	$	$ 58	$	$ 2,894

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

Activity for U of A Foundation, Inc. for the year ended June 30, 2013, was as follows (expressed in thousands):

	Balance June 30, 2012	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2013
U of A Foundation:					
Capital assets not being depreciated:					
Land	$ 1,107	$	$	$	$ 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	$ 1,107	$	$	$	$ 1,107

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

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	$	4,332
Health and human services		12,212
Transportation		398,464
Law, justice and public safety		31,156
Recreation and resources development		19,048
General government		22,478
Regulation of business and professionals		1,254
Total depreciation expense – governmental activities	$	488,944
Business-type Activities:		
Enterprise funds	$	227,522
Total depreciation expense – business-type activities	$	227,522

Component Units

Component Units:		
ADFA	$	39
ASLA		78
Total depreciation expense – component units	$	117

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2013, are summarized as follows (expressed in thousands):

	Balance June 30, 2012	Additions	Accretion On Capital Appreciation Bonds	Reductions	Balance June 30, 2013	Due within One Year	Due Greater Than One Year
Governmental Activities:							
Bonds payable:							
General obligation	$ 681,698	$ 241,005	$ (3,115)	$ 107,375	$ 812,213 (2)	$ 94,900 (3)	$ 717,313
Revenue Bond Guaranty Fund	2,545	1,580		350	3,775	627	3,148
Add (deduct):							
Deferred bond refunding loss:							
General obligation	(11,462)			(3,797)	(7,665)		(7,665)
Debt to Component Unit	(9,610)	(1,570)		(802)	(10,378)		(10,378)
Issuance premium (discount):							
General obligation	14,407	33,867		7,478	40,796	8,418	32,378
Debt to Component Unit	3,031	(126)		295	2,610	281	2,329
Total bonds payable	680,609	274,756	(3,115)	110,899	841,351	104,226	737,125
Notes payable to component unit	98,883	3,434		10,266	92,051	9,497	82,554
Capital leases	3,576			331	3,245	343	2,902
Capital leases with component unit	128,540	26,045		24,730 (1)	129,855	7,181	122,674
Total notes and leases payable	230,999	29,479		35,327	225,151	17,021	208,130
Total bonds, notes and leases payable	911,608	304,235	(3,115)	146,226	1,066,502	121,247	945,255
Installment sale with component unit	11,380			510	10,870	530	10,340
Claims, judgements and arbitrage	241,466	303,910		311,220	234,156	120,679	113,477
Compensated absences	146,308	119,294		111,779	153,823	22,516	131,307
Total claims, judgments, arbitrage and compensated absences	387,774	423,204		422,999	387,979	143,195	244,784
Pollution remediation	22,589	234		335	22,488	1,231	21,257
Net OPEB obligation	632,446	146,915			779,361		779,361
Governmental activities total	$ 1,965,797	$ 874,588	$ (3,115)	$ 570,070	$ 2,267,200	$ 266,203	$ 2,000,997

(1) Reductions for principal payments of $6,720 plus defeasement of $18,010

(2) Includes accretion on capital appreciation bonds of $17,065

(3) Includes accretion on capital appreciation bonds of $4,030

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, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 63,340	$	$ 11,320	$ 52,020	$ 11,110	$ 40,910
Safe Drinking Water Revolving Loan Fund	24,375			24,375	1,000	23,375
War Memorial Bond Payable	2,500		500	2,000	500	1,500
College and University Revenue Bonds	1,651,225	432,691	277,490	1,806,426	61,520	1,744,906
Add (deduct):						
Deferred bond refunding loss	(14,907)	(8,206)	(2,776)	(20,337)	(1,729)	(18,608)
Issuance premiums/ (discounts)	42,570	41,079	7,335	76,314	3,523	72,791
Total bonds payable	1,769,103	465,564	293,869	1,940,798	75,924	1,864,874
Notes payable	66,170	77,562	25,267	118,465	20,527	97,938
Notes payable with component unit	1,509		426	1,083	447	636
Total notes payable	67,679	77,562	25,693	119,548	20,974	98,574
Capital leases	43,537	21,129	12,556	52,110	14,396	37,714
Capital leases with component unit	358		358			
Total leases payable	43,895	21,129	12,914	52,110	14,396	37,714
Total bonds, notes and leases payable	1,880,677	564,255	332,476	2,112,456	111,294	2,001,162
Claims and judgments	307,819	430,696	436,663	301,852	60,900	240,952
Compensated absences	109,634	64,765	69,458	104,941	14,117	90,824
Total claims, judgments and compensated absences	417,453	495,461	506,121	406,793	75,017	331,776
Net OPEB obligation	66,938	10,475		77,413		77,413
Business-type activities total	$ 2,365,068	$ 1,070,191	$ 838,597	$ 2,596,662	$ 186,311	$ 2,410,351

	Balance June 30, 2012	Additions	Reductions	Balance June 30, 2013	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable	$ 213,547	$ 160,700	$ 41,784	$ 332,463	$	$ 332,463
Less: Deferred amount on refunding of debt	(3,880)		(193)	(3,687)	(193)	(3,494)
Less: Deferred issuance discount	(1,548)		(100)	(1,448)	(100)	(1,348)
Total bonds payable	208,119	160,700	41,491	327,328	(293)	327,621
Notes payable	183,866		183,866			
Total bonds and notes payable ASLA	391,985	160,700	225,357	327,328	(293)	327,621
Net OPEB obligation	111	42		153		153
Arkansas Development Finance Authority:						
Bonds payable	822,034	128,756	183,755	767,035	32,380	734,655
Notes payable	39,527	300,033	338,337	1,223		1,223
Add: issuance premiums	854		299	555		555
Total bonds and notes payable ADFA	862,415	428,789	522,391	768,813	32,380	736,433
Net OPEB obligation	1,142	263		1,405		1,405
U of A Foundation						
Annuity obligations	14,804	2,221	1,821	15,204	1,352	13,852
Component units total	$ 1,270,457	$ 592,015	$ 749,569	$ 1,112,903	$ 33,439	$ 1,079,464

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, 2013, 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	2.50 - 5.00	$ 140,330
2012 Series Federal Highway G.O.Bonds	2025	3.00 - 5.00	197,005
Arkansas Natural Resources Commission Bonds:			
2004A Series Water, Waste and Pollution	2037	3.00 - 5.00	10,400
2005A Series Water, Waste and Pollution	2026	3.25 - 4.35	3,985
2005B Series Water, Waste and Pollution	2028	3.00 - 4.75	7,150
2006A Series Water, Waste and Pollution	2017	5.00	6,560
2006B Series Water, Waste and Pollution	2037	3.50 - 4.50	6,895
2007A Series Water, Waste and Pollution	2041	4.00 - 4.50	6,915
2008A Series Water, Waste and Pollution	2043	3.50 - 4.60	22,710
2009A Series Water, Waste and Pollution	2044	2.00 - 4.88	13,795
2010A Series Water, Waste and Pollution	2045	2.00 - 4.50	22,095
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	27,360
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	6,845
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	36,295
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	43,455
College Savings Bonds:			
1993 Series, G.O. Bonds	2014	5.95	7,540
1996C Series, G.O. Bonds	2016	6.00	6,255
1997B Series, G.O. Bonds	2017	5.45 - 5.60	7,164
1998A Series, G.O. Bonds	2017	5.25 - 5.35	7,029
2005 Series, G.O. Bonds	2016	3.60 - 5.00	12,665
Higher Education Bonds:			
2007A Series, G.O. Bonds	2023	4.00 - 5.00	92,940
2007B Series, G.O. Bonds	2029	4.38 - 4.75	126,825
Total			$ 812,213

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2013, including accrued accreted interest of approximately $17.1 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 90,870	$ 33,069	$ 123,939
2015	104,306	28,996	133,302
2016	40,449	25,729	66,178
2017	37,043	23,760	60,803
2018	44,755	21,780	66,535
2019-2023	230,695	78,569	309,264
2024-2028	164,830	35,978	200,808
2029-2033	32,170	13,809	45,979
2034-2038	22,880	8,550	31,430
2039-2043	19,985	2,908	22,893
2044-2048	7,165	1,624	8,789
Total	$ 795,148	$ 274,772	$ 1,069,920

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	Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF
2009	$ 16,574	$ 85,595	2014	$ 16,500	$ 95,900
2010	16,087	95,414	2015	16,500	96,700
2011	16,705	101,656	2016	16,500	97,500
2012	16,548	95,115	2017	16,500	98,400
2013	16,344	98,100	2018	16,500	99,876

$197.0 million in bonds were issued under this act in the 2013 fiscal year.

State Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds – Act 607 of 1997 authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) and Act 631 of 2007 authorized the Arkansas Natural Resources Commission to issue Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of these acts are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. Each act limits the total principal amount to approximately $300.0 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. $44.0 million in bonds were issued under these acts in the 2013 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 2013 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 2013 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, 2013, total bonds guaranteed by the Revenue Bond Guaranty Fund amounted to $3.8 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, 2013, the equity interest in industrial facilities, which totaled approximately $7.4 million, was rented or vacant.

The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2013, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rate %	Balance
Revenue Bond Guaranty Fund	2016	Various	$ 865
Revenue Bond Guaranty Fund	2024	Various	1,330
Revenue Bond Guaranty Fund	2017	Various	408
Revenue Bond Guaranty Fund	2019	Various	1,172
			$ 3,775

Future amounts required to pay principal and interest on the Revenue Bond Guaranty Fund at June 30, 2013, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 627	$ 208	$ 835
2015	663	177	840
2016	692	143	835
2017	415	106	521
2018	323	88	411
2019-2023	855	202	1,057
2024-2028	200	10	210
Total	$ 3,775	$ 934	$ 4,709

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, 2013, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 9,497	$ 3,557	$ 13,054
2015	8,968	3,281	12,249
2016	8,682	3,044	11,726
2017	8,880	2,763	11,643
2018	7,930	2,475	10,405
2019-2023	20,365	9,502	29,867
2024-2028	11,631	5,551	17,182
2029-2033	10,756	4,334	15,090
2034-2038	5,342	1,661	7,003
Total	$ 92,051	$ 36,168	$ 128,219

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, 2013, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 530	$ 488	$ 1,018
2015	550	466	1,016
2016	575	442	1,017
2017	600	418	1,018
2018	625	392	1,017
2019-2023	3,540	1,520	5,060
2024-2028	4,450	578	5,028
Total	$ 10,870	$ 4,304	$ 15,174

Business-Type Activities

Special Obligation Bonds **-** Special Obligation Bonds outstanding at June 30, 2013, 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	$ 52,020
Safe Drinking Water Revolving Loan Fund	2026	3.25-5.00	24,375
Total			$ 76,395

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, 2013, were as follows (expressed in thousands). The principal amount shown differs from the amount on the combined statement of net position due to unamortized premiums of approximately $4.6 million for the Construction Assistance fund and $3.3 million for the Safe Drinking Water Fund.

	Principal	Interest	Total
Year ending June 30:			
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	5,845	2,150	7,995
2019-2023	23,415	7,029	30,444
2024-2028	17,145	1,704	18,849
Total	$ 76,395	$ 22,340	$ 98,735

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 bonds, which are not general debt of the State, are payable from cash revenue.

At June 30, 2013, 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 position due to unamortized discounts/premiums of approximately $68.4 million and unamortized deferred bond refunding losses of $20.3 million:

	Final Maturity Date (1)	Interest Rates %	Balance
Henderson State University	2036	2.00-4.6	$ 34,121
Southern Arkansas University – Magnolia	2042	1.0-5.25	47,667
Southern Arkansas University Tech – Camden	2042	1.0-6.25	6,185
Arkansas State University – Beebe	2040	2.78-4.78	34,865
Arkansas State University – Jonesboro	2042	0.7-5.20	136,186
Arkansas State University – Mountain Home	2032	0.66-4.25	9,120
Arkansas State University – Newport	2032	0.66-4.50	6,868
Arkansas Tech University	2043	1.0-5.75	78,030
University of Arkansas at Fayetteville	2042	1.0-6.375	672,602
University of Arkansas at Little Rock	2037	1.0-5.0	102,863
University of Arkansas for Medical Sciences	2036	1.0-5.0	330,247
University of Arkansas at Monticello	2037	1.0-4.0	19,280
University of Arkansas at Pine Bluff	2035	2.80-5.0	19,316
University of Central Arkansas	2041	1.0-6.125	128,570
University of Arkansas at Hope Community College	2038	1.00-5.00	5,935
University of Arkansas Community College at Batesville	2018	1.00-4.22	2,047
East Arkansas Community College	2040	1.625	3,365
National Park Community College	2033	3.00-4.70	11,210
Mid-South Community College	2042	1.0-4.7	22,530
Arkansas Northeastern College	2031	2.0-4.125	4,115
North Arkansas College	2037	1.0-4.7	7,735
Phillips Community College of the University of Arkansas	2038	3.00-5.20	11,330
Rich Mountain Community College	2042	1.0-5.0	6,665
South Arkansas Community College	2039	3.25-5.00	3,240
University of Arkansas at Fort Smith	2035	2.0-5.0	79,355
Northwest Arkansas Community College	2035	3.00-7.00	32,415
Black River Technical College	2028	2.00-4.00	2,275
University of Arkansas Community College at Cossatot	2035	1.0-5.25	4,207
Ozarka College	2042	3.63-5.04	6,270
University of Arkansas at Morrilton	2022	3.0-4.25	2,495
Pulaski Technical College	2041	2.0-5.0	94,865
War Memorial Stadium Commission	2017	4.9	2,000
Total			$ 1,927,974

(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, 2013, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 82,994	$ 80,130	$ 163,124
2015	80,026	78,196	158,222
2016	81,173	75,776	156,949
2017	88,905	73,106	162,011
2018	84,338	70,120	154,458
2019-2023	406,834	301,440	708,274
2024-2028	357,430	217,528	574,958
2029-2033	359,200	134,402	493,602
2034-2038	281,884	56,236	338,120
2039-2043	105,190	9,687	114,877
Total	$ 1,927,974	$ 1,096,621	$ 3,024,595

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. Effective July 1, 2010 the U.S. Department of Education (USDE) is the only entity authorized to originate student loans. ASLA will administer loans originated by USDE and continue to service the loans previously originated by ASLA and still in its loan portfolio.

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 Position.

Revenue bonds and notes payable outstanding at June 30, 2013, 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)	2043	Variable	$ 181,811
Student Loan Asset-Backed Notes, Series 2012-1 (LIBOR Floating Rate Notes)	2028	Variable	150,652
Total			$ 332,463

(1) Fiscal year

Based on ASLA's trust indentures principal and interest are only paid if sufficient payments are received on the student loans. Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2013, based on prior quarters/years in the normal course of business, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 49,243	$ 4,162	$ 53,405
2015	40,149	3,638	43,787
2016	31,304	2,993	34,297
2017	27,240	2,627	29,867
2018	23,867	2,228	26,095
2019-2023	101,519	9,067	110,586
2024-2028	59,141	5,709	64,850
Total	$ 332,463	$ 30,424	$ 362,887

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 position.

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, 2013, the bonds outstanding issued under these programs aggregated $228.2 million.

Bonds and notes payable at June 30, 2013, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single family bonds payable	2043	0.140-9.878	$ 379,374
Multi-family bonds and note payable	2042	1.00-9.75	12,260
Bond guaranty program	2037	0.70-7.45	54,082
State and health facilities bonds payable	2040	0.75-7.00	237,120
Economic development bonds payable	2015	5.60-5.70	315
Tobacco bonds payable	2046	4.77-5.50	85,107
Total			$ 768,258

Future amounts required to pay principal and interest on the Authority's debt at June 30, 2013, were as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized premiums of $555 thousand less accreted interest of $80.4 million:

	Principal	Interest	Total
Year ending June 30:			
2014	$ 32,380	$ 28,370	$ 60,750
2015	35,220	27,328	62,548
2016	32,911	26,153	59,064
2017	34,119	24,852	58,971
2018	32,473	23,540	56,013
2019-2023	153,740	99,007	252,747
2024-2028	120,313	57,425	177,738
2029-2033	161,731	53,098	214,829
2034-2038	120,331	20,798	141,129
2039-2043	47,579	10,350	57,929
2044-2046	77,846	150	77,996
Total	$ 848,643	$ 371,071	$ 1,219,714

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, 2013, were $481 thousand including interest ranging from 3% to 11%.

Aggregate annual maturities of annuity obligations at June 30, 2013, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2014	$ 1,352
2015	1,332
2016	1,294
2017	1,220
2018	1,138
2019-2023	4,354
2024-2028	2,738
2029-2033	1,238
2034-2038	383
2039-2043	89
2044-2048	53
2049-2053	3
2054-2058	3
2059-2063	3
2064-2068	2
2069-2073	2
Total	$ 15,204

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 $98.6 million were considered defeased at June 30, 2013.

Higher Education

On April 17, 2012, the University of Arkansas Fayetteville 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 (difference between the present values of the old and new debt service payments) of $7.0 million. The escrow balance as of June 30, 2013, was $17.0 million. The bonds dated December 1, 2002, were 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. At June 30, 2013, the outstanding principal balance of the 2004 bond issue was $16.1 million.

On February 1, 2012, the University of Arkansas Monticello issued $8.8 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 (difference between the present values of the old and new debt service payments) of $557 thousand. The Series 2005 bonds will be refunded on December 1, 2013. The escrow balance at June 30, 2013, was $8.0 million. At June 30, 2013, the outstanding principal balance of the 2005 bond issue was $7.8 million.

Component Units

In prior years, the Arkansas Development Finance Authority defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $76.3 million were considered defeased at June 30, 2013. The bonds include the 2004 Series ADFA State Agencies Facilities Revenue Bonds (Donaghey Plaza Project), the 2004 Series ADFA State Park Facilities Revenue Bonds (Mt. Magazine Project) and the 2005 ADFA State Agencies Facilities Revenue Bonds (ADEQ Project).

Current Refundings

Primary Government

During fiscal year 2013, the State issued $19.7 million of advance refunding bonds to redeem the 2005 bond series of the Arkansas Department of Environmental Quality. The bonds bear interest rates ranging from 2.00% to 4.00% and mature in 2040. As of June 30, 2013, $18.0 million of outstanding bonds are considered defeased, resulting in an economic present value loss of $1.0 million and a reduction of $1.6 million in future debt service.

Higher Education

On April 1, 2013, the University of Arkansas at Little Rock issued $10.8 million in Series 2013A Student Fee Revenue Refunding Bond (UALR Project) and $6.5 million taxable with interest rates of 1% to 5% to advance refund $17.0 million of the Series 2004B bond, with interest rates of 3.483% to 5%. Bond proceeds and premium of $18.4 million were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.3 million. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2025 using the straight-line method. The University completed the refunding to reduce its total debt service payment by $1.2 million over the next twelve years, to maintain bond compliance for property purchased with the Series 2004B Bonds and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.1 million. The balance in the escrow account at June 30, 2013, was $18.0 million. The bonds will be fully paid by December 1, 2014. At June 30, 2013, the outstanding principal balance of the 2004B bond issue was $17.0 million.

On May 14, 2013, the University of Arkansas for Medical Sciences issued $112.7 million in Various Facilities Revenue Refunding Bonds, Series 2013 with interest rates of 1% to 5% to advance refund Various Facility Revenue Refunding Bonds Series 2004A and Series 2004B. The 2004A bonds mature on November 1, 2018, and the 2004B bonds mature on November 1, 2034, and are callable on November 1, 2014. The revenue refunding bonds were issued at a premium of $16.7 million and, after paying issuance costs of $210 thousand and underwriter's discount of $654 thousand, the net proceeds were $128.5 million, net of accrued interest of $175 thousand. The net proceeds from the issuance of the bonds were used to purchase U.S. Government securities and provide debt service payments until the term bonds are called on November 1, 2014. The advance refunding met the requirements of an in-substance debt defeasance and the liability for the 2004A and 2004B Series bonds was removed from the statement of net position. As a result of the advance refunding, the University reduced its total debt service requirements by $14.4 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $13.6 million. The balance in the escrow account at June 30, 2013, was $128.5 million. At June 30, 2013, the outstanding principal balance of the 2004A and 2004B Series bonds was $120.0 million.

On June 13, 2013, the Cossatot Community College of the University of Arkansas issued revenue refunding bonds of $3.9 million with interest rates of 1% to 3.625% to refund $3.9 million of outstanding debt from May 2005 with an interest rate of 5.18%. Bond proceeds and premium (after payment of bond issuance costs of $97 thousand) of $4.0 million were deposited into a project fund account to make payment on a prepayment option price for the Howard County Project under the Arkansas State Lease and Option Agreement dated May 17, 2005. Remaining bond proceeds of $5 thousand and accrued interest of $5 thousand will be applied to subsequent interest payments. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $111 thousand. This difference is reported in the accompanying financial statements as a deduction from bonds payable and will be amortized through fiscal year 2035 using the straight line method. The University completed the refunding to reduce its total debt service payments over the next twenty-two years by $680 thousand. Because the escrow account still remained in the control of the campus, the debt of the original lease and option agreement was not yet considered defeased as of June 30, 2013, and therefore both debts remained in the financial statements. On July 1, 2013, the prepayment option on the capital lease was paid in full and the lease was considered fully defeased.

On June 1, 2013, the University of Arkansas Community College at Hope issued refunding bonds of $2.6 million with interest rates of 1% to 3.625% to advance refund $2.5 million of outstanding bonds dated October 1, 2008, with interest rates of 2.25% to 5%. Bond proceeds, premium (after payment of bond issuance costs of $78 thousand) and debt service reserve funds of $2.6 million were deposited in the advance refunding fund to retire the 2008 bonds. Remaining debt service reserve funds of $7 thousand and accrued interest of $3 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 $195 thousand. The difference was reported in the accompanying financial statements as a deduction from bonds payable and will be amortized through fiscal year 2038 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-five years by $495 thousand and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $244 thousand. The escrow balance at June 30, 2013, was $2.6 million. The bonds will be refunded on April 1, 2014. At June 30, 2013, the outstanding principal balance of the 2008 bond issue was $2.5 million.

On March 1, 2013, Arkansas State University-Jonesboro issued $28.9 million in tax exempt refunding bonds for the Jonesboro campus with interest rates of 1% to 5% to advance refund $28.7 million of outstanding bonds dated March 1, 2004, with interest rates of 3% to 5%. Net proceeds of $30.0 million, after payment of $334 thousand for bond issuance costs and a premium of $1.4 million, were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $30.0 million were purchased by the escrow agent and pledged for the retirement of these bonds. As a result of this refunding, the 2004 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on March 1, 2014. The University advance refunded the bonds to reduce its total debt service payments by $4.3 million over the next twenty (20) years and to obtain an economic gain of $3.2 million. The University received accrued interest of $52 thousand and an additional $4 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Beebe issued $1.9 million in tax exempt refunding bonds for the Beebe campus with interest rates of 1% to 3% to refund $1.8 million of outstanding bonds dated January 15, 2008, with interest rates of 3% to 4.375%. Net proceeds of $1.8 million, after payment of $57 thousand for bond issuance costs and a discount of $22 thousand, were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of $5 million were received. The bonds were called on January 22, 2013. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $10 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $248 thousand over the next twenty (20) years and to obtain an economic gain of $191 thousand. The University received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Mountain Home issued $7.0 million in taxable refunding bonds with interest rates of 0.666% to 4.25% to refund $4.5 million of outstanding bonds dated January 29, 2008, with interest rates of 4.2% to 4.5%, and a note payable of $2.3 million dated October 23, 2009, with an interest rate of 5.5%. Payment of $2.3 million was remitted from the bond trustee to the bank for payment of the loan. The loan was paid in full on

December 20, 2012. Interest paid on the loan was $9 thousand. Net proceeds of $4.5 million after payment of $184 thousand for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on January 22, 2013. Additionally, bond proceeds of $3 thousand were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $26 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $544 thousand over the next twenty (20) years and to obtain an economic gain of $431 thousand. The University received accrued interest of $11 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Newport issued $3.7 million in taxable refunding bonds with interest rates of 0.666% to 3.82% to advance refund $3.7 million of outstanding bonds dated April 30, 2008, with interest rates of 2.75% to 4.50%. Net proceeds of $3.6 million, after payment of $101 thousand for bond issuance costs plus an additional $167 thousand of 2008 Series debt service reserve funds, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on May 1, 2013. Additionally, bond proceeds of $2 thousand were received. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $74 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2028 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by $327 thousand over the next twenty-five (25) years and to obtain an economic gain of $91 thousand. The University received accrued interest of $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On December 1, 2012, Arkansas State University-Newport issued $1.9 million in tax exempt refunding bonds for the Newport campus with interest rates of 1% to 3% to refund $1.8 million of outstanding bonds dated January 29, 2008, with interest rates of 3% to 4.375%. Net proceeds of $1.8 million, after payment of $50 thousand for bond issuance costs and a discount of $22 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on December 1, 2012. Additionally, bond proceeds of $2 thousand were received. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $10 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the year 2033 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $259 thousand over the next twenty (20) years and to obtain an economic gain of $198 thousand. The University received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On March 1, 2013, Southern Arkansas University issued Student Fee Secured Refunding Bonds in the amount of $6.4 million, with interest rates of 2.0% to 3.875%. The proceeds were utilized to refund $6.1 million of outstanding bonds dated July 1, 2008, with interest rates of 3.125% to 5.0%. Bond proceeds of $6.0 million and debt service reserve funds of $212 thousand were deposited with an escrow agent to refund the above bonds. The 2008 Series outstanding bonds were called for redemption on June 1, 2013. Accrued interest of $7 thousand was deposited into the debt service fund to be applied to subsequent interest payments and proceeds of $211 thousand were deposited into the debt service reserve fund as required by the bond indenture. The remaining net proceeds (after payment of bond issuance costs of $94 thousand and deduction of the bond discount of $69 thousand) of $7 thousand were deposited to the capital projects fund. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $269 thousand. This difference, reported in the accompanying financial statements as a deduction from bonds payable, will be amortized through the fiscal year 2038 using the straight-line method. The bond issue did not extend the debt obligations of the University.

On November 1, 2012, North Arkansas College issued Special Obligation Refunding Bonds Series 2012B totaling $4.4 million with interest rates of 2% to 3.75%, to refund $4.2 million of outstanding bonds dated November 1, 2007, with interest rates of 3.5% to 4.7%. Net proceeds of $4.3 million, after payment of $92 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 $93 thousand. The bonds were called on February 1, 2013. The college refunded the bonds to reduce its total debt service payments by $459 thousand over a period of 25 fiscal years and to obtain an economic gain of $432 thousand. The college received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On August 15, 2012, Mid-South Community College issued Limited Tax General Obligation Refunding and Improvement Bonds Series 2012 totaling $18.5 million, with interest rates of 1% to 4%, to refund $14.3 million of outstanding bonds dated May 16, 2007, with interest rates of 3.7% to 4.375%. The college refunded the bonds to reduce its total debt service payments by $495 thousand over a period of 29 fiscal years and to obtain an economic gain of $893 thousand.

(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, 2013 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	FY13 Pledged Revenue	FY13 Principal and Interest
Rental income	Purchase of building	2014	$ 371	27%	$ 1,369	$ 348
Court filing fees	Construction of building	2030	12,915	77%	990	905
Rental income	Purchase of building	2030	23,218	70%	1,961	1,407
License fees	Prison construction	2039	49,166	47%	3,990	1,890
Vital records fees	Health lab construction	2029	21,941	58%	2,360	1,458
State park revenue	Construction of state park facilities	2024	29,909	61%	4,438	2,743
Permit fees	Construction of building	2041	30,287	9%	11,408	1,087
Hunting/Fishing license fees	Land purchases/ building facilities	2028	15,174	4%	23,760	1,018
Drivers license revenue	Wireless network/ construction of building	2018	21,645	62%	6,994	5,001

(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, 2013 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2013 Pledged Revenue	Fiscal Year 2013 Principal and Interest
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2036	$ 20,870	21%	$ 4,375	$ 919
	Student recreation center revenue	Construction of student recreation center	2032	9,430	61%	808	541
	Auxiliary revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2017	347	5%	1,763	87
	Student tuition & fee revenue	Refunding of prior issues	2027	8,309	2%	26,938	1,006
	Food service revenue	Construction of new dining hall	2037	5,284	7%	3,309	161
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior	2043	51,040	8%	21,710	1,657
	Auxiliary revenue	Athletic improvements, capital improvements and refunding of prior issues	2043	29,858	13%	7,755	893
Southern Arkansas University-Tech Branch	Student tuition & fee revenue	Capital improvements	2043	10,368	6%	5,831	150
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	42,490	17%	10,615	1,987
	Housing fees	Construction of facilities	2040	13,909	65%	787	1,116
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2034	15,628	1%	80,443	1,380
	Housing fees	Construction of facilities and refunding of prior issues	2042	149,549	51%	10,053	5,839
	Student union fees	Refunding of prior issues	2025	13,507	42%	2,696	1,200
	Parking fees	Refunding of prior issues	2025	4,603	30%	1,270	409
	Recreation center fees	Construction of facilities	2037	25,392	56%	1,887	1,058
Arkansas State University - Mountain Home	Student tuition & fee revenue and ad valorem tax	Construction of facilities and refunding of prior issues	2033	11,866	11%	5,498	795
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	6,956	7%	4,925	353
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2042	64,484	28%	7,993	2,452
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2041	43,544	3%	52,551	1,862
	Athletic revenues	Construction of facilities	2042	6,463	5%	4,579	249
	Food Service revenue	Construction of facilities	2043	14,535	8%	5,977	68
University of Arkansas at Cossatot	Student fee revenue	Purchase of property	2035	5,790	9%	2,915	10
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2043	933,586	11%	284,837	35,506
	Athletic fees	Construction of facilities and refunding of prior issues	2028	96,775	11%	57,484	8,028
University of Arkansas at Little Rock	Student fees	General and capital improvements and refunding of prior issues	2030	62,345	5%	74,034	2,423
	Housing and athletic fees	Construction of facilities	2037	68,409	22%	13,224	3,022
	Auxiliary revenue	Refunding of prior issues	2030	18,864	7%	15,960	1,064
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	402,908	3%	576,375	20,946
	Parking fees	Construction of facilities and refunding of prior issues	2035	18,977	21%	4,126	1,750
University of Arkansas at Monticello	Student fee & auxiliary revenue	Construction of facilities and refunding of prior issues	2038	27,393	5%	21,879	1,061
University of Arkansas at Pine Bluff	Student fee and auxiliary revenue	Capital improvements and refunding of prior issues	2036	30,101	4%	30,272	1,695
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2038	56,912	3%	71,596	2,961
	Housing fees	Construction of facilities and refunding of prior issues	2041	97,959	24%	14,516	3,694
	Auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2042	43,177	7%	22,591	1,616
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	7,616	12%	2,513	670
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	1,738	9%	3,313	288
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	5,848	78%	279	213
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	5,421	7%	3,671	266

(1) Fiscal year

Continued on the following page

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Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2013 Pledged Revenue	Fiscal Year 2013 Principal and Interest
	Millage revenue	Capital improvements and refunding of prior issues	2031	$ 11,079	47%	$ 1,321	$ 620
Mid South Community College	Millage revenue	Construction of facilities and refunding of prior issues	2042	35,969	54%	2,313	1,298
Arkansas Northeast College	Millage revenue	Construction of facilities and refunding of prior issues	2031	5,708	46%	689	316
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issues	2037	11,422	59%	805	232
University of Arkansas Community College - Phillips	Student fees	Construction of facilities and refunding of prior issues	2039	20,061	25%	3,096	770
Rich Mountain Community College	Millage revenue	Capital improvements	2042	7,921	89%	306	117
	Student tuition and fee revenue	Capital improvements	2042	3,057	100%	36	60
South AR Community College	Millage revenue	Construction of facilities	2039	5,654	72%	302	215
University of Arkansas - Ft. Smith	Student Fee Revenue	Construction of facilities, general improvements and refunding of prior issues	2036	110,307	13%	35,974	6,795
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	55,092	59%	4,226	2,552
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities	2028	2,912	8%	2,430	197
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	10,363	9%	3,855	272
University of Arkansas Community College - Morrilton	Student fees	Construction of facilities and refunding of prior issues	2022	2,849	5%	5,872	408
Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	171,895	21%	29,893	6,140
War Memorial Stadium Commission	Stadium revenue	Construction of facilities	2017	2,249	70%	806	625

(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, 2013 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2013 Pledged Revenue	Fiscal Year 2013 Principal and Interest
Arkansas Student Loan Authority	Student loan principal & interest revenue pledged to conduit debt	Securitize student loans	2044	$ 208,813	18%	$ 37,642	$ 34,581
	Student loan principal & interest revenue	Securitize student loans	2029	157,663	52%	18,846	10,715

(10) Arbitrage Rebate and Excess Earnings Liability

Rebatable arbitrage is defined by Internal Revenue Code, Section 148, as earnings on investments purchased with the gross proceeds of a bond issue in excess of the amount that would have been earned if the investments were invested at a yield equal to the yield on the bond issue. The rebatable arbitrage must be paid to the federal government. State agencies, component units, and institutions of higher education responsible for investments from bond proceeds carefully monitor their investments to restrict earnings to a yield less than the bond issue and, therefore, limit any State arbitrage liability. The State estimates that rebatable arbitrage liability, if any, will be immaterial to its overall financial condition.

(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 Economic Development Commission (AEDC), a department of the State of Arkansas, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927 thousand, which includes buildings, all movable property, fixtures, furniture, and equipment located on the premises. In December of 2012, another capital lease receivable was entered into with AEDC, as lessor, and Fiberglass Fabricators, Inc., as lessee. The capital lease expires December 1, 2022, and bears an interest rate of 5%. The original amount of the lease is $250 thousand, which includes buildings, structures and other improvements located on the premises. There are no contingent rentals or unearned income on either lease at June 30, 2013.

Future amounts to be received as of June 30, 2013, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2014	$ 89	$ 11	$ 100
2015	86	11	97
2016	87	9	96
2017	89	8	97
2018	90	7	97
2019-2023	454	15	469
2024-2028	43		43
Total	$ 938	$ 61	$ 999

Capital Lease Obligations

The State has entered into various lease agreements with the private sector, primarily for buildings, equipment and intangibles (software). These agreements are for various terms and contain 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, equipment and intangibles (software) which are accounted for as capital leases. A capital lease transfers substantially all of the benefits and risks of ownership to the lessee and is 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 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	185,895	5,717
Machinery and equipment		66,644
Less: Accumulated depreciation	(25,056)	(26,191)
Total	$ 160,839	$ 46,429

Future minimum commitments under operating and capital leases by fund type as of June 30, 2013, were as follows (expressed in thousands):

	Capital leases	
	Governmental activities	Business-Type Activities
Year ending June 30:		
2014	$ 450	$ 16,192
2015	450	10,693
2016	451	9,554
2017	463	7,092
2018	464	4,684
2019-2023	1,459	10,090
2024-2028		224
Total minimum lease payments	3,737	58,529
Less: Interest	(492)	(6,419)
Present value of future minimum lease payments	$ 3,245	$ 52,110

Capital Leases with Component Unit

		Governmental Activities
Year ending June 30:		
2014	$	12,062
2015		11,160
2016		11,781
2017		11,772
2018		11,789
2019-2023		49,575
2024-2028		34,276
2029-2033		25,242
2034-2038		8,227
2044-2048		2,693
Total minimum lease payments		178,577
Less: Interest		(48,722)
Present value of future minimum lease payments	$	129,855

Operating Leases

		Governmental Activities		Business-Type Activities
Year ending June 30:				
2014	$	26,572	$	15,052
2015		19,486		8,605
2016		13,981		4,051
2017		10,289		2,262
2018		8,087		938
2019-2023		23,535		3,283
2024-2028		16,509		189
2029-2033		14,070		148
Total minimum lease payments	$	132,529	$	34,528
Total rental expenditure/ expense (2013)	$	33,339	$	25,367

(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):

	2013	2012
Balance, beginning of year	$ 22,589	$ 23,046
Incurred claims	234	
Payments	(335)	(457)
Balance, end of year	$ 22,488	$ 22,589
Current portion	$ 1,231	$ 1,225
Non current portion	21,257	21,364
	$ 22,488	$ 22,589

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 $8.7 million at June 30, 2013.

(13) Fund Balance/Net Position

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, 2013, follows:

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 284	$ 160	$ 93,200
Debt Service	146,234		
Program requirements	263,344	276,121	6,392
Lottery funds	40,693		
Tobacco settlement	105,000	136,706	
Transportation programs		481,724	
Other		391,620	105,612
Total	$ 555,555	$ 1,286,331	$ 205,204

Net Position 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, 2013, the government-wide statement of net position reported $1.3 billion in restricted net position for governmental activities, of which $139.8 million were restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $52.7 million on investments which are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Position 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 Position

The Workers' Compensation Commission (WCC) had a $116.5 million deficit in net position as of June 30, 2013. 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 from 1982 to 2008, 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, is the primary contributor 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 $196 thousand for 2013. 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 of claimants.

(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 a six member Board of Trustees. 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 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 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	685	39	1	336	1	1
Contribution rates for the fiscal year ended June 30, 2013 (% of covered payroll):	4.00%- 26.24%	25.30%	22.00%	14.00%	12.90%	12.00%
Legal or contractual maximum rates	26.24%	25.30%	22.00%	14.00%	12.90%	12.00%
Covered payroll (in thousands)	$ 1,693,000	$ 2,989	$ 28,096	$ 2,727,000	$ 132,000	$ 19,586
State plan members - contributory plans	5.00%	5.00%	9.25%	6.00%	6.00%	6.00%
Annual pension cost (in thousands)	$ 249,541	$ 1,869	$ 19,473	$ 400,965	$ 18,053	$ 5,672
Contributions made (in thousands)	$ 249,541	$ 1,869	$ 19,473	$ 400,965	$ 18,053	$ 5,672

*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
2013	APERS	$ 249,541	100.00%
	District Judges	1,815	103.00%
	ASPRS	13,565	143.56%
	Teacher	452,142	88.70%
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%

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, 2013, 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	6/30/2013	$	18,053	93.40%
	6/30/2012		17,936	100.00%
	6/30/2011		17,661	100.00%
Judicial	6/30/2013	$	5,672	100.00%
	6/30/2012		5,465	100.00%
	6/30/2011		5,221	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, 2013, is as follows (expressed in thousands):

		Highway		Judicial
Actuarial accrued liability	$	1,404,500	$	203,134
Actuarial value of plan assets		1,275,200		182,596
Unfunded actuarial accrued liability (UAAL)	$	129,300	$	20,538
Funded ratio		90.79%		89.89%
Covered payroll	$	131,700	$	19,586
UAAL as a percentage of covered payroll		98.18%		104.86%

(d) Actuarial Assumptions

	APERS					
	APERS	District Judges (1)	ASPRS (1)	Teacher	Highway	Judicial
Actuarial valuation date	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013	June 30, 2013
Actuarial cost method	Entry age	Entry age	Entry age	Entry age	Entry age	Entry age
Amortization method	Level percentage of payroll, Closed	Level dollar, Closed	Level percentage of payroll, Closed	Level percentage of payroll, Open	Level percentage of Payroll, Open	Level percentage of payroll, Open
Remaining amortization period	25 years	15 years	26 years	30 years (2)	30 years (4)	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 (3)	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*	4.0%-10.6%	4.0%-7.71%	4.0%-11.0%	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	(5)

* Includes assumed inflation.
(1) Operate as Divisions of APERS
(2) 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 70 years.
(3) Present market conditions can lead to a situation where the recognized assets might deviate greatly from the market value. To prevent this, there is a requirement that the recognized assets must always be between 80% and 120% of the market value.
(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 32.9 years.
(5) 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.

(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 $519 million at June 30, 2013.

(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 2013, total employer contributions to VALIC, TIAA-CREF and Fidelity were $111.4 million, while contributions to other plans were $1.4 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $109.2 million, while contributions to other plans were $884 thousand.

(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, 7,580 terminated employees with accumulated benefits 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 2013, the State contributed $4.5 million to ASP and $51.1 million to AEP. Plan members receiving benefits contributed $1.3 million to ASP and $27.4 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, 2013 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	22%	35%
Annual required contribution (ARC)	$ 8,451	$ 208,852
Interest on net OPEB obligation	472	26,980
Adjustment to ARC	(610)	(37,834)
Annual OPEB cost	8,313	197,998
Contribution made	(4,534)	(51,090)
Increase in net OPEB obligation	3,779	146,908
Net OPEB obligation - beginning of year	11,803	634,819
Net OPEB obligation - end of year	$ 15,582	$ 781,727

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	2011	$ 6,250	69%	$ 7,635
	2012	$ 8,231	49%	$ 11,803
	2013	$ 8,313	55%	$ 15,582
AEP	2011	$ 172,618	25%	$ 501,259
	2012	$ 180,668	26%	$ 634,819
	2013	$ 197,998	26%	$ 781,727

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2013, was as follows (expressed in thousands):

		ASP		AEP
Actuarial accrued liability	$	103,259	$	1,953,192
Actuarial value of plan assets				
Unfunded actuarial accrued liability (funding excess)	$	103,259	$	1,953,192
Funded ratio		0%		0%
Covered payroll	$	42,846	$	1,400,921
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll		241%		139%

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	$	779,361
Business-type		77,413
Component units		1,558
Pensions		3,661
Total net OPEB obligation	$	861,993

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 Post-Employment 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) (administered by UMR)
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 23,861 active employees, 9 terminated employees with accumulated benefits and 2,376 retirees.

The State contributed to the following defined post-employment 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 3,481 active employees, 17 terminated employees with accumulated benefits and 98 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 $1,173 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, 2013 (% 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%	50%	0%	100%	0% to 75%
Annual required contribution (ARC)	$ 30	$ 1,955	$ 1,058	$ 99	$ 58
Interest on net OPEB obligation	11	176	128	15	7
Adjustment to ARC	(23)	(299)	(177)	(16)	(9)
Annual OPEB cost	18	1,832	1,009	98	56
Contribution made	(65)	(199)	(457)	(58)	(26)
Increase (decrease) in net OPEB obligation	(47) (1)	1,633	552	40	30
Net OPEB obligation - beginning of year	181	5,854	3,187	256	129
Net OPEB obligation - end of year	$ 134	$ 7,487	$ 3,739	$ 296	$ 159

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

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	OC	HSU	MSCC	NAC	NPCC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2013 (% 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 47%	0% to 100%	100%	100%
Annual required contribution (ARC)	$ 49	$ 340	$ 64	$ 32	$ 61
Interest on net OPEB obligation	7	32	18	5	14
Adjustment to ARC	(8)	(54)	(20)	(5)	(16)
Annual OPEB cost	48	318	62	32	59
Contribution made	(19)	(80)	(8)	(17)	(7)
Increase (decrease) in net OPEB obligation	29	238	54	15	52
Net OPEB obligation - beginning of year	126	1,067	296	91	262
Net OPEB obligation - end of year	$ 155	$ 1,305	$ 350	$ 106	$ 314

	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, 2013 (% 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%	0% to 64%
Annual required contribution (ARC)	$ 66	$ 148	$ 99	$ 45	$ 102
Interest on net OPEB obligation	11	31	18	7	21
Adjustment to ARC	(13)	(25)	(19)	(9)	(25)
Annual OPEB cost	64	154	98	43	98
Contribution made	(2)	(12)	(48)	(37)	(16)
Increase (decrease) in net OPEB obligation	62	142	50	6	82
Net OPEB obligation - beginning of year	216	680	298	130	342
Net OPEB obligation - end of year	$ 278	$ 822	$ 348	$ 136	$ 424

	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, 2013 (% 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%	63%
Annual required contribution (ARC)	$ 157	$ 167	$ 6,069	$ 70	$ 330
Interest on net OPEB obligation	55	29	1,819	13	22
Adjustment to ARC	(93)	(37)	(1,508)	(17)	(38)
Annual OPEB cost	119	159	6,380	66	314
Contribution made	(79)	(11)	(2,016)	(11)	(115)
Increase (decrease) in net OPEB obligation	40	148	4,364	55	199
Net OPEB obligation - beginning of year	1,835	559	40,427	255	748
Net OPEB obligation - end of year	$ 1,875	$ 707	$ 44,791	$ 310	$ 947

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	2011	$ 18	168%	$ 191	(1)
	2012	18	156%	181	
	2013	18	361%	134	
ASU	2011	1,432	11%	4,278	
	2012	1,780	12%	5,854	
	2013	1,832	11%	7,487	
ATU	2011	1,075	42%	2,592	
	2012	1,012	41%	3,187	
	2013	1,009	45%	3,739	
BRTC	2011	98	26%	182	
	2012	98	25%	256	
	2013	98	59%	296	
EACC	2011	46	41%	106	
	2012	47	52%	129	
	2013	56	46%	159	
OC	2011	48	31%	97	
	2012	47	38%	126	
	2013	48	40%	155	
HSU	2011	328	28%	845	
	2012	314	29%	1,067	
	2013	318	25%	1,305	
MSCC	2011	62	6%	242	
	2012	61	12%	296	
	2013	62	13%	350	
NAC	2011	28	79%	80	
	2012	31	65%	91	
	2013	32	53%	106	
NPCC	2011	57	13%	211	
	2012	58	13%	262	
	2013	59	12%	314	
NWACC	2011	53	5%	155	
	2012	63	4%	216	
	2013	64	3%	278	
PTC	2011	163	3%	536	
	2012	153	6%	680	
	2013	154	8%	822	

(1) 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	2011	$ 97	42%	$ 245
	2012	98	46%	298
	2013	98	49%	348
SACC	2011	41	30%	112
	2012	43	58%	130
	2013	43	86%	136
SAUT	2011	100	22%	262
	2012	99	19%	342
	2013	98	17%	424
SAU	2011	361	5%	1,375
	2012	475	3%	1,835
	2013	119	66%	1,875
UAFS	2011	140	16%	416
	2012	161	11%	559
	2013	159	7%	707
UAS1	2011	6,197	27%	35,331
	2012	6,732	24%	40,427
	2013	6,380	32%	44,791
UAS2	2011	69	27%	202
	2012	67	21%	255
	2013	66	17%	310
UCA	2011	304	53%	570
	2012	311	43%	748
	2013	314	37%	947

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2013, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 316	$ 12,921	$ 8,272	$ 572	$ 481
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 316	$ 12,921	$ 8,272	$ 572	$ 481
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,509	$ 100,382	$ 43,697	$ 7,040	$ 5,617
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	4%	13%	19%	8%	9%

	OC	HSU	MSCC	NAC	NPCC
Actuarial accrued liability	$ 279	$ 2,800	$ 334	$ 223	$ 391
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 279	$ 2,800	$ 334	$ 223	$ 391
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 4,363	$ 23,197	$ 6,877	$ 6,784	$ 11,360
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	6%	12%	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	$ 27,624	$ 19,585	$ 3,956	$ 8,045	$ 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	$ 2,247	$ 919	$ 58,874	$ 428	$ 2,740
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 2,247	$ 919	$ 58,874	$ 428	$ 2,740
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 18,361	$ 30,549	$ 1,024,457	$ 17,215	$ 67,038
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	12%	3%	6%	2%	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	HSU, SAU, UCA	ATU	PTC	UAS1
Actuarial valuation date	July 1, 2010	July 1, 2011	July 1, 2012	July 1, 2011	July 1, 2011	July 1, 2012
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected 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 5% ultimate	10% initial 5% ultimate	9% initial(1) 4.5% ultimate(1)	7.8% initial 4.8% ultimate	7.1% initial 4.7% ultimate	8% initial 5% ultimate
Inflation Rate	N/A	N/A	N/A	N/A	N/A	N/A

	EACC	ASU
Actuarial valuation date	July 1, 2012	July 1, 2012
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar, Open	Level dollar, Open
Remaining amortization period	30 years	30 years
Asset valuation method	N/A	N/A
Actuarial assumptions:		
Discount rate	5.25%	3.00%
Projected salary increases	N/A	N/A
Healthcare inflation rate	10% initial 5% ultimate	9% initial 4.5% ultimate
Inflation Rate	N/A	2.5%

(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 Position (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Assets	
Current assets	$ 123,851
Noncurrent assets	261,668
Total assets	385,519
Liabilities	
Current liabilities	11,501
Noncurrent liabilities	45,727
Total liabilities	57,228
Net position	
Restricted	328,291
Total net position	$ 328,291

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

	Construction Assistance Revolving Loan Fund
Operating revenue/expenses:	
Licenses, permits and fees	$ 2,537
Investment earnings (pledged against bonds)	5,174
Other operating income	435
Amortization of bond discounts and premiums	788
Other operating expense	(4,473)
Operating income (loss)	4,461
Nonoperating revenue/expenses:	
Grants and contributions	15,707
Transfers (to)/from other funds	(1,080)
Change in net position	19,088
Total net position, beginning of year	309,203
Total net position, end of year	$ 328,291

Condensed Statement of Cash Flows (expressed in thousands):

		Construction Assistance Revolving Loan Fund
Net cash provided (used) by:		
Operating activities	$	(26,318)
Noncapital financing activities		3,691
Investing activities		(6,486)
Net increase (decrease)		(29,113)
Cash and cash equivalents, beginning		122,201
Cash and cash equivalents, end	$	93,088

(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):

	2013	2012
Claim liability, beginning of year	$ 24,250	$ 24,250
Incurred claims:		
Provision for insured events of current year	264,600	238,901
Total incurred claims and claim adjustment expense	264,600	238,901
Payments:		
Claims payments attributed to insured events of current year	224,365	224,256
Claims payments attributed to insured events of prior years	38,885	14,645
Total payments	263,250	238,901
Claim liability, end of year	$ 25,600	$ 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 per enrolled employee per month. 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:

	2013	2012
Claim liability, beginning of year	$ 27,300	$ 27,840
Incurred claims:		
Provision for insured events of current year	282,627	259,244
Total incurred claims and claim adjustment expense	282,627	259,244
Payments:		
Claims payments attributed to insured events of current year	240,750	240,671
Claims payments attributed to insured events of prior years	39,377	19,113
Total payments	280,127	259,784
Claim liability, end of year	$ 29,800	$ 27,300

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 $1.5 million 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 $1.5 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 ($1.0 million 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. Also, such commercial insurance generally provides coverage against liability losses up to $250 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 purchase $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 the General Fund as incurred. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

(c) State Claims Commission

The State Claims Commission (the Commission) was established by State law to hear and adjudicate all claims against the State and its agencies and component units, excluding those arising from workers' compensation law, employment security law and the acts of the various retirement plans. The Commission may authorize awards up to $15 thousand without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $15 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, 2013, is $44 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 last two fiscal years are as follows (expressed in thousands):

	2013	2012
Claim liability, beginning of year	$ 70,509	$ 70,046
Incurred claims:		
Provision for insured events of current year	16,829	14,317
Increase (decrease) in provision for insured events of prior years	(603)	(1,076)
Total incurred claims and claim adjustment expense	16,226	13,241
Payments:		
Claims payments attributed to insured events of current year	5,133	3,906
Claims payments attributed to insured events of prior years	9,025	8,872
Total payments	14,158	12,778
Claim liability, end of year	$ 72,577	$ 70,509

(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 $196 thousand, for 2013. 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):

	2013	2012
Claim liability, beginning of year	$ 263,623	$ 243,309
Incurred claims:		
Provision for insured events of current year	7,037	7,645
Increase (decrease) in provision for insured events of prior years	(12,066)	(2,111)
Increase due to decrease in discount period	12,781	11,779
Change in actuarial assumptions		18,471
Total incurred claims and claim adjustment expense	7,752	35,784
Payments:		
Claims payments attributed to insured events of prior years	15,993	15,470
Total payments	15,993	15,470
Claim liability, end of year	$ 255,382	$ 263,623

Total unpaid claims and claim adjustment expenses at the beginning of the 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.

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

	2013	2012
Claim liability, beginning of year	$ 751	$ 1,971
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	107	(1,134)
Increase due to decrease in discount period	34	93
Change in actuarial assumptions		11
Total incurred claims and claim adjustments expense	141	(1,030)
Payments:		
Claims payments attributed to insured events of prior years	159	190
Total payments	159	190
Claim liability, end of year	$ 733	$ 751

Total unpaid claims adjustment expenses at the beginning of year reflect 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 the responsible party's consulting 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):

	2013	2012
Claim liability, beginning of year	$ 12,081	$ 12,051
Incurred claims:		
Provision for insured events of current year	6,285	5,303
Total incurred claims and claim adjustment expense	6,285	5,303
Payments:		
Claims payments attributed to insured events of current year	7,738	5,273
Total payments	7,738	5,273
Claim liability, end of year	$ 10,628	$ 12,081

(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. Participation in the UA System health and dental plans includes employees of the Fayetteville, Batesville, Little Rock, Monticello, Pine Bluff, Medical Sciences campuses, the Cooperative Extension Service of the Division of Agriculture, the Arkansas School for Mathematics, Sciences, and the Arts, the Criminal Justice Institute, The University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, the state-wide operating units of Arkansas Archeological Survey, and the UA 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):

	2013	2012
Claim liability, beginning of year	$ 16,145	14,081
Incurred Claims:		
Provision for insured events of current year	142,284	147,269
Increase (decrease) in provision for insured events of prior years	(2,181)	(961)
Total incurred claims and claim adjustment expense	140,103	146,308
Payments:		
Claims payments attributed to insured events of current year	126,432	131,170
Claims payments attributed to insured events of prior years	13,951	13,074
Total Payments	140,383	144,244
Claim liability, end of year	$ 15,865	$ 16,145

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 $1.0 million and $200 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, 2013, is $410 per budgeted civilian position and $782 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, 2013, are as follows (expressed in thousands):

	2013	2012
Claim liability, beginning of year	$ 684	$ 804
Incurred claims:		
Provision for insured events of current year	9,593	9,851
Increase (decrease) in provision for insured events of prior years	152	(63)
Total incurred claims and claim adjustment expense	9,745	9,788
Payments:		
Claims payments attributed to insured events of current year	8,894	9,167
Claims payments attributed to insured evens of prior years	836	741
Total payments	9,730	9,908
Claim liability, end of year	$ 699	$ 684

(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 $2.0 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 $16.8 million.

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

	2013	2012
Litigation, beginning of year	$ 3,133	$ 2,432
Incurred litigation	4,399	1,133
Litigation payments/dismissals	(5,520)	(432)
Litigation, end of year	$ 2,012	$ 3,133

(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, 2013, 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 (LRSD) desegregation case settlement agreement, the State loaned $20.0 million to the 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. The LRSD did not meet the requirements and in 2005, began payments on the loans. As of June 30, 2013, the State's loan receivable is $2.9 million and is recorded in the General Fund.

(d) Construction and Other Commitments

At June 30, 2013, the State has commitments of approximately $806.2 million for construction and other contracts and approximately $60.6 million for professional service contracts. The Arkansas Natural Resource Commission has approved $8.5 million in loans for projects for water systems, waste water, or pollution abatement that have not been disbursed at June 30, 2013.

(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, 2013, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $54.8 million. In addition, AEDC has committed to guarantee approximately $7.3 million in industrial development revenue bonds that have not closed at June 30, 2013. As of June 30, 2013, four 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 $100.0 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5.0 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 $5.0 million dedicated to pay the debt service on the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2013, the University would have incurred a liability of $51.9 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 2013. In fiscal year 2013, the State recorded a total of $75.5 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 $122.6 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):

	2013	2012
Business incentives, beginning of year	$ 130,809	$ 111,305
Incurred business incentives, net of allowance	2,655	36,018
Business incentives payments/dismissals	(10,823)	(16,514)
Business incentives, end of year	$ 122,641	$ 130,809

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, 2013, there was $72 thousand in accrued liabilities for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate there is no liability at June 30, 2013.

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

	2013	2012
Litigation, beginning of year	$ 0	$ 0
Incurred litigation	72	25
Litigation payments/dismissals	0	(25)
Litigation, end of year	$ 72	$ 0

(b) Construction and Other Commitments

Higher Education

At June 30, 2013, the State has commitments in its business-type activities of approximately $126.1 million for construction and other contracts and approximately $2.7 million 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, 2013, was $21.7 million.

Component Unit Activities

(a) Construction and Other Commitments

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 $11.4 million of amounts recorded as cash and investments in the statement of net position that may be disbursed under loan and lease agreements closed prior to June 30, 2013.

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 $10.0 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, 2013, was $25.7 million. There were eight approved investments as of June 30, 2013, totaling $28.1 million, of which $6.5 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.

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 MUSL is audited annually by a separate independent audit firm.

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, 2013, the ALC had reserve fund deposits with the MUSL of $1.8 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, 2013, is summarized below (expressed in thousands):

	Powerball®	Mega Millions®
Operating revenues	$ 47,410	$ 13,891
Prizes	22,851	6,335

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. 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.

The ALC's portion of revenues for "Decades of Dollars" game for the fiscal year ended June 30, 2013, was $2.9 million and prizes were $1.8 million.

(20) Subsequent Events

Primary Government

Governmental Activities

Arkansas Economic Development Commission

New debt guaranty agreements were initiated in the amount of $13.6 million.

In July, 2013, a new market tax credit program, authorized by the General Assembly, was started. New market tax credits may be earned by business entities that make qualifying equity investments in Qualified Community Development Entities (QCDEs). Application and performance guarantee fees in the amount of $7.2 million were collected from QCDEs. Of that amount, $6.3 million was refunded to the QCDEs and the remainder was deposited into the State Treasury New Market Performance Guarantee Fund.

Arkansas Game and Fish

On December 3, 2013, The Arkansas Game and Fish Commission prevailed against the U.S. Army Corps of Engineers regarding timber damage at Black River WMA. AGFC should receive about $5.8 million in damages, plus interest.

Arkansas Highway and Transportation Department

On October 3, 2013, the Department issued $469.0 million in General Obligation bonds. The bonds were issued to finance improvements to four-lane highways in the State of Arkansas.

On November 1, 2013, the Department issued an additional $171.0 million in General Obligation bonds. Proceeds will be used for rehabilitation and reconstruction of existing interstate highways in the State of Arkansas.

Arkansas Natural Resources Commission

In November, 2013, $30.0 million in General Obligation Bonds were offered for sale to provide financing for water, waste disposal, pollution abatement, irrigation, drainage and flood control and/or wetland preservation facilities projects in the State of Arkansas.

Department of Education

In October, 2013, the General Assembly approved a supplemental appropriation of $43.0 million to the Department of Education Public School Fund Account for public school employee health insurance plan assistance.

Business-Type Activities

Arkansas State University – Jonesboro

On August 1, 2013, the University received a $1.0 million loan from the Arkansas Department of Higher Education's College Savings Bond Loan Fund. The proceeds of the loan will be used to construct a pedestrian corridor between residence housing to the academic core of the campus and a new parking lot.

On September 20, 2013, the Board of Trustees approved a $27.7 million bond issue. The proceeds of the bond issue will finance the completion of the Humanities and Social Sciences building and provide for the construction of a student activities center.

Arkansas Tech University

November 22, 2013, the University issued $5.0 million in student fee revenue bonds for the construction of the Administrative Support/Student Services Building.

Department of Workforce Services

As of November 20, 2013, the Department has reduced its debt to the Federal government by repaying $50.0 million and having $502 thousand in Federal Unemployment Tax credits applied to the outstanding balance. The remaining amount owed to the Federal government as of November 20, 2013, was $117.5 miilion.

Ozarka College

On November 13, 2013, Ozarka College executed a contract with Construction Network, Inc. for $3.5 million, to construct a new student services center.

University of Arkansas

On June 13, 2013, the Cossatot Campus issued revenue refunding bonds of $3.9 million to refund an outstanding capital lease dated May 2005, for the purpose of lowering interest expense. Bond proceeds and premium were deposited into a project fund account to make payment on a prepayment option price. Because the escrow account remained in control of the campus, the debt of the original lease and option agreement was not yet considered defeased as of June 30, 2013, and therefore both debts remained in the financial statements. On July 1, 2013, the prepayment option on the capital lease was paid in full, and the lease was considered fully defeased.

On August 1, 2013, the University issued $28.7 million in Student Fee Revenue Capital Improvement Bonds for the Little Rock campus. The purpose of the bonds is to acquire, construct and equip certain energy conservation capital improvements for the campus.

On September 12, 2013, the Arkansas State Claims Commission awarded $1.2 million for a wrongful death claim against the Medical Sciences campus.

Component Units

Arkansas Development Finance Authority

On July 1, 2013, the Authority redeemed three Single Family bond issues totaling approximately $27.0 million which saved future interest costs of approximately $14.7 million.

In July 2013, the Authority became a sponsor in the Turnkey Mortgage Origination Program by Raymond James. The program will purchase loans, once pooled as a mortgage-backed security, at certain pre-designated prices, eliminating the interest rate risk for the Authority for future periods.

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

MERCY

JUSTICE

Required Supplementary Information


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	2013	6/30/2013	$ 1,275,200	$ 1,404,500	$ 129,300	90.8%	$ 131,700	98.2%
	2012	6/30/2012	1,230,000	1,374,000	144,000	89.5%	131,000	109.9%
	2011	6/30/2011	1,227,700	1,342,700	115,000	91.4%	129,000	89.1%
Judicial	2013	6/30/2013	182,596	203,134	20,538	89.9%	19,586	104.9%
	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%

Actuarial assumptions are presented in Note 14.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Year Ended June 30, 2013
(Expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget – Positive
	Original	Final	Amounts	(Negative)
Expenditures (1)				
Current:				
General government	$ 5,945,095	$ 5,973,456	$ 1,882,457	$ 4,090,999
Education	3,897,546	3,941,707	3,537,489	404,218
Health and human services	7,090,441	6,466,411	6,170,379	296,032
Law, justice and public safety	934,188	952,778	749,676	203,102
Recreation and resource development	444,251	474,457	320,474	153,983
Regulation of business and professionals	185,074	233,656	121,030	112,626
Transportation	546,881	596,498	385,363	211,135
Debt service	163,514	194,248	160,794	33,454
Capital outlay	934,497	886,409	732,447	153,962
Total expenditures	$ 20,141,487	$ 19,719,620	$ 14,060,109	$ 5,659,511

(1) Expenditures are appropriated; amounts blocked determined available budget. Blocking is revised quarterly to match the forecast revisions of available resources. Expenditures may not exceed the lesser of budget or resources available.

Required Supplementary Information
Notes to Schedule of Expenditures – Budget and Actual
General Fund
For the Year Ended June 30, 2013

(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 line item expenditure 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 available resources, restrictions on spending by Executive Order and carryforward provisions.

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

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding line item expenditure 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 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and the 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 the General Revenue Allotment Account 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	$	14,154,278
Less non-cash federal grant expenditures		(803,684)
Less non-appropriated expenditures		(4,810,478)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		5,035,916
Plus refunds treated as reduction of revenue for financial statements purposes		686,447
Less basis of accounting differences		(202,370)
Total statutory basis expenditures General Fund	$	14,060,109

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

	2004	2005	2006	2007
Premium and investment revenues:				
Premium income	$ 158,499,272	$ 209,344,487	$ 230,564,982	$ 230,141,726
Investment interest income	233,550	586,801	1,570,234	2,352,048
Totals	$ 158,732,822	$ 209,931,288	$ 232,135,216	$ 232,493,774
Unallocated expenses:				
Operating costs	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938
Reinsurance premium expense	0	0	0	0
Totals	$ 905,564	$ 1,234,945	$ 1,175,832	$ 1,703,938
Estimated incurred claims and expenses, end of fiscal year	$ 164,172,038	$ 198,727,802	$ 220,169,782	$ 236,300,587
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	148,172,038	181,727,802	198,419,782	213,550,587
One year later	163,888,838	198,426,902	219,834,832	235,854,687
Two years later	164,172,038	198,678,502	220,245,907	236,359,737
Re-estimated incurred claims and expenses (2):				
End of fiscal year	164,172,038	198,727,802	220,169,782	236,300,587
One year later	164,172,038	198,727,802	220,169,782	236,300,587
Two years later	164,172,038	198,727,802	220,169,782	236,300,587
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Increase (decrease) in net incurred claims and claim adjustment expenses from original estimate	0	0	0	0
Number of plan participants	44,797	45,463	47,268	48,846

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities,* as amended, 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, as amended.

(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.

	2008	2009	2010	2011	2012	2013
	$ 239,686,872	$ 252,028,277	$ 265,671,434	$ 271,802,235	$ 273,702,538	$ 276,235,566
	2,482,253	1,322,380	442,355	302,462	180,027	94,975
	$ 242,169,125	$ 253,350,657	$ 266,113,789	$ 272,104,697	$ 273,882,565	$ 276,330,541
	$ 4,288,268	$ 5,569,196	$ 3,788,158	$ 3,423,965	$ 6,374,870	$ 6,977,013
	0	0	0	0	0	0
	$ 4,288,268	$ 5,569,196	$ 3,788,158	$ 3,423,965	$ 6,374,870	$ 6,977,013
	$ 208,506,000	$ 235,781,000	$ 237,226,000	$ 251,536,000	$ 259,784,000	$ 280,127,000
	185,756,000	211,281,000	209,386,000	224,266,659	232,820,863	250,689,890
	207,975,925	235,244,450	236,679,328	251,226,738	259,449,420	
	208,449,125	235,757,056	237,198,903	251,508,249		
	208,506,000	235,781,000	237,226,000	251,536,000	259,784,000	280,127,000
	208,506,000	235,781,000	237,226,000	251,536,000	259,784,000	
	208,506,000	235,781,000	237,226,000	251,536,000		
	0	0	0	0	0	0
	0	0	0	0	0	0
	50,370	50,277	52,094	53,347	54,866	57,087

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

	2004	2005	2006	2007
Premium and investment revenues:				
Premium income	$ 8,380,469	$ 9,236,142	$ 8,326,813	$ 7,536,378
Investment interest income	1,672,189	1,932,354	4,055,947	6,098,515
Totals	$ 10,052,658	$ 11,168,496	$ 12,382,760	$ 13,634,893
Unallocated expenses:				
Operating costs (2)	$ 321,328	$ 324,698	$ 123,637	$ 129,292
Estimated incurred claims and expenses, end of fiscal year	$ 7,952,310	$ 9,343,245	$ 10,612,346	$ 11,605,274
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	0	12,500	45,000	40,000
Two years later	60,000	254,500	60,000	116,115
Three years later	155,312	443,594	258,442	456,230
Four years later	559,647	1,084,352	666,938	963,169
Five years later	1,110,691	1,746,038	1,527,999	1,840,785
Six years later	1,941,198	2,737,246	2,435,131	2,903,214
Seven years later	2,852,760	3,639,491	3,464,800	
Eight years later	3,757,147	4,563,722		
Nine years later	4,632,056			
Re-estimated incurred claims and expenses:				
End of fund year	3,767,145	3,968,387	5,146,235	3,606,231
One year later	7,407,958	10,855,431	6,578,501	6,720,442
Two years later	11,023,365	13,658,153	9,955,357	11,299,265
Three years later	12,323,811	6,417,676	12,165,161	12,884,190
Four years later	14,614,740	13,325,459	14,248,771	14,829,242
Five years later	8,096,016	14,096,948	12,526,550	9,263,930
Six years later	14,278,584	18,320,630	22,168,949	20,919,814
Seven years later	16,018,643	19,579,015	20,179,548	
Eight years later	17,440,776	18,848,770		
Nine years later	16,847,313			
Increase (decrease) in estimated incurred claims and expense from end of policy year	8,895,003	9,505,525	9,567,202	9,314,540
Number of fund participants receiving benefits at end of year	1,347	1,324	1,336	1,342

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing* and *Related Insurance Activities*, as amended, requires 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, as amended.
(2) The amounts reflected as operating costs of the program for the respective years which were paid from the Workers' Compensation Trust Fund.

2008	2009	2010	2011	2012	2013
$ 9,016,067	$ 9,075,784	$ 8,226,832	$ 7,390,622	$ 10,462,123	$ 8,867,656
6,325,923	3,590,255	2,315,616	1,701,541	970,017	731,425
$ 15,341,990	$ 12,666,039	$ 10,542,448	$ 9,092,163	$ 11,432,140	$ 9,599,081
$ 120,693	$ 271,386	$ 285,513	$ 257,079	$ 274,375	$ 248,942
$ 10,896,034	$ 6,619,914	$ 5,640,789	$ 6,413,633	$ 7,645,295	$ 7,037,748
0	0	0	0	0	0
23,750	20,000	0	0	0	
53,750	20,000	0	0		
188,555	20,000	0			
493,486	20,000				
896,344					
3,135,931	2,675,997	2,546,952	3,904,725	3,312,740	1,268,529
7,448,896	4,215,186	6,118,056	7,110,289	4,740,760	
9,810,061	5,837,915	6,897,305	8,706,668		
11,188,480	5,718,497	7,219,746			
14,777,103	5,673,165				
6,920,424					
(3,975,610)	(946,749)	1,578,957	2,293,035	(2,904,535)	(5,769,219)
1,356	1,349	1,454	1,501	1,481	1,474

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

	2004	2005	2006	2007
Premium and investment revenues:				
Premium taxes	$ 1,186,860	$ 1,294,907	$ 3,620,160	$ 2,763,390
Interest income	80,943	60,958	74,445	101,278
Totals	$ 1,267,803	$ 1,355,865	$ 3,694,605	$ 2,864,668
Unallocated expenses:				
Operating costs (2)	$ 526,768	$ 544,817	$ 584,142	$ 583,796
Estimated incurred claims and expenses, end of fiscal year	$ 2,741,476	$ 3,681,128	$ 3,982,037	$ 3,770,225
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	70,605	34,500	51,755	169,875
Two years later	299,505	751,613	449,159	625,574
Three years later	1,219,840	1,044,728	766,086	672,724
Four years later	1,542,077	1,269,810	899,440	679,624
Five years later	1,720,501	1,314,373	912,715	679,624
Six years later	1,807,660	1,461,398	972,818	746,562
Seven years later	1,807,660	1,505,148	993,180	
Eight years later	1,832,660	1,551,148		
Nine years later	1,832,660			
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later	70,605	34,500	51,755	169,875
Two years later	437,313	1,013,605	449,159	625,574
Three years later	1,947,770	1,503,828	933,751	672,724
Four years later	2,665,638	2,042,671	899,440	679,624
Five years later	3,710,566	1,314,373	912,715	679,624
Six years later	1,807,660	1,461,398	1,186,548	1,043,741
Seven years later	1,807,660	1,505,148	1,264,346	
Eight years later	1,832,660	1,551,148		
Nine years later	1,832,660			
Increase (decrease) in estimated incurred claims and expense from end of policy year	(908,816)	(2,129,980)	(2,717,691)	(2,726,484)
Number of fund participants receiving benefits at end of year	111	122	128	119

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities,* as amended, 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, as amended.

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

2008	2009	2010	2011	2012	2013
$ 1,327,517	$ 1,082,496	$ 659,098	$ 0	$ 0	$ 0
91,863	35,500	18,800	9,679	5,512	4,315
$ 1,419,380	$ 1,117,996	$ 677,898	$ 9,679	$ 5,512	$ 4,315
$ 642,794	$ 582,490	$ 531,955	$ 526,189	$ 483,246	$ 396,593
$ 1,795,345	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
0	0	0	0	0	
0	0	0	0		
0	0	0			
0	0				
0					
0	0	0	0	0	0
0	0	0	0	0	
0	0	0	0		
0	0	0			
0	0				
0					
(1,795,345)	0	0	0	0	0
112	109	2	3	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	7/1/2009	0	9,523	9,523	0.0%	110,245	9%
	7/1/2011	0	11,981	11,981	0.0%	101,214	12%
	7/1/2012	0	12,921	12,921	0.0%	100,382	13%
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%
	7/1/2012	0	481	481	0.0%	5,617	9%
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	7/1/2009	0	2,741	2,741	0.0%	18,742	15%
	7/1/2011	0	2,750	2,750	0.0%	20,292	14%
	7/1/2012	0	2,800	2,800	0.0%	23,197	12%
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	7/1/2009	0	2,604	2,604	0.0%	16,329	16%
	7/1/2011	0	3,571	3,571	0.0%	17,200	21%
	7/1/2012	0	2,247	2,247	0.0%	18,361	12%
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	7/1/2010	0	58,439	58,439	0.0%	934,781	6%
	7/1/2011	0	63,292	63,292	0.0%	995,948	6%
	7/1/2012	0	58,874	58,874	0.0%	1,024,457	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	7/1/2009	0	2,696	2,696	0.0%	62,713	4%
	7/1/2011	0	2,722	2,722	0.0%	66,112	4%
	7/1/2012	0	2,740	2,740	0.0%	67,038	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


GREAT SEAL OF THE STATE OF ARKANSAS
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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 for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; 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.

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2013
(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	$ 607	$ 93,088	$ 14,423	$ 59,789	$ 167,907
Investments	173	30,000		15,372	45,545
Receivables:					
Accounts		225	2,521	604	3,350
Loans				5,737	5,737
Interest		538	13	317	868
Due from other funds			2		2
Advances to other funds				885	885
Inventories	6				6
Deferred charges	3				3
Total current assets	789	123,851	16,959	82,704	224,303
Noncurrent assets:					
Investments - restricted		8,356	17,067		25,423
Capital assets:					
Buildings	22,444				22,444
Equipment	1,268		94		1,362
Improvements other than building	446				446
Other depreciable/amortizable assets			240		240
Assets under construction			1,486		1,486
Less accumulated depreciation/amortization	(9,428)		(152)		(9,580)
Advances to other funds		933		5,479	6,412
Loans receivable, restricted		252,019		160,336	412,355
Other noncurrent assets	9	360		160	529
Total noncurrent assets	14,739	261,668	18,735	165,975	461,117
Total assets	$ 15,528	$ 385,519	$ 35,694	$ 248,679	$ 685,420

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2013
(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	$	$ 203	$ 5,947	$ 135	$ 6,285
Accrued interest	41	188			229
Accrued and other current liabilities	10			102	112
Due to other funds	25		9	335	369
Loans and bonds payable	500	11,110		1,000	12,610
Claims, judgments and compensated absences	8		29,547		29,555
Deferred revenue			2,015		2,015
Total current liabilities	584	11,501	37,518	1,572	51,175
Noncurrent liabilities:					
Loans and bonds payable	1,500	45,544		26,677	73,721
Net postemployment benefits payable	159				159
Claims, judgments and compensated absences	47		253		300
Deferred revenue		183		2,440	2,623
Total noncurrent liabilities	1,706	45,727	253	29,117	76,803
Total liabilities	2,290	57,228	37,771	30,689	127,978
Net Position					
Net investment in capital assets	12,730		1,668		14,398
Restricted for:					
Program requirements		328,291		217,990	546,281
Unrestricted (deficit)	508		(3,745)		(3,237)
Total net position	13,238	328,291	(2,077)	217,990	557,442
Total liabilities and net position	$ 15,528	$ 385,519	$ 35,694	$ 248,679	$ 685,420

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2013
(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	$ 2,337	$	$ 277,390	$	$ 279,727
Licenses, permits and fees		2,537		1,736	4,273
Investment earnings		5,174		3,569	8,743
Miscellaneous		435			435
Total operating revenues	2,337	8,146	277,390	5,305	293,178
Operating expenses:					
Cost of sales and services	923				923
Compensation and benefits	586				586
Supplies and services	702		24,927		25,629
General and administrative expenses	213	251	33	393	890
Benefits and aid payments			281,820		281,820
Federal financial assistance		612		5,428	6,040
Depreciation and amortization	818		18		836
Amortization of bond costs		(788)		(414)	(1,202)
Interest		3,610		1,175	4,785
Total operating expenses	3,242	3,685	306,798	6,582	320,307
Operating income (loss)	(905)	4,461	(29,408)	(1,277)	(27,129)
Nonoperating revenues (expenses):					
Investment earnings	2		55	1,783	1,840
Grants and contributions	9	15,707		18,907	34,623
Other non-operating revenue (expense)	(115)			1,016	901
Total nonoperating revenues (expenses)	(104)	15,707	55	21,706	37,364
Income (loss) before transfers and contributions	(1,009)	20,168	(29,353)	20,429	10,235
Transfers in	1,771	3,698		3,672	9,141
Transfers out	(690)	(4,778)	(75)	(4,368)	(9,911)
Change in net position	72	19,088	(29,428)	19,733	9,465
Total net position - beginning	13,166	309,203	27,351	198,257	547,977
Total net position - ending	$ 13,238	$ 328,291	$ (2,077)	$ 217,990	$ 557,442

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2013
(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
Cash flows from operating activities:					
Cash received from customers	$ 2,337	$	$ 276,202	$	$ 278,539
Payments to employees	(549)				(549)
Payments of benefits			(279,320)		(279,320)
Payments to suppliers	(1,826)		(24,329)		(26,155)
Interest received (paid)		2,751		2,313	5,064
Loan administration received (paid)		(30,891)		(7,030)	(37,921)
Federal grant funds expended		(613)		(5,428)	(6,041)
Other receipts (payments)		2,435	(33)	1,401	3,803
Net cash provided by (used in) operating activities	(38)	(26,318)	(27,480)	(8,744)	(62,580)
Cash flows from noncapital financing activities:					
Direct lending payments	(500)	(11,320)			(11,820)
Grants and contributions	9	16,091		18,829	34,929
Proceeds from bond issuance	3				3
Transfers in	1,771	3,698		3,672	9,141
Transfers out	(690)	(4,778)	(75)	(4,407)	(9,950)
Net cash provided by (used in) noncapital financing activities	593	3,691	(75)	18,094	22,303
Cash flows from capital and related financing activities:					
Interest paid on capital debts and leases	(128)				(128)
Acquisition and construction of capital assets	(307)		(719)		(1,026)
Net cash used in capital and related financing activities	(435)		(719)		(1,154)
Cash flows from investing activities:					
Purchase of investments	(67)	(25,798)		(4,736)	(30,601)
Proceeds from sale and maturities of investments		19,312	30,942	13,366	63,620
Interest and dividends on investments	2		78		80
Net cash provided by (used in) investing activities	(65)	(6,486)	31,020	8,630	33,099
Net increase (decrease) in cash and cash equivalents	55	(29,113)	2,746	17,980	(8,332)
Cash and cash equivalents - beginning	552	122,201	11,677	41,809	176,239
Cash and cash equivalents -ending	$ 607	$ 93,088	$ 14,423	$ 59,789	$ 167,907
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (905)	$ 4,461	$ (29,408)	$ (1,277)	$ (27,129)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	818		18		836
Amortization of bond costs		230		(579)	(349)
Net appreciation (depreciation) of investments		117		3	120
Net changes in assets and liabilities:					
Accounts receivable		(100)	(1,404)	(4)	(1,508)
Loans receivable		(30,891)		(6,846)	(37,737)
Inventory	2				2
Other current assets		(122)	567	(33)	412
Accounts payable and other accrued liabilities	10	(13)	2,531	(8)	2,520
Net OPEB	30				30
Compensated absences	7				7
Deferred revenue			216		216
Net cash provided by (used in) operating activities	$ (38)	$ (26,318)	$ (27,480)	$ (8,744)	$ (62,580)

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 (which also administers the Arkansas District Judges Retirement System and the Arkansas State Police Retirement System), 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 Position
Pension Trust Funds
June 30, 2013
(Expressed in thousands)

	Teacher	APERS	Highway	Judicial	Total
Assets					
Cash and cash equivalents	$ 174,295	$ 210,382	$ 106,837	$ 7,553	$ 499,067
Receivables:					
Employee	9,599	646	339		10,584
Employer	28,957	3,381	693	254	33,285
Investment principal	224,459	26,232		432	251,123
Interest and dividends	16,213	20,602	2,268	717	39,800
Other	247	11,741	16		12,004
Due from other funds	2,460	5			2,465
Total receivables	281,935	62,607	3,316	1,403	349,261
Investments at fair value:					
U.S. government securities	197,768	246,911	64,447	17,912	527,038
Bonds, notes, mortgages and preferred stock	443,289	68,579	7,446	606	519,920
Common stock	1,921,806	2,681,643	884,832	45,032	5,533,313
Real estate	89,085	268,846	2,071	13,885	373,887
International investments	3,983,413	1,761,195	26,810	31,161	5,802,579
Pooled investment funds	2,337,711	349,980		42,700	2,730,391
Corporate obligations	251,788	686,326	161,794	27,309	1,127,217
Asset and mortgage-backed securities	44,000	172,822		5,687	222,509
Other	3,302,407	213,607	69,115	28	3,585,157
Total investments	12,571,267	6,449,909	1,216,515	184,320	20,422,011
Securities lending collateral	633,219	774,702			1,407,921
Capital assets	225	44			269
Other assets	145	30			175
Total assets	13,661,086	7,497,674	1,326,668	193,276	22,678,704
Liabilities					
Accounts payable and other liabilities	9,719	8,505	136	299	18,659
Investment principal payable	185,574	41,983	500	2,267	230,324
Obligations under securities lending	634,202	774,702			1,408,904
Postemployment benefit liability	1,991	1,670			3,661
Due to other funds	34	73			107
Total liabilities	831,520	826,933	636	2,566	1,661,655
Net position					
Held in trust for employees' pension benefits	$ 12,829,566	$ 6,670,741	$ 1,326,032	$ 190,710	$ 21,017,049

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

	Teacher	APERS	Highway	Judicial	Total
Additions					
Contributions:					
Members	$ 113,900	$ 44,668	$ 8,621	$ 887	$ 168,076
Employers	400,934	255,246	18,053	2,344	676,577
Supplemental contributions		8,567	19	2,629	11,215
Title fees		4,357			4,357
Court fees		1,229		740	1,969
Reinstatement fees		882			882
Total contributions	514,834	314,949	26,693	6,600	863,076
Investment income:					
Net increase (decrease) in fair value of investments	1,601,751	783,173	144,147	20,697	2,549,768
Interest, dividends and other	124,446	129,115	21,824	4,002	279,387
Other investment income (loss)	8,305	6,967		3	15,275
Securities lending income	4,048	463			4,511
Total investment income	1,738,550	919,718	165,971	24,702	2,848,941
Less investment expense	42,736	26,408	6,379	996	76,519
Net investment income	1,695,814	893,310	159,592	23,706	2,772,422
Miscellaneous	86	7,002	19		7,107
Total additions (losses)	2,210,734	1,215,261	186,304	30,306	3,642,605
Deductions:					
Benefits paid to participants or beneficiaries	846,211	420,325	89,037	9,448	1,365,021
Refunds of employee/employer contributions	11,088	8,447	1,085	28	20,648
Administrative expenses	7,874	7,387	163	56	15,480
Total deductions	865,173	436,159	90,285	9,532	1,401,149
Change in net position held in trust for employees' pension benefits	1,345,561	779,102	96,019	20,774	2,241,456
Net position - beginning	11,484,005	5,891,639	1,230,013	169,936	18,775,593
Net position - ending	$ 12,829,566	$ 6,670,741	$ 1,326,032	$ 190,710	$ 21,017,049

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2013
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 8,047	$ 28,820	$ 36,867
Receivables:			
Interest and dividends		19	19
Other		12	12
Total receivables		31	31
Investments at fair value:			
Certificates of deposit	1,060	22,094	23,154
Bonds, government securities, notes and mortgages		92,457	92,457
Total investments	1,060	114,551	115,611
Financial assurance instruments	264,824	4,168	268,992
Total assets	$ 273,931	$ 147,570	$ 421,501
Liabilities			
Accounts payable and other liabilities	$	$ 359	$ 359
Due to other governments		131,137	131,137
Due to third parties	273,931	16,074	290,005
Total liabilities	$ 273,931	$ 147,570	$ 421,501

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	$ 11,120	$ 16	$ 3,089	$ 8,047
Receivables:				
Interest and dividends				
Investments at fair value:				
Certificates of deposit	1,060			1,060
Financial assurance instruments	284,791		19,967	264,824
Total assets	$ 296,971	$ 16	$ 23,056	$ 273,931
Liabilities				
Due to third parties	$ 296,971	$ 16	$ 23,056	$ 273,931
Total liabilities	$ 296,971	$ 16	$ 23,056	$ 273,931

	Other Agencies			
	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013
Assets				
Cash and cash equivalents	$ 30,708	$ 2,066,570	$ 2,068,458	$ 28,820
Receivables:				
Interest and dividends	22	19	22	19
Other	87	237	312	12
Investments at fair value:				
Certificates of deposit	19,295	17,296	14,497	22,094
Bonds, government securities, notes, mortgages and preferred stock	83,724	92,391	83,658	92,457
Financial assurance instruments	2,329	1,966	127	4,168
Total assets	$ 136,165	$ 2,178,479	$ 2,167,074	$ 147,570
Liabilities				
Accounts payable and other liabilities	$ 359	$ 31,527	$ 31,527	$ 359
Due to other governments	119,361	1,065,348	1,053,572	131,137
Due to third parties	16,445	1,092,903	1,093,274	16,074
Total liabilities	$ 136,165	$ 2,189,778	$ 2,178,373	$ 147,570

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2013
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2012	**Additions**	**Reductions**	**Balance June 30, 2013**
Assets				
Cash and cash equivalents	$ 41,828	$ 2,066,586	$ 2,071,547	$ 36,867
Receivables:				
Interest and dividends	22	19	22	19
Other	87	237	312	12
Investments at fair value:				
Certificates of deposit	20,355	17,296	14,497	23,154
Bonds, government securities, notes, mortgages and preferred stock	83,724	92,391	83,658	92,457
Financial assurance instruments	287,120	1,966	20,094	268,992
Total assets	$ 433,136	$ 2,178,495	$ 2,190,130	$ 421,501
Liabilities				
Accounts payable and other liabilities	$ 359	$ 31,527	$ 31,527	$ 359
Due to other governments	119,361	1,065,348	1,053,572	131,137
Due to third parties	313,416	1,092,919	1,116,330	290,005
Total liabilities	$ 433,136	$ 2,189,794	$ 2,201,429	$ 421,501


GREAT SEAL OF THE STATE OF ARKANSAS
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Statistical Section

GREAT SEAL OF THE STATE OF ARKANSAS

Statistical Section – Table of Contents

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

The Statistical Section is divided into 6 sections as follows:

Contents **Page**

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

	2013	2012	2011 (1)	2010
Primary Government				
Governmental Activities				
Invested in capital assets, net of related debt	$ 9,714,929	$ 9,632,774	$ 9,296,899	$ 8,886,979
Restricted	1,319,560	1,256,134	1,175,983	1,253,570
Unrestricted	454,757	589,166	1,024,091	1,251,501
Total governmental activities net position	11,489,246	11,478,074	11,496,973	11,392,050
Business-Type Activities				
Invested in capital assets, net of related debt	1,929,075	1,889,473	1,805,096	1,757,523
Restricted	928,743	892,101	849,209	760,352
Unrestricted	760,924	556,124	429,293	311,584
Total business-type activities net position	3,618,742	3,337,698	3,083,598	2,829,459
Total Primary Government				
Invested in capital assets, net of related debt	11,644,004	11,522,247	11,101,995	10,644,502
Restricted	2,248,303	2,148,235	2,025,192	2,013,922
Unrestricted	1,215,681	1,145,290	1,453,384	1,563,085
Total primary government activities net position	$ 15,107,988	$ 14,815,772	$ 14,580,571	$ 14,221,509

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

2009	2008	2007	2006	2005	2004
$ 8,766,290	$ 8,210,615	$ 7,937,210	$ 7,880,406	$ 7,563,452	$ 7,375,246
734,837	863,721	812,989	672,391	506,508	231,314
1,922,388	2,349,314	2,469,825	2,001,993	1,803,726	1,657,482
11,423,515	11,423,650	11,220,024	10,554,790	9,873,686	9,264,042
1,690,161	1,500,418	1,456,147	1,244,773	1,200,731	1,159,058
726,800	954,661	882,865	879,536	760,011	649,458
325,596	459,677	410,378	509,394	463,153	419,697
2,742,557	2,914,756	2,749,390	2,633,703	2,423,895	2,228,213
10,456,451	9,711,033	9,393,357	9,125,179	8,764,183	8,534,304
1,461,637	1,818,382	1,695,854	1,551,927	1,266,519	880,772
2,247,984	2,808,991	2,880,203	2,511,387	2,266,879	2,077,179
$ 14,166,072	$ 14,338,406	$ 13,969,414	$ 13,188,493	$ 12,297,581	$ 11,492,255

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

	2013	2012	2011	2010
Governmental				
Expenses				
General government	$ 1,538,578	$ 1,559,775	$ 1,477,309	$ 1,356,657
Education	3,587,503	3,648,068	3,769,004	3,605,065
Health and human services	6,769,015	6,709,730	6,411,416	6,144,706
Transportation	823,616	766,297	759,872	731,317
Law, justice and public safety	747,845	794,165	748,590	779,374
Recreation and resources development	258,084	265,156	350,530	277,402
Regulation of business and professionals	124,065	118,934	120,320	105,968
Interest on long-term debt	41,036	39,852	44,824	52,145
Total expenses	13,889,742	13,901,977	13,681,865	13,052,634
Program Revenues				
Charges for services				
General government	349,146	348,130	336,193	325,072
Education	5,537	6,372	6,675	6,469
Health and human services	427,284	427,079	385,693	362,532
Transportation	110,722	113,081	110,831	107,818
Law, justice and public safety	83,600	79,734	75,051	73,601
Recreation and resources development	83,163	81,637	81,076	79,780
Regulation of business and professionals	86,797	97,271	87,526	80,079
Operating grants	5,642,584	5,756,464	6,092,989	5,868,623
Capital grants and contributions	609,062	644,621	551,523	493,064
Total program revenues	7,397,895	7,554,389	7,727,557	7,397,038
Net (Expense) Revenue	(6,491,847)	(6,347,588)	(5,954,308)	(5,655,596)
General Revenues and Transfers				
Taxes				
Personal and corporate income	3,013,345	2,794,097	2,688,093	2,468,798
Consumer sales and use	2,570,848	2,543,873	2,483,908	2,376,891
Gas and motor carrier	437,310	442,658	444,555	449,274
Other	955,369	945,773	927,922	903,113
Investment earnings	(1,911)	40,374	43,232	52,809
Miscellaneous income	313,003	367,531	343,874	330,397
Transfers - internal activities	(784,945)	(805,617)	(844,028)	(885,711)
Restatement			(28,325)	(71,440)
Total general revenues and transfers	6,503,019	6,328,689	6,059,231	5,624,131
Total Governmental Activities Change in Net Position	$ 11,172	$ (18,899)	$ 104,923	$ (31,465)

2009	2008	2007	2006	2005	2004
$ 1,310,341	$ 1,296,232	$ 1,156,301	$ 1,187,512	$ 1,042,440	$ 1,071,734
3,338,002	3,291,054	3,153,653	3,048,477	2,881,337	2,342,543
5,457,305	5,195,317	4,855,759	4,663,898	4,538,242	4,100,830
699,737	668,305	625,911	642,297	626,138	606,900
820,960	631,793	587,413	620,905	518,579	529,693
243,419	244,959	219,283	201,955	175,097	189,406
107,347	105,620	119,225	115,887	117,525	130,349
55,193	57,923	56,143	59,501	60,101	56,906
12,032,304	11,491,203	10,773,688	10,540,432	9,959,459	9,028,361
276,112	291,216	269,310	256,641	270,746	279,902
18,637	16,638	14,322	13,501	9,217	4,617
303,174	244,706	234,181	217,429	214,646	124,321
147,267	146,463	137,338	133,993	130,190	122,873
70,262	72,066	64,666	63,251	60,540	61,163
106,988	79,438	61,844	55,223	55,026	52,597
76,695	81,585	86,721	89,950	76,026	67,172
4,943,264	4,410,782	4,180,653	4,150,897	3,997,615	3,805,225
455,765	413,055	422,270	392,744	431,739	454,668
6,398,164	5,755,949	5,471,305	5,373,629	5,245,745	4,972,538
(5,634,140)	(5,735,254)	(5,302,383)	(5,166,803)	(4,713,714)	(4,055,823)
2,507,368	2,655,399	2,522,806	2,374,801	2,164,445	1,920,448
2,487,944	2,544,356	2,618,936	2,509,664	2,380,921	1,956,032
444,496	456,223	462,732	456,223	450,281	449,960
815,206	790,010	785,213	760,431	720,948	695,623
82,681	172,081	162,603	96,369	58,348	36,651
286,173	274,730	247,395	370,352	203,101	295,706
(955,484)	(947,339)	(811,518)	(719,933)	(654,686)	(637,949)
(34,379)	(6,580)	(20,550)			16,000
5,634,005	5,938,880	5,967,617	5,847,907	5,323,358	4,732,471
$ (135)	$ 203,626	$ 665,234	$ 681,104	$ 609,644	$ 676,648

Continued on the following page

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

Continued from the previous page

	2013	2012	2011	2010
Business-Type				
Expenses				
Higher education	$ 3,499,550	$ 3,472,444	$ 3,362,705	$ 3,191,697
Workers' Compensation Commission	18,368	45,243	29,768	15,918
Department of Workforce Services	521,449	618,522	776,734	1,211,812
Lottery Commission (1)	352,063	379,139	371,716	302,579
War Memorial Stadium Commission	3,242	3,425	3,545	3,439
Public School Employee Health and Life Benefit Plan (2)	306,798	286,331	275,743	260,194
Revolving loans	10,267	5,168	12,940	18,675
Total expenses	4,711,737	4,810,272	4,833,151	5,004,314
Program Revenues				
Charges for services				
Higher education	1,572,301	1,524,943	1,471,639	1,529,344
Workers' Compensation Commission	17,372			
Department of Workforce Services	454,253			
Lottery Commission (1)	440,105	473,624	465,075	384,565
War Memorial Stadium Commission	2,337	2,394	2,760	1,852
Public School Employee Health and Life Benefit Plan (2)	277,390	275,639	274,073	268,312
Revolving loans	4,273	4,155	4,001	3,732
Operating grants	1,129,853	1,218,671	1,325,685	1,498,215
Capital grants and contributions	31,602	66,419	44,313	33,052
Total program revenues	3,929,486	3,565,845	3,587,546	3,719,072
Net (Expense) Revenue	(782,251)	(1,244,427)	(1,245,605)	(1,285,242)
Business-Type Revenues and Transfers				
Taxes				
Other	30,402	491,994	449,146	377,460
Investment earnings	37,655	28,051	52,979	54,846
Miscellaneous income	210,293	172,865	153,592	82,176
Transfers - internal activities	784,945	805,617	844,027	885,711
Restatement				(28,049)
Total business-type revenues and transfers	1,063,295	1,498,527	1,499,744	1,372,144
Total Business-Type Activities Changes in Net Position	281,044	254,100	254,139	86,902
Total Primary Government Change in Net Position	$ 292,216	$ 235,201	$ 359,062	$ 55,437

(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.

2009	2008	2007	2006	2005	2004
$ 3,021,439	$ 2,851,140	$ 2,628,963	$ 2,422,557	$ 2,256,317	$ 2,121,960
29,349	53,967	33,363	36,629	35,517	31,829
901,064	432,661	384,313	322,205	325,595	310,539
16					
2,585	3,990	3,293	4,310	1,830	1,726
259,385	232,252	240,944	219,544	202,137	
3,941	4,203	4,406	4,603	4,766	5,671
4,217,779	3,578,213	3,295,282	3,009,848	2,826,162	2,471,725
1,424,219	1,345,783	1,196,351	1,160,194	1,054,808	991,698
1,803	1,860	1,980	1,436	746	1,349
252,927	241,839	232,558	233,250	211,430	
3,485	3,335	3,120	2,838	2,364	
928,570	626,798	578,648	566,200	602,649	549,004
52,438	72,677	60,447	59,025	70,432	56,889
2,663,442	2,292,292	2,073,104	2,022,943	1,942,429	1,598,940
(1,554,337)	(1,285,921)	(1,222,178)	(986,905)	(883,733)	(872,785)
320,271	310,728	306,019	326,343	310,431	318,555
(8,628)	57,064	96,394	61,462	48,310	40,237
108,788	136,156	123,934	88,975	65,988	35,119
955,484	947,339	811,518	719,933	654,686	637,949
6,223					6,858
1,382,138	1,451,287	1,337,865	1,196,713	1,079,415	1,038,718
(172,199)	165,366	115,687	209,808	195,682	165,933
$ (172,334)	$ 368,992	$ 780,921	$ 890,912	$ 805,326	$ 842,581

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

	2013	2012	2011(1)	2010
General Fund				
Nonspendable	$ 320,289	$ 288,814	$ 306,275	
Restricted	555,555	494,217	553,509	
Committed	1,286,331	1,505,457	1,555,139	
Assigned	205,204	252,590	382,308	
Unassigned	952,630	714,519	685,463	
Total General Fund	3,320,009	3,255,597	3,482,694	
Total Fund Balances, Governmental Funds	$ 3,320,009	$ 3,255,597	$ 3,482,694	
General Fund				
Reserved				$ 1,838,326
Unreserved				1,836,912
Total General Fund				3,675,238
Total Fund Balances, Governmental Funds				$ 3,675,238

(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.

	2009		2008		2007		2006		2005		2004
$	1,276,214	$	1,257,856	$	1,227,194	$	954,015	$	988,971	$	712,864
	2,256,642		2,309,421		2,272,762		1,988,211		1,532,038		1,384,917
	3,532,856		3,567,277		3,499,956		2,942,226		2,521,009		2,097,781
$	3,532,856	$	3,567,277	$	3,499,956	$	2,942,226	$	2,521,009	$	2,097,781

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

	2013	2012	2011	2010
Revenues:				
Taxes:				
Personal and corporate income	$ 3,011,514	$ 2,798,083	$ 2,697,352	$ 2,471,420
Consumer sales and use	2,571,964	2,552,282	2,491,772	2,390,819
Gas and motor carrier	436,390	442,772	444,232	449,754
Other	956,482	944,406	927,452	903,618
Intergovernmental	6,232,982	6,402,940	6,642,135	6,364,695
Licenses, permits and fees	1,182,989	1,186,346	1,109,258	1,055,693
Investment earnings	(1,911)	40,374	43,232	52,809
Miscellaneous	324,745	352,317	344,241	336,775
Total revenues	14,715,155	14,719,520	14,699,674	14,025,583
Expenditures:				
Current:				
General government	1,410,902	1,426,718	1,367,985	1,237,895
Education	3,583,254	3,644,195	3,764,814	3,600,560
Health and human services	6,761,841	6,696,046	6,401,101	6,129,257
Transportation	422,153	379,278	391,019	365,980
Law, justice and public safety	718,798	763,725	719,401	747,379
Recreation and resources development	238,143	246,158	330,301	258,322
Regulation of business and professionals	120,715	117,450	119,058	108,748
Debt service:				
Principal retirement	125,590	83,111	204,701	95,924
Interest expense	46,206	44,865	52,665	53,303
Bond issuance costs	1,231	1,365		1,675
Capital outlay	725,445	744,000	683,872	614,241
Total expenditures	14,154,278	14,146,911	14,034,917	13,213,284
Excess (deficiency) of revenues over expenditures	560,877	572,609	664,757	812,299
Other financing sources (uses):				
Issuance of debt	264,159	85,170	11,391	324,745
Issuance of refunding bonds		39,565		
Bond discounts/premiums	33,742	1,588		21,045
Payment to refunding escrow agent	(19,368)	(127,300)		(174,165)
Capital leases	6,325	3,869		19,520
Installment sales				
Sale of capital assets	3,596	3,011	4,083	2,476
Transfers in	304,538	216,443	188,947	160,402
Transfers out	(1,089,457)	(1,022,052)	(1,032,902)	(1,046,121)
Restatement			(28,820)	22,181
Total other financing sources and uses	(496,465)	(799,706)	(857,301)	(669,917)
Net change in fund balances	64,412	(227,097)	(192,544)	142,382
Fund balances-beginning	3,255,597	3,482,694	3,675,238	3,532,856
Fund balances-ending	$ 3,320,009	$ 3,255,597	$ 3,482,694	$ 3,675,238
Debt Service as a percentage of noncapital expenditures:	1.28%	0.95%	1.93%	1.18%

2009	2008	2007	2006	2005	2004
$ 2,549,965	$ 2,644,852	$ 2,515,958	$ 2,374,853	$ 2,169,849	$ 1,914,067
2,502,403	2,551,222	2,624,325	2,519,443	2,382,865	1,951,475
444,573	456,216	463,362	456,569	450,269	450,444
813,733	790,122	784,936	760,799	721,144	694,802
5,394,538	4,832,649	4,594,212	4,540,408	4,418,148	4,249,189
1,031,568	957,424	886,106	853,616	836,688	717,092
82,681	172,081	162,603	96,369	57,999	36,651
278,046	275,646	287,031	345,978	248,138	313,952
13,097,507	12,680,212	12,318,533	11,948,035	11,285,100	10,327,672
1,190,436	1,190,857	1,213,597	1,137,458	1,058,514	1,029,316
3,333,875	3,286,143	3,149,468	3,044,735	2,877,770	2,336,813
5,441,822	5,184,858	4,844,657	4,653,553	4,526,132	4,065,745
348,665	338,062	297,816	320,417	319,140	312,688
794,793	606,633	552,728	588,661	480,246	496,109
225,461	228,663	187,970	186,137	159,709	159,895
105,752	109,818	112,833	112,623	114,484	125,968
101,054	107,070	103,782	97,583	46,723	36,809
55,766	59,671	59,752	61,065	58,866	56,769
406	345	1,317	818	2,905	1,194
561,354	628,536	611,567	673,624	704,117	755,373
12,159,384	11,740,656	11,135,487	10,876,674	10,348,606	9,376,679
938,123	939,556	1,183,046	1,071,361	936,494	950,993
18,721	35,417	38,320	71,993	116,717	24,974
		224,855	15,540		
(618)	(306)	5,248	1,967	2,844	620
	(4,523)	(107,806)	(24,371)	(60,325)	
3,892	32,047	22,855	2,223	80,010	4,961
	13,210				
2,924	2,943	2,717	2,297	2,289	2,296
72,467	82,277	60,316	47,254	46,495	49,099
(1,027,604)	(1,033,300)	(871,821)	(767,047)	(701,296)	(677,381)
(42,326)					
(972,544)	(872,235)	(625,316)	(650,144)	(513,266)	(595,431)
(34,421)	67,321	557,730	421,217	423,228	355,562
3,567,277	3,499,956	2,942,226	2,521,009	2,097,781	1,742,219
$ 3,532,856	$ 3,567,277	$ 3,499,956	$ 2,942,226	$ 2,521,009	$ 2,097,781
1.35%	1.50%	1.55%	1.55%	1.09%	1.09%

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

Industry	2013 Revenue base	2013 Percent of	2012 Revenue base	2012 Percent of	2011 Revenue base	2011 Percent of	2010 Revenue base	2010 Percent of
Agriculture, forestry, fishing and hunting	$ 115,784	0.27%	$ 92,128	0.21%	$ 97,379	0.24%	$ 97,655	0.23%
Mining	258,330	0.59%	181,088	0.42%	163,822	0.40%	251,689	0.60%
Utilities	4,698,734	10.76%	4,452,417	10.30%	4,095,947	9.93%	4,233,123	10.03%
Construction	656,891	1.50%	688,112	1.59%	589,146	1.43%	564,684	1.34%
Manufacturing	3,460,971	7.93%	3,571,937	8.26%	3,404,998	8.25%	3,262,473	7.73%
Wholesale trade	4,218,855	9.66%	4,221,149	9.76%	3,974,829	9.64%	3,910,161	9.26%
Retail trade	20,157,488	46.16%	20,070,357	46.43%	19,055,734	46.20%	19,632,455	46.50%
Transportation and warehousing	224,173	0.51%	233,875	0.54%	277,598	0.67%	283,412	0.67%
Information	2,279,914	5.22%	2,241,656	5.19%	2,590,266	6.28%	3,056,493	7.24%
Finance and insurance	57,604	0.13%	56,659	0.13%	55,309	0.13%	62,647	0.15%
Real estate, rental and leasing	835,438	1.91%	828,549	1.92%	877,160	2.13%	827,440	1.96%
Professional, scientific and technical services	122,357	0.28%	145,274	0.34%	144,678	0.35%	119,903	0.28%
Management of companies and enterprises	61	0.00%	65	0.00%	483	0.00%	167	0.00%
Administrative, support, waste management and remediation services	758,810	1.74%	759,235	1.76%	689,466	1.67%	671,947	1.59%
Educational services	43,528	0.10%	46,640	0.11%	44,236	0.11%	49,553	0.12%
Health care and social services	86,618	0.20%	85,379	0.20%	56,141	0.13%	92,069	0.22%
Arts, entertainment and recreation	231,319	0.53%	186,121	0.43%	167,512	0.41%	162,494	0.38%
Accommodation and food services	3,900,648	8.93%	3,820,416	8.84%	3,515,932	8.52%	3,528,970	8.36%
Other services (except public administration)	1,519,925	3.48%	1,480,057	3.42%	1,374,149	3.33%	1,332,520	3.16%
Public administration	41,735	0.10%	65,628	0.15%	75,043	0.18%	74,704	0.18%
Total (1)	$ 43,669,183	100%	$ 43,226,742	100%	$ 41,249,828	100%	$ 42,214,559	100%
Direct sales tax rate	6% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)		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)	

(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

2009		2008		2007		2006		2005		2004	
Revenue base	Percent of	Revenue base	Percent of	Revenue base	Percent of	Revenue base	Percent of	Revenue base	Percent of	Revenue base	Percent of
$ 112,929	0.23%	$ 105,304	0.25%	$ 108,964	0.27%	$ 103,605	0.26%	$ 110,174	0.29%	$ 91,427	0.28%
311,266	0.62%	246,908	0.60%	224,806	0.55%	187,394	0.48%	154,114	0.41%	111,126	0.34%
5,493,990	11.00%	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%
612,122	1.23%	529,727	1.28%	493,295	1.20%	466,170	1.19%	405,129	1.08%	326,167	0.99%
3,864,172	7.73%	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%
4,645,027	9.30%	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%
21,901,249	43.85%	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%
417,326	0.84%	362,152	0.88%	384,758	0.94%	281,285	0.72%	252,335	0.67%	161,738	0.49%
5,253,774	10.52%	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%
67,089	0.13%	57,703	0.14%	47,903	0.12%	46,611	0.12%	47,115	0.13%	44,144	0.13%
957,993	1.92%	832,469	2.02%	803,267	1.96%	724,694	1.85%	701,230	1.86%	608,522	1.85%
143,516	0.29%	112,101	0.27%	108,423	0.26%	99,865	0.25%	102,152	0.27%	87,395	0.27%
56,835	0.11%	120	0.00%	293	0.00%	27	0.00%	38	0.00%	15	0.00%
653,184	1.31%	585,095	1.42%	550,851	1.34%	520,973	1.33%	481,704	1.28%	197,552	0.60%
36,476	0.07%	41,684	0.10%	41,719	0.10%	43,524	0.11%	50,060	0.13%	45,713	0.14%
72,416	0.14%	64,206	0.16%	62,036	0.15%	54,830	0.14%	62,941	0.17%	59,786	0.18%
177,186	0.35%	159,423	0.39%	161,053	0.39%	152,619	0.39%	151,894	0.40%	125,084	0.38%
3,754,045	7.52%	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%
1,342,494	2.69%	1,182,542	2.86%	1,102,308	2.69%	1,018,174	2.60%	1,024,751	2.72%	808,652	2.46%
74,436	0.15%	72,240	0.17%	65,026	0.16%	64,070	0.16%	56,261	0.15%	50,974	0.16%
$ 49,947,525 (2)	100%	$ 41,308,474	100%	$ 40,991,206	100%	$ 39,212,629	100%	$ 37,626,409	100%	$ 32,875,896	100%
6.00% (General) 3.00% (Food) 4.00% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.50% (Mfg util tax)		6.00%		6.00%		6.00%		5.125% (07/03-02/04) 6.00% (03/04-06/04)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2004
(Expressed in thousands, except number of taxpayers)

	2013				2004	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 6,908	0.29%	736	1.11%	$ 4,953	0.28%
Mining	15,349	0.64%	215	0.33%	6,020	0.34%
Utilities	276,367	11.60%	720	1.09%	180,505	10.13%
Construction	39,386	1.65%	2,348	3.55%	17,669	0.99%
Manufacturing	195,595	8.21%	4,366	6.59%	147,889	8.30%
Wholesale	246,751	10.36%	5,790	8.75%	173,076	9.72%
Retail trade	998,518	41.91%	26,234	39.62%	867,475	48.71%
Transportation and warehousing	13,440	0.56%	1,036	1.56%	8,762	0.49%
Information	136,648	5.73%	964	1.46%	126,900	7.13%
Finance and insurance	3,456	0.15%	333	0.50%	2,391	0.13%
Real estate, rental and leasing	50,097	2.10%	1,464	2.21%	32,965	1.85%
Professional, scientific and technical services	7,336	0.31%	1,842	2.78%	4,734	0.27%
Management of companies and enterprises	3	0.00%	8	0.01%	1	0.00%
Administrative, support, waste management and remediation services	45,512	1.91%	3,562	5.38%	10,702	0.60%
Educational services	2,609	0.11%	293	0.44%	2,476	0.14%
Health care and social services	5,164	0.22%	1,210	1.83%	3,239	0.18%
Arts, entertainment and recreation	13,404	0.56%	1,049	1.58%	6,776	0.38%
Accommodation and food services	232,617	9.76%	6,792	10.26%	137,851	7.74%
Other services (except public administration)	91,104	3.82%	7,195	10.87%	43,806	2.46%
Public administration	2,501	0.11%	55	0.08%	2,761	0.16%
Total	$ 2,382,765	100%	66,212	100%	$ 1,780,951	100%

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
Governmental										
General obligation bonds	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173
Special obligations								205	370	460
Revenue bond guaranty fund	3,775	2,545	1,385		2,575	5,703	2,925	2,988		
Add (deduct):										
Deferred bond refunding loss	(18,043)	(21,072)	(16,849)	(20,593)	(11,852)	(13,140)	(14,263)	(5,542)	(4,807)	(1,011)
Issuance premiums/(discounts)	43,406	17,438	21,287	28,002	12,614	15,786	18,689	15,814	16,141	15,339
Other debt instruments										
Notes payable to component unit	92,051	98,883	100,674	100,788	109,893	117,390	121,644	123,256	96,683	57,148
Notes payable to pension trust fund			2,685	5,172	7,474	9,606	11,580	13,408	15,100	16,667
Revolving loan fund			155							
Notes payable to healthcare financing administration									171	721
Capital leases	3,245	3,576		692	1,874	4,586	3,520	4,420	6,927	9,536
Capital leases with component unit	129,855	128,540	131,468	137,949	123,800	131,792	111,450	97,824	107,522	70,582
Installment sale with component unit	10,870	11,380	11,870	12,340	12,795	13,210				
Total governmental activities debt	1,077,372	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
Business-Type										
Special obligation:										
War Memorial Stadium Commission	2,000	2,500	3,000	1,700						
Construction Assistance Revolving Loan Fund	52,020	63,340	41,995	57,910	65,120	72,965	78,775	83,955	88,910	93,530
Safe Drinking Water Revolving Loan Fund	24,375	24,375								
College & university revenue bonds	1,806,426	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
Add (deduct): issuance premiums/(discounts)	55,914	27,663	15,635	9,214	8,364	9,307	8,912	8,803	100	(123)
Notes payable	118,465	66,170	56,988	45,092	47,285	32,016	22,920	17,930	17,128	14,519
Notes payable with component unit	1,083	1,509	2,046	2,550	3,042	3,518	5,857	6,666	8,728	9,675
Capital leases	52,110	43,537	46,178	40,408	45,002	42,002	29,737	25,092	21,470	17,450
Capital leases with component unit		358	420	620	810	995	1,174	1,354	1,665	1,960
Total business-type activities debt	2,112,393	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
Total Primary Government Debt	3,189,765	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
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (1)	3.03%	2.73%	2.79%	2.93%	2.83%	2.76%	2.88%	2.96%	2.86%	2.57%
Per capita (2)	$ 1,077	$ 950	$ 942	$ 946	$ 896	$ 905	$ 902	$ 868	$ 795	$ 687
Net General Obligation Bonded Debt										
Gross bonded debt (3)	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402	$ 944,858	$ 923,173
Less: debt service funds	(146,234)	(146,247)	(136,092)	(243,153)	(183,325)	(255,139)	(248,143)	(111,587)	(100,166)	(37,561)
Net bonded debt	$ 665,979	$ 535,451	$ 619,776	$ 699,569	$ 672,274	$ 657,156	$ 724,050	$ 788,815	$ 844,692	$ 885,612
Per capita (2)	$ 225	$ 181	$ 211	$ 239	$ 232	$ 228	$ 254	$ 279	$ 303	$ 322
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	$ 332,463	$ 213,547	$ 241,281	$ 521,450	$ 612,400	$ 691,150	$ 753,780	$ 753,780	$ 580,700	$ 404,650
Less: deferred bond refunding loss	(5,135)	(5,428)							(241)	(1,117)
Notes payable		183,866	217,373	252,700						
Arkansas Development Finance Authority:										
Bonds payable	767,035	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
Notes payable	1,223	39,527	13,634	4,236		205,723	220,751	312,307	326,055	216,315
Add (deduct): issuance premiums/(discounts)	555	854	1,318	1,756	2,232	2,951	2,686	(517)	(961)	(2,098)
U of A Foundation annuity obligations	15,204	14,804	15,967	16,669	15,443	18,362	19,606	18,524	16,783	15,376
Total Component Unit Debt	1,111,345	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
Total Debt	$ 4,301,110	$ 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
Debt Ratios										
Ratio of total debt to personal income (1)	4.09%	3.97%	4.25%	4.99%	4.69%	4.88%	5.27%	5.61%	5.57%	4.98%
Per capita (2)	$ 1,452	$ 1,380	$ 1,433	$ 1,614	$ 1,486	$ 1,601	$ 1,649	$ 1,647	$ 1,547	$ 1,333

(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 Bond 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							
2013	$ 219,191	$ 3,642	$ 215,549	$ 9,406	$ 6,228	$ 15,634	13.79
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							
2013	$ 31,803	$ 8,483	$ 23,320	$ 5,013	7,387	$ 12,400	1.88
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							
2013	$ 1,223,066	$ 700,715	$ 522,351	$ 39,196	$ 55,601	$ 94,797	5.51
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							
2013	$ 10,277	$ 0	$ 10,277	$ 2,575	$ 3,047	$ 5,622	1.83
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 (2)	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Coverage
Year ended June 30:							
2013	$ 55,955	$ 4,174	$ 51,781	$ 41,784	$ 3,279	$ 45,063	1.15
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

(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.

Sources: 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
2013 (1)	2,963	$ 105,145	$ 35,480	7.2%
2012	2,951	102,591	34,769	7.3%
2011	2,940	99,127	33,722	7.9%
2010	2,924	94,581	32,346	7.9%
2009	2,900	91,794	31,651	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%

(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*

2013	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	57,421	4.8%
2	Wal-Mart Stores, Inc.	47,774	4.0%
3	Tyson Foods, Inc.	23,300	2.0%
4	U.S. Federal Government	20,500	1.7%
5	Baptist Health	7,737	0.7%
6	Sisters of Mercy Health System	6,200	0.5%
7	Arkansas Children's Hospital	4,194	0.4%
8	Arvest Bank Group	3,470	0.3%
9	J.B. Hunt Transportation Services, Inc.	3,269	0.3%
10	Simmons Foods, Inc.	3,264	0.3%
		177,129	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; Arkansas Department of Finance & Administration

*2003 and 2004 data unavailable as of print date

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

Full-Time Employees

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Department of Finance and Administration - Revenue	1,415	1,425	1,426	1,423	1,473	1,443	1,420	1,370	1,371	1,352
Department of Workforce Services (1)	1,066	1,115	1,178	1,221	1,102	976	907	852	702	750
All other	2,755	2,781	2,816	2,868	2,913	2,816	2,764	2,741	2,678	2,632
Education										
Department of Career Education	468	493	511	491	490	493	494	498	503	501
Department of Education	399	381	372	387	384	371	346	359	318	317
All other	863	849	893	914	914	979	965	954	877	882
Heath and Human Services										
Department of Human Services	7,923	7,948	7,891	8,011	7,755	7,617	7,524	7,324	7,244	7,222
Department of Health	2,724	2,725	2,863	2,867	2,926	2,907	2,887	2,763	2,771	2,757
All other	566	664	674	669	548	473	458	458	409	404
Transportation										
Department of Highway and Transportation	3,511	3,567	3,587	3,558	3,587	3,576	3,614	3,676	3,749	3,755
Law, Justice and Public Safety										
Department of Correction	4,169	4,158	4,056	3,950	3,890	3,750	3,792	3,745	3,354	3,310
Arkansas State Police	958	956	963	971	972	985	966	934	903	843
All other	2,801	2,758	2,731	2,727	2,784	2,786	2,553	2,546	2,386	2,351
Recreation and Resources Development										
Department of Parks and Tourism	1,339	1,344	1,308	1,323	1,321	1,291	1,298	1,214	1,138	1,127
Arkansas Game and Fish Commission	702	636	627	621	679	647	649	634	621	635
All other	841	837	868	887	890	1,010	988	990	933	922
Regulation of Business and Professionals										
Department of Insurance	199	189	194	190	192	189	185	192	182	184
All other	1,076	1,077	1,064	1,061	1,057	941	922	909	612	592
Proprietary Funds										
Colleges and Universities (2)	23,442	22,593	22,491	22,727	21,846	19,529	20,269	19,088	N/A	N/A
Workers' Compensation Commission	107	108	113	119	123	127	135	137	141	141
Arkansas Lottery Commission (3)	80	85	83	84	N/A	N/A	N/A	N/A	N/A	N/A
War Memorial Stadium Commission (4)	17	16	42	40	25	32	25	21	29	N/A
State Total	57,421	56,705	56,751	57,109	55,871	52,938	53,161	51,405	30,921	30,677

(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

	2013	2012	2011	2010
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	789,172	799,564	778,521	852,998
Registered vehicles	3,990,259	3,904,307	3,818,476	3,700,308
Income Tax Administration				
Total electronic tax filers	991,465	971,603	878,471	791,646
EFT estimate payments by corporations	4,399	3,475	2,342	1,961
EFT withholding payments	460,028	411,925	211,129	231,209
Education				
Department of Education				
All school districts				
Average daily membership	459,373	457,737	457,717	458,172
Number of certified personnel	36,436	36,290	35,637	36,050
Average salary of K-12 classroom full-time employees	$ 47,316	$ 46,946	$ 46,663	$ 46,601
Per pupil expenditures	$ 8,918	$ 9,379	$ 9,315	$ 9,112
Foundation aid per student	$ 6,267	$ 6,144	$ 6,023	$ 5,905
Assessed valuation (in millions)	$ 43,027	$ 41,877	$ 40,484	$ 39,567
Higher Education				
Public institutions				
Net enrollment	157,132	158,606	155,881	149,312
Undergraduate degrees awarded	29,165	28,955	30,729	26,294
Graduate degrees awarded	6,027	5,976	5,412	4,811
Private institutions				
Fall net enrollment	16,605	17,351	16,500	15,507
Undergraduate degrees awarded	2,613	2,621	2,425	2,425
Graduate degrees awarded	568	560	501	522
Health and Human Services				
Department of Human Services				
Foster care recipients	7,701	7,739	7,959	7,491
Percent of population	0.26%	0.26%	0.27%	0.26%
Food stamp recipients	696,343	693,564	678,358	643,420
Percent of population	23.13%	23.55%	23.22%	22.27%
Medicaid recipients	777,922	776,050	770,792	755,607
Percent of population	25.83%	26.35%	26.38%	26.16%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)	160,723	165,795	169,732	169,789
Percent of population	5.34%	5.63%	5.81%	5.88%
Doses of vaccine administered (1)	580,498	534,759	688,116	1,144,245
In-home patients served	20,722	23,907	26,683	24,391

(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

2009	2008	2007	2006	2005	2004
820,155	728,893	734,555	727,765	731,155	736,200
3,619,926	3,363,504	3,272,311	2,993,975	2,907,650	2,810,529
777,486	762,741	676,504	620,490	598,127	538,528
1,769	1,697	1,662	1,501	1,185	1,068
161,404	170,071	140,678	125,999	103,356	91,536
457,566	459,460	459,865	457,490	450,910	447,872
36,201	36,194	36,112	35,371	35,201	34,024
45,862	$ 45,393	$ 44,493	$ 43,088	$ 41,489	$ 39,266
8,308	$ 8,256	$ 7,992	$ 7,687	$ 7,307	$ 6,475
5,789	$ 5,719	$ 5,662	$ 5,528	$ 5,400	$ 4,721
38,667	$ 35,970	$ 33,438	$ 31,275	$ 29,274	$ 27,748
140,393	135,521	131,442	127,419	123,462	119,963
23,523	21,180	19,930	19,038	18,225	17,046
4,141	3,873	3,613	3,585	3,525	3,248
14,952	14,496	13,981	13,536	12,333	11,885
2,295	2,284	2,286	2,420	2,394	2,309
532	520	491	455	306	271
7,446	6,974	7,194	6,809	6,401	6,502
0.26%	0.24%	0.25%	0.24%	0.23%	0.24%
577,329	556,735	553,618	558,521	544,752	490,641
20.09%	19.54%	19.60%	19.94%	19.62%	17.82%
747,851	744,269	742,965	729,800	688,150	663,920
26.03%	26.13%	26.30%	26.06%	24.79%	24.12%
187,880	163,766	160,687	158,393	156,654	153,570
6.54%	5.75%	5.69%	5.66%	5.64%	5.58%
888,011	503,185	414,971	420,359	499,075	464,491
24,140	26,393	26,732	27,374	24,844	27,499

Continued on the following page

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

Continued from the previous page

	2013	2012	2011	2010
Transportation				
Highway and Transportation Department				
Miles of state highway maintained (2)	N/A	16,397	16,414	16,416
Law, Justice and Public Safety				
Department of Correction				
Custody population count	14,061	14,151	14,129	13,908
Inmate cost per day	$ 63.25	$ 60.08	$ 61.50	$ 60.03
Operating capacity	13,467	13,919	13,496	13,133
Inmate care/custody operating expenses (in thousands)	$ 318,689	$ 316,659	$ 304,658	$ 288,609
Arkansas State Police				
Commissioned officers	524	535	536	546
Number of homicides investigated	239	219	211	227
Total citations issued	232,158	207,651	246,417	266,764
Total motorist assists	30,447	24,002	28,838	26,660
Total number of traffic accidents	16,050	14,813	14,977	16,320
Total criminal investigations	2,818	4,017	4,152	3,038
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,358	54,374	54,343	54,161
Game and Fish Commission				
Fishing licenses sold	667,536	722,041	663,426	701,805
Hunting licenses sold	488,217	467,167	454,794	448,625
Lifetime licenses sold	29,380	27,721	25,379	26,360
Other licenses sold	35,776	39,193	34,243	32,989
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	101,089	88,910	85,865	83,231
Total consumer complaints received	2,100	2,387	2,352	3,008
Total consumer complaints closed	1,923	2,221	2,167	3,111
Total dollars recovered for consumers (in thousands)	$ 4,174	$ 3,982	$ 4,678	$ 10,608

(2) Fiscal year 2013 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

	2009	2008	2007	2006	2005	2004
	16,443	16,428	16,438	16,440	16,444	16,419
	13,237	13,293	12,828	12,690	12,568	12,675
	$ 60.19	$ 57.13	$ 52.64	$ 52.12	$ 48.24	$ 47.32
	12,723	12,723	12,552	12,403	12,178	11,640
	$ 277,491	$ 272,844	$ 253,888	$ 243,208	$ 215,042	$ 209,543
	542	550	544	527	529	533
	214	199	219	196	171	167
	269,080	271,125	243,234	244,649	258,627	211,023
	22,708	21,380	21,069	21,167	23,946	23,173
	16,306	16,759	16,561	16,556	18,726	18,143
	3,367	3,251	2,688	2,119	2,883	3,375
	54,166	54,623	53,741	53,402	52,747	52,553
	698,071	680,770	748,184	719,411	747,756	726,592
	462,164	417,560	408,253	375,834	410,606	413,723
	27,734	23,241	21,997	19,467	20,657	22,284
	28,879	21,774	24,268	22,880	25,829	27,767
	82,123	77,310	66,987	60,933	49,087	33,970
	2,881	2,976	3,080	2,850	3,157	3,320
	3,021	3,068	2,927	2,901	3,132	3,416
	$ 11,632	$ 8,768	$ 5,161	$ 5,913	$ 5,955	$ 5,433

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

	2013	2012	2011	2010	2009	2008	2007	2006	2005	2004
General Government										
Dept of Finance and Administration - Revenue										
Vehicles	172	174	180	182	181	177	180	188	168	162
Education										
Department of Education										
Vehicles	216	217	202	216	219	207	217	255	244	229
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	446	448	444	442	446	449	459	457	456	417
Vehicles	595	582	560	516	516	496	486	482	488	491
Department of Health										
Buildings	8	8	8	8	8	8	8	9	8	8
Vehicles	142	138	135	131	154	134	148	142	142	142
Transportation										
Highway and Transportation Department										
Passenger vehicles	2,618	2,626	2,719	2,667	2,683	2,718	2,635	2,686	2,713	2,714
Law, Justice and Public Safety										
Department of Correction										
Correctional units	19	19	20	20	20	20	20	20	19	19
Vehicles	417	428	411	419	430	384	399	406	391	387
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	829	820	809	877	855	885	854	860	745	685
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	396	372	353	356	355	342	331	362	323	321
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	918	890	895	1,038	979	960	1,025	1,029	1,054	1,033
Boats	585	599	589	580	576	572	568	570	560	560
Regulation of Business and Professionals										
Vehicles	120	129	118	120	119	105	98	94	93	92

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


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
MERCY
JUSTICE