Arkansas

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2016

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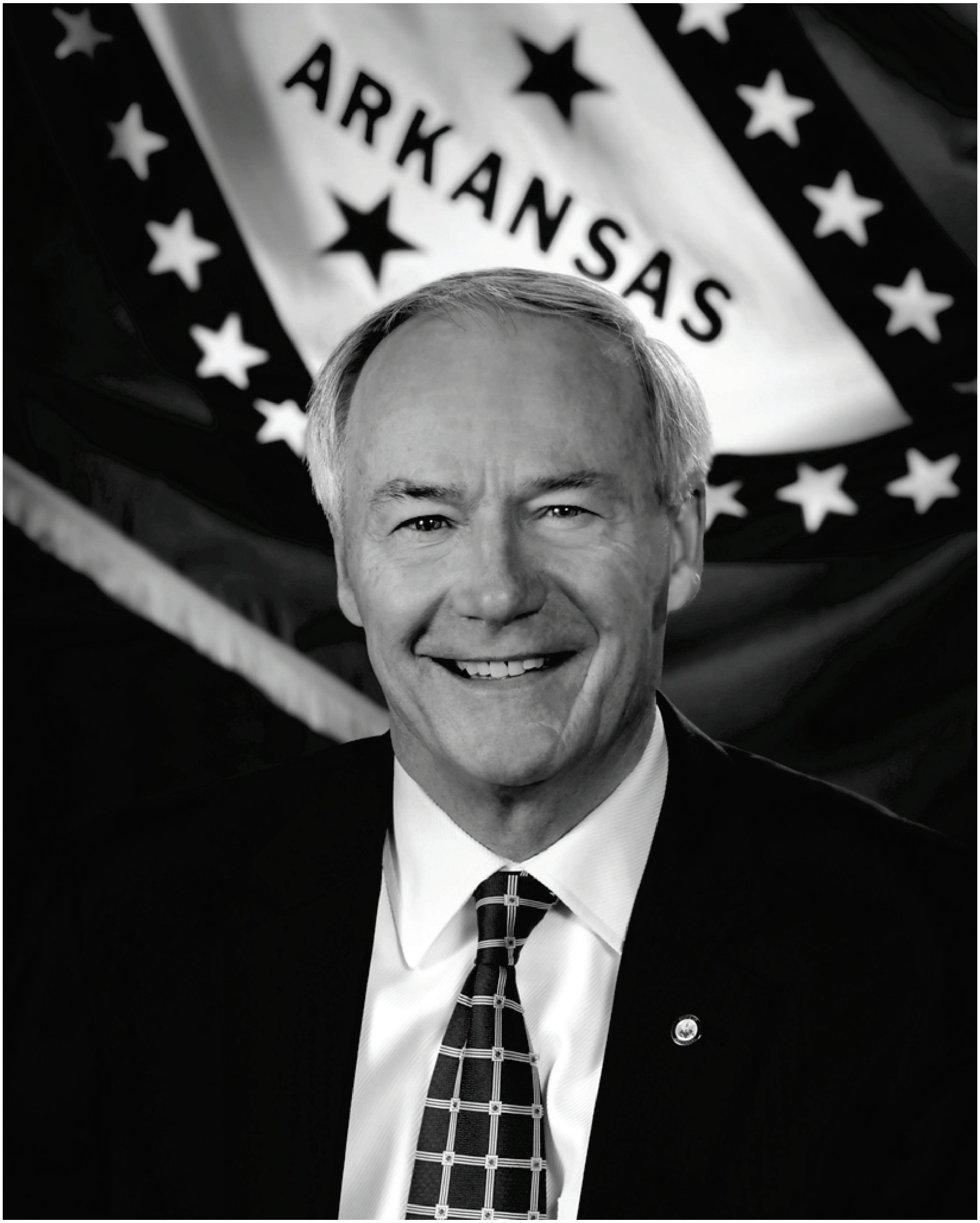
Asa Hutchinson
Governor

Larry Walther
Director
Department of Finance and Administration

Prepared By
The Department of Finance and Administration
Office of Accounting

The requirements of state agencies to print annual reports such as the State of Arkansas's Comprehensive Annual Financial Report were reduced by Ark. Code Ann. § 25-1-203. The report is available in electronic format at http://www.dfa.arkansas.gov/offices/accounting/pages/CAFR.aspx.

The photograph of Governor Asa Hutchinson is courtesy of the Governor's Office.



Governor Asa Hutchinson

STATE OF ARKANSAS

ASA HUTCHINSON

GOVERNOR

December 22, 2016

To the People of Arkansas and the Honorable Members of the Arkansas General Assembly:

I am pleased to submit the Fiscal Year 2016 Arkansas Comprehensive Annual Financial Report (CAFR). This annual publication demonstrates my commitment to accurate and timely financial reporting. The financial statements and accompanying disclosures provide detailed information of the State of Arkansas's financial status, accounting methods and economic data to the public.

The Fiscal Year 2016 CAFR goes beyond generally accepted accounting principles to highlight important statistical information of the state. For these efforts, I am pleased to report that the 2015 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award eighteen times for its transparency in reporting.

I appreciate the work performed by all state employees who have maintained financial records. Using this information, the Department of Finance and Administration team has worked over the last several months to complete this fiscal year 2016 report for your review.

Sincerely,

Asa Hutchinson

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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, 2016

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GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

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December 22, 2016

The Honorable Asa Hutchinson, 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, 2016.

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 reliability of financial records for preparing financial statements and maintaining accountability for the safeguarding of public 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.

Arkansas Legislative Audit performed the audit for the fiscal year ended June 30, 2016. 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 currently stands as the 29th state in size with an area of 53,179 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 3.0 million, propagating industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear waters, and abundance of natural wildlife.

The Constitution of the State provides for three distinct branches of government: executive, legislative, and judicial. The executive branch 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 to serve four-year terms. The legislative branch 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 every odd-numbered year and the Fiscal Legislative Session in every even-numbered year. The judicial branch is comprised of three levels of courts. They are the District Courts, the Circuit Courts, and the Appellate Courts, which are the Court of Appeals and the Supreme Court.

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 Required Supplementary Information (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, divisions, 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 better 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 the State 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 a short distance away from one-third of the nation's population.

Arkansas is very proud of the seven Fortune 500 companies that got their start and are headquartered here: Dillard's, Murphy Oil, Tyson Foods, Wal-Mart, Windstream Holdings, J.B. Hunt Transport Services, and Murphy USA. This year, the State has continued to attract new businesses. Sun Paper will open a bio-refinery near Arkadelphia, investing more than $1.0 billion and creating 250 new jobs; SIG Sauer plans to relocate its ammunition manufacturing operation to Jacksonville and anticipates hiring 50 employees during the transition phase with additional jobs to be added in the future; Glatfelter, a global manufacturer of special papers and fiber-based engineered materials, is opening a specialty materials production plant in the empty 200 thousand square-foot Mitsubishi building in Fort Smith investing more than $80.0 million and creating 83 new jobs; Caddo River Forest Products will reopen the sawmill in Glenwood investing $50.0 million and creating 136 new jobs along with 200 to 300 new indirect jobs; and FFO Homes has moved its corporate headquarters and manufacturing operations to Fort Smith creating 64 new jobs.

Several other companies announced expansion plans in the State including: American Railcar, in Marmaduke; Micro Plastic, the largest threaded nylon fastener manufacturer in the world, is expanding its facilities in Melbourne; Baxter International, in Mountain Home; J. B. Hunt Transportation Services, in Lowell; Bad Boy Mowers, in Batesville; a foot pet food ingredient producer, Simmons Foods, in Siloam Springs; a steel wire manufacturer, Bekaert, in Rogers; material handling company, FMH Conveyors, in Jonesboro; and South Central Headquarters for Sprint, in Little Rock. Total expansions will invest over $60.1 million and create 2 thousand new jobs.

Targeted business incentives provide start-up companies a 33.00% transferable income tax credit for research and development. Businesses targeted are those that grow knowledge-based businesses from intellectual property that is primarily generated by the State’s research universities. To date, 49 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $100.9 million.

ECONOMIC CONDITION AND OUTLOOK

Arkansas’s economy continued a positive trend in fiscal year 2016. Personal income, wage disbursements, and employment all increased in fiscal year 2016 as compared to fiscal year 2015.

State Personal Income: Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments, such as social security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of $115.7 billion in fiscal year 2016. This represented an increase of $2.9 billion, or 2.6%, from fiscal year 2015. Fiscal year 2017 is estimated at $119.5 billion (current dollars), an increase of $3.8 billion, or 3.3%, from fiscal year 2016.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $53.7 billion in fiscal year 2016, an increase of $2.4 billion, or 4.6%, from fiscal year 2015. Fiscal year 2017 is projected at $55.9 billion (current dollars), an increase of $2.2 billion, or 4.1%, from fiscal year 2016.

Employment: In fiscal year 2016, revised payroll employment in Arkansas averaged 1.2 million jobs. This represented an increase of approximately 25 thousand jobs, or 2.1%, from fiscal year 2015. In fiscal year 2017, payroll employment is expected to average 1.2 million jobs. This represents a projected increase of approximately 13 thousand jobs, or 1.0%, from fiscal year 2016.

Fiscal Year 2016 Net Available General Revenues: Actual net available general revenues collected totaled $5.4 billion with a $177.4 million surplus above net available distribution. The net available collected was $117.3 million, or 2.2%, above the net available in fiscal year 2015. Fiscal year 2017 net available general revenue collections are estimated at $5.3 billion, a decrease of $34.7 million, or (0.6%), from fiscal year 2016 and equal to net available distribution.

Selected Special Revenues: Act 107 of the Second Extraordinary Session of 2003 increased the state sales and use tax rate from 5.125% to 6.0%, effective March 1, 2004. Effective July 1, 2004, a new sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. 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 2016, $477.0 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2017 net tax collections estimated to be $495.8 million.

RELEVANT FINANCIAL POLICIES

Balanced Budget: Arkansas continues to maintain a budget surplus. This is because Arkansas Code Title 19 (Public Finance) provides for a balanced budget. Title 19 also 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 Arkansas Department of Education (ADE) is transforming Arkansas to lead the nation in student-focused education. Strong academic standards are critical to the success of this transformation. To ensure the success of this transformation, the ADE led a review process of statewide academic standards that involved more than 100 educators from around the State. The committees reviewed the standards, considered public feedback, and made final revisions. The department ensured transparency throughout the process by live streaming the sessions and including surveys online for stakeholder input. The State Board of Education approved the revised English Language Arts, literacy, and math standards, which will all be fully implemented in fiscal year 2018.

Transforming Arkansas to lead the nation also involves preparing students to become innovators, entrepreneurs, and job-creators. Many of the careers in the 21st century will require strong computer science skills. To make certain that students are ready for the challenges, the State continued the computer science initiative in fiscal year 2016 granting more than $1.6 million in fiscal year 2016, with about $1.4 million awarded to Education Service Cooperatives, STEM Centers, universities, and other organizations that support students, teachers, and schools. The department will continue to promote and support computer science training for educators, build industry and community support for the program, and assist schools with efforts to increase student enrollment in computer science courses.

Highway and Transportation: The Arkansas Highway and Transportation Department's (AHTD) mission is to provide a safe, efficient, aesthetically pleasing, and environmentally sound intermodal transportation system for the user. Efficient and orderly movement of goods and people is essential for a thriving population. With this aim in mind, AHTD completed a number of construction projects in fiscal year 2016.

Among them was a segment of future Interstate 49 near Fort Smith, which was opened to traffic in July 2015. The six-mile section of highway extends from State Highway 22 in Barling and runs westbound to U.S. Highway 71 just south of Fort Smith.

Little Rock's "Big Rock" interchange, which links Interstate 430 and Interstate 630, was also completed in July 2015. Three contract phases were required to complete the project all while approximately 100 thousand vehicles passed through the project area each day.

Crews in Lawrence County completed work on the Highway 63 bridge over the Black River in autumn 2015. The new five-lane structure will support higher volume than the previous two-lane structure that has since been removed.

A new section of the Bella Vista Bypass opened to traffic in August 2015. The two-mile section extends from U.S. Highway 71B and runs westbound to State Highway 72. This is the third phase of 4 projects that will complete the bypass.

In addition, ground was broken on the first section of the Springdale Northern Bypass in April 2016. The first phase of the four-lane divided highway will be 4.5 miles in length and will support traffic between Interstate 49 and State Highway 112.

The department's 2 major highway improvement programs continued to make progress. At the end of fiscal year 2016, a total of 23 projects had been completed, improving 170 miles of roadway as part of the Interstate Rehabilitation Program. The Connecting Arkansas Program had 7 projects under construction throughout the State as fiscal year 2016 drew to a close.

State Parks: Arkansas's 52 state parks encompassing 54,602 acres of wetlands, forests, fish and wildlife habitats, recreational facilities, and unique historic and cultural resources, provide a hands-on opportunity to experience why Arkansas is the Natural State. Within the parks are 1,746 campsites, 4 lodges, 213 fully equipped cabins, 10 marinas, 11 swimming pools, 8 restaurants, 18- and 27- hole golf courses, over 191 miles of roads, hundreds of miles of utilities, and an assortment of 143 hiking, mountain bike, backpack, equestrian, and multi-use trails covering 409 miles. Over 7.9 million visitors came to the State parks with 1.1 million visitors participating in more than 50 thousand educational and recreational programs and special events throughout the park system in the fiscal year 2016.

Over $173.0 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.

Twenty construction and major renovation projects totaling $8.0 million were completed during fiscal year 2016 including: a new visitor center at Davidsonville Historic State Park; renovation of 2 campgrounds to include 4 additional cabins at Lake Ouachita State Park; renovation of 2 campgrounds at Millwood State Park; installation of a new restroom building at Mount Magazine's Benefield Day-Use Area; and replacement of the wastewater treatment plant at Cane Creek State Park.

Tourism: The tourism and hospitality industry is one of the largest sectors of the Arkansas economy. The industry showed some waning in the last half of fiscal year 2016. There was a slight decline in tourism tax collections that may be a result of continuing struggles within the energy sector in several of the State's key marketing areas – places such as Dallas, Houston, Oklahoma City, and Tulsa. Lower gasoline prices can have both a positive and negative affect on the State's tourism. Instate regions, such as northwest Arkansas and central Arkansas, seem to be performing normally.

The State's tourism industry gained new resources with the opening of the Bachman Wilson home (a significant Frank Lloyd Wright structure) on the grounds of the Crystal Bridges Museum of American Art in Bentonville; opening of The Railyard, a premier bike park for extreme mountain bikers in Rogers; completion of the Razorback Regional Greenway, a 36-mile, primarily off-road, shared-use trail that extends from the Bella Vista Trail in north Bentonville to south Fayetteville; and the expansion of Arkansas's growing network of brewpubs. In addition, production and distribution of guidebooks for bicyclists (both road and mountain bikers) and the release of the newest edition of the State's popular motorcycling handbook were completed in fiscal year 2016.

There are also several key tourism projects still in development. The Little Rock Convention and Visitors Bureau is overseeing an $85.0 million renovation of the Robinson Auditorium complex, which officially opened in November 2016; work continues on the US Marshal Museum in Fort Smith, which will provide a major boost for western Arkansas; construction has begun on a boutique hotel located on Central Avenue in downtown Hot Springs; and an unmanned welcome center in downtown Little Rock's "Creative Corridor," scheduled to be opened in fiscal year 2017.

Heritage: The Department of Arkansas Heritage (DAH) was created in 1975 to preserve and promote Arkansas's heritage as a source of pride and enjoyment for all. DAH is composed of 4 heritage resource agencies, 4 museums, and a central office all dedicated to identifying, protecting and promoting the State's natural, cultural, and historic resources.

The 4 agencies are: the Arkansas Arts Council, which seeks to advance the arts in Arkansas; the Arkansas Historic Preservation Program, which manages the State's historic and cultural resources and operates the Main Street Arkansas program; the Arkansas Natural Heritage Commission, which establishes and maintains the Arkansas System of Natural Areas, including a central repository on rare and endangered species; and the Arkansas State Archives, which serve as the official archives of the State and is responsible for organizing and maintaining the history of Arkansas by collecting and preserving state, county, and federal records, manuscript materials, newspapers, military records, family histories, an extensive Arkansas history and genealogy library, and a collection of Arkansas art and artifacts.

The 4 museums include: the Delta Cultural Center, located in downtown Helena-West Helena (Phillips County), which is the state's most complete repository of artifacts chronicling the life and times of the people, traditions, music and art of Arkansas's Delta region; the Historic Arkansas Museum, accredited by the American Association of Museums, which is the state's foremost interpreter of frontier Arkansas, chronicling the social, political and creative history of the state through the 19th century; the Mosaic Templars Cultural Center, which promotes the story of Arkansas's African Americans from 1870 to the present; and the Old State House Museum, located in the oldest standing Capitol west of the Mississippi, which is today a multimedia museum of Arkansas history accredited by the American Association of Museums, with a special emphasis on political history, women's history, and historical programming for school children.

The central director's office coordinates and promotes agency efforts to make Arkansas heritage accessible to all through annual heritage and cultural events such as Arkansas Heritage Month, educational resources, and special publications.

The department currently maintains 39 buildings, of which 24 are historic structures; 3 public research rooms; over 20 thousand square feet of historical records; over 85 thousand artifacts; 2 records and collections storage facilities; and 72 conservation areas, totaling 64 thousand acres across Arkansas.

The department launched several new initiatives in fiscal year 2016. The Arkansas Food Hall of Fame has received a large amount of attention and will provide a platform for a discussion with Arkansas citizens about food and its role in the State's culture and history. The World War I Centennial Commemoration Committee, through a partnership with the national initiative, has begun an educational and outreach effort focused on World War I and its impact on Arkansas. The Arkansas Historic Preservation Program has launched an effort to assist in the preservation of historic cemeteries. The "Authentic Arkansas" initiative attracts visitors by highlighting the historic, cultural, and natural resources that make Arkansas interesting, unique, and worth visiting. Finally, the Mosaic Templars Cultural Center hosted The Kinsey Collection, a national touring exhibit of authentic and rare art, artifacts, books, documents, and manuscripts that tell the story of African American achievement and contribution.

Human Services: The Arkansas Department of Human Services (DHS) is Arkansas's largest state agency, with more than 7 thousand employees working to ensure that citizens are healthy, safe, and enjoy a high quality of life. In this capacity, DHS served more than 1.4 million Arkansans last year. The staff is organized into nine major service-delivery divisions and 7 shared service support offices headquartered in the Donaghey Plaza Complex in Little Rock, with 83 county offices throughout the State.

The Division of Children and Family Services (DCFS), in cooperation with the Governor's Office, is beginning a major focus to improve the foster care system to serve over 5 thousand children in foster care throughout the State. Members of the DHS executive team convened a "war room" to look at the child welfare system and to find innovative solutions to the problems plaguing it. DHS released a report and a plan in November 2015, identifying dozens of changes that have been made to the system so that DCFS can strengthen families to keep them out of the foster care system, improve the system for those who need it, and create a more vigorous behavioral health system to serve children and parents.

DHS is constantly looking at the best ways to serve the citizens of Arkansas. Changes made in the past year will allow the agency to provide services every day to Arkansans in the most efficient way possible. DHS will continue to research and develop innovative policies and practices to maximize limited resources while maintaining quality services that support the most vulnerable Arkansans.

Information Technology: The information technology provider for public entities, the Arkansas Department of Information Systems (DIS), was established in 1977 to provide information technology solutions to better serve the citizens of Arkansas. DIS continually works on improving access to new technologies resulting in improved efficiency across state agencies, boards, commissions, K-12 public schools, higher education, municipal, and county government. DIS has identified and is addressing several trends in today's evolving technological world.

DIS is currently developing the State's K-12 public schools high-bandwidth broadband project. The primary objective of this project is increasing internet speed at public and public charter schools. The K-12 broadband project was implemented in 146 of the State's K-12 schools, giving them sufficient Internet access during the 2015-2016 school year. Overall implementation should be completed by June 30, 2017. The project will convert schools to a new network that will provide district hub sites with Internet access. The project will also provide Metropolitan Area Network (MAN) services that can connect buildings within the district and provide high-bandwidth and high-value to all of its K-12 users.

DIS is also working to generate significant cost savings by reducing IT infrastructure costs through the State Data Center West. The facility enables the live backup of critical public data and allows for the immediate recoverability of data to the secondary site if an event impacts an agency's primary site. Related to this, DIS is developing disaster recovery plans and continuity of operations plans for state agencies through the Arkansas Continuity of Operations Program (ACOOP). The State Cyber Security Office (SCSO) of DIS oversees the ACOOP which provides methodology, hardware, software, training, and user assistance for the development, maintenance, and testing of all-hazards plans for Arkansas state agencies. SCSO also serves as the focal point for all cyber security related issues, monitoring organizations on the State network for the presence of malware and infected computers.

In addition to preparing agencies for disasters, DIS is also providing a reliable means of communication for first responders through the Arkansas Wireless Information Network (AWIN). 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 30.4 thousand AWIN users consisting of law enforcement, fire, first responders, and other emergency services at the municipal, county, state, and federal levels.

Arkansas Scholarship Lottery: The voters passed an amendment to the Arkansas Constitution in November 2008, authorizing the legislature to establish a lottery. The net proceeds of the lottery would be used to fund scholarships for Arkansas students to in-state two-year and four-year higher education institutions. Subsequently, 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. The ALC consisted of 9 members with 3 members appointed by each of the following: the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The lottery also operates using its other legal (DBA) entity name of Arkansas Scholarship Lottery. During the 90th General Assembly, Act 218 of 2015, which became effective on February 26, 2015, was enacted. Act 218 eliminated the ALC and established the lottery as the Office of the Arkansas Lottery (OAL) under the Administrative Services division of DFA.

The OAL 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 Raffle on October 1, 2011, Natural State Jackpot on August 27, 2012, Arkansas Million Dollar Raffle was re-introduced on September 1, 2013, Monopoly Millionaires' Club™ on October 19, 2014, and Lucky for Life commenced sales on January 27, 2015.

For the fiscal year 2016, OAL had operating revenues of $456.3 million, paid gaming prizes of $308.9 million, paid selling commissions to Arkansas retailers of $25.7 million, and provided $85.3 million in scholarship funds, after payment of other lottery expenses.

Health: The Arkansas Department of Health (ADH) has demonstrated over a century of achievement and progress. It continues its mission to protect the health and well-being of all Arkansans. Even though improved public health conditions and advances made in modern medicine have eliminated many of the threats from times past, those problems have been replaced by new challenges that pose major obstacles to healthy living in today's world. Numbered among the significant health challenges before Arkansans are the obesity epidemic, tobacco use, teen pregnancy, poor dental health, high infant mortality, abuse and misuse of prescription drugs, injuries, and poor health literacy. Dedicated public health professionals working in a variety of scientifically-based disciplines are already addressing these problems. Arkansas's public health workforce is working every day at the local level through a statewide service network to provide prevention services and to address threats to the public's health.

After completing a rigorous public health assessment process, ADH was awarded national five-year accreditation status by the Public Health Accreditation Board (PHAB) on May 17, 2016. The PHAB recognizes high performing health departments, of which Arkansas is 1 of only 19 accredited. To have received this award, the department went through a multi-faceted, peer reviewed assessment process to ensure that it met or exceeded a set of quality standards and measures. Achieving accreditation demonstrates the dedication and commitment of ADH toward continuous improvement of the quality of services delivered.

The recent Zika virus outbreak and other new and emerging infectious diseases are why ADH has an ‘always on’ surveillance, investigation, and control system. Zika virus is a relatively new disease for the Western hemisphere. It first appeared in Brazil in May 2015. Information received through reporting and surveillance programs help monitor disease trends and identify groups that may be at high risk for illness. This ensures that ADH is ready to quickly and appropriately respond to threats to the public’s health. ADH has been working closely with health care providers, hospitals, emergency medical services, and other partners to prepare for the possibility of Zika, or any other serious communicable disease, entering the State.

Just as the advances of the first century of the department were not made without the cooperative efforts of many other dedicated health professionals, ADH continuously collaborates with a wide variety of partners in the public and private sectors to address the health problems facing Arkansans. For example, Healthy Active Arkansas is a 10-year plan to increase the number of Arkansans who are at a healthy weight. The plan is a public/private partnership and it was developed via a series of facilitated discussions among leaders in the field. The plan’s goal is for all Arkansans to enjoy access to wholesome foods and opportunities for fun and exertive activities. It’s one in which individuals are more apt to maintain healthy weights, allowing them as well as businesses and communities to prosper from lower health care expenses, higher productivity, and improved quality of life. ADH is coordinating statewide efforts to increase opportunities for Arkansans to live long and healthy lives by working with other agencies, organizations, and partners.

Effective August 1, 2016, ADH transferred its license for in-home health and hospice services to Kindred Healthcare. The decision to transition In-Home Services to a private provider was made after careful consideration of loss of patients, revenue, and employees. The program would have needed immediate budget cuts had this decision to transition In-Home Services programs to a private provider not been made. ADH’s in-home health and hospice program provided valued services for nearly 50 years. The program was developed in 1968, at a time when there were few alternatives for care.

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, 2015. This was the eighteenth 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 1 year.

Governor Asa Hutchinson, 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,

Larry W. Walther

Larry W. Walther
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

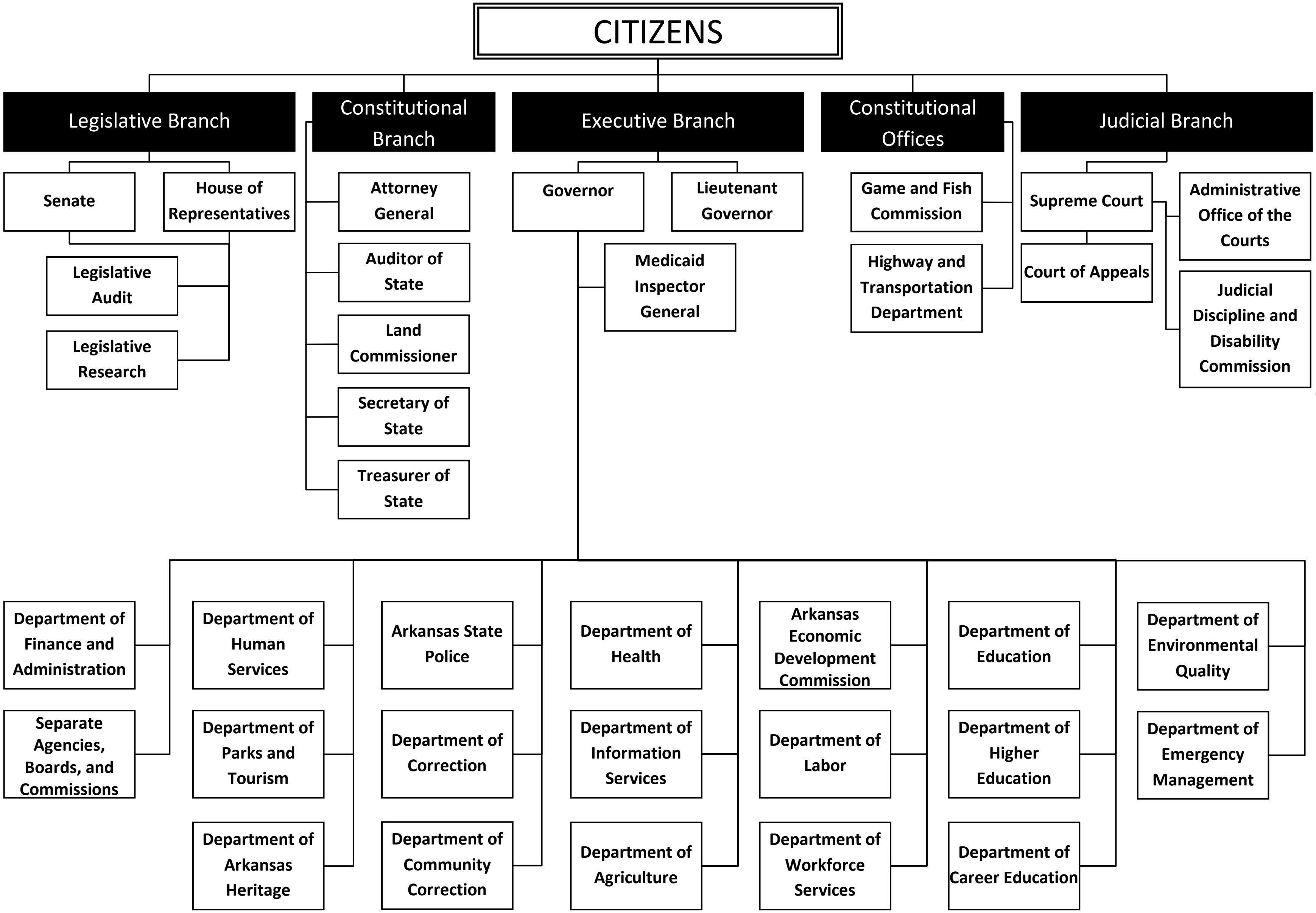
June 30, 2015

Jeffrey R. Emer

Executive Director/CEO

Arkansas

Organizational Chart



Principal Officials

Elected Officials	Legislative Branch	Supreme Court
Governor	***President Pro Tempore***	***Chief Justice***
Asa Hutchinson	Senator Jonathan Dismang	Howard W. Brill
Lieutenant Governor	***Speaker of the House***	***Associate Justice***
Tim Griffin	Representative Jeremy Gillam	Josephine L. Hart
Attorney General		***Associate Justice***
Leslie Rutledge		Robin F. Wynne
Auditor of State		***Associate Justice***
Andrea Lea		Karen R. Baker
Land Commissioner		***Associate Justice***
John Thurston		Rhonda K. Wood
Secretary of State		***Associate Justice***
Mark Martin		Courtney Hudson Goodson
Treasurer of State		***Associate Justice***
Dennis Milligan		Paul E. Danielson


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Financial Section

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Independent Auditor's Report

The Honorable Asa Hutchinson, 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, 2016, 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 15% of the assets and 35% of the revenues of the business-type activities opinion unit and 18% of the assets and 50% of the revenues of the Higher Education 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 7% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and 1% of the revenues of the aggregate remaining fund information opinion unit.

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www.arklegaudit.gov

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 from 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 accounting estimates made by management, as well as evaluating the overall 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, 2016, 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.

Emphasis of Matter

As discussed in *Note 2 (b)* to the financial statements, in fiscal year 2016 the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 72, *Fair Value Measurement and Application*. Our opinion is not modified with respect to this matter.

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 22, 2016, 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. That report will be issued under separate cover in the *State of Arkansas Single Audit Report*. 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 internal control over financial reporting or on compliance. That report, upon its issuance, 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, CFF
Legislative Auditor

Little Rock, Arkansas
December 22, 2016
CAFR00116


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Management’s Discussion and Analysis

GREAT SEAL OF THE STATE OF ARKANSAS

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, 2016. The State's June 30, 2016, financial statements received an unmodified 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 may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2016, by $15.4 billion (presented as "Total net position"). The net position of the State increased by $741.4 million during the year. The governmental activities net position increased by $528.0 million and the business-type activities increased by $213.4 million. Of the total net position, $12.6 billion (81.39%), 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. An additional portion of the State's net position, $3.2 billion (20.65%), represents resources that are subject to restrictions on how they may be used and are therefore termed "restricted."

The remaining net position considered as unrestricted was negative $315.9 million. This is primarily due to the State's net pension liability recorded in accordance with Governmental Accounting Standards Board GASB Statement No. 68 and the increase in other postemployment benefit obligations.

Long-term debt payable for bonds, capital leases and notes as of June 30, 2016, was $4.0 billion. Additional debt totaling $400.0 million was entered into during the year. $295.9 million of that increase was attributable to increases in college and university revenue bonds and $33.1 million was attributable to the Correctional Facilities Construction Bonds.

Fund Highlights

As of the close of business on June 30, 2016, the State's General Fund reported a fund balance of $4.2 billion. As required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, $100.6 million (2.38%) of the total fund balance is nonspendable, $1.5 billion (35.70%) of the total fund balance is restricted, $1.5 billion (35.27%) of the total fund balance is committed, $337.5 million (7.99%) of the total fund balance is assigned and $788.1 million (18.66%) of the total fund balance is unassigned The fund balance in the General Fund increased $161.5 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*. The components of the basic financial statements and the supplemental information are described below.

Basic Financial Statements

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, 2016. The government-wide financial statements are prepared using the full accrual basis of accounting. This means methods used are similar to the methods used by most businesses. All assets, deferred outflows of resources, liabilities, deferred inflow of resources, revenues and expenses associated with the year ended June 30, 2016, are accounted for, even if the cash involved was not received or paid by June 30, 2016. These 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 year ended June 30, 2016, 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, Office of the Arkansas Lottery, War Memorial Stadium Commission, Public School Employee Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund and Other Revolving Loan Funds and Other Enterprise 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 focus on individual parts of state government and report the State's operations in more detail than the government-wide 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. 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 fund 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 Office of the Arkansas Lottery, the War Memorial Stadium Commission, the Public School Employee Health and Life Benefit Plan, the Construction Assistance Revolving Loan Fund and Other Revolving Loan Funds (Safe Drinking Water, Community/Technical College, Employer Assisted Home Energy Assistance Loan Program, Assisted Living Incentive, Industrial Energy Technology and Energy Efficient and Conservation Block Grant/Residential Loan Program).

Fiduciary Funds' Financial Statements show the activity of the funds used to account for resources held for the benefit of activities 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: Arkansas Public Employees Retirement Systems (which includes District Judges), Arkansas State Police Retirement System, Judicial Retirement System, Teacher Retirement System and State Highway Employees Retirement System 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 pension and other postemployment benefits information, 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.

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 (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015 (as restated)	2016	2015	2016	2015 (as restated)
Current assets	$ 5,308,787	$ 5,193,736	$ 2,334,894	$ 2,112,107	$ 7,643,681	$ 7,305,843
Noncurrent assets	268,049	315,253	2,452,142	2,516,306	2,720,191	2,831,559
Capital assets	11,426,237	11,068,341	3,996,263	3,982,095	15,422,500	15,050,436
Total assets	17,003,073	16,577,330	8,783,299	8,610,508	25,786,372	25,187,838
Deferred Outflows of Resources	540,141	368,904	84,169	59,268	624,310	428,172
Current liabilities	1,312,640	1,265,472	534,333	513,011	1,846,973	1,778,483
Long-term liabilities	4,897,415	4,551,966	4,024,907	4,032,292	8,922,322	8,584,258
Total liabilities	6,210,055	5,817,438	4,559,240	4,545,303	10,769,295	10,362,741
Deferred Inflows of Resources	166,206	489,780	30,543	60,225	196,749	550,005
Net position						
Net investment in capital assets	10,573,154	10,418,250	1,997,666	1,995,542	12,570,820	12,413,792
Restricted	2,142,787	1,627,433	1,046,934	1,049,397	3,189,721	2,676,830
Unrestricted	(1,548,988)	(1,406,667)	1,233,085	1,019,309	(315,903)	(387,358)
Total net position	$ 11,166,953	$ 10,639,016	$ 4,277,685	$ 4,064,248	$ 15,444,638	$ 14,703,264

The net position of the governmental activities increased $527.9 million. This is predominantly due to a continued increase in sales, gas and motor fuel and personal and corporate tax revenue as a result of continued economic growth. Additionally, there was an increase in intergovernmental revenue due to recognition of adoption subsidies by the Department of Human Services.

The net position of the business-type activities increased $213.4 million. This change is primarily due to an increase in cash balances at the Department of Workforce Services as the result of a continued decrease in unemployment causing an increase in unemployment tax revenue. Also, additional funding was transferred from the general fund to the higher education institutions for construction and general improvement projects.

The book value of capital assets as of June 30, 2016, was $11.4 billion for governmental activities and $4.0 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 are 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 (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2016	2015 (as restated)	2016	2015	2016	2015 (as restated)
Revenues:						
Program revenues:						
Charges for services	$ 1,263,465	$ 1,340,901	$ 3,123,516	$ 2,888,902	$ 4,386,981	$ 4,229,803
Operating grants and contributions	7,333,883	7,043,670	826,300	856,669	8,160,183	7,900,339
Capital grants and contributions	572,654	520,477	31,627	71,050	604,281	591,527
General revenues:						
Personal and corporate taxes	3,222,351	3,209,528			3,222,351	3,209,528
Sales and use taxes	3,028,285	2,932,562			3,028,285	2,932,562
Motor fuel taxes	463,126	443,413			463,126	443,413
Other taxes	989,901	1,006,692	31,935	31,148	1,021,836	1,037,840
Other revenues:						
Investment earnings (loss)	84,100	40,471	21,217	30,869	105,317	71,340
Miscellaneous income	335,198	380,547	107,527	180,398	442,725	560,945
Total revenues	17,292,963	16,918,261	4,142,122	4,059,036	21,435,085	20,977,297
Expenses:						
Governmental expenses:						
Education	3,718,585	3,677,244			3,718,585	3,677,244
Health and human services	8,461,524	8,119,737			8,461,524	8,119,737
Transportation	954,670	909,171			954,670	909,171
Law, justice and public safety	829,280	789,477			829,280	789,477
Recreation and resources development	275,987	283,446			275,987	283,446
General government	1,553,087	1,581,265			1,553,087	1,581,265
Regulation of business and professionals	134,567	132,211			134,567	132,211
Interest expense	61,920	61,106			61,920	61,106
Business-type expenses:						
Higher education			3,806,452	3,676,886	3,806,452	3,676,886
Workers' Compensation Commission			19,905	17,922	19,905	17,922
Department of Workforce Services			216,398	256,048	216,398	256,048
Office of the Arkansas Lottery			368,085	337,072	368,085	337,072
War Memorial Stadium Commission			3,419	2,828	3,419	2,828
Public School Employee Health and Life Benefit Plan			284,984	266,650	284,984	266,650
Revolving loans			4,848	9,934	4,848	9,934
Total expenses	15,989,620	15,553,657	4,704,091	4,567,340	20,693,711	20,120,997
Increase (decrease) in net position before transfers	1,303,343	1,364,604	(561,969)	(508,304)	741,374	856,300
Transfers - internal activities	(775,406)	(768,742)	775,406	768,742		
Restatements		(94,351)				(94,351)
Total Transfers and Restatements	(775,406)	(863,093)	775,406	768,742		(94,351)
Increase (decrease) in net position	527,937	501,511	213,437	260,438	741,374	761,949
Net position - beginning (as restated)	10,639,016	10,137,505	4,064,248	3,803,810	14,703,264	13,941,315
Net position - ending	$ 11,166,953	$ 10,639,016	$ 4,277,685	$ 4,064,248	$ 15,444,638	$ 14,703,264

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $6.8 billion were funded by normal State taxing activities.

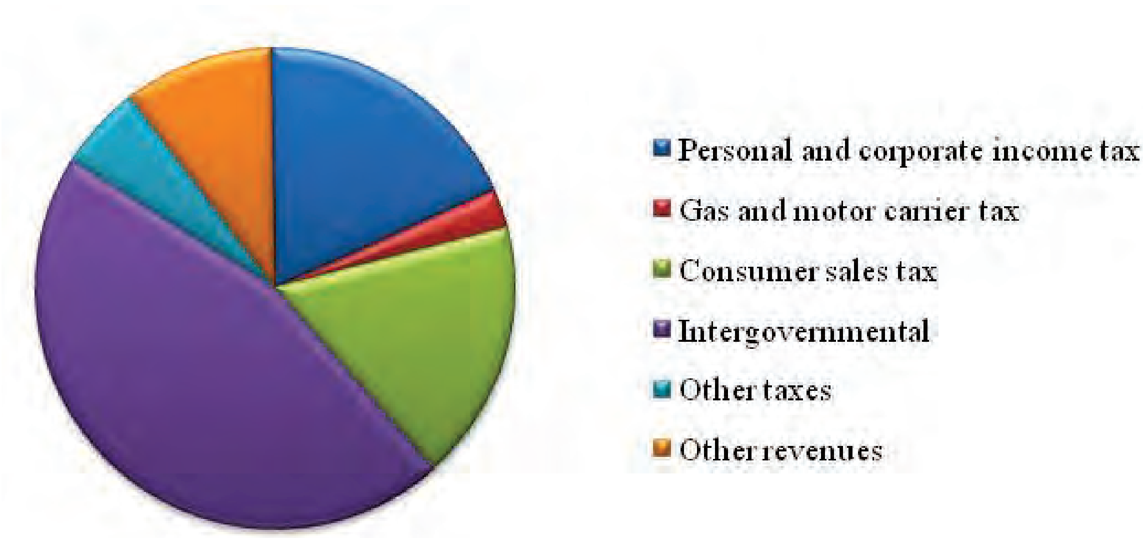
FUND HIGHLIGHTS AND ANALYSIS

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, 2016, and 2015 (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)

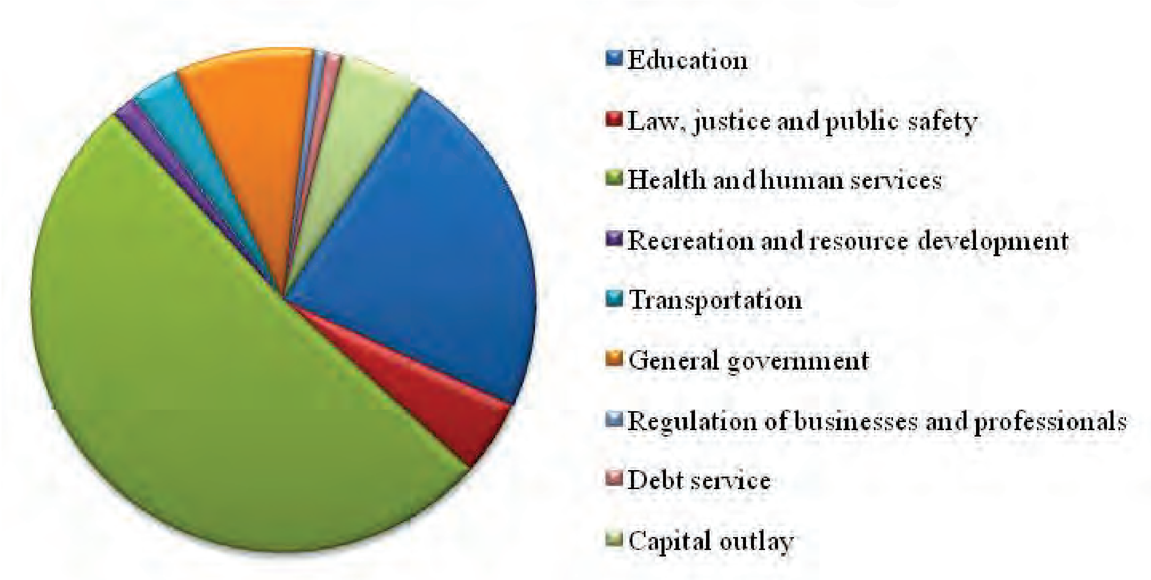
Revenues	2016	2015	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,219,066	$ 3,207,038	0.38%
Gas and motor carrier tax	462,761	443,058	4.45%
Consumer sales tax	3,031,524	2,929,426	3.49%
Intergovernmental	7,888,337	7,564,360	4.28%
Other taxes	989,962	1,005,951	(1.59%)
Other revenues	1,741,583	1,743,294	(0.10%)
Total	$ 17,333,233	$ 16,893,127	2.61%



Governmental revenues increased by 2.61%. This is due to continued economic and market recovery resulting in an increase in revenue from gas and motor carrier taxes. Gas and motor carrier tax increased by $19.7 million, while consumer sales tax increased by $102.1 million. Intergovernmental activity increased by $324.0 million due primarily to the recognition of adoption subsidies by the Department of Human Services.

Expenditures by Function - General Fund (expressed in thousands)

Expenditures	2016	2015	Increase (Decrease) Percent
Education	$ 3,715,057	$ 3,676,561	1.05%
Law, justice and public safety	796,987	768,521	3.70%
Health and human services	8,458,304	8,162,633	3.62%
Recreation and resource development	255,074	264,169	(3.44%)
Transportation	521,237	508,716	2.46%
General government	1,468,346	1,535,963	(4.40%)
Regulation of businesses and professionals	131,865	128,769	2.40%
Debt service	176,383	238,004	(25.89%)
Capital outlay	875,513	899,502	(2.67%)
Total	$ 16,398,766	$ 16,182,838	1.33%



The State's agencies expenditures increased for the year ended June 30, 2016, by 1.33%. Health and human service expenses increased by $295.7 million primarily due to the recognition of adoption subsidies by the Department of Human Services and construction payments on the new Arkansas State Veterans Home. Education expenses increased by $38.5 million due primarily to an upgraded online processing system for Child Nutrition Claims by the Department of Education, which increased the claims processed during fiscal year 2016. Expenses related to debt service decreased by $61.6 million primarily due to debt retirements, refunding's and defeasance. General government expenses decreased $67.6 million primarily due to a one time distribution by the Arkansas Economic Development Commission to Big River Steel in fiscal year 2015.

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, 2016.

At June 30, 2016, the State's General Fund reported an ending fund balance of $4.2 billion, which is an increase of $161.5 million in comparison to June 30, 2015. This increase is due primarily to an increase in intergovernmental revenue from recognition of federal receivables. Also, sales, gas and motor fuel taxes increased due to continued economic growth and continuing low gasoline prices.

The classifications and amounts of fund balance were determined according to the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, which the State was required to implement for the year ended June 30, 2011. Note 1 provides an explanation of the various classifications.

Fund balance consisted of the following:

- Nonspendable, $100.6 million or 2.38%
- Restricted, $1.5 billion or 35.70%
- Committed, $1.5 billion or 35.27%
- Assigned, $337.5 million or 7.99%
- Unassigned, $788.1 million or 18.66%

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 $27.2 billion, and the accumulated depreciation was $11.8 billion at June 30, 2016. The net book value was $15.4 billion. Depreciation expense was $533.9 million for the governmental activities and $260.8 million for the business-type activities.

Major capital asset events during the current year ended June 30, 2016, included the following:

- The Department of Human Services expended $24.5 million on various types of computer software and $0.7 million on greenhouse and recycling building renovations.
- Arkansas Department of Veterans Affairs expended $1.0 million on the North Little Rock cemetery expansion and $17.0 million on the North Little Rock Veterans' Home construction.
- Arkansas Department of Correction expended $3.8 million on Ester Unit renovation, Cummins poultry houses, and $2.5 million on vehicles and various utility and kitchen equipment.
- Arkansas Military Department spent $5.0 million on renovations to various barracks and other buildings.
- Arkansas Game and Fish Commission expended $6.1 million on land purchases and improvements that included the Frog Bayou Williams Tract, Cypert Tract, and others. Game and Fish also spent $6.7 million on vehicles, boats, mowers and various other equipment.
- Arkansas Department of Parks and Tourism expended $4.8 million on improvements to various parks, $8.5 million on the construction of cabins and residences for parks and $1.6 million on vehicles and other equipment.
- The Department of Arkansas Heritage spent $5.1 million on a new office building and $3.1 million on land purchases.
- Arkansas State Police expended $6.1 for upgrades to the AWIN software program.

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. On November 8, 2016, voters passed an Amendment to the Arkansas Constitution Concerning Job Creation, Job Expansion, and Economic Development (Issue No. 3, 2016). Provisions of this amendment removed the limitation on the principal amount of general obligation bonds, which were not to exceed 5.00% of general revenue as stated in Amendment 82 of the Arkansas Constitution, in order to attract large economic developing projects. The provisions of this amendment also redefined the economic development financing restrictions as imposed by Amendment 62 of the Arkansas Constitution which applies to Arkansas counties and municipalities.

Depending on the issuing entity, the State's bonds are rated between Aaa and A1 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: Arkansas Northeastern College, Arkansas State University – Mid South, Arkansas Tech University, Black River Technical College, East Arkansas Community College, Henderson State University, North Arkansas College, Ozarka College, Rich Mountain Community College, South Arkansas Community College, Southern Arkansas University and Southern Arkansas University – Tech branch.

Governmental Activities

The State's governmental activities had $1.8 billion in bonds, notes payable and capital leases outstanding at June 30, 2016, versus $1.9 billion at June 30, 2015. The net decrease is approximately $114.5 million.

For year ended June 30, 2016, bonds payable had a net decrease of $95.8 million. Principal payments on these bonds totaled $80.8 million. Capital leases to outside entities had a net decrease of $379 thousand. Notes payable and capital leases payable to component units had a net decrease of $18.5 million during the year ended June 30, 2016.

New debt resulted primarily from the issuance of revenue bonds. The most significant increases are listed below:

- The Arkansas Department of Corrections issued $25.8 million in tax exempt revenue refunding bonds, Series 2016, to refund Series 2009A bonds and issued $7.3 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2005A bonds.
- The Department of Finance and Administration – Building Authority issued $2.7 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2005 bonds.

The State's governmental activities had approximately $235.7 million of claims and judgments outstanding at June 30, 2016, compared to $227.1 million at June 30, 2015. Other obligations include $140.0 million for accrued sick leave and vacation pay and $29.5 million for pollution remediation at June 30, 2016. The State's governmental activities also had $1.2 billion recorded for net other postemployment benefits obligations at June 30, 2016.

Business-type Activities

The State's business-type activities had $2.1 billion in bonds, notes payable and capital leases outstanding at June 30, 2016, and $2.2 billion at June 30, 2015. The net decrease was approximately $24.5 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 Pulaski Technical College issued $25.9 million in tax exempt student tuition and fee refunding revenue bonds, Series 2015, to refund Series 2004 and Series 2006 bonds.
- The University of Arkansas at Fayetteville issued $7.5 million in taxable various facility revenue bonds, Series 2015B, to construct fraternity facilities and installation of a high pressure natural gas line for a generator, $36.7 million in tax exempt refunding bonds, Series 2015C, to refund Series 2005B bonds, $93.6 million in tax exempt refunding and improvement bonds, Series 2016A, to finance various improvements on the campus, and $15.3 million in taxable refunding bonds, Series 2016B, to refund Series 2008B bonds.
- The University of Arkansas at Little Rock issued $24.5 million in tax exempt auxiliary enterprises revenue bonds, Series 2016, to refund Series 2009 auxiliary bonds and $22.5 million in tax exempt student fee revenue refunding bonds, Series 2016, to refund Series 2009 capital improvement bonds.
- The University of Arkansas Community College at Morrilton issued $10.0 million in tax exempt student fee revenue bonds, Series 2016, to finance the construction of a workforce training center.
- The Southern Arkansas University issued $9.1million in tax exempt auxiliary enterprises secured refunding bonds, Series 2016, to refund Series 2010 bonds.

The colleges and universities also entered into capital leases totaling $18.5 million, as well as notes payable totaling $43.3 million. The State's business-type activities reduced bonds, notes payable and capital leases by $382.2 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $289.0 million of claims and judgments outstanding at June 30, 2016, compared to $293.7 million at June 30, 2015. Other obligations included accrued sick leave and vacation pay of $111.7 million at June 30, 2016. The State's business-type activities also had $107.1 million recorded for net other postemployment benefits obligation at June 30, 2016.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

	Budgeted Amounts		Actual
Functions	Original	Final	Amounts
General government	$ 8,983,023	$ 6,050,831	$ 1,804,301
Education	4,312,641	4,341,694	3,720,241
Health and human services	9,557,196	9,016,990	8,052,763
Law, justice and public safety	1,008,244	1,048,372	805,714
Recreation and resources development	489,100	528,656	286,985
Regulation of business and professionals	222,133	226,469	131,660
Transportation	579,700	647,147	461,454
Debt service	168,919	332,257	171,433
Capital outlay	1,696,367	1,490,900	811,365
Total	$ 27,017,323	$ 23,683,316	$ 16,245,916

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 $3.3 billion. The decrease in general government is primarily due to the transfer of appropriation to other functional areas for unanticipated federal grants. The increases in education; law, justice and public safety; recreation and resource development and regulation of businesses and professionals 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 increase in transportation was primarily due to an increase in expenditures related to the state aid road fund and the state aid street fund after the original budget was established. The increase in debt service was primarily due to new debt that required additional appropriation for debt service expenditures.

REQUESTS FOR INFORMATION

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

GREAT SEAL OF THE STATE OF ARKANSAS

Basic Financial Statements

Statement of Net Position
June 30, 2016
(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	$ 1,951,702	$ 1,582,027	$ 3,533,729	$ 1,011	$ 106,437
Cash and cash equivalents-restricted		31,696	31,696	696	
Investments	2,060,191	256,272	2,316,463	16,108	7,595
Receivables, net:					
Accounts	124,256	387,474	511,730		658
Taxes	425,756		425,756		
Medicaid	270,374		270,374		
Loans	22,546	7,766	30,312		6,129
Leases	89		89		
Interest	9,675	1,040	10,715	4,214	1,738
Other	30,322	5,584	35,906	70	
Internal balances	18,013	(18,013)			
Due from other governments	282,330	8,797	291,127		
Prepaid items	24,871	8,213	33,084		
Inventories	70,355	37,857	108,212		
Deposits with trustee	18,305	7,814	26,119		
Other current assets	2	18,367	18,369		
Total current assets	5,308,787	2,334,894	7,643,681	22,099	122,557
Noncurrent assets:					
Cash and cash equivalents, restricted		178,330	178,330		
Deposits with component unit	21,101		21,101		
Deposits with bond trustee		78,076	78,076		
Deposits with Multi-State Lottery Association		1,848	1,848		
Investments	45	382,272	382,317		368,575
Receivables, net		47,581	47,581		
Loans and mortgages receivable	172,041	404,747	576,788	239,503	270,819
Loans receivable - component unit	50,000		50,000		
Loans and capital leases receivable from primary government					183,841
Capital leases receivable	587		587		
Due from other governments		972	972		
External portion of investment pool		1,346,170	1,346,170		
Financial assurance instruments		11,552	11,552		
Other noncurrent assets	24,275	594	24,869	156	1,583
Total noncurrent assets	268,049	2,452,142	2,720,191	239,659	824,818
Capital assets (net of accumulated depreciation):					
Capital assets, non depreciable					
Land	903,901	162,293	1,066,194	670	
Construction in progress	1,838,832	178,594	2,017,426		
Construction in progress - intangibles	19,057	1,474	20,531		
Other non depreciable assets	22,242	2,675	24,917		
Total capital assets, non depreciable	2,784,032	345,036	3,129,068	670	
Capital assets, depreciable					
Land improvements	65,611		65,611		
Infrastructure	7,324,007	302,027	7,626,034		
Buildings	1,007,856	3,011,237	4,019,093	1,940	
Equipment	222,741	169,712	392,453	66	93
Improvements other than building		20,513	20,513		
Leasehold improvements		3,567	3,567		
Intangibles	19,006	72,049	91,055	59	
Other capital assets	2,984	72,122	75,106		
Total capital assets, depreciable	8,642,205	3,651,227	12,293,432	2,065	93
Total capital assets, net of depreciation	11,426,237	3,996,263	15,422,500	2,735	93
Total noncurrent assets and capital assets	11,694,286	6,448,405	18,142,691	242,394	824,911
Total assets	17,003,073	8,783,299	25,786,372	264,493	947,468
Deferred outflows of resources					
Related to debt refunding	24,590	37,976	62,566	3,110	92
Related to pensions	515,551	46,193	561,744	103	1,084
Total deferred outflows	540,141	84,169	624,310	3,213	1,176
Total assets and deferred outflows of resources	$ 17,543,214	$ 8,867,468	$ 26,410,682	$ 267,706	$ 948,644

Statement of Net Position

June 30, 2016

(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	$ 76,456	$ 104,151	$ 180,607	$ 1,879	$ 4,787
Prizes payable		17,696	17,696		
Accrued interest	7,891	13,666	21,557		4,582
Accrued and other current liabilities	194,100	123,944	318,044		
Medicaid payable	320,153		320,153		
Income tax refunds payable	321,766		321,766		
Due to other governments	75,775	3,016	78,791		
Workers' compensation benefits payable		14,731	14,731		
Funds held in trust for others		11,186	11,186		
Bonds, notes and leases payable	111,524	111,389	222,913	41,218	29,652
Claims, judgments, arbitrage and compensated absences	149,592	65,684	215,276		
Pollution remediation obligation	9,338		9,338		
Unearned revenue	46,045	68,870	114,915		
Total current liabilities	1,312,640	534,333	1,846,973	43,097	39,021
Long-term liabilities:					
Workers' compensation benefits payable		223,909	223,909		
External portion of investment pool		1,346,170	1,346,170		
Bonds, notes and leases payable	1,705,072	2,031,560	3,736,632	167,100	491,979
Loans payable - primary government					50,000
Claims, judgments, arbitrage and compensated absences	226,118	96,437	322,555		
Pollution remediation obligation	20,134		20,134		
Net post employment benefits obligation	1,161,554	107,066	1,268,620	165	2,047
Net pension liability	1,573,005	172,354	1,745,359	355	3,619
Deposits held on behalf of primary government					21,101
Other noncurrent liabilities	211,532	46,781	258,313		13,899
Unearned revenue		630	630		2,156
Total long-term liabilities	4,897,415	4,024,907	8,922,322	167,620	584,801
Total liabilities	6,210,055	4,559,240	10,769,295	210,717	623,822
Deferred inflows of resources					
Related to revenues		288	288		
Related to pensions	166,206	30,255	196,461	41	412
Total deferred inflows of resources	166,206	30,543	196,749	41	412
Total liabilities and deferred inflows of resources	6,376,261	4,589,783	10,966,044	210,758	624,234
Net Position					
Net position:					
Net investment in capital assets	10,573,154	1,997,666	12,570,820	2,676	93
Restricted for:					
Debt service	58,985	22,131	81,116		
Other capital projects	286,904	136,039	422,943		
Bond and resolution program					235,403
Program requirements	794,398	641,977	1,436,375		
Lottery	31,238		31,238		
Tobacco settlement	205,760		205,760		
Transportation	765,502		765,502		
Non-expendable - endowment		95,136	95,136		
Expendable-capital projects, debt service, loans and other		151,651	151,651	54,272	
Unrestricted	(1,548,988)	1,233,085	(315,903)		88,914
Total net position	11,166,953	4,277,685	15,444,638	56,948	324,410
Total liabilities, deferred inflows of resources and net position	$ 17,543,214	$ 8,867,468	$ 26,410,682	$ 267,706	$ 948,644

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, 2016
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $779 and unamortized discount of $2,026	$	33,424
Interest receivable		2,022
Cash value of life insurance		1,248
Land, buildings and equipment net of accumulated depreciation of $256		668
Investments		873,267
Total assets	$	910,629
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	6,319
Annuity obligations		14,065
Total liabilities		20,384
Net assets:		
Unrestricted		106,811
Temporarily restricted		143,967
Permanently restricted		639,467
Total net assets		890,245
Total liabilities and net assets	$	910,629

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, 2016
(Expressed in thousands)

Assets	
Investments	$ 486,777
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 287
Total liabilities	287
Net assets:	
Temporarily restricted	33,875
Permanently restricted	452,615
Total net assets	486,490
Total liabilities and net assets	$ 486,777

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

Statement of Activities
For the Year Ended June 30, 2016
(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	$ 1,553,087	$ 415,138	$ 215,205	$ 972
Education	3,718,585	5,092	598,011	
Health and human services	8,461,524	413,515	6,304,584	13,251
Transportation	954,670	120,004	83,841	556,585
Law, justice and public safety	829,280	95,585	88,994	1,270
Recreation and resources development	275,987	97,925	37,830	576
Regulation of business and professionals	134,567	116,206	5,418	
Interest expense	61,920			
Total governmental activities	15,989,620	1,263,465	7,333,883	572,654
Business-type activities:				
Higher education	3,806,452	2,039,020	786,983	31,627
Workers' Compensation Commission	19,905	17,864		
Department of Workforce Services	216,398	301,567	13,814	
Office of the Arkansas Lottery	368,085	456,317		
War Memorial Stadium Commission	3,419	2,279	252	
Public School Employee Health and Life Benefit Plan	284,984	302,445		
Revolving loans	4,848	4,024	25,251	
Total business-type activities	4,704,091	3,123,516	826,300	31,627
Total primary government	$ 20,693,711	$ 4,386,981	$ 8,160,183	$ 604,281
Component units:				
Arkansas Student Loan Authority	$ 11,098	$ 12,097	$	
Arkansas Development Finance Authority	30,732	35,697	8,213	
Total component units	$ 41,830	$ 47,794	$ 8,213	

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 (as restated)
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
$ (921,772)	$	$ (921,772)		
(3,115,482)		(3,115,482)		
(1,730,174)		(1,730,174)		
(194,240)		(194,240)		
(643,431)		(643,431)		
(139,656)		(139,656)		
(12,943)		(12,943)		
(61,920)		(61,920)		
(6,819,618)		(6,819,618)		
	(948,822)	(948,822)		
	(2,041)	(2,041)		
	98,983	98,983		
	88,232	88,232		
	(888)	(888)		
	17,461	17,461		
	24,427	24,427		
	(722,648)	(722,648)		
(6,819,618)	(722,648)	(7,542,266)		
			$ 999	$
				13,178
			999	13,178
3,222,351		3,222,351		
3,028,285		3,028,285		
463,126		463,126		
989,901	31,935	1,021,836		
7,703,663	31,935	7,735,598		
84,100	21,217	105,317	334	(1,657)
335,198	107,527	442,725	30	
(775,406)	775,406			
7,347,555	936,085	8,283,640	364	(1,657)
527,937	213,437	741,374	1,363	11,521
10,639,016	4,064,248	14,703,264	55,585	312,889
$ 11,166,953	$ 4,277,685	$ 15,444,638	$ 56,948	$ 324,410

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2016
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 16,167	$ 22,293	$ 22,624	$ 61,084
Interest and dividends	3,748	5,122	290	9,160
Net realized and unrealized gains on investments	9,150	19,582	(40,528)	(11,796)
Other				
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	44,179	(44,179)		
Total revenues, gains and other support	73,244	2,818	(17,614)	58,448
Expenses and losses:				
Program services:				
Construction	8,144			8,144
Research	14,583			14,583
Faculty/staff support	13,623			13,623
Scholarships and awards	10,113			10,113
Public/staff relations	2,452			2,452
Equipment	4,971			4,971
Sponsored programs	909			909
Other	11,593			11,593
Total program services	66,388			66,388
Supporting services:				
Management and general	460			460
Fundraising	1,664			1,664
Change in value of split-interest agreements	1		557	558
Provision for loss on uncollectible pledges	531	213	315	1,059
Total supporting services	2,656	213	872	3,741
Total expenses and losses	69,044	213	872	70,129
Change in net assets	4,200	2,605	(18,486)	(11,681)
Net assets - beginning	102,611	141,362	657,953	901,926
Net assets - ending	$ 106,811	$ 143,967	$ 639,467	$ 890,245

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, 2016
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 3,722	$ 5	$ 3,727
Net realized and unrealized gains on investments		16,016	(31,578)	(15,562)
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	16,435	(16,435)		
Total revenues, gains and other support	16,435	3,303	(31,573)	(11,835)
Expenses and losses:				
Program services:				
Research	1,132			1,132
Faculty/staff support	2,444			2,444
Scholarships and awards	10,848			10,848
Equipment and technology	1,665			1,665
Other	346			346
Total program services	16,435			16,435
Change in net assets		3,303	(31,573)	(28,270)
Net assets - beginning		30,572	484,188	514,760
Net assets - ending	$	$ 33,875	$ 452,615	$ 486,490

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

Balance Sheet
Governmental Fund
June 30, 2016
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	1,951,702
Deposit with trustee		18,305
Investments		2,060,236
Receivable, net:		
Accounts		124,139
Taxes		425,756
Medicaid		270,374
Loans		244,587
Leases		676
Interest		9,675
Other		30,322
Due from other funds		34,902
Due from other governments		282,330
Advances to other funds		5,695
Prepaid items		24,776
Inventories		70,355
Deposits with component unit		21,101
Other assets		24,275
Total assets	$	5,599,206
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	73,697
Accrued and other current liabilities		206,121
Unearned income		46,045
Income tax refunds payable		321,766
Due to other governments		75,775
Due to other funds		20,210
Advances from other funds		5,013
Medicaid claims payable		320,153
Total liabilities		1,068,780
Deferred inflows of resources		
Related to revenues		306,797
Total liabilities and deferred inflows of resources		1,375,577
Fund balance:		
Nonspendable:		
Prepaid items		24,776
Inventories		70,355
Loans		4,825
Leases		676
Restricted		1,507,742
Committed		1,489,615
Assigned		337,504
Unassigned		788,136
Total fund balance		4,223,629
Total liabilities, deferred inflows of resources and fund balance	$	5,599,206

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, 2016
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 4,223,629
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	$ 1,076,607	
Infrastructure assets	14,406,333	
Other capital assets	4,431,325	
Accumulated depreciation	(8,488,028)	
Total capital assets		11,426,237
Bonds issued by the State have associated insurance costs that are paid from current "available" financial resources of governmental funds. However, these costs are amortized on the Statement of Activities.		95
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 inflows of resources in the funds.		306,797
Deferred inflows and outflows of resources related to the State's pension obligations are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.		
Total inflows	$ (166,206)	
Total outflows	515,551	349,345
Deferred outflows resulting from loss on debt refunding are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.		24,590
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	$ (1,704,191)	
Claims, judgments, arbitrage and compensated absences	(363,690)	
Other non-current liabilities	(211,532)	
Net OPEB obligation	(1,161,554)	
Pollution remediation obligation	(29,472)	
Unamortized bond issue premiums	(113,340)	
Accrued interest on bonds, notes, installment sales payable and leases	(7,891)	
Unamortized bond issue discounts	935	
Net pension liabilities	(1,573,005)	
Total long-term liabilities		(5,163,740)
Net position of governmental activities		$ 11,166,953

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, 2016
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,219,066
Consumers sales and use		3,031,524
Gas and motor carrier		462,761
Other		989,962
Intergovernmental		7,888,337
Licenses, permits and fees		1,327,225
Investment earnings		84,100
Miscellaneous		330,258
Total revenues		17,333,233
Expenditures:		
Current:		
General government		1,468,346
Education		3,715,057
Health and human services		8,458,304
Transportation		521,237
Law, justice and public safety		796,987
Recreation and resources development		255,074
Regulation of business and professionals		131,865
Debt service:		
Principal retirement		99,689
Interest		76,631
Bond issuance costs		63
Capital outlay		875,513
Total expenditures		16,398,766
Excess of revenues over expenditures		934,467
Other financing sources (uses):		
Issuance of debt		892
Issuance of refunding debt		28,495
Bond discounts/premiums		1,665
Lease proceeds		11,323
Sale of capital assets		3,707
Transfers in		174,908
Transfers out		(950,317)
Payment to refunding escrow agent		(43,636)
Total other financing sources and uses		(772,963)
Net change in fund balance		161,504
Fund balance - beginning		4,062,125
Fund balance - ending	$	4,223,629

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, 2016
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 161,504
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	$ 875,513	
Depreciation expense	(533,905)	
Excess of capital outlay over depreciation expense		341,608
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to increase net position.		26,108
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(29,387)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		(1,665)
Bond insurance costs are expenditures to governmental funds, but are prepaid charges in the Statement of Net Position.		63
Payment to refunding escrow agents use current financial resources to governmental funds but reduce long-term liabilities in the Statement of Net Position.		43,636
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.		(11,323)
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		99,689
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 inflows of resources in the governmental funds.		(7,746)
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	$ 4,159	
Decrease in claims, judgments, arbitrage and compensated absences	(5,973)	
Amortization of bond premiums and discounts	12,593	
Amortization of bond insurance costs	(12)	
Amortization of deferred outflows of resources related to debt refunding	(2,786)	
Decrease in pollution remediation obligations	11,616	
Loss on sale of capital assets	(4,442)	
Net change in pension related accounts	5,489	
Decrease in accrued interest	758	
Increase in other postemployment benefits obligations	(115,952)	
Total additional expenditures		(94,550)
Change in net position of governmental activities		$ 527,937

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

Statement of Net Position
Proprietary Funds
June 30, 2016
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 772,371	$ 96,729	$ 491,255	$ 5,850	$ 215,822	$ 1,582,027
Cash and cash equivalents - restricted				31,696		31,696
Investments	134,139	22,553			99,580	256,272
Receivables						
Accounts receivable, net	268,520	7,894	96,569	11,108	3,377	387,468
Loans & notes receivable, net	7,062				704	7,766
Interest	177	140	7		716	1,040
Due from other funds	16,210	687	962	4		17,863
Due from other governments	8,797					8,797
Other current receivables	5,584					5,584
Advances to other funds	918				971	1,889
Inventories	37,852				5	37,857
Prepaid items	8,153	27		33		8,213
Deposits with bond trustee	7,814					7,814
Other current assets	18,368					18,368
Total current assets	1,285,965	128,030	588,793	48,691	321,175	2,372,654
Noncurrent assets:						
Cash and cash equivalents - restricted	158,193			20,137		178,330
Deposits with Multi-State Lottery Association				1,848		1,848
Investments						
Endowment	176,352					176,352
Restricted	6,046				70,520	76,566
Unrestricted	129,354					129,354
Receivables						
Loans & notes receivable, net	44,662					44,662
Due from other governments	972					972
Other noncurrent receivables	2,919					2,919
Capital assets:						
Land	161,712	580				162,292
Infrastructure	518,163					518,163
Buildings	5,092,648	2,272	4,000		22,601	5,121,521
Equipment	799,309	663	18	801	1,379	802,170
Improvements other than building	32,691				446	33,137
Leasehold improvements	3,492			493		3,985
Construction in progress	178,219			68	342	178,629
Other depreciable assets	462,182	555	273		2,179	465,189
Less accumulated depreciation	(3,270,839)	(2,858)	(1,470)	(986)	(12,670)	(3,288,823)
External portion of investment pool	1,346,170					1,346,170
Advances to other funds	3,596				5,446	9,042
Loans receivable - restricted					404,747	404,747
Deposits with bond trustee	78,076					78,076
Financial assurance instruments		11,552				11,552
Other noncurrent assets	594					594
Total noncurrent assets	5,924,511	12,764	2,821	22,361	494,990	6,457,447
Total assets	7,210,476	140,794	591,614	71,052	816,165	8,830,101
Deferred Outflows of Resources						
Deferred outflows related to pensions	43,219	1,740		1,131	103	46,193
Deferred outflows related to debt refunding	37,976					37,976
Total deferred outflows of resources	81,195	1,740		1,131	103	84,169
Total assets and deferred outflows of resources	$ 7,291,671	$ 142,534	$ 591,614	$ 72,183	$ 816,268	$ 8,914,270

Statement of Net Position
Proprietary Funds
June 30, 2016
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Liabilities						
Current liabilities:						
Accounts payable	$ 66,411	$ 2	$ 31,704	$ 8	$ 6,026	$ 104,151
Prizes payable				17,696		17,696
Accrued interest	13,546				120	13,666
Accrued and other current liabilities	120,675	253		2,915	101	123,944
Advances from other funds	1,990	53				2,043
Due to other funds	3,481	5	27	31,220	455	35,188
Due to other governments			2,005		1,011	3,016
Funds held in trust for others	11,186					11,186
Workers' compensation benefits payable		14,731				14,731
Bonds, notes and leases payable	106,674				4,715	111,389
Claims, judgments and compensated absences	34,529	105		47	31,003	65,684
Unearned revenue	67,705	418	293	437	17	68,870
Total current liabilities	426,197	15,567	34,029	52,323	43,448	571,564
Noncurrent liabilities:						
Workers' compensation benefits payable		223,909				223,909
External portion of investment pool	1,346,170					1,346,170
Advances from other funds	9,517	54				9,571
Bonds, notes and leases payable	1,982,236				49,324	2,031,560
Net postemployment benefits payable	100,099	4,755		1,981	231	107,066
Net pension liability	161,735	6,116		4,145	358	172,354
Claims, judgments and compensated absences	95,409	601		268	159	96,437
Unearned revenue	630					630
Other noncurrent liabilities	35,228	11,553				46,781
Total noncurrent liabilities	3,731,024	246,988		6,394	50,072	4,034,478
Total liabilities	4,157,221	262,555	34,029	58,717	93,520	4,606,042
Deferred Inflows of Resources						
Deferred inflows related to pensions	28,713	807		694	41	30,255
Deferred inflows related to revenues	288					288
Total deferred inflows of resources	29,001	807		694	41	30,543
Total liabilities and deferred inflows of resources	4,186,222	263,362	34,029	59,411	93,561	4,636,585
Net Position						
Net investment in capital assets	1,979,480	1,212	2,821	376	13,777	1,997,666
Restricted for:						
Expendable						
Debt service	22,131					22,131
Capital projects	136,039					136,039
Program requirements	2,433			21,000	618,544	641,977
Other	149,503			2,148		151,651
Nonexpendable - endowments	95,136					95,136
Unrestricted (deficit)	720,727	(122,040)	554,764	(10,752)	90,386	1,233,085
Total net position	3,105,449	(120,828)	557,585	12,772	722,707	4,277,685
Total liabilities, deferred inflows of resources and net position	$ 7,291,671	$ 142,534	$ 591,614	$ 72,183	$ 816,268	$ 8,914,270

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, 2016
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Operating revenues:						
Charges for sales and services	$ 1,692,234	$	$	$	$ 304,724	$ 1,996,958
Lottery collections				455,600		455,600
Licenses, permits and fees	346,786			717	4,024	351,527
Grants and contributions	332,716					332,716
Insurance taxes		17,864				17,864
Unemployment taxes			301,567			301,567
Miscellaneous	158,440	164	8,559	9		167,172
Total operating revenues	2,530,176	18,028	310,126	456,326	308,748	3,623,404
Operating expenses:						
Cost of sales and services				45,088	1,099	46,187
Lottery prize payments				308,947		308,947
Compensation and benefits	2,118,294	7,948		5,233	516	2,131,991
Supplies and services	1,021,163	792		5,342	28,167	1,055,464
General and administrative expenses	177,353	381		3,380	879	181,993
Federal financial assistance					4,375	4,375
Scholarships and fellowships	159,055					159,055
Benefit and aid payments		10,677	216,251		256,882	483,810
Depreciation and amortization	259,160	107	147	95	1,333	260,842
Total operating expenses	3,735,025	19,905	216,398	368,085	293,251	4,632,664
Operating income (loss)	(1,204,849)	(1,877)	93,728	88,241	15,497	(1,009,260)
Nonoperating revenues (expenses):						
Investment earnings	2,121	963	9,064	232	8,767	21,147
Net increase (decrease) fair value investments					70	70
Taxes	31,935					31,935
Grants and contributions	454,267		13,814		25,503	493,584
Interest and amortization expense	(70,039)				(1,732)	(71,771)
Loss on sale of capital assets	(1,388)					(1,388)
Other nonoperating revenue (expense)	(37,085)			2	(20,830)	(57,913)
Total nonoperating revenues (expenses)	379,811	963	22,878	234	11,778	415,664
Income (loss) before transfers and contributions	(825,038)	(914)	116,606	88,475	27,275	(593,596)
Transfers in	948,518	2			1,794	950,314
Transfers out	(75,329)		(8,380)	(85,275)	(5,924)	(174,908)
Capital grants and contributions	30,416					30,416
Donated assets	1,211					1,211
Change in net position	79,778	(912)	108,226	3,200	23,145	213,437
Total net position - beginning	3,025,671	(119,916)	449,359	9,572	699,562	4,064,248
Total net position - ending	$ 3,105,449	$ (120,828)	$ 557,585	$ 12,772	$ 722,707	$ 4,277,685

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, 2016
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Cash flows from operating activities:						
Cash received from customers	$ 1,740,827	$	$	$ 457,635	$ 305,135	$ 2,503,597
Cash received from other government agencies	332,886					332,886
Auxiliary enterprise charges	297,925					297,925
Payments to employees	(1,808,110)	(7,837)		(4,835)	(510)	(1,821,292)
Payments of benefits	(305,441)	(14,605)	(227,808)		(255,784)	(803,638)
Payments to suppliers	(1,002,222)	(1,159)		(50,697)	(24,029)	(1,078,107)
Insurance taxes		17,669				17,669
Unemployment taxes			334,148			334,148
Payments for lottery prizes				(310,865)		(310,865)
Interest received (paid)	123					123
Loan administration received (paid)	(2,718)				1,515	(1,203)
Federal grant funds expended					(17)	(17)
Other operating receipts (payments)	(233,607)	272	8,559	(2,411)	2,022	(225,165)
Net cash provided by (used in) operating activities	(980,337)	(5,660)	114,899	88,827	28,332	(753,939)
Cash flows from noncapital financing activities:						
Direct lending receipts	541,213					541,213
Direct lending payments	(543,120)				(9,710)	(552,830)
Direct lending interest					(2,676)	(2,676)
Taxes	30,152					30,152
Grants and contributions	480,305		13,814		25,929	520,048
Other noncapital financing receipts (payments)	(22,297)				(1,656)	(23,953)
Transfers in	948,518	2		286	1,794	950,600
Transfers out	(75,329)		(8,380)	(77,000)	(5,924)	(166,633)
Net cash provided by (used in) noncapital financing activities	1,359,442	2	5,434	(76,714)	7,757	1,295,921
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(118,952)					(118,952)
Interest paid on capital debts and leases	(75,704)				(49)	(75,753)
Acquisition and construction of capital assets	(263,145)	(2)		(248)	(422)	(263,817)
Proceeds from long-term borrowings	104,250					104,250
Proceeds from sale of capital assets	292					292
Other capital and related financing receipts (payments) (1)	36,893					36,893
Net cash used in capital and related financing activities	(316,366)	(2)		(248)	(471)	(317,087)
Cash flows from investing activities:						
Purchase of investments	(138,666)				(231,112)	(369,778)
Proceeds from sale and maturities of investments	179,071	53,279			264,056	496,406
Interest and dividends on investments	11,167	985	9,057	232	1,110	22,551
Loan disbursements					(30,462)	(30,462)
Principal repayments on loans					24,175	24,175
Interest received on loans					7,742	7,742
Federal grant funds expended					(4,359)	(4,359)
Net cash provided by (used in) investing activities	51,572	54,264	9,057	232	31,150	146,275
Net increase (decrease) in cash and cash equivalents	114,311	48,604	129,390	12,097	66,768	371,170
Cash and cash equivalents - beginning	816,253	48,125	361,865	45,586	149,054	1,420,883
Cash and cash equivalents - ending	$ 930,564	$ 96,729	$ 491,255	$ 57,683	$ 215,822	$ 1,792,053

(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, 2016
(Expressed in thousands)

Continued from the previous page

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (1,204,849)	$ (1,877)	$ 93,728	$ 88,241	$ 15,497	$ (1,009,260)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	259,160	107	147	95	1,333	260,842
Federal grants expended					4,359	4,359
Other operating activities	2,940			2	(1)	2,941
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(66,998)	(197)	32,581	1,163	425	(33,026)
Loans receivable	(662)					(662)
Inventory	(2,283)					(2,283)
Prepaid items		15		(9)		6
Deposits with Multi-State Lottery Assoc				(85)		(85)
Other current assets	(2,062)					(2,062)
Current liabilities	5,674					5,674
Accounts payable and other accrued liabilities	9,346	(3,753)	(11,557)	(1,120)	6,699	(385)
Net other postemployment benefits	9,185	234		472	21	9,912
Net pension liability	(6,157)	1,302		737	82	(4,036)
Deferred outflows related to pensions		(300)		(138)	(19)	(457)
Deferred inflows related to pension		(1,147)		(690)	(71)	(1,908)
Compensated absences	1,785	(44)		17	7	1,765
Unearned revenue	14,584			142		14,726
Net cash provided by (used in) operating activities	$ (980,337)	$ (5,660)	$ 114,899	$ 88,827	$ 28,332	$ (753,939)
Non-cash investing, capital and financing activities:						
Donated capital assets/gifts	$ 60,261					$ 60,261
Assets acquired by capital lease	18,593					18,593
Payment of bond issuance cost and other fees from bond proceeds	2,563					2,563
Deposit of bond proceeds with trustee, including accrued interest and reserves	312,031					312,031
Payment of debt service directly from trustee	2,799					2,799
Earnings on investments with trustee	476					476
Amortization of cost associated with debt issuance and refundings	462					462
Capital assets purchased with bond proceeds held by trustee	21,723					21,723
Net increase/decrease in the fair value of investments	(385)					(385)
Net gain/loss on the disposal of assets	536					536
Valuation adjustment to capital assets	1,312					1,312
Amortization of bond premium	155					155
Amortization of bond discount	36					36
GASB pension adjustment	100					100
Trade-in allowance for equipment	14					14
Donated scholarships from the foundation	91					91
Unearned revenue from skybox purchase	85					85
Value of assets received from vendors for sponsorship agreements	3,430					3,430

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2016
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 683,215	$ 145,102
Receivables:		
Employee	10,411	
Employer	40,027	
Investment principal	133,125	
Interest and dividends	30,750	13
Other	3,258	105
Due from other funds	2,756	
Total receivables	220,327	118
Investments at fair value:		
Certificates of deposit		23,282
U.S. government securities	446,768	
Bonds, notes, mortgages and preferred stock	700,779	1,418
Common stock	6,629,762	
Real estate	823,441	
International investments	7,151,338	
Pooled investment funds	2,368,882	
Corporate obligations	813,270	
Asset and mortgage-backed securities	67,531	
Other	4,026,569	
Total investments	23,028,340	24,700
Securities lending collateral	1,504,881	
Financial assurance instruments		252,409
Capital assets	15,895	
Other assets	100	
Total assets	25,452,758	422,329
Liabilities		
Accounts payable and other liabilities	25,760	6,703
Investment principal payable	189,925	
Obligations under securities lending	1,508,464	
Postemployment benefit liability	5,944	
Due to other governments		139,939
Due to other funds	123	
Due to third parties		275,687
Total liabilities	1,730,216	422,329
Net Position		
Net position restricted for pensions	23,722,542	
Total net position	$ 23,722,542	$

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, 2016
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	197,449
Employers		702,020
Supplemental contributions		8,923
Title fees		4,662
Court fees		1,562
Reinstatement fees		1,231
Total contributions		915,847
Investment income (loss):		
Net decrease in fair value of investments		(262,802)
Interest, dividends and other		295,664
Other investment income		8,705
Securities lending income		9,357
Total investment income		50,924
Less investment expense		81,895
Net investment loss		(30,971)
Miscellaneous		6,628
Total additions		891,504
Deductions:		
Benefits paid to participants or beneficiaries		1,659,972
Refunds of employee/employer contributions		25,034
Administrative expenses		15,908
Total deductions		1,700,914
Change in net position held in trust for employees' pension benefits		(809,410)
Net position - beginning		24,531,952
Net position - ending	$	23,722,542

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, 2016

(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 financial statements to emphasize that the organizations 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 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:

ASLA 3801 Woodland Heights, Suite 200, Little Rock, AR 72212 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 and other debt instruments for economic development, homeownership and affordable rental housing. 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. Each appointed public member may be removed from office by the Governor for cause after a public hearing. The board has the authority to employ a president who serves at the will of the Governor.

Complete financial statements of ADFA can be obtained by contacting:

ADFA	900 West Capitol, Suite 310, Little Rock, AR 72203	http://adfa.arkansas.gov

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 Statements 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) Accounting Restatement

The State began recognizing a liability and receivable for obligations under the Adoption Subsidy program. Analysis of the program led to the conclusion that the obligations made by the State constituted a liability that should be recognized in the governmental activities. A restatement of the beginning net position has been made for the beginning balance of the liability net of the beginning balance of the receivable for funds due from the Federal government for this program.

The Arkansas Student Loan Authority (ASLA) restated their financial statements to report its net pension liability and related amounts under GASB Statement 68.

The effects of these changes on beginning net position as reported on June 30, 2015, is as follows (expressed in thousands):

Component Unit Net Position

Beginning net position	$	368,775
To record beginning net pension liability		(383)
To record beginning deferred outflows of resources related to pensions		82
Beginning net position, restated	$	368,474

Governmental Activities Net Position

Beginning net position	$	10,733,367
To record payable for Adoption Subsidy program that was not recognized in prior years		(94,351)
Beginning net position, restated	$	10,639,016

(e) Measurement Focus and Basis of Accounting

The accrual basis of accounting, with a "flow of economic resources" measurement focus, is utilized in the government-wide financial statements, proprietary funds, fiduciary funds and discretely presented component units. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Significant revenues susceptible to accrual include: individual and corporate income taxes, sales and use taxes, gas and other taxes, federal reimbursements, federal grants and other reimbursements for use of materials and services. In general, tax revenue is recognized on the government-wide statement of activities when assessed or levied.

The governmental fund financial statements are prepared using a "flow of current financial resources" measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. "Available" means expected to be collected within the current period or soon enough thereafter to be used to pay liabilities of the current period (i.e., 45 days). Tax revenue is recognized to the extent that it is both measurable and available. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met except for Medicaid and State Children's Health Insurance Program revenues which are recognized using a one-year availability criterion. Revenues from other sources are recognized when received. Expenditures are recorded at the time fund liabilities are incurred except (1) inventories generally are recorded as expenditures when consumed and (2) principal and interest on long-term debt, claims, 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.

(f) 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 program revenue. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue. Certain indirect costs are included in the program expenses reported for individual functions and activities.

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

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

(g) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the General Fund), proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e., the Higher Education Fund, Workers' Compensation Commission, Department of Workforce Services and the Office of the Arkansas Lottery) 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 expended 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 and amortization of capital assets.

Office of the Arkansas Lottery Fund

The Office of the Arkansas Lottery 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 include activities 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; for the financing of energy efficiency and conservation projects for residential homes; for 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 of 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. 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, the Arkansas Public Employee Retirement System and the Arkansas State Police Retirement System, which accumulate resources required to be held in trust for members and beneficiaries of the respective plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection and disbursement of sales and use taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies, and for other miscellaneous accounts for the benefit of other parties.

(h) Assets, Liabilities, 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. All 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 and the related liabilities are reported in the statement of net position. Security lending transactions are discussed in Note 4.

Unrealized gains and losses on investments are included in investment earnings on the respective operating statements.

The University of Arkansas System and the University of Arkansas (UA) Foundation has established an external investment pool (the Pool). The investments in the Pool are managed by the UA Foundation. 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, 2016, six campuses and six foundations participated in the Pool. The foundations hold approximately $1.3 billion (external portion) of the investments in the Pool. The Pool issues a publicly available financial report, which may be obtained by writing the University of Arkansas Foundation, 535 Research Center Boulevard, Suite 120, Fayetteville, AR, 72701.

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, etc.) 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 acquisition value at the date of acquisition.

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 tangible 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 to 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 etc. 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; (3) the items are subject to a State policy requiring 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, 2016, is $35.4 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 to 20
Buildings and building improvements	20 to 50
Infrastructure	10 to 40
Land improvements	10 to 100
Intangibles	4 to 95
Art/Historical treasures/Library holdings	10 to 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, 2016, is related to projected refund estimates attributable to fiscal year 2016 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 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.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources related to pensions, deferred inflows of resources related to pensions and pension expense, information about the fiduciary net positions of the various pension funds and the additions to and deductions from their respective fiduciary net positions have been determined on the same basis as they are reported by the retirement systems. For this purpose, benefit payments including refunds of employee contributions, are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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 insurance costs are reported and amortized over the life of the bonds using the straight-line method. Bond issuance costs other than insurance are recognized in the period of issuance. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental 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 governmental 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 not in spendable form (for example, prepaid items and inventories) or 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 use of the asset or net position 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 net position primarily consists of unemployment compensation, bond resolution programs, tobacco settlement, debt service, capital projects and various other purposes and may be used only for the legally restricted purposes as allowed by law.

Reclassifications

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

(i) Use of Estimates

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

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

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes accounting and financial reporting requirements for employers providing defined benefit pensions and defined contribution pensions that are not covered by Statement 68 to their employees. This Statement also provides guidance for reporting assets accumulated to provide defined benefit pensions through plans not covered by Statement 68. This Statement also establishes financial reporting requirements for defined contribution plans not within the scope of Statement 68. The requirements for pensions within the scope of Statement 73 are similar to those in Statement 68 with modifications necessary for assets accumulated for pensions that are provided through pension plans that are not administered through trusts that meet specified criteria. This Statement also provided amendments to Statements 67 and 68 that were effective in fiscal year 2016. Provisions in this Statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016 (i.e., fiscal year 2017).

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses the financial reporting by defined benefit postemployment benefit plans other than pensions (other postemployment benefits or OPEB) that are administered through trust that meet specified criteria. This Statement will supersede the requirements in Statement No. 43, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The Statement also establishes note disclosure requirements for defined contribution OPEB plans that will supersede such requirements in Statement 25, *Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans* as amended, Statement No. 43 and Statement No. 50, *Pension Disclosures*. This Statement also provides guidance for measuring the net OPEB liability and financial reporting of assets accumulated to provide defined benefit OPEB through plans that are not administered through trusts that meet the specified criteria. The requirements of this Statement are effective for fiscal years beginning after June 15, 2016 (i.e., fiscal year 2017).

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting by state and local governments that provide OPEB to their employers and for state and local governments that finance OPEB for employees of other governments. This Statement will supersede the requirements in Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions,* as amended, and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. This Statement requires governments to report a liability on the face of the financial statements for the OPEB as well as related deferred outflows of resources, deferred inflows of resources and expense/expenditures. This Statement requires extensive note disclosures and required supplementary information schedules. This Statement also provides guidance for reporting defined contribution OPEB. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (i.e., fiscal year 2018).

GASB Statement No. 77, *Tax Abatement Disclosures*, requires disclosure of information about the tax abatement agreements that affect the reporting government's tax revenues. The disclosures required are general descriptive information about the agreements, the gross dollar amount of taxes abated during the reporting period and commitments made by the government in addition to abatement of taxes. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (i.e., fiscal year 2017).

GASB Statement No. 78, *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, addresses a practice issue regarding the scope and applicability of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. This Statement excludes pensions provided through certain cost-sharing multiple-employer defined benefit pension plans that meet specified criteria from the scope and applicability of Statement 68. Further, this Statement provides accounting and financial reporting requirements for pensions within the scope of this Statement. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015 (i.e., fiscal year 2017).

GASB Statement No. 79, *Certain External Investment Pools and Pool Participants*, establishes criteria for an external investment pool to qualify for making the election to measure all of its investments at amortized cost for financial reporting purposes. If an external investment pool meets the criteria and elects to use amortized cost, pool participants also should measure their investments in the external investment pool at amortized cost. If an external investment pool does not meet the criteria, pool participants should measure their investments in that pool at fair value. The requirements of this Statement were effective for fiscal year 2016, except for certain provisions on portfolio quality, custodial credit risk and shadow pricing that are effective for reporting periods beginning after December 15, 2015 (i.e., fiscal year 2017)

GASB Statement No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14*, clarifies how certain component units are to be presented in the financial statements. The Statement provides that component units incorporated as a not-for-profit corporation in which the primary government is the sole corporate member are to be presented in the financial statements using blending. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016 (i.e., fiscal year 2017).

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, establishes recognition and measurement guidance when the government is a beneficiary of an irrevocable split-interest agreement. The Statement requires a government that receives resources pursuant to such an agreement to recognize assets, liabilities and deferred inflows of resources at the start of the agreement. Further, revenues are to be recognized when the resources become applicable to the reporting period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016 (i.e., fiscal year 2018).

GASB Statement No. 82, *Pension Issues – an amendment of GASB Statements No. 67, No. 68 and No. 73*, addresses certain issues regarding Statements No. 67, *Financial Reporting for Pension* Plans, No. 68, *Accounting and Financial Reporting for* Pensions, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and* 68. The Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information, (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes and (3) the classification of payments made by employers to satisfy employee contribution requirements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, (i.e. fiscal year 2017) except for requirements on the selection of assumptions in certain situations. If the measurement date of the employer's pension liability is as of a date other than the employer's most recent fiscal year-end, requirements about the selection of assumptions are effective for the employer's first reporting period in which the measurement date is on or after June 15, 2017 (i.e., fiscal year 2018).

(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 custodial credit, interest rate, credit and foreign currency, 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 be able to recover deposits or collateral securities that are in the possession of an outside party.

Ark. Code Ann. (ACA) §19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher learning, abide by the recommendations of the State Board of Finance (SBF). The SBF promulgated cash management, collateralization and investments policies and procedures, effective July 14, 2012, as referenced in the Financial Management Guide (FMG) issued by the Department of Finance and Administration (DFA) for use by all state agencies.

The stated goal of state cash management is the protection of principal, while maximizing investment income and minimizing non-interest earning balances. Deposits are to be made within the borders of the State of Arkansas and must qualify for Federal Deposit Insurance Corporation (FDIC) deposit insurance coverage. The SBF policy requires a minimum of four bids to be sought on interest-bearing deposits in order to obtain the highest rate possible.

The SBF policy states that funds are to be in transactional and non-transactional accounts as defined in the FMG. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest bearing accounts.

The SBF policy states that cash funds may only be invested in accounts and investments authorized under ACA §19-3-510 and §19-3-518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed the FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105.00% of the cash funds on deposit.

State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of the State is responsible for ensuring these funds are adequately insured and collateralized.

At June 30, 2016, the reported bank balances of the general fund were $1,211,272,782. Of this amount, $451,718 was uninsured and uncollateralized and $97,198,221 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2016, the reported bank balances of the enterprise funds were $1,111,960,472. Of this amount, $3,810 was uninsured and uncollateralized, $17,270,530 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 $92,019,478 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2016, the reported bank balances of the fiduciary funds were $576,334,539. Of this amount, $6,066,326 was uninsured and uncollateralized and $344,089 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2016, the reported bank balances of the component units were $8,344,690. Of this amount, $4,609,000 was uninsured and uncollateralized, $1,218,267 was uninsured and collateralized with securities held by the pledging financial institution and $574,000 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 average maturity of the total portfolio will not exceed ten 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 five years, 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, 2016, 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					
Bonds and notes	$ 4,819	$	$ 3,364	$ 258	$ 1,197
Money market mutual funds	395,502	395,502			
Negotiable certificates of deposit	17,660	8,891	8,769		
Commercial paper	1,201,084	1,201,084			
U.S. government agencies	1,432,943		18,987	42,791	1,371,165
U.S. treasuries	15,878	10,901	3,553		1,424
Subtotal	3,067,886	1,616,378	34,673	43,049	1,373,786
Enterprise funds					
Corporate bonds	3,734	447	881	1,565	841
Mortgage backed securities	59,861		793	1,788	57,280
Money market mutual fund	106,379	106,379			
Non participating contract	406		406		
External investment pool	3,168	3,168			
Negotiable certificates of deposit	3,741	396	3,091	254	
Municipal bonds	177		136		41
Commercial paper	155,064	155,064			
Foreign bond	143			143	
Government securities	169,759	99,398	70,361		
U.S. government agencies	28,747	927	4,883	10,291	12,646
U.S. treasuries	2,877	2,360	229	288	
Subtotal	534,056	368,139	80,780	14,329	70,808
Fiduciary funds					
Corporate bonds	2,353,329	542,600	631,630	884,311	294,788
Mortgage backed securities	317,550	148,416	59,280	9,707	100,147
Short-term investments	352,532	352,532			
External investment pool	574,498	566,620		7,878	
Global corporate fixed income	29,359		2,483	24,438	2,438
High yield income fund	75,892		43,544	32,348	
Municipal bonds	12,834	813	3,708	4,238	4,075
Commercial paper and loans	60,517	45,157	4,462	10,898	
Commingled funds	2,118,288		1,036,735	1,081,553	
U.S. government agencies	235,421	8,113	76,486	34,107	116,715
U.S. treasuries	209,734	18,299	68,313	63,317	59,805
Subtotal	6,339,954	1,682,550	1,926,641	2,152,795	577,968
Component units					
Corporate bonds	4,598	472	2,863	631	632
Guaranteed investment contracts	6,449		1,455		4,994
Money market mutual funds	108,000	108,000			
Mortgage-backed securities	316,906		1,723	13,246	301,937
Negotiable certificates of deposit	1,731	245	1,486		
Mutual bond funds	975	975			
Commercial paper	119	119			
U.S. government agencies	45,071	7,673	37,114	284	
U.S. treasuries	8,559	5,765	2,272	177	345
Subtotal	492,408	123,249	46,913	14,338	307,908
Total	$ 10,434,304	$ 3,790,316	$ 2,089,007	$ 2,224,511	$ 2,330,470

Corporate Bonds

As of June 30, 2016, the Arkansas Public Employees Retirement System (APERS), Arkansas Teachers Retirement System (ATRS), Arkansas State Highway Employees Retirement System (ASHERS) and the Arkansas Student Loan Authority (ASLA) all held corporate bonds with fair values of $1,045,610,068, $240,903,615, $127,084,606 and $4,597,881 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, 2016, only the bonds held by ASHERS were considered highly sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2016, APERS and ATRS held convertible bonds with fair values of $155,607,329 and $367,419,203, 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, 2016, 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 (MIS) and a rating of BBB or better by Standard and Poor's (S&P). The State Board of Finance policy is that bankers' acceptances and commercial paper carry an investment rating of P-1 or better by MIS and a rating of A-1 or better by S&P for maturities exceeding 90 days but not exceeding 180 days. For maturities not exceeding 90 days, the ratings for commercial paper should be P-2 or better by MIS and A-2 or better by S&P. The Board's policy for corporate bonds is that they be rated A or better by MIS and S&P for maturities of less than one year and that they be rated AA or better for maturities over one year. The other retirement systems and the institutions of higher education do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2016, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General fund			
AAA	$ 394,681	Aaa	$ 395,621
AA	1,185	P1	499,541
A-2	733,903	Aa	28
A-1	443,650	A	204
A	2,515	P2	501,477
BBB	104	Baa	78
BB	26	Ba	52
Unrated	1,475,943	Unrated	1,655,006
Subtotal	3,052,007		3,052,007
Enterprise funds			
AAA	135,783	Aaa	297,251
AA	147,440	P1	40,453
A-2	115,964	Aa	794
A	28,334	A	2,280
BBB	1,354	P2	102,444
		Baa or lower	770
Unrated	118,709	Unrated	103,592
Subtotal	547,584		547,584
Fiduciary funds			
AAA	164,757	Aaa	619,685
AA	716,864	Aa	450,340
A	901,422	A	724,837
A-2	27,601	P1	91,642
BBB	545,064	P2	18,868
		Baa	460,081
BB	297,350	Ba	233,601
B	113,180	B	115,359
CCC or lower	21,479	C or lower	26,113
Unrated	3,356,351	Unrated	3,403,542
Subtotal	6,144,068		6,144,068
Component units			
AAA	108,901	Aaa	472,970
AA	367,318	P1	52
A-2	71	Aa	2,977
A	3,260	A	4,511
BBB or lower	2,230	P2	46
		Baa or lower	2,055
Unrated	10,628	Unrated	9,797
Subtotal	492,408		492,408
Total	$ 10,236,067		$ 10,236,067

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, 2016, the reported amount of the fiduciary funds' investments was $24,828,620,524. Of this amount, $3,605 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name. At June 30, 2016, the reported amount of the enterprise funds' investments was $934,088,091. Of this amount, $5,478,177 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name. At June 30, 2016, the reported amount of the component unit funds' investments was $492,408,001. Of this amount, $8,213,965 was uninsured and unregistered with securities held by the counterparty.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5.00% or more of total investments.

The State Treasury's concentration of credit risk policy is that the investments, exclusive of funds managed by a securities lending agent, will not exceed the following percentages of the total portfolio: 15.00% in Bankers Acceptances, 30.00% in Total Debt of Corporations, including Bonds and Commercial Paper, and 10.00% in Certificates of Deposit.

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 5.00% of total investments of the general fund included commercial paper with Centennial Energy Holdings Inc. of $200,065,768 and TCL Industries Holdings HK Ltd. of $175,908,915 or 6.52% and 5.73%, respectively. Also included in the general fund are Federal Home Loan Mortgage Corporation (FHLMC) securities of $899,797,334 and Federal National Mortgage Association (FNMA) securities of $469,035,535 or 29.32% and 15.29%, respectively. The State's investments representing greater than 5.00% of total investments of the enterprise fund included Federal Home Loan Bank (FHLB) securities of $71,337,615 and FHLMC securities of $91,246,866 or 7.64% and 9.77%, 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 Government National Mortgage Association securities represented $296,836,962 or 60.28% 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, 2016, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Cash
Australian Dollar	$ 65,933	$ 1,205	$ 63,618	$ 1,110	$
Brazilian Real	23,994	902	23,074		18
British Pound Sterling	435,425	1,934	439,315	(5,909)	85
Canadian Dollar	19,848		19,848		
Chinese Yuan	(12,047)			(12,047)	
Columbian Peso	3,508	3,508			
Danish Krone	50,311		49,995	316	
Euro	372,025	1,116	368,619	2,087	203
Hong Kong Dollar	73,981		73,216	154	611
Indian Rupee	4,944	4,462			482
Indonesian Rupiah	8,001		7,859	92	50
Israeli Shekel	2,478		2,478		
Japanese Yen	251,568		256,956	(5,722)	334
Malaysian Ringgit	5,399		3,747	1,652	
Mexico Nuevo Peso	13,633	8,771	4,848		14
New Taiwan Dollar	10,589		10,589		
New Zealand Dollar	6,317		6,317		
Norwegian Krone	22,933		22,240	637	56
Philippine Peso	4,573		4,573		
Singapore Dollar	9,281		9,281		
South African Rand	42,876		38,976	3,843	57
South Korean Won	47,105		46,594	511	
Swedish Krona	86,623		86,606	17	
Swiss Franc	156,460		169,234	(12,797)	23
Turkish Lira	1,222		1,222		
Total Fair Value	$ 1,706,980	$ 21,898	$ 1,709,205	$ (26,056)	$ 1,933

(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.

American Depositary Receipts

American depositary receipts (ADR) are a type of investment that represents ownership in the shares of a non-U.S. company that trades in the U.S. financial markets. Each ADR is issued by a U.S. depository bank and can represent a fraction of a share, a single share, or multiple shares of the foreign stock. An owner of an ADR has the right to obtain the foreign stock it represents. Indirectly, an ADR is exposed to foreign currency risk since the non-U.S. company would be doing business in a foreign currency. At June 30, 2016, ASHERS had $29,603,251 invested in ADRs.

Fair Value Measurement

The fair value measurement of investments is categorized within the hierarchy established by GASB Statement No. 72, *Fair Value Measurement and Application*. The hierarchy is based on the valuation inputs used to measure the fair value of the asset and gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. In instances where inputs used to measure fair value fall into different levels, fair value measurements in their entirety are categorized based on the lowest level input that is significant to the valuation. The hierarchy of inputs is defined as follows:

Level 1 - unadjusted quoted prices for identical instruments in active markets

Level 2 - quoted prices for similar instruments in active markets; quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which all significant inputs are observable

Level 3 - valuations derived from valuation techniques in which significant inputs are unobservable

The fair value amounts in the table below do not reflect all investments included in the amounts presented in the statements of net position. GASB 72 provides certain exceptions including guaranteed investment contracts, money market mutual funds, state and local government agencies, and certain U.S. Treasury obligations.

The following table represents the State of Arkansas investments and securities lending collateral measured at fair value on a recurring basis by valuation hierarchy as of June 30, 2016 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 4,819	$	$ 4,819	$
Commercial paper	1,201,084	1,201,084		
Domestic equities	465	465		
Mortgage-backed securities	1,432,943		1,432,943	
Negotiable certificates of deposit	17,660		17,660	
U.S. treasuries	15,878		15,878	
Total investments at fair value	$ 2,672,849	$ 1,201,549	$ 1,471,300	$

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Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 11,668	$ 10,899	$	$ 769
Certificates of deposit	6,480	5,220	1,260	
Commercial paper	155,065	155,065		
Corporate bonds	6,288	4,759	1,529	
Domestic equities	4,009	3,949	57	3
Exchange traded funds	8,330	8,254	76	
External investment pools	11,953	10,866		1,087
Foreign bond with a call option	143		143	
International equities	335	305	30	
Marketable alternatives	20	20		
Mortgage-backed securities	59,861		59,861	
Municipal bonds	177		177	
Mutual bonds	823	823		
Mutual funds	8,206	8,206		
Negotiable certificates of deposit	3,740	1,772	1,968	
Non-marketable alternatives	149	146		3
Other	297			297
Other debt securities	1,289	497	792	
U.S. government agencies	174,816	105,493	69,323	
U.S. treasuries	47,620	38,308	9,312	
Total investments at fair value	501,269	$ 354,582	$ 144,528	$ 2,159

Investments measured at net asset value (NAV)	
External investment pools	345,361
Total investments at NAV	345,361
Total investments	$ 846,630

Fiduciary funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Asset- and mortgage-backed securities	$ 122,971	$	$ 122,971	$
Commercial loans	15,360			15,360
Commercial paper	45,157	45,157		
Common stock and stock units	3,106,638	3,106,638		
Convertible bonds	155,607		155,607	
Convertible preferred stock	64,756	41,523	23,233	
Corporate bonds	1,167,082		1,167,082	
Depository receipts	29,604	29,604		
Domestic equities	2,736,848	2,736,848		
Global corporate fixed income	29,359		29,359	
International equities	1,725,001	1,721,026		3,975
Investment derivatives	(2,375)	(1,752)	(623)	
Limited partnerships	136,045	98,574		37,471
Municipal bonds	12,834		12,834	
Mutual funds	49,804	49,804		
Preferred stock	1,570	1,570		
Real estate	58,731			58,731
Real estate investment trusts	3,199	3,151	48	
STIF-type instrument	195,883		195,883	
U.S. government agencies	143,767		143,767	
U.S. treasuries	301,388	209,734	91,654	
Total investments at fair value	10,099,229	$ 8,041,877	$ 1,941,815	$ 115,537

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Investments measured at net asset value (NAV)		Total		Level 1		Level 2		Level 3
Pooled Investments:								
Commingled domestic equities	$	1,070,460	$		$		$	
Commingled international equities		4,383,926						
Commingled domestic fixed income		1,588,768						
Commingled international fixed income		975,583						
Fixed income limited partnership		75,892						
Private equiy funds		1,598,214						
Real estate funds		1,983,564						
Diversified investment funds		220,988						
Fund of funds		152,489						
Timberland funds		421,137						
Farmland funds		143,452						
Infrastructure funds		69,707						
Re-Insurance funds		164,979						
Hedge funds		300,403						
Opportunistic funds		21,418						
Partnership funds		53,199						
Total investments at NAV		13,224,179						
Total investments	$	23,323,408						
Securities lending collateral measured at fair value								
Time deposits	$	72,870			$	72,870		
Repurchase agreements		83,408				83,408		
Floating rate notes		579,527				579,527		
Asset- and mortgage-backed securities		194,578				194,578		
Total securities lending collateral at fair value		930,383			$	930,383		
Securities lending collateral measured at net asset value (NAV)								
Quality D short term investment pool		574,498						
Total securities lending collateral at NAV		574,498						
Total securities lending collateral	$	1,504,881						

Component units

Investments measured at fair value		Total		Level 1		Level 2		Level 3
Commercial paper	$	119	$	119	$		$	
Corporate bonds		4,598				4,598		
Federated treasury obligations		5,876		5,876				
Money market mutual fund		1,541		1,541				
Mortgage-backed bonds		1,827				1,827		
Mortgage-backed securities		315,079				315,079		
Mutual bond funds		975				975		
Negotiable certificates of deposit		1,731				1,731		
U.S. agencies obligations		45,070				45,070		
U.S. government bonds		1,789				1,789		
U.S. treasury obligations		6,596				6,596		
Total investments at fair value	$	385,201	$	7,536	$	377,665	$	

Assets classified at Level 1 are exchange traded securities whose values are based on published market prices and quotations from either a national security exchange or active markets for those securities.

Assets classified at Level 2 are valued using observable inputs. Observable inputs are those that reflect the assumptions market participants use in pricing the asset and are obtained from independent sources. Examples of observable inputs are quoted prices for similar assets in active markets and inactive markets, and matrix pricing based on the investments relationship to benchmark securities quoted prices. Prices are obtained from various independent pricing sources provided by the custodian banks.

Assets classified at Level 3 are valued using internal fair value as provided by the investment manager due to the lack of observable and independent pricing inputs.

The following table represents the State of Arkansas investments measured at fair value on a nonrecurring basis by valuation hierarchy as of June 30, 2016 (expressed in thousands):

Component units

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate	$ 1,583	$	$	$ 1,583
Total investments at fair value	$ 1,583	$	$	$ 1,583

Real estate owned is carried at the lower of fair value at acquisition date or current estimated fair value, less estimated cost to sell when the real estate is acquired. Estimated fair value of real estate owned is based on estimates or evaluations. Real estate owned is classified within Level 3 of the fair value hierarchy.

The largest real estate owned asset was leased to another party in fiscal year 2015 which ended in April 2016. The asset is being carried at the remaining leased value which is estimated to be approximately fair market value.

For the HOME (a federal program) real estate owned, up to three realtors in the locale of the property are contacted to give the State an estimate of a selling price for the property. The re-payable portion of the HOME loan is normally the minimum goal for a list price. The State carries the property at the lesser of the foreclosed loan balance or the realtor's list price less holding and selling costs.

Investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the following table (expressed in thousands):

Enterprise funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
External investment pools	$ 345,361		Daily	0-30 days written notice required if withdrawals exceed $25.0 M within any 30-day period
Total investments at NAV	$ 345,361			

Fiduciary funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments:				
Commingled domestic equities	$ 1,070,460	$	Daily	T-2
Commingled international equities	4,383,926		Daily-Quarterly	T-1 to 65 days
Commingled domestic fixed income	1,588,768		Daily	T-2
Commingled international fixed income	975,583		Daily-Monthly	1-10 days
Fixed income limited partnership	75,892		monthly	T + 3
Private equity funds	1,598,214	868,579	N/A	N/A
Real estate funds	1,983,564	312,869	N/A	N/A
Diversified investment funds	220,988		weekly and monthly	T-2, T-3
Fund of funds	152,489		last day of each quarter	1yr;2yr;3yrs; >3yrs;55% liquidity; then 20% then 15% then 10%
Timberland funds	421,137	24,892	N/A	N/A
Farmland funds	143,452	24,097	Quarterly	60 days
Infrastructure funds	69,707	171,763	N/A	N/A
Re-insurance funds	164,979		Annually	60-90 days
Hedge funds	300,403		Monthly-Annually	3-90 days
Opportunistic funds	21,418		Quarterly	60 days
Partnership funds	53,199		5 years	90 days
Total investments at NAV	$ 13,224,179	$ 1,402,200		

The following limited partnerships and commingled funds (investment pools) issue annual financial statements audited by independent auditors, but the year-end for the State of Arkansas and these entities do not always agree. There are inherent uncertainties in estimating fair values for these types of investments, and it is possible that the estimates will change in the near-term or the subsequent sale of assets will be different from the reported net asset value.

External investment pools

This type of investment includes two pools, one is broadly invested in global equities, hedge funds, bonds, natural resources and real estate. The other pool invests in intermediate term government bonds and investment-grade intermediate term corporate bonds. The pool also allocates some investments to mortgage-backed securities and high yield bonds, emerging market debt and money market funds. The assets invested in both pools are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board.

Pooled investments

Pooled investments are commingled funds that consist of assets from several accounts that are blended together to lower trading costs per dollar of investment. The State has funds invested in domestic and international equities, as well as domestic and international fixed income securities. The value is based on each investor's proportionate share of the total underlying assets in the fund less any liabilities for client withdrawals, investment purchases or other accrued expenses. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the various fund managers.

Fixed income limited partnership

This investment type includes one limited partnership. The strategy of this partnership is to invest in high yield, high risk bonds through analysis of the underlying fundamentals of the issuing company to determine value. The limited partnership values are based on the capital account balance the general partner reports at the end of each reporting period, adjusted by subsequent contributions, distributions management fees, and changes in values of foreign currency and published market prices for certain securities.

Private equity funds

Private equity includes 37 buyout funds, 3 distressed funds, 2 growth equity funds, 7 hard asset funds, 7 mezzanine funds, 5 multi-strategy funds, 5 turnaround funds, 10 venture capital funds and 4 direct investments that invest mostly in private companies across a variety of industries. The value of the investments in this type has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

Real estate funds

Real estate funds include 7 core funds, 17 value added funds, and 18 opportunistic funds that invest primarily in the United States, Europe and Asia. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of most underlying assets in the real estate funds is 2 to 10 years.

Diversified investment funds

This investment type includes one fund that uses an unleveraged, actively managed, unconstrained, multi-asset strategy and one fund that uses modest leverage with a broadly diversified portfolio. The value is based on each investor's proportionate share of the total underlying assets in the fund less any liabilities for client withdrawals, investment purchases or other accrued expenses.

Fund of funds

This investment type is made up of a combination of hedge funds that diversify by allocating the portfolio to selected strategies using a variety of hedge funds and rely on a manager to monitor the allocation. The limited partnership values are based on the capital account balance the general partner reports at the end of each reporting period, adjusted by subsequent contributions, distributions management fees, and changes in values of foreign currency and published market prices for certain securities.

Timberland funds

Timberland investments are managed investments regarding the acquiring, growing, and disposing of timber on timberlands owned by the State. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from the fund may be received as cash flows from operations or return of capital from sales of assets. The holding period for these assets is at the discretion of the fund manager based on the fund's purchase or sale of the underlying assets.

Farmland funds

Farmland funds hold the State's direct investments in farmland and related assets. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from the fund may be received in cash flows from operations or return of capital from sales of assets. The holding period is at the discretion of the fund manager based on the fund's purchase or sale of the underlying assets in the portfolio.

Infrastructure funds

Infrastructure funds include five funds that primarily invest in physical, operational, systems and in monopolistic opportunities such as governmental functions (transmission lines and toll roads). The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets in the real estate funds is 2 to 10 years.

Re-insurance funds

Re-insurance funds invest in insurance products designed to collect premiums from an insurance company for taking a specific type and level of risk associated with natural disasters. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets is 6 months to 1 year.

Hedge funds

Hedge funds consist of three global macro and two credit funds that invest opportunistically across investment classes on a long and short basis. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Redemption ranges from monthly to annually depending on the manager (with the exception of one fund that currently has a 2-year hold). Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Opportunistic funds

Opportunistic funds utilize operational experience of the fund managers in the fields of information technology, telecommunications, and business services industries to seek quality returns. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed quarterly with proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Partnership funds

Partnership funds acquire enough shares of a company to gain a controlling interest. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Up to 5% of these investments can be redeemed every 5 years with proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

(3) Derivatives

The State invests in various asset-backed securities, mortgage-backed securities and various derivative instruments. 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 State invests in these securities to enhance yields on investments.

Mortgage-Backed Securities

As of June 30, 2016, governmental activities, business-type activities, component units and fiduciary funds held mortgage-backed securities with market values of $1.4 billion, $59.9 million, $315.1 million and $88.0 million, respectively. The yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost. At June 30, 2016, no mortgage-backed securities were considered highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2016, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $229.6 million. These securities represent interests 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. At June 30, 2016, no asset-backed securities were considered highly sensitive to changes in interest rates.

Forward Currency Contracts

APERS and ATRS enter into various currency 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, 2016, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $12.805 million, collectively. Market values of these outstanding contracts were $12.816 million resulting in an unrealized gain of $11 thousand. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $43.532 million at June 30, 2016. Market values of these contracts were $44.166 million resulting in an unrealized loss of approximately $634 thousand.

Derivatives

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2016, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2016	
Type	Classification	Amount	Classification	Amount
Foreign currency forwards	Net appreciation (depreciation) in fair value of investments	$ (648,137)	Investment derivatives	$ (623,031)
Futures	Net appreciation (depreciation) in fair value of investments	(821,856)	Investment derivatives	(1,751,782)
TBA securities	Net appreciation (depreciation) in fair value of investments	9,811,793	U.S. government and agency securities	30,921,457
Warrants	Investment revenue	(1,849)	Investments	

Foreign Currency Forward	Fair Value	Notional Amount	
Swiss Franc	$ (136,702)	CHF	$ 13,622,121
Chinese Yuan Renminbi	181,326	CNY	(80,902,310)
Euro	(559)	EUR	2,354,210
British Pound Sterling	173,414	GBP	(1,282,908)
Japanese Yen	(864,230)	JPY	(549,954,850)
United States Dollar	23,720	USD	10,497,072
Total foreign currency forwards	$ (623,031)		$ (605,666,665)
Futures contract	$ (1,751,782)	USD	$ (185,757,416)
Mortgage-backed TBA	$ 30,921,457	USD	$ 30,921,457

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 100.00% of the fair value of the securities loaned for ATRS and equal to at least 102.00% of domestic loans and 105.00% 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, 2016, 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 securities received 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 to 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, 2016, the carrying value and fair value of the underlying securities was $1.5 billion. At June 30, 2016, 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, 2016, 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	$ 257,772 (3)	$ 739,096	$	$ 270,374	$ 676	$ 333,072	$ 9,675	$ 32,190	$ (537,326)	$ 1,105,529
Higher Education Fund	702,714					58,594	177	8,508	(441,069)	328,924
Workers' Compensation Commission	7,894 (3)						140			8,034
Department of Workforce Services	170,882						7	2,613	(76,926)	96,576
Office of the Arkansas Lottery	11,108 (3)									11,108
Non-major enterprise funds	3,630					405,451	716		(253)	409,544
Pension trust			50,438				163,875	3,258		217,571
Agency							13	135	(30)	118
Total	$ 1,154,000	$ 739,096	$ 50,438	$ 270,374	$ 676	$ 797,117	$ 174,603	$ 46,704	$ (1,055,604)	$ 2,177,404

(1) Receivable balances of $4,295 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $117, $2 and $4 Interfund receivables due to the General Fund, Workers' Compensation Commission and Office of the Lottery, 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	$	$ 240,080	$	$ 4,214	$	$ 70	$ (577)	$ 243,787
Arkansas Development Finance Authority	658	421,526	116,477	1,738			(77,214)	463,185
University of Arkansas Foundation				2,022	34,203		(779)	35,446
Total	$ 658	$ 661,606	$ 116,477	$ 7,974	$ 34,203	$ 70	$ (78,570)	$ 742,418

(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	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 3,106	$ 5	$	$ 31,219	$ 455	$ 117 (1)	$ 34,902
Higher Education Fund	16,183			27				16,210
Workers' Compensation Commission	309	375			1		2 (1)	687
Department of Workforce Services	962							962
Office of the Arkansas Lottery							4 (1)	4
Pension trust	2,756 (2)							2,756
Total	$ 20,210	$ 3,481	$ 5	$ 27	$ 31,220	$ 455	$ 123	$ 55,521

(1) $117, $2 and $4 Interfund receivables due to the General Fund, Workers' Compensation Commission and Office of the Lottery, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

(2) $2,756 Interfund payables due from the General Fund to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Position.

Interfund receivables and payables include (1) $16.2 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $1.0 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $2.8 million due from the General Fund to the Pension Trust for employers' contributions; (4) $3.1 million due from the Higher Education Fund to the General Fund for workers' compensation contributions and administrative costs, unemployment contributions, information technology services and grants; and (5) $31.2 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing and administrative costs. All amounts are expected to be repaid within one year.

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

	Advances From			
Advances To	General Fund	Higher Education Fund	Worker's Compensation Commission	Total
General Fund	$	$ 5,588	$ 107	$ 5,695
Higher Education Fund	4,514			4,514
Non-Major Enterprise Funds	499	5,918		6,417
Total	$ 5,013	$ 11,506	$ 107	$ 16,626

Advances include (1) an outstanding balance of $5.6 million loaned from the General Fund (i.e. Department of Finance & Administration – Division of Building Authority) to State Agencies including Higher Education for the Sustainable Building Design Program used to pay for energy improvements; (2) an outstanding balance of $5.9 million loaned from the Community/Technical College Revolving Loan program providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates; and (3) an outstanding balance of $4.5 million loaned from the University of Arkansas for Medical Sciences to the General Fund (i.e. Department of Human Services and Arkansas Department of Health) used in the construction of the West Central Power Plant. The amount due after one year is $15 thousand.

Transfers (expressed in thousands):

	Transfers In				
Transfers Out	**General Fund**	**Higher Education Fund**	**Workers' Compensation Commission**	**Non-Major Enterprise Funds**	**Total**
General Fund	$	$ 948,521	$ 2	$ 1,794	$ 950,317
Higher Education Fund	75,329				75,329
Department of Workforce Services	8,380				8,380
Office of the Arkansas Lottery	85,275				85,275
Non-major enterprise funds	5,924				5,924
Total	$ 174,908	$ 948,521	$ 2	$ 1,794	$ 1,125,225

Transfers include (1) $75.3 million transferred from the Higher Education Fund, which includes $68.0 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 for Medical Sciences to be used for the Medicaid Program; (2) $948.5 million transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (3) $8.4 million net transferred from Department of Workforce Services to the General Fund. This amount includes: $6.7 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; (4) $85.3 million transferred from the Office of the Arkansas Lottery to the General Fund for 2015/2016 academic school year; and (5) $5.9 million net transferred to the General Fund from the Non-Major Enterprise Funds for the administration of the Safe Drinking Water Revolving Loan Program that is jointly administered by the Arkansas Natural Resources Commission and the Arkansas Department of Health.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2016, was as follows (expressed in thousands):

	Balance June 30, 2015	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2016
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 851,082	$ (20)	$ 53,180	$ (341)	$ 903,901
Construction in progress	1,615,813	(498,562)	721,581		1,838,832
Construction in progress - intangibles	141,547	(140,889)	18,399		19,057
Other non-depreciable/amortizable assets	21,909	99	234		22,242
Total capital assets, not being depreciated/amortized	2,630,351	(639,372)	793,394	(341)	2,784,032
Capital assets, being depreciated/amortized:					
Land improvements	161,629	7,976	3,562	(461)	172,706
Infrastructure	13,807,210	618,546	1,714	(21,137)	14,406,333
Buildings	1,618,621	34,525	10,428	(6,437)	1,657,137
Equipment	731,826	1,385	62,550	(36,473)	759,288
Intangibles	120,433	1,093	3,824	(38)	125,312
Other depreciable/amortizable assets	9,421		41	(5)	9,457
Total capital assets, being depreciated/amortized	16,449,140	663,525	82,119	(64,551)	17,130,233
Subtotal	19,079,491	24,153	875,513	(64,892)	19,914,265
Less accumulated depreciation/amortization for:					
Land improvements	(101,246)		(6,050)	201	(107,095)
Infrastructure	(6,666,716)		(436,333)	20,723	(7,082,326)
Buildings	(621,737)	(2,033)	(30,829)	5,318	(649,281)
Equipment	(522,731)	(509)	(46,571)	33,264	(536,547)
Intangibles	(92,694)	32	(13,674)	30	(106,306)
Other depreciable/amortizable assets	(6,026)		(448)	1	(6,473)
Total accumulated depreciation/amortization	(8,011,150)	(2,510)	(533,905)	59,537	(8,488,028)
Governmental activities capital assets, net	$ 11,068,341	$ 21,643	$ 341,608	$ (5,355)	$ 11,426,237

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

	Balance June 30, 2015	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2016
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 156,702	$ 117	$ 5,681	$ (207)	$ 162,293
Construction in progress	333,113	(322,240)	182,109	(14,388)	178,594
Construction in progress - intangibles			1,474		1,474
Easements	2,675				2,675
Total capital assets, not being depreciated	492,490	(322,123)	189,264	(14,595)	345,036
Capital assets, being depreciated:					
Improvements other than building	29,296	6,041	56	(143)	35,250
Leasehold improvements	3,935	(368)			3,567
Buildings	4,815,081	266,539	45,329	(4,936)	5,122,013
Equipment	766,399	618	55,545	(20,392)	802,170
Infrastructure	465,514	48,113	8,429	(6,081)	515,975
Intangibles	182,509	1,755	759	(71)	184,952
Art/historic treasures	1,022				1,022
Library holdings	216,702	(3)	5,930	(3,516)	219,113
Other depreciable assets	56,980	(1,034)	994	(952)	55,988
Total capital assets, being depreciated	6,537,438	321,661	117,042	(36,091)	6,940,050
Subtotal	7,029,928	(462)	306,306	(50,686)	7,285,086
Less accumulated depreciation for:					
Improvements other than building	(13,772)	450	(1,527)	112	(14,737)
Buildings and leasehold improvements	(1,939,846)	(11,449)	(161,298)	1,817	(2,110,776)
Equipment	(597,031)	(570)	(54,901)	20,044	(632,458)
Infrastructure	(198,034)	(545)	(21,196)	5,827	(213,948)
Intangibles	(103,106)	1	(9,760)	(38)	(112,903)
Art/historic treasures	(20)				(20)
Library holdings	(176,534)	2	(7,098)	3,512	(180,118)
Other depreciable assets	(19,490)	689	(5,062)		(23,863)
Total accumulated depreciation	(3,047,833)	(11,422)	(260,842)	31,274	(3,288,823)
Business-type activities capital assets, net	$ 3,982,095	$ (11,884)	$ 45,464	$ (19,412)	$ 3,996,263

(1) Includes transfers within business-type activities, assets that were not previously reported, accounting errors and other changes.

Component Units

Activity for ADFA for the year ended June 30, 2016, was as follows (expressed in thousands):

	Balance June 30, 2015	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2016
ADFA:					
Capital assets being depreciated:					
Equipment	$ 528	$	$ 45	$ (18)	$ 555
Less accumulated depreciation for:					
Equipment	(466)		(14)	18	(462)
ADFA capital assets, net	$ 62	$	$ 31	$	$ 93

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

Activity for ASLA for the year ended June 30, 2016, was as follows (expressed in thousands):

	Balance June 30, 2015	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2016
ASLA:					
Capital assets not being depreciated:					
Land	$ 670	$	$	$	$ 670
Capital assets being depreciated:					
Building	2,032				2,032
Equipment	1,091		2		1,093
Intangible assets	10,629				10,629
Total capital assets, being depreciated	13,752		2		13,754
Subtotal	14,422		2		14,424
Less accumulated depreciation for:					
Building and equipment	(1,035)		(84)		(1,119)
Intangible assets	(10,033)		(537)		(10,570)
Total accumulated depreciation	(11,068)		(621)		(11,689)
ASLA capital assets, net	$ 3,354	$	$ (619)	$	$ 2,735

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

Activity for U of A Foundation, Inc. for the year ended June 30, 2016, was as follows (expressed in thousands):

	Balance June 30, 2015	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2016
U of A Foundation Inc.:					
Capital assets not being depreciated:					
Land	$ 800	$	$	$ (132)	$ 668
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 Inc. capital assets, net	$ 800	$	$	$ (132)	$ 668

(1) Includes transfers within the Foundation, 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	$	2,891
Health and human services		10,917
Transportation		447,625
Law, justice and public safety		29,413
Recreation and resources development		20,605
General government		21,372
Regulation of business and professionals		1,082
Total depreciation expense – governmental activities	$	533,905
Business-type Activities:		
Enterprise funds	$	260,842
Total depreciation expense – business-type activities	$	260,842

Component Units

Component Units:		
ADFA	$	14
ASLA		621
Total depreciation expense – component units	$	635

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2016, are summarized as follows (expressed in thousands):

	Balance June 30, 2015	Additions	Accretion On Capital Appreciation Bonds	Reductions	Balance June 30, 2016	Due within One Year	Due Greater Than One Year
Governmental Activities:							
Bonds payable:							
General obligation	$ 1,602,810	$	$ (4,159)	$ 80,503	$ 1,518,148 (1)	$ 80,668 (1)	$ 1,437,480
Revenue Bond Guaranty Fund	300			300			
Add (deduct):							
Issuance premium (discount):							
General obligation	121,599			12,226	109,373	12,121	97,252
Debt to component unit	1,600	1,665		233	3,032	444	2,588
Total bonds payable	1,726,309	1,665	(4,159)	93,262	1,630,553	93,233	1,537,320
Notes payable to component unit	79,163	29,387		39,635 (3)	68,915	9,596	59,319
Capital leases	2,581			379	2,202	405	1,797
Capital leases with component unit	123,076	11,323		19,473 (2)	114,926	8,290	106,636
Total notes and leases payable	204,820	40,710		59,487	186,043	18,291	167,752
Total bonds, notes and leases payable	1,931,129	42,375	(4,159)	152,749	1,816,596	111,524	1,705,072
Claims, judgments and arbitrage	227,119	337,823		329,223	235,719	128,817	106,902
Compensated absences (4)	143,323	108,768		112,100	139,991	20,775	119,216
Total claims, judgments, arbitrage and compensated absences	370,442	446,591		441,323	375,710	149,592	226,118
Pollution remediation	41,088			11,616	29,472	9,338	20,134
Net OPEB obligation	1,045,602	115,952			1,161,554		1,161,554
Governmental activities total	$ 3,388,261	$ 604,918	$ (4,159)	$ 605,688	$ 3,383,332	$ 270,454	$ 3,112,878

(1) Includes accretion on capital appreciation bonds of $6,705.
(2) Reductions for principal payments of $8,548 plus defeasement of $10,925.
(3) Reductions for principal payments of $9,959 plus defeasement of $29,676.
(4) The compensated absences liability will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 35,295	$	$ 7,405	$ 27,890	$ 2,405	$ 25,485
Safe Drinking Water Revolving Loan Fund	22,800		1,805	20,995	1,810	19,185
War Memorial Bond Payable	1,000		500	500	500	
College and University Revenue Bonds	1,879,827	268,430	301,225	1,847,032	72,170	1,774,862
Add (deduct):						
Issuance premiums/ (discounts)	97,062	27,426	8,746	115,742	5,147	110,595
Total bonds payable	2,035,984	295,856	319,681	2,012,159	82,032	1,930,127
Notes payable	92,045	43,273	51,330	83,988	20,274	63,714
Notes payable with component unit	134		134			
Total notes payable	92,179	43,273	51,464	83,988	20,274	63,714
Capital leases	39,327	18,536	11,061	46,802	9,083	37,719
Total bonds, notes and leases payable	2,167,490	357,665	382,206	2,142,949	111,389	2,031,560
Claims and judgments	293,702	420,253	424,936	289,019	65,004	224,015
Compensated absences	110,011	75,993	74,262	111,742	15,411	96,331
Total claims, judgments and compensated absences	403,713	496,246	499,198	400,761	80,415	320,346
Net OPEB obligation	96,439	10,627		107,066		107,066
Business-type activities total	$ 2,667,642	$ 864,538	$ 881,404	$ 2,650,776	$ 191,804	$ 2,458,972

	Balance June 30, 2015	Additions	Reductions	Balance June 30, 2016	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable	$ 231,562	$	$ 36,594	$ 194,968	$ 37,927	$ 157,041
Less: issuance discount	(1,247)		(101)	(1,146)	(100)	(1,046)
Total bonds payable	230,315		36,493	193,822	37,827	155,995
Notes payable	18,421		3,925	14,496	3,391	11,105
Total bonds and notes payable ASLA	248,736		40,418	208,318	41,218	167,100
Net OPEB obligation	185		20	165		165
Arkansas Development Finance Authority:						
Bonds payable	578,430	47,379	106,692	519,117	29,582	489,535
Notes payable	52,000	480	70	52,410	70	52,340
Add: issuance premiums	315		211	104		104
Total bonds and notes payable ADFA	630,745	47,859	106,973	571,631	29,652	541,979
Net OPEB obligation	1,861	186		2,047		2,047
U of A Foundation						
Annuity obligations	15,068	948	1,951	14,065	1,303	12,762
Component units total	$ 896,595	$ 48,993	$ 149,362	$ 796,226	$ 72,173	$ 724,053

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, 2016, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %	Balance
Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds:			
2012 Series Federal Highway G.O.Bonds	2025	3.00 - 5.00	$ 173,240
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	153,215
2014 Series Federal Highway G.O.Bonds	2027	5.00	185,075
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00	461,895
Arkansas Economic Development Commission Bonds:			
2014A Series Capital Improvement G.O. Bonds	2035	0.46 - 4.11	68,990
2014B Series Capital Improvement G.O. Bonds	2035	4.16	50,000
Arkansas Natural Resources Commission Bonds:			
2007 Series Water, Waste and Pollution	2041	4.00 - 4.50	6,430
2008 Series Water, Waste and Pollution	2043	3.50 - 4.60	20,145
2009A Series Water, Waste and Pollution	2044	2.00 - 4.88	12,185
2010A Series Water, Waste and Pollution	2045	2.00 - 4.50	20,455
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	16,395
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	4,060
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	25,810
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	40,440
2013 Series Water, Waste and Pollution	2024	2.00 - 3.30	23,675
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	9,215
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	24,225
College Savings Bonds:			
1997B Series, G.O. Bonds	2017	5.45 - 5.60	5,626
1998A Series, G.O. Bonds	2017	5.25 - 5.35	5,037
Higher Education Bonds:			
2007A Series, G.O. Bonds	2023	4.00 - 5.00	86,155
2015 Series, G.O. Bonds	2029	4.00 - 4.25	125,880
Total			$ 1,518,148

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2016, including accrued accreted interest of approximately $6.7 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 73,963	$ 61,977	$ 135,940
2018	85,185	58,525	143,710
2019	88,340	54,862	143,202
2020	123,210	51,103	174,313
2021	222,170	45,821	267,991
2022-2026	726,120	103,969	830,089
2027-2031	108,020	27,915	135,935
2032-2036	46,130	12,652	58,782
2037-2041	23,105	6,046	29,151
2042-2047	15,200	1,750	16,950
Total	$ 1,511,443	$ 424,620	$ 1,936,063

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds – Act 511 of 2007 and a statewide election conducted November 8, 2011, 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 authorizes the bonds to be issued in several series of various principal amounts provided that the total principal amount of bonds outstanding does not exceed $575.0 million. 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):

Designated Revenues for GARVEE Bonds

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
2012	$ 16,548	$ 95,115	2017	$ 16,500	$ 101,297
2013	16,344	98,100	2018	16,500	103,323
2014	16,206	94,972	2019	16,500	105,390
2015	16,315	91,161	2020	16,500	107,497
2016	16,730	99,311	2021	16,500	109,647

No bonds were issued under this act in the 2016 fiscal year.

General Obligation Four-Lane Highway Construction and Improvement Bonds – Amendment 91 to the State Constitution was approved by a vote of the people on November 6, 2012. This amendment authorized the State to issue State of Arkansas General Obligation Four-Lane Highway Construction and Improvement Bonds. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The

Amendment limited the aggregate total principal amount to $1.3 billion to be issued in several series of various principal amounts. The bonds are issued for the purpose of construction and improvement of four-lane highways in the State of Arkansas. No bonds were issued under this act in the 2016 fiscal year. The bonds are payable primarily from a ½ cent sales tax collection authorized under the Amendment. Current revenue for these bonds is as follows (expressed in thousands):

Designated Revenues for
1/2¢ Sales Tax Collections for Four Lane Highway Construction and Improvement Bonds

		Sales Tax Collections
Year ending June 30:		
FY 2014	$	151,253
FY 2015		165,449
FY 2016		171,611

General Obligation Amendment 82 Bonds – Amendment 82 to the State Constitution was approved by a vote of the people in 2004 and modified by Amendment 90 which was also approved by a vote of the people in 2010. The amendment authorized the issuance of general obligation bonds for the purpose of financing the costs of infrastructure or other needs to attract large economic development projects. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The amendment limits the bonds to be issued to an amount up to 5.00% of State general revenues collected during the most recent year. The 2014 series, the first issuance under this authority, is for a total of $125.0 million to provide $70.0 million in infrastructure improvements, $50.0 million in a loan and $5.0 million for issuance costs. No bonds were issued under this act in the 2016 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 of the State by law authorizes a greater principal 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. No bonds were issued under this act in the 2016 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 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 2016 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 2016 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, 2016, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $35.3 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, 2016, the equity interest in vacant industrial facilities totaled approximately $2.5 million. No bonds are outstanding in the 2016 fiscal year.

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, 2016, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 9,596	$ 1,991	$ 11,587
2018	8,577	1,709	10,286
2019	5,315	1,456	6,771
2020	5,451	1,318	6,769
2021	5,274	1,186	6,460
2022-2026	14,384	4,232	18,616
2027-2031	9,089	2,556	11,645
2032-2036	6,787	1,299	8,086
2037-2041	4,442	268	4,710
Total	$ 68,915	$ 16,015	$ 84,930

Business-Type Activities

Special Obligation Bonds **-** Special Obligation Bonds outstanding at June 30, 2016, issued pursuant to specific statutory provisions enacted by the legislature and paid from specifically dedicated fees and other revenues generated by a particular program that does 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	3.25-5.00	$ 27,890
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	20,995
Total			$ 48,885

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 and 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 and 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.

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized premiums of approximately $2.7 million for the Construction Assistance fund and $2.0 million for the Safe Drinking Water Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2016, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 4,215	$ 2,308	$ 6,523
2018	4,110	2,098	6,208
2019	5,125	1,891	7,016
2020	4,810	1,635	6,445
2021	4,625	1,395	6,020
2022-2026	21,985	3,609	25,594
2027-2028	4,015	202	4,217
Total	$ 48,885	$ 13,138	$ 62,023

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.

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $111.1 million. At June 30, 2016, business-type activity revenue bonds and notes payable outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	**Interest Rates %**		**Balance**
Henderson State University	2040	1.00-5.74	$	71,896
Southern Arkansas University – Magnolia	2046	1.00-5.10		58,310
Southern Arkansas University Tech – Camden	2043	1.00-6.25		5,595
Arkansas State University – Beebe	2039	1.00-4.00		32,415
Arkansas State University – Jonesboro	2044	0.70-5.78		151,100
Arkansas State University – Mountain Home	2033	0.67-4.25		6,955
Arkansas State University – Newport	2033	0.66-3.82		5,759
Arkansas Tech University	2045	1.00-5.25		84,307
University of Arkansas – Fayetteville	2047	0.85-6.38		632,544
University of Arkansas – Little Rock	2037	0.53-5.00		111,645
University of Arkansas for Medical Sciences	2036	0.00-5.00		275,809
University of Arkansas – Monticello	2038	1.00-4.00		16,640
University of Arkansas – Pine Bluff	2036	1.88-5.00		16,450
University of Central Arkansas	2045	1.00-6.13		162,323
University of Arkansas Community College – Hope	2039	1.00-4.00		4,370
University of Arkansas Community College – Batesville	2019	1.00-3.25		830
East Arkansas Community College	2040	2.00-3.63		3,260
National Park Community College	2033	3.00-4.70		9,905
Arkansas State University – Midsouth	2042	1.00-4.70		21,065
Arkansas Northeastern College	2031	2.00-4.13		3,570
North Arkansas College	2037	1.00-3.88		8,962
Phillips Community College of the University of Arkansas	2039	2.00-4.00		10,950
Rich Mountain Community College	2042	1.00-4.15		6,185
South Arkansas Community College	2039	2.00-4.00		3,300
University of Arkansas at Fort Smith	2039	2.00-5.00		76,160
Northwest Arkansas Community College	2035	2.00-7.00		31,335
Black River Technical College	2044	2.00-4.00		10,350
Cossatot Community College of the University of Arkansas	2035	1.00-3.63		3,580
Ozarka College	2043	1.00-5.25		5,885
University of Arkansas Community College – Morrilton	2046	2.00-5.00		11,485
Pulaski Technical College	2041	2.00-5.00		88,080
War Memorial Stadium Commission	2017	4.90		500
Total			$	1,931,520

(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, 2016, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 92,944	$ 79,415	$ 172,359
2018	89,450	76,353	165,803
2019	93,304	73,440	166,744
2020	89,350	70,282	159,632
2021	89,334	66,871	156,205
2022-2026	410,722	281,931	692,653
2027-2031	415,366	193,901	609,267
2032-2036	382,074	104,262	486,336
2037-2041	216,200	35,595	251,795
2042-2046	51,246	4,505	55,751
2047-2051	1,530	38	1,568
Total	$ 1,931,520	$ 986,593	$ 2,918,113

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. However, qualified state agencies such as ASLA will be allocated a minimum of 100,000 accounts per state to administer on behalf of the USDE. 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, 2016, 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)	2044	Variable	$	115,855
Student Loan Asset-Backed Notes, Series 2012-1 (LIBOR Floating Rate Notes)	2029	Variable		77,967
Note Payable- Simmons First National Bank	2021	Variable		14,496
Total			$	208,318

(1) Fiscal year

Based on ASLA's trust indentures, principal and interest are only paid if sufficient payments are received on the student loans. The principal amount shown below differs due to unamortized discounts of approximately $1.1 million. Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2016, based on prior quarters/years in the normal course of business, were as follows (expressed in thousands):

		Principal		Interest		Total
Year ending June 30:						
2017	$	41,318	$	2,380	$	43,698
2018		34,216		2,180		36,396
2019		27,850		1,997		29,847
2020		22,492		1,830		24,322
2021		11,568		1,561		13,129
2022-2026		50,560		6,552		57,112
2027-2031		21,460		1,969		23,429
Total	$	209,464	$	18,469	$	227,933

Arkansas Development Finance Authority (ADFA) – Pursuant to Act 1062 of 1985, ADFA 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 ADFA are special obligations of ADFA, 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, redemption price, or interest on the bonds and other debt instruments. ADFA has no taxing power.

Conduit debt issued by ADFA is recorded on ADFA's balance sheet if either (1) ADFA has a vested interest in the residual value of the bond issue after its retirement or (2) ADFA guarantees the debt through the Bond Guaranty fund. Additionally, ADFA 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, ADFA 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 ADFA or the State of Arkansas. At June 30, 2016, the bonds outstanding issued under these programs aggregated $693.3 million.

Bonds and notes payable at June 30, 2016, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single family bonds payable	2043	0.90-9.88	$ 196,010
Multi-family bonds and note payable	2045	1.00-9.75	2,410
Bond guaranty program	2040	0.66-6.00	57,615
State facilities bonds and note payable	2040	0.46-7.00	233,425
Tobacco bonds payable	2046	4.77-5.50	82,171
Total			$ 571,631

The principal amount shown below differs from the amount on the balance sheet due to unamortized premiums of $104 thousand less accreted interest of $71.8 million. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2016, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 29,652	$ 18,124	$ 47,776
2018	30,886	17,222	48,108
2019	26,868	16,179	43,047
2020	27,068	15,272	42,340
2021	25,673	14,362	40,035
2022-2026	139,380	58,258	197,638
2027-2031	114,831	38,392	153,223
2032-2036	115,189	19,831	135,020
2037-2041	68,181	8,479	76,660
2042-2046	60,627	2,230	62,857
2047-2051	4,995		4,995
Total	$ 643,350	$ 208,349	$ 851,699

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, 2016, were $439 thousand including interest ranging from 3.00% to 11.00%.

Aggregate annual maturities of annuity obligations at June 30, 2016, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2017	$ 1,303
2018	1,264
2019	1,184
2020	1,141
2021	917
2022-2026	3,688
2027-2031	3,479
2032-2036	1,064
2037-2041	18
2042-2046	5
2047-2051	2
Total	$ 14,065

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 $131.3 million were considered defeased at June 30, 2016.

Higher Education

On February 12, 2015, the University of Arkansas Fayetteville issued $14.2 million in Athletic Facilities Revenue Refunding Bonds, Series 2015. The bonds, with interest rates of 2.00% to 5.00%, were issued to refund $4.8 million of outstanding bonds dated June 1, 2006, with interest rates of 4.00% to 4.38%, and $10.5 million of outstanding bonds dated June 29, 2011, with interest rates of 2.00% to 4.90%. Net bond proceeds and premiums of $16.2 million and cash from the University of $266 thousand 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 $135 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eight years by $1.4 million and to obtain an economic gain of $1.1 million. The escrow balance as of June 30, 2016, was $15.0 million. The bonds dated June 1, 2006, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of September 15, 2016. The bonds dated June 29, 2011, were not advance refunded in total. As of June 30, 2016, there was a balance of $2.8 million outstanding that was not refunded. These bonds will continue to be paid normally through September 15, 2016. The refunded bonds dated June

29, 2011, will continue to have regularly scheduled interest payments made from the escrow account until the bond call date of September 15, 2016, at which date the principal will be refunded. The remaining balance of the defeased bonds at June 30, 2016, was $14.7 million.

On February 12, 2015, the University of Arkansas Fayetteville issued $70.4 million in Various Facility Revenue Refunding Bonds, Series 2015A. The bonds, with interest rates of 2.00% to 5.00%, were issued to refund $2.8 million of outstanding bonds dated October 1, 2004, with interest rates of 2.00% to 4.38%, $13.5 million of outstanding bonds dated March 1, 2005, with interest rates of 3.00% to 4.50%, and $60.5 million of outstanding bonds dated June 1, 2006, with interest rates of 4.00% to 5.00%. Net bond proceeds and premiums of $81.7 million and cash from the University of $1.0 million were deposited into an escrow account to retire the bonds. The refunding of the bonds dated March 1, 2005, and June 1, 2006, was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.1 million. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2037 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by $8.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7.6 million. The escrow balance as of June 30, 2016, was $60.5 million. The refunding of the bonds dated October 1, 2004, was a current refunding and the bonds were called on March 15, 2015. The bonds dated March 1, 2005, continued to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2015, at which time the remaining balance was refunded. The bonds dated June 1, 2006, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2016, at which time the remaining balance will be refunded. The remaining balance of the defeased bonds at June 30, 2016, was $59.1 million.

On December 17, 2014, the University of Arkansas for Medical Sciences (UAMS) issued Revenue Refunding Bonds, Series 2014, of $86.0 million (par value) with an interest rate of 2.52% to 3.17% to advance refund Various Facility Revenue Bond, Series 2006, with remaining interest rates of 4.80% to 5.00% and a par value of $91.6 million. The 2006 bonds mature March 2036. The revenue refunding bonds were issued at a premium of $12.7 million and issuance costs were $211 thousand and underwriter's discount was $499 thousand. The net proceeds were $98.1 million. The net proceeds from the issuance of the revenue refunding bonds were used to purchase U.S. government securities to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 Series bonds were removed from UAMS financial statements. As a result of the advance refunding, UAMS reduced its total debt service requirements by $10.0 million which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $9.3 million. Principal payments are made annually until 2036, and interest payments are made semi-annually. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.6 million. This difference is reported in the accompanying financial statements as deferred outflows of resources and will be amortized through 2036. The escrow balance was closed as of June 30, 2016.

On June 1, 2014, the University of Arkansas Pine Bluff issued $17.0 million in Various Facilities Revenue Refunding Bonds, Series 2014, with interest rates of 2.00% to 5.00% to advance refund Various Facility Revenue Refunding and Construction Bonds, Series 2005A. The Series 2005A bonds mature on December 1, 2036, and were called on December 1, 2015. The revenue refunding bonds were issued at a premium of $1.1 million, and after paying issuance costs of $86 thousand and underwriter's discount of $140 thousand, the net proceeds were $17.8 million. Accrued interest of $47 thousand was utilized for an interest payment on the new Series 2014 bonds in December 2014 The net proceeds from the issuance of the bonds were deposited into a special trust fund and were used to provide debt service payments until the term bonds were called on December 1, 2015. As a result of the advance refunding, the University reduced its total debt service requirements by $1.9 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.4 million. The escrow balance was closed as of June 30, 2016.

On April 22, 2015, Phillips Community College of the University of Arkansas issued Student Fee Refunding Revenue Bonds, Series 2015, in the amount of $11.3 million with interest rates of 2.00% to 4.00%. The purpose of this issue was to refund $10.8 million remaining from the Student Fee Revenue Bonds, Series 2009, which carried interest rates of 3.00% to 5.20%. Bond proceeds and premium of $11.4 million (after payment of debt issuance costs of $88 thousand and underwriter's discount of $85 thousand), along with remaining debt service reserve funds of $396 thousand, were deposited into the escrow fund to retire the Series 2009 bonds on December 1, 2016. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.0 million. This difference is reported in the accompanying financial statements as deferred outflows of resources and will be amortized over the remaining life of the bonds through 2038 using the straight-line method. The University accomplished the refunding to reduce its total debt service payments by $2.2 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.3 million. The balance in the escrow account at June 30, 2016, was $10.8 million and the remaining balance of the defeased bonds was $10.5 million.

On May 1, 2015, the Arkansas State University-Beebe issued $12.9 million in tax exempt refunding bonds for the Beebe campus with interest rates of 2.00% to 4.00% to advance refund $12.4 million of outstanding bonds dated December 1, 2005, with interest rates of 3.50% to 5.00%. Net proceeds of $13.0 million, after payment of $152 thousand for bond issuance costs and a premium of $244 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of $13.0 million was pledged for the retirement of these bonds. As a result of this refunding, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds were called on December 1, 2015. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $589 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by $1.9 million over the next twenty-one years and to obtain an economic gain of $1.4 million. The University received accrued interest of $6 thousand and an additional $3 thousand from the bond issue to apply toward the debt payments of the new issue.

On June 1, 2015, the Arkansas State University-Beebe issued $9.2 million in tax exempt refunding bonds for the Beebe campus with interest rates of 2.00% to 4.00% to refund $9.0 million of outstanding bonds dated March 1, 2006, with interest rates of 3.25% to 5.00%. Net proceeds of $9.2 million, after payment of $109 thousand for bond issuance costs and a premium of $143 thousand, were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of $9.2 million was pledged for the retirement of these bonds. As a result of this refunding, the 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds were called on September 1, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $210 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $1.2 million over the next twenty-one years and to obtain an economic gain of $834 thousand. The University received accrued interest of $3 thousand and an additional $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On May 28, 2015, the University of Central Arkansas issued $6.9 million in Auxiliary Revenue Refunding Bonds, Series 2015, with interest rates of 2.95%. The bond proceeds were used to refinance the Series 2006D and Series 2007A bonds in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value cost savings to the University on the auxiliary refunding issue is $312 thousand. Bond insurance costs of $15 thousand were recorded as an asset and amortization of $1 thousand was also included as a component of interest expense for the year ended June 30, 2016. The balance in the escrow account at June 30, 2016, was $1.8 million and the remaining balance of the defeased bonds was $1.7 million.

On May 20, 2015, the University of Central Arkansas issued $18.2 million in Student Fee Revenue Refunding Bonds, Series 2015, with interest rates of 2.00% to 4.00%. The bond proceeds were used to refinance the Series 2006E and Series 2007B bonds in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value cost savings to the University on the student fee revenue refunding issue is $686 thousand. Bond insurance costs of $46 thousand were recorded as an asset and amortization for this fiscal year was $2 thousand that was also included as a component of interest expense for the year ended June 30, 2016. The balance in the escrow account at June 30, 2016, was $14.5 million, and the remaining balance of the defeased bonds was $13.6 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. 2009 SeriesA ADFA Correctional Facilities Revenue Bond with a total outstanding amount of approximately $25.6 million was considered defeased at June 30, 2016.

Current Refundings

Primary Government

During fiscal year 2016, the State issued $7.3 million of current refunding bonds to redeem the 2005 Series A bonds of the Arkansas Department of Correction. The bonds bear interest rates at rates ranging from 3.00% to 4.00% and mature in fiscal year 2020. The refunding provided an economic gain of $617 thousand and a reduction of future debt service payments of $4.1 million. Also during fiscal year 2016, the State issued $25.8 million of current refunding bonds to redeem the 2009 Series A bonds of the Arkansas Department of Correction. The bonds bear interest rates at rates ranging from 2.00% to 4.00% and mature in fiscal year 2037. The refunding provided an economic gain of $3.6 million and a reduction of future debt service payments of $3.6 million.

Higher Education

On August 27, 2015, the University of Arkansas Fayetteville issued $36.7 million in Various Facility Revenue Refunding Bonds, Series 2015C. The bonds with interest rates of 2.00% to 5.00% were issued to refund $45.9 million of outstanding bonds dated March 2, 2005, with interest rates of 3.88% to 4.50%. Of the net bond proceeds and premiums of $40.3 million and cash of $7.0 million from the University, $47.0 million was deposited into an escrow account to retire the bonds. Furthermore, $309 thousand was used to pay the underwriter’s discount and the costs of issuance with a residual amount of $10 thousand remaining in the Series 2015C Bond Fund account. The refunding of the bonds was a current refunding with all bonds being redeemed as of November 1, 2015. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.3 million. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2022 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next seven years by $4.2 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $3.2 million. The escrow account was closed out when the refunded bonds were redeemed as of November 1, 2015, and therefore has no outstanding balance as of June 30, 2016.

On April 5, 2016, the University of Arkansas Fayetteville issued $93.6 million in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding and Improvement, Series 2016A, and $15.3 million in Various Facility Revenue Bonds, (Fayetteville Campus), Refunding, Series 2016B. The Series 2016A bonds with interest rates of 3.00% to 5.00% were issued to provide funds to finance various construction and renovation projects on the University campus and to refund $38.2 million of outstanding bonds dated October 2, 2007, (Series 2007) with interest rates of 4.00% to 5.00%, and $35.5 million of outstanding bonds dated August 1, 2008, (Series 2008A) with interest rates of 4.00% to 5.00%. Net bonds proceeds and premiums of $28.5 million were available to finance construction of a civil engineering research and education center, a library storage building, campus entrance signs, intramural sports playing fields, an addition to the Pat Walker Student Health Center, renovations of student housing, and to continue renovations of Kimpel Hall and Discovery Hall. The Series 2016B bonds with interest rates of 0.87% to 3.25% were issued on a taxable basis to refund $13.5 million of outstanding bonds dated August 1, 2008, (Series 2008B) with interest rates of 5.10% to 6.38%. Net bond proceeds and premiums from Series 2016A and Series 2016B of $94.7 million, along with $1.9 million of cash from the University, were deposited into an escrow account to retire the bonds. The refunding of the bonds dated October 2, 2007, and all of the bonds dated August 1, 2008, were an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.8 million for the Series 2016A bonds and $1.7 million for the Series 2016B bonds. These differences, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by $13.5 million and to obtain an economic gain of $10.1 million. The escrow balance as of June 30, 2016, was $94.4 million. The bonds will have regularly scheduled principal and interest payments made from the escrow account until the bond call dates of November 1, 2017, for Series 2007 and November 1, 2018, for Series 2008A and Series 2008B at which times the remaining balances of each defeased bond issue will be refunded. The remaining balance of the defeased bonds as of June 30, 2016, was $38.2 million for Series 2007, $35.5 million for Series 2008A and $13.5 million for Series 2008B.

On February 24, 2016, the University of Arkansas Little Rock issued $22.5 million in Series 2016 Enterprises Refunding Revenue Bonds with interest rates of 2.00% to 5.00% to advance refund $25.3 million of the Series 2009 Capital Improvement Revenue Bonds, with interest rates of 4.00% to 5.00%. Bond proceeds and premiums of $27.2 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 $644 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2030 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by $2.3 million over the next fourteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $2.2 million. The bonds will be fully paid by October 1, 2017. The balance in the escrow account at June 30, 2016, was $26.6 million, and the remaining balance of the defeased bonds was $25.3 million.

On April 6, 2016, the University of Arkansas Little Rock issued $24.5 million in Series 2016 Auxiliary Revenue Refunding Bonds with interest rates of 2.00% to 5.00% to advance refund $25.6 million of the Series 2009 Auxiliary Revenue Bonds, with interest rates of 4.00% to 5.00%. Bond proceeds and premiums of $28.6 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 $2.5 million. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. The University completed the refunding to reduce its total debt service requirements by $1.7 million over the next nineteen years and to obtain an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.2 million. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2016, was $28.6 million, and the remaining balance of the defeased bonds was $25.6 million.

On June 29, 2016, East Arkansas Community College issued General Obligation Refunding Bonds, Series 2016, in the amount of $3.3 million with interest rates of 2.00% to 3.63% to refund $3.1 million of outstanding Series 2010 Obligation Bonds dated November 1, 2010, with interest rates of 1.63% to 4.65%. Bond proceeds of $3.3 million were deposited into an escrow account with the trustee for the defeasance of the prior bond. The refunding of the bonds was a current refunding with the bonds being called on June 29, 2016. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $45 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2040 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $386 thousand over the next twenty-four years and to obtain an economic gain (difference between present value between old and new debt service payments) of $359 thousand.

On February 3, 2016, Henderson State University issued Student Fee Secured Refunding Bonds, Series 2016, in the amount of $6.5 million with interest rates of 2.00% to 3.00% to advance refund $6.1 million of the Series 2007 Student Fee Revenue Bonds with interest rates of 4.00% to 4.60%. Bond proceeds and premiums of $6.4 million were deposited into an escrow account with the trustee for the defeasance of the prior bond. The bonds are scheduled to be called on January 1, 2017. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $239 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2032 using the straight-line method. The University completed this refunding to reduce its total debt payments over the next sixteen years by $619 thousand and to obtain an economic gain (difference between present value between old and new debt service payments) of $601 thousand.

On September 3, 2015, Ozarka College issued Student Tuition and Fee Revenue Refunding Bonds, Series 2015, in the amount of $3.2 million with interest rates of 2.00% to 3.75% to refund $3.1 million of the Series 2009 Student Tuition and Fee Revenue Refunding and Construction Bonds with interest rates of 2.00% to 5.25%. Bond proceeds of $3.1 million were deposited into an escrow account with the trustee for the defeasance of the prior bond. The refunding of the bonds was a current refunding with the bonds being called on September 10, 2015. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $63 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2036 using the straight-line method. The University completed this refunding to reduce its total debt payments over the next twenty-one years by $545 thousand and to obtain an economic gain (difference between present value between old and new debt service payments) of $403 thousand.

On July 1, 2015, Pulaski Technical College issued Student Tuition and Fee Refunding Revenue Bonds, Series 2015, in the amount of $25.9 million with interest rates of 2.00% to 5.00% to refund $13.6 million of Series 2004 Student Tuition and Fee Revenue Bonds and $13 million of Series 2006 Student Tuition and Fee Revenue Bonds with interest rates of 2.38% to 5.00% and 3.60% to 5.00%, respectively. Bond proceeds of $25.9 million and prior issue debt service reserve funds of $1.1 million were deposited into an escrow account with the trustee for the defeasance of the prior bonds. The refunding of the bonds was a current refunding with the bonds being called on July 31, 2015. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $690 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2037 using the straight-line method. The University completed this refunding to reduce its total debt payments over the next twenty-two years by $3.3 million and to obtain an economic gain (difference between present value between old and new debt service payments) of $1.5 million.

On February 16, 2016, Southern Arkansas University issued Auxiliary Enterprise Secured Refunding Bonds, Series 2016, in the amount of $9.1 million with interest rates of 1.00% to 4.00% to refund $9.0 million of the Series 2010 Auxiliary Enterprise Revenue Secured Capital Improvement and Refunding Bonds with interest rates of 2.00% to 5.10%. Bond proceeds of $9.0 million and prior issue debt service reserve funds of $643 thousand were deposited into an escrow account with the trustee for defeasance of the prior bond. The refunding of the bonds was a current refunding with the bonds being called on February 16, 2016. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $262 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2039 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $1.7 million over the next twenty-four years and to obtain an economic gain of $1.1 million.

(9) Pledged Revenues

Primary Government

Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State.

The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2016, (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2016 Pledged	Fiscal Year 2016 Principal and Interest
License fees	Prison construction	2039	$ 38,000	39.69%	$ 4,162	$ 151
Court filing fees	Construction of building	2030	8,126	58.63%	990	737
Rental income	Purchase of building	2030	19,025	69.31%	1,961	1,395
Vital records fees	Health lab construction	2022	8,495	56.71%	2,497	2,436
State park revenue	Construction of state park facilities	2024	19,364	51.35%	4,713	2,580
Permit fees	Construction of building	2041	26,994	9.30%	11,606	1,099
Drivers license revenue	Wireless network/ construction of building	2018	8,290	42.37%	9,785	4,866

(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, 2016 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2016 Pledged Revenue	Fiscal Year 2016 Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2047	$ 891,471	8.05%	$ 357,408	$ 41,625
	Athletic fees	Construction of facilities and refunding of prior issues	2028	67,243	6.21%	90,178	9,649
University of Arkansas at Fort Smith	Student fees	Construction of facilities, general improvements and refunding of prior issues	2039	104,301	12.39%	36,592	8,132
University of Arkansas at Little Rock	Student fees	General and capital improvements and refunding of prior issues	2031	82,849	7.59%	72,733	4,171
	Housing and auxiliary fees	Construction of facilities and refunding of prior issues	2037	72,121	19.02%	18,057	2,102
University of Arkansas at Monticello	Student fees & auxiliary revenue	Construction of facilities and refunding of prior issues	2038	23,082	4.33%	24,243	1,434
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	342,853	2.19%	781,040	16,209
	Parking fees	Construction of facilities and refunding of prior issues	2035	14,609	17.29%	4,446	1,606
University of Arkansas at Pine Bluff	Various facilities revenue	Capital improvements and refunding of prior issues	2036	23,759	3.81%	31,162	1,420
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2036	5,031	6.91%	3,641	264
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	15,670	25.27%	2,696	682
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	868	8.71%	3,320	293
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	5,566	9.51%	2,544	697
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	19,524	10.42%	6,247	482
Arkansas State University - Jonesboro	Student tuition & fees	Construction of facilities, property purchase and refunding of prior issues	2044	56,856	2.34%	86,890	2,522
	Housing fees	Construction of facilities and refunding of prior issues	2042	128,946	39.78%	12,468	6,870
	Student union fees	Refunding of prior issues	2025	9,914	41.44%	2,658	1,197
	Parking fees	Refunding of prior issues	2025	3,378	26.94%	1,393	408
	Recreation center fees	Construction of facilities	2037	22,213	56.84%	1,861	1,060
Arkansas State University - Beebe	Student tuition & fees	Construction, renovation and refunding of prior issues	2036	33,605	16.32%	10,298	1,865
	Housing fees	Construction of facilities and refunding of prior issues	2039	11,481	61.10%	817	489
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	33,962	47.24%	2,765	1,306
Arkansas State University - Mountain Home	Student tuition & fees and ad valorem tax	Construction of facilities and refunding of prior issues	2033	8,976	9.07%	5,823	961
Arkansas State University - Newport	Student tuition & fees	Construction of facilities and refunding of prior issues	2033	5,666	4.58%	7,281	427
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	54,771	21.14%	10,364	2,685
	Student tuition & fees	Construction and renovation of facilities and upgrade computer system and	2044	54,397	3.05%	63,619	2,393
	Athletic revenues	Construction of facilities	2042	5,710	3.98%	5,517	255
	Food service revenue	Construction of facilities	2043	11,398	6.35%	6,647	419
	Bookstore revenue	Construction of facilities	2041	1,670	10.05%	665	67
Henderson State University	Student housing revenue	Refunding of prior issues	2036	18,092	21.84%	4,141	1,464
	Student recreation center revenue	Construction of student recreation center	2032	8,103	70.14%	722	194
	Auxiliary revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2019	87	193.33%	15	82
	Student tuition & fees	Construction of facilities and refunding of prior issues	2035	68,974	33.16%	10,947	588
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2046	52,459	5.27%	33,198	1,826
	Auxiliary revenue	Athletic improvements, capital improvements and refunding of prior issues	2043	37,511	14.05%	9,886	1,720
Southern Arkansas University- Tech Branch	Student tuition & fees	Capital improvements	2043	9,122	6.64%	5,089	407
University of Central Arkansas	Student fees and auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2044	105,990	3.54%	106,908	5,030
	Housing fees	Construction of facilities and refunding of prior issues	2045	141,783	57.85%	8,451	5,813
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	4,817	65.59%	306	3,352
National Park Community College	Student tuition & fees	Construction and renovation of facilities	2033	4,604	4.30%	6,299	271
	Millage revenue	Capital improvements and refunding of prior issues	2031	9,223	44.82%	1,372	617
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2031	4,758	41.19%	770	315
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issues	2037	10,206	58.48%	831	484
Rich Mountain Community College	Millage revenue	Capital improvements and refunding of prior issues	2042	7,096	81.47%	335	273
	Student tuition and fees	Capital improvements	2042	2,735	98.31%	107	107
South Arkansas Community College	Millage revenue	Construction of facilities	2039	4,950	59.78%	360	143
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	45,036	19.49%	12,160	2,383
	Student tuition	Land purchase	2035	3,134	1.02%	16,095	174
Black River Technical College	Student tuition & fees	Renovation and expansion of facilities and refunding of prior issues	2044	15,156	23.47%	2,306	200
Ozarka College	Student tuition & fees	Construction of facilities and refunding of prior issues	2043	8,613	33.16%	962	341
Pulaski Technical College	Student tuition & fees	Construction and renovation of facilities and refunding of prior issues	2041	150,527	54.30%	11,089	5,817
War Memorial Stadium Commission	Stadium revenue	Construction of facilities	2017	522	48.60%	1,074	550

(1) Fiscal year

Component Units

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for two outstanding bond issues. The purpose of the debt was to redeem auction rate bonds. ASLA also has pledged revenue as security for a conduit debt note payable. All 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, 2016, (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2016 Pledged Revenue	Fiscal Year 2016 Principal and Interest
Student loan principal & interest revenue	Securitize student loans	2027	$ 117,002	44.71%	$ 23,792	$ 19,583
Student loan principal & interest revenue	Securitize student loans	2024	77,966	40.64%	23,983	19,425
Student loan principal & interest revenue	Securitize student loans	2022	14,496	50.50%	4,784	4,015

(1) Fiscal year

(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 5.00%. The original amount of the lease was $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, 2016.

Future amounts to be received as of June 30, 2016, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2017	$ 89	$ 8	$ 97
2018	89	7	96
2019	89	6	95
2020	89	4	93
2021	88	3	91
2022-2026	232	2	234
Total	$ 676	$ 30	$ 706

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 or funding 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 as of June 30, 2016, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / Infrastructure	$	$ 282
Buildings	194,440	31,121
Machinery and equipment	47	53,105
Other		10,025
Less: Accumulated depreciation	(33,372)	(43,673)
Total	$ 161,115	$ 50,860

Future minimum commitments under operating and capital leases by fund type as of June 30, 2016, were as follows (expressed in thousands):

	Capital leases	
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2017	$ 474	$ 10,092
2018	474	8,335
2019	464	7,049
2020	477	4,677
2021	478	3,562
2022-2026	40	9,301
2027-2031		5,946
2032-2036		6,764
Total minimum lease payments	2,407	55,726
Less: Interest	(205)	(8,924)
Present value of future minimum lease payments	$ 2,202	$ 46,802

Capital Leases with Component Unit	
	Governmental Activities
Year ending June 30:	
2017	$ 11,861
2018	11,704
2019	11,691
2020	11,485
2021	9,692
2022-2026	46,576
2027-2031	27,626
2032-2036	13,936
2037-2041	4,917
Total minimum lease payments	149,488
Less: Interest	(34,562)
Present value of future minimum lease payments	$ 114,926

Operating Leases		
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2017	$ 24,921	$ 11,739
2018	15,417	7,509
2019	9,184	4,120
2020	4,365	2,367
2021	6,560	1,798
2022-2026	10,929	3,154
2027-2031	1,573	464
2032-2036		402
Total minimum lease payments	$ 72,949	$ 31,553
Total rental expenditure/ expense (2016)	$ 33,475	$ 16,749

(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):

	2016	2015
Balance, beginning of year	$ 41,088	$ 22,394
Incurred claims		21,057
Payments	(1,321)	(2,363)
Adjustments*	(10,295)	
Balance, end of year	$ 29,472	$ 41,088
Current portion	$ 9,338	$ 2,718
Noncurrent portion	20,134	38,370
	$ 29,472	$ 41,088

* Adjustments were primarily due to a shift in liability away from the State to the Environmental Protection Agency and other third party entities for the Cedar Chemical remediation project.

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.

$12.2 million of the above-mentioned obligations are covered by the Hazardous Substance Remedial Action Trust Fund, which was established by A.C.A. § 19-5-930 pursuant to the Arkansas Remedial Action Trust Fund Act, (RATFA), Ark. Code Ann. § 8-7-501, which provides the State with the funds and authority to investigate, control, prevent, abate, treat or contain releases of hazardous substances for the protection of human health and the environment. 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 and cash equivalent balance of $8.1 million at June 30, 2016.

$17.3 million of the above-mentioned obligations are covered by the Landfill Post-Closure Trust Fund, which was established by A.C.A. § 19-5-979. Funding for Post-Closure Trust Fund is generated mostly by landfill disposal fees. The Fund had a cash and cash equivalent balance of $17.5 million at June 30, 2016.

(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 and contributors; laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; and (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, 2016, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 82	$ 11,174	$ 275,646
Debt service	86,384		
Loans receivable	176,345	38,642	1,851
Program requirements	343,191	372,997	
Lottery funds	31,238		
Tobacco settlement	105,000	76,146	
Transportation programs	765,502	477,235	
Disaster Assistance		2,648	
Other		510,773	60,007
Total	$ 1,507,742	$ 1,489,615	$ 337,504

The State's fund balance includes: (1) $343.2 million in federal program revenue, private grants and revenue restricted by enabling legislation for specific programs, of which 34.17% is held by the health and human services function of the State, 31.20% is held by the general government function of the State to be used for administrative costs that are federally funded and 18.17% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management; (2) $765.5 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of constitutional amendment 97; (3) $373.0 million in revenue committed by the Arkansas General Assembly through legislation for state programs (i.e. Health and Human Services (Medicaid), Oil and Gas Commission (maintenance, operation, and improvement), Arkansas Natural and Cultural Resources, Department Higher Education, Department Aeronautics and sustainable building design) as specified in the Arkansas Code; (4) $477.2 million in revenue provided to the State Highway and Transportation Department committed for maintenance, operation and improvement of state highways as specified in the Arkansas Code; and (5) $510.8 million in other consisting of various types of insurances (state employees' health insurance, Medicaid and property and causality insurance) as specified in the Arkansas Code.

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, 2016, the government-wide statement of net position reported $12.7 billion in restricted net position for governmental activities, of which $1.0 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $59.3 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 standards 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 $120.8 million deficit in net position as of June 30, 2016. 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 300.00% 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 $210 thousand for 2016. 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. Therefore, Act 5 of the Third Extraordinary Session of 2016, was passed. It provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under §11-9-502, the current tax rate of 3.00% will change to 1.50%.

14) Pensions

Defined Benefit Plans

Plan descriptions

The State provides pension benefits through the following plans:

- **Arkansas Public Employees Retirement System (APERS)**, a cost-sharing multiple-employer defined benefit pension plan, provides pension benefits to all state employees not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers and quasi-judicial members. APERS is administered by the Arkansas Public Employees Retirement System board of trustees.
- **Arkansas Teacher Retirement System (ATRS)**, a cost-sharing multiple-employer defined benefit pension plan, provides pension benefits to employees of schools and education-related agencies. Education-related agencies include the Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district and educational nonprofit organizations. ATRS is administered by the Arkansas Teacher Retirement System board of trustees.
- **Arkansas Judicial Retirement System (AJRS)**, a single-employer defined benefit pension plan administered by APERS, provides pension benefits to all Chancery, Circuit, and Court of Appeals Judges and Supreme Court Justices.

- **Arkansas State Police Retirement System (ASPRS)**, a single-employer defined benefit pension plan administered by APERS, provides pension benefits to all commissioned police officers of the Department of Arkansas State Police.
- **Arkansas State Highway Employees Retirement System (ASHERS)**, a single-employer defined benefit pension plan administered by a board of trustees, provides pension benefits to all employees of the Arkansas State Highway and Transportation Department.

Benefit provisions of each plan are established and amended by Arkansas Code Title 24.

Each plan issues a financial report, which may be obtained by contacting the appropriate plan:

System	Address	Phone	Website
ATRS	1400 West Third Street, Little Rock, AR 72201	(501) 682-1517	http://www.artrs.gov/publications
APERS AJRS ASPRS	124 West Capitol, Suite 400, Little Rock, AR 72201-3704	(501) 682-7800	http://www.apers.org/annualreports
ASHERS	10324 Interstate 30, Little Rock, AR 72209	(501) 569-2000	www.arklegaudit.gov

Benefits Provided

Each plan provides retirement, disability and death benefits, and annual adjustments to plan members and beneficiaries.

APERS

Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service, except for members of the General Assembly who must have 10 years of actual service if the member only has service as a member of the General Assembly; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years but less than 28 years of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings) and (2) the number of years of credited service.

Under Arkansas Code, the following groups or individuals are allowed credit for years of service on a basis greater than 1:1:

Public safety members	1.5 per year for individuals employed prior to July 1, 1997
Governor	3 per year if first elected to public office prior to July 1, 1999
Elected state constitutional officers	2.5 per year if first elected to public office prior to July 1, 1999
Elected officials under the state division	2 per year if first elected to public office prior to July 1, 1999
Local elected officials	2 per year

Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3.00%.

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by .42% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Final average salary is based on the highest three years of salary.

Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with ten years of actual service.

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3.00%.

AJRS

The AJRS plan determines benefits based on a member's classification as Tier One or Tier Two. Tier Two members are all judges or justices elected or appointed on or after July 30, 1999. Existing members prior to that date are in Tier One unless they elected coverage under Tier Two before the end of their current term.

Tier One members are eligible for full retirement benefits at any age with 20 years of credited service or at age 65 with 10 years of credited service. Individuals who became members after June 30, 1983, must also have at least eight years of actual service as a Supreme Court Justice or as a judge of the Circuit Courts or Court of Appeals. Tier One members are eligible for reduced benefits at any age if a member before July 1, 1983, and having at least 18, but less than 20, years of service, or are between the ages of 62 and 65 with 14 years of credited service. The normal retirement benefit is paid monthly and is 60.00% of the annual salary payable to the last judicial office held. For any judge or justice who was a member before July 1, 1983, the retirement benefits are increased or decreased as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected on or after July 1, 1983, the recalculated amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3.00%.

Tier Two members are eligible for full retirement benefits at any age with 20 years of actual service or at age 65 with eight years of actual service. Members are eligible for reduced benefits if between the ages of 62 and 65 and have eight years of actual service. The normal retirement benefit is 3.20% of the salary of the last judicial office held multiplied by the number of years of actual service but cannot exceed 80.00% of the salary of the last judicial office held. The benefit is paid monthly. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The recalculated amount is the benefit payable as of the immediately preceding July 1, increased by 3.00%.

The AJRS also provides disability and survivor benefits under Tier One and Tier Two.

ASPRS

Contributory members are eligible for full retirement benefits at any age with 30 years of credited service or at age 50 with five years of actual service. Contributory members are eligible for reduced benefits at any age after 20 years of credited service.

Noncontributory members are eligible for full retirement benefits at any age with 30 years of actual service, at age 52 with five years of actual service for Tier One, or at age 65 with five years of actual service for Tier Two. For Tier One, the age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. The age requirement for Tier Two is reduced by 75.00% of a month for each actual month of service but not below age 55. Noncontributory members are eligible for a reduced benefit after five years of actual service once the covered employee is within ten years of becoming eligible for full benefits. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment for Tier One noncontributory members.

The normal retirement benefit is paid monthly and is determined based on the member's final average compensation and the number of years and months of credited service. Final average compensation is (1) the average of salary paid in the three years immediately preceding termination for the contributory plan, (2) an average of the highest 60 calendar months' salary for Tier One, or (3) the highest 48 calendar months' salary for Tier Two, and the number of years and months of credited service.

Retiree benefit increases are calculated each year on July 1 for the following 12 months. The recalculated amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3.00%.

The ASPRS also provides disability and survivor benefits.

ASHERS

Members are eligible for full retirement benefits as follows:

- Age 65 with five or more years of service
- Age 62 with 15 or more years of service
- Age 60 with 20 years of service
- Any age with 28 or more years of service

A member may retire with a reduced benefit at age 55 with ten years of service.

The retirement benefit is paid monthly and is determined based on the member's average salary and the number of years and months of credited service. Average salary is the average of the highest 36 consecutive months' salary. Retiree benefits are calculated each year on July 1 for the following 12 months. The benefit is recalculated based on the benefit determined as of the immediately preceding July 1, increased by 3.00%.

The ASHERS also provides disability and survivor benefits.

Employees Covered by Benefit Terms

At June 30 for the fiscal years indicated (as determined by actuarial valuation dates), the following employees were covered by each single-employer defined benefit pension plan.

	AJRS (2016)	ASPRS (2016)	ASHERS (2015)
Inactive employees or beneficiaries currently receiving benefits	138	692	3,244
Inactive employees entitled to but not yet receiving benefits	4	76	217
Active employees	139	496	3,671
Total	281	1,264	7,132

Contributions

Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution rates for the various plans are as follows:

APERS

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2015, the employer contribution rates, as a percentage of active member payroll, ranged from 4.00% to 26.76%. Contributions to APERS from the State were $174.5 million for the year ended June 30, 2016.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

ATRS

The funding policy of ATRS provides for periodic employer contributions at statutorily established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2015, the employer contribution rate was 14.00% of covered employee payroll. Contributions to ATRS from the State were $16.3 million for the year ended June 30, 2016.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 6.00% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as contributory members. Noncontributory members may make an irrevocable election to become contributory on July 1 of each fiscal year.

During a member's participation in the ATRS teacher deferred retirement option plan (T-DROP), the employer continues to make contributions on behalf of all members participating in T-DROP at rates established by the Board of Trustees.

AJRS

Employer contributions are 12.00% of active member payroll. In addition, the State makes an annual transfer to the plan based on the dollar amount of actuarially determined employer contribution determined in the most recent actuarial valuation less the employer statutory contribution amount, reduced by court cost revenue received. The State's supplemental contribution for fiscal year 2016 was $2.3 million.

Employee contribution rates are 6.00% of the annual salary for Tier One contributory members and 5.00% of the annual salary for Tier Two contributory members. A Tier One member no longer has to contribute when a judge is certified eligible for retirement. A Tier Two member no longer has to contribute when the member has sufficient service to receive the maximum benefit permitted by plan provisions.

ASPRS

Employer contributions are 22.00% of active member payroll. In addition, the State makes an annual transfer to the plan based on the actuarially determined employer rate in the most recent annual actuarial valuation less the employer statutory contribution, reduced by driver's license reinstatement fees received. The State's supplemental contribution for fiscal year 2016 was $6.2 million.

For any members still employed and covered by the Tier One contributory plan, the employee contribution rate is 9.25% of the member's salary.

During a member's participation in the deferred retirement option plan (DROP), employer contributions continue. For Tier One members, employee contributions cease upon entrance into the DROP.

ASHERS

The funding policy for ASHERS provides for periodic employer contributions at statutorily established rates with a fundamental financial objective of having contribution rates that remain relatively level from generation to generation of Arkansas citizens. To test the adequacy of the statutory rates and assess the extent to which the fundamental financial objective is being achieved, ASHERS has actuarial valuations prepared annually.

The statutory employer contribution rate is 12.90% of the pay of each covered employee not in the deferred retirement option program (DROP). Employer contributions are not made on the pay of employees in Tier I DROP. Employer contributions are 6.90% on the pay of employees in Tier II DROP.

Covered employees not in Tier I DROP are required to contribute 6.00% of their compensation.

Net Pension Liability

At June 30, 2016, the State reported the following liabilities and assets for the various plans (expressed in thousands):

	Measurement Date	Net Pension Liability
APERS	June 30, 2015	$ 1,238,862
ATRS	June 30, 2015	134,997
AJRS	June 30, 2016	44,737
ASPRS	June 30, 2016	140,963
ASHERS	June 30, 2015	185,800
Total		$ 1,745,359

The net pension liability was measured as of the date stated and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For APERS and ATRS, the State's proportion of the net pension liability was based on actual contributions in the 2015 fiscal year of all participating employers. At June 30, 2015, the State's proportion was 67.27% for APERS and 4.14% for ATRS, a decrease of 0.37% and 0.15%, respectively.

Actuarial assumptions

The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement:

	APERS	ATRS	AJRS	ASPRS	ASHERS
Actuarial valuation date	June 30, 2015	June 30, 2015	June 30, 2016	June 30, 2016	June 30, 2015
Inflation rate	3.25% wages, 2.50% prices	2.75%	2.50%	2.50%	2.50%
Salary increases (1)	3.25% to 9.85%	3.25%	3.25%	3.25% to 10.25%	3.50% to 10.50%
Investment rate of return (1)	7.50%	8.00%	6.25%	7.50%	8.00%
Mortality rates	RP-2000 Combined Healthy Mortality Tables, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females	RP-2000 Mortality Table for Males and Females projected 25 years with Scale AA (95% for men and 87% for women)	RP-2000 Mortality Tables projected to 2020 using projection scale BB	RP-2000 Combined Healthy Mortality Table, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females, with an approximate 14% margin for future mortality improvement	Male: RP-2000 Combined Healthy for males with blue collar adjustments, scaled at 105% with no setback. Female: RP-2000 Combined Healthy for females with blue collar adjustments, scaled at 100% with no setback.
Actuarial experience study dates	July 1, 2007 - June 30, 2012	July 1, 2005 - June 30, 2010	July 1, 2006 - June 30, 2011	July 1, 2006 - June 30, 2012	July 1, 2008 - June 30, 2014, updated for the 2015 valuation

(1) Includes assumed inflation

Investment Rate of Return

The investment rate of return was developed for each plan as follows:

APERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016 to 2025 were provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	42.00%	6.82%
International equity	25.00%	6.88%
Real assets	12.00%	3.07%
Absolute return	5.00%	3.35%
Domestic fixed	16.00%	0.83%
Total	100.00%	

ATRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	50.00%	4.60%
Fixed income	20.00%	0.90%
Alternatives	5.00%	4.40%
Real assets	15.00%	4.30%
Private equity	10.00%	6.50%
Cash equivalents	0.00%	0.10%
Total	100.00%	

AJRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016 to 2025 were based on capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.54%
International equity	15.00%	6.63%
Real estate	8.00%	4.90%
Domestic fixed	40.00%	0.83%
Cash equivalents	0.00%	0.02%
Total	100.00%	

ASPRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2016 to 2025 were based on capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	38.00%	6.82%
International equity	24.00%	6.88%
Real assets	16.00%	3.07%
Absolute return	5.00%	3.35%
Domestic fixed	17.00%	0.83%
Total	100.00%	

ASHERS

The plan operates with an asset allocation of 20.00% to 75.00% equity and 20.00% to 75.00% fixed income. Because the asset classes are not set in a specific target range, the actuary used the expected return rate of 8.00%.

Discount rate

The discount rate for each plan was determined as follows:

APERS

A single discount rate of 7.50% was used to measure the total pension liabilities. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the APERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ATRS

A single discount rate of 8.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14.00% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

AJRS

A single discount rate of 6.25% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 6.25%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ASPRS

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ASHERS

A single discount rate of 8.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels and remain constant as a percentage of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

The following tables provide the changes in net pension liability for each single-employer defined benefit pension plan:

ASPRS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2015	$ 403,202,550	$ 279,657,570	$ 123,544,980
Changes for the year:			
Service cost	5,488,445		5,488,445
Interest	29,469,678		29,469,678
Differences between expected and actual experience	1,757,687		1,757,687
Changes in assumptions			
Contributions – employer		19,713,295	(19,713,295)
Contributions – employee			
Net investment income		(210,045)	210,045
Benefit payments, including refunds of employee contributions	(26,035,466)	(26,035,466)	
Administrative expense		(205,342)	205,342
Other changes			
Net changes	10,680,344	(6,737,558)	17,417,902
Balances, June 30, 2016	$ 413,882,894	$ 272,920,012	$ 140,962,882

AJRS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2015	$ 254,713,985	$ 223,123,751	$ 31,590,234
Changes for the year:			
Service cost	7,230,267		7,230,267
Interest	15,770,309		15,770,309
Differences between expected and actual experience	(5,184,045)		(5,184,045)
Changes in assumptions			
Contributions – employer		5,561,289	(5,561,289)
Contributions – employee		1,011,372	(1,011,372)
Net investment income		(1,744,085)	1,744,085
Benefit payments, including refunds of employee contributions	(12,008,338)	(12,008,338)	
Administrative expense		(158,420)	158,420
Net changes	5,808,193	(7,338,182)	13,146,375
Balances, June 30, 2016	$ 260,522,178	$ 215,785,569	$ 44,736,609

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ASHERS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2014	$ 1,484,936,058	$ 1,492,232,422	$ (7,296,364)
Changes for the year:			
Service cost	18,412,588		18,412,588
Interest	115,441,556		115,441,556
Changes in assumptions	91,940,822		91,940,822
Contributions – employer		19,059,012	(19,059,012)
Contributions – employee		9,138,451	(9,138,451)
Differences between expected and actual experience	20,790,869		20,790,869
Net investment income		25,383,756	(25,383,756)
Benefit payments, including refunds of employee contributions	(102,245,806)	(102,245,806)	
Administrative expense		(91,542)	91,542
Net changes	144,340,029	(48,756,129)	193,096,158
Balances, June 30, 2015	$ 1,629,276,087	$ 1,443,476,293	$ 185,799,794

Sensitivity of the Net Pension Liability to Changes in the Discount Rate

The following presents the State's net pension liability for each plan (proportionate share for the cost-sharing plans) calculated using the discount rate stated, as well as what the State's net pension liability (proportionate share for the cost-sharing plans) would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate (expressed in thousands):

	1% Lower Than Current Discount Rate		Current Discount Rate		1% Higher Than Current Discount Rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
APERS	6.50%	$ 2,040,724	7.50%	$ 1,238,862	8.50%	$ 571,993
ATRS	7.00%	224,199	8.00%	134,997	9.00%	60,223
AJRS	5.25%	74,618	6.25%	44,737	7.25%	19,369
ASPRS	6.50%	188,282	7.50%	140,963	8.50%	101,272
ASHERS	7.00%	362,768	8.00%	185,800	9.00%	37,782

Pension Plan Fiduciary Net Position

Detailed information about the fiduciary net position of each pension plan is available in the separately issued financial report of each plan.

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2016, the State recognized pension expense of $162.3 million and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 27,613	$ 89,521
Changes of assumptions	270,952	
Net differences between projected and actual earnings on pension plan investments	41,670	84,311
Changes in proportion and differences between State contributions and proportionate share of contribution	12,749	22,629
State contributions subsequent to the measurement date	208,760	
Total	$ 561,744	$ 196,461

$208.8 million reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Year ended June 30:	Total
2017	$ 25,573
2018	20,313
2019	4,038
2020	106,639
2021	(40)

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 ACA § 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, Voya Institutional Trust Company (VITC) of New York, NY, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is also administered by VITC, 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 State's financial statements. According to the custodian, plan assets totaled $650.7 million at June 30, 2016.

Higher Education

All active higher education employees who work 20 or more hours per week have the option of participating in APERS, ATRS, 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 5.00% to 14.00% 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 2016, total employer contributions to VALIC, TIAA-CREF and Fidelity were $121.1 million, while contributions to other plans were $1.3 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $121.8 million, while contributions to other plans were $940 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 QualChoice) 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 drug 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: 678 active employees and 463 retirees and beneficiaries
- AEP: 31,964 active employees, 8,389 terminated employees with accumulated benefits and 14,931 retirees and beneficiaries

(b) Funding Policies, Annual OPEB Cost and Net OPEB Obligation

For both plans, the monthly 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 2016, the State contributed $4.8 million to ASP and $50.0 million to AEP. Plan members receiving benefits contributed $1.4 million to ASP and $40.4 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree only	$ 285	$ 266
Retiree & spouse	469	682
Medicare eligible		
Retiree only	$ 142	$ 167
Retiree & spouse	287	400

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, 2016 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	22.90%	45.00%
Annual required contribution (ARC)	$ 11,016	$ 180,017
Interest on net OPEB obligation	1,102	41,580
Adjustment to ARC	(1,653)	(60,114)
Annual OPEB cost	10,465	161,483
Contribution made	(4,849)	(50,000)
Increase in net OPEB obligation	5,616	111,483
Additional obligation NPCC (1)		928
Net OPEB obligation - beginning of year	27,542	1,039,499
Net OPEB obligation - end of year	$ 33,158	$ 1,151,910

(1) National Park College (NPCC) is withdrawing from the AEP plan no later than June 30, 2019. A seperate actuarial study was done for NPCC to determine their remaining obligation under the AEP plan.

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	2014	$ 8,776	29.9%	$ 21,735
	2015	9,019	35.6%	27,542
	2016	10,465	46.3%	33,158
AEP	2014	$ 206,762	27.0%	$ 932,687
	2015	151,729	30.4%	1,039,499
	2016	161,483	31.0%	1,151,910

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2016, was as follows (expressed in thousands):

	ASP	AEP
Actuarial accrued liability	$ 119,384	$ 2,040,881
Actuarial value of plan assets		
Unfunded actuarial accrued liability (funding excess)	$ 119,384	$ 2,040,881
Funded ratio	0.00%	0.00%
Covered payroll	$ 44,477	$ 1,385,196
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	268.42%	147.34%

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 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 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, 2015	July 1, 2016
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar closed	Level dollar open
Remaining amortization period	28 years	30 years
Asset valuation method	N/A	Market value
Actuarial assumptions:		
Discount rate	4.00%	3.20%
Projected salary increases	N/A	N/A
Healthcare inflation rate	8.00% initial	Initial: 7.00% pre-Medicare 8.50% post-Medicare
	5.00% ultimate	3.25% ultimate
Inflation rate	N/A	N/A

(e) Reconciliation of Net OPEB Liability to Amounts Recorded on the Financial Statements (expressed in thousands):

Governmental	$	1,161,554
Business-type		107,066
Component units		2,212
Pensions		5,944
Total net OPEB obligation	$	1,276,776

Business-Type Activities

Higher Education

(a) Plan Descriptions

The State contributed to these single-employer defined benefit healthcare plans administered by the respective higher education institution except as noted:

- Arkansas State University Self Insured Retiree Medical Plan (ASU)
- Arkansas Tech University Retiree Medical and Life Insurance Plan (ATU)
- Henderson State University Postemployment Benefit Plan (HSU) (administered by Health Advantage and MetLife)
- Northwest Arkansas Community College Healthcare Plan (NWACC) (administered by Arkansas Blue Cross and Blue Shield)
- Southern Arkansas University – Technical Campus Early Retirement Program (SAUT) (administered by Health Advantage)
- Southern Arkansas University Group Health Plan (SAU) (administered by Blue Advantage)
- University of Arkansas System Self-Funded Plan (U of A) (administered by UMR)
  Note: This plan was identified as UAS1, UAFS, and UACCH in prior fiscal years.
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 24,523 active employees and 2,485 retirees.

The State contributed to the following defined postemployment benefit plans which are affiliated with and administered by the Arkansas Higher Education Consortium (AHEC), an agent multi-employer defined benefit healthcare plan:

- Arkansas Northeastern College Retirement Option (ANC)
- Black River Technical College Health Insurance Plan (BRTC)
- East Arkansas Community College Postemployment Benefit Plan (EACC)
- National Park Community College Other Postemployment Benefits Policy (NPCC)
- North Arkansas College Continued Health/Dental Insurance (NAC)
- Ozarka College Early Retirement Incentive Program (OC)
- Pulaski Technical College Postemployment Healthcare (PTC)
- Rich Mountain Community College Retirement Program (RMCC)
- South Arkansas Community College Postemployment Benefits (SACC)

Participants in these plans included 1,479 active employees and 146 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 $1,497 per month.

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 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
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2016 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	9.00%	50.00%	50.00%	0.00%
Annual required contribution (ARC)	$ 62	$ 2,169	$ 1,376	$ 132
Interest on net OPEB obligation	5	338	200	20
Adjustment to ARC	(6)	(575)	(289)	(27)
Annual OPEB cost	61	1,932	1,287	125
Contribution made	(92)	(583)	(567)	(28)
Increase (decrease) in net OPEB obligation	(31)	1,349	720	97
Net OPEB obligation - beginning of year	95	11,262	4,999 (1)	430 (1)
Net OPEB obligation - end of year	$ 64	$ 12,611	$ 5,719	$ 527

	EACC	HSU	MSCC	NAC
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2016 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	0.00% to 75.00%	0.00%	0.00%	100.00%
Annual required contribution (ARC)	$ 47	$ 297	$ 76	$ 20
Interest on net OPEB obligation	10	52	23	6
Adjustment to ARC	(13)	(88)	(31)	(8)
Annual OPEB cost	44	261	68	18
Contribution made	(22)	(138)	(15)	(6)
Increase (decrease) in net OPEB obligation	22	123	53	12
Net OPEB obligation - beginning of year	222 (1)	1,717	482 (1)	138 (1)
Net OPEB obligation - end of year	$ 244	$ 1,840	$ 535	$ 150

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	NPCC	NWACC	OC	PTC
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2016 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	0.00% to 100.00%	100.00%	13.00% to 100.00%	0.00% to 100.00%
Annual required contribution (ARC)	$ 65	$ 57	$ 55	$ 264
Interest on net OPEB obligation	18	17	12	41
Adjustment to ARC	(24)	(23)	(14)	(41)
Annual OPEB cost	59	51	53	264
Contribution made	(7)	(1)		(59)
Increase (decrease) in net OPEB obligation	52	50	53	205
Net OPEB obligation - beginning of year	396 (1)	379 (1)	245	1,107 (1)
Net OPEB obligation - end of year	$ 448	$ 429	$ 298	$ 1,312

	RMCC	SACC	SAUT	SAU
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2016 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	10.00% to 20.00%	0.00% to 75.00%	1.19% to 4.75%	0.00% to 100.00%
Annual required contribution (ARC)	$ 105	$ 47	$ 115	$ 114
Interest on net OPEB obligation	22	7	28	52
Adjustment to ARC	(27)	(10)	(38)	(87)
Annual OPEB cost	100	44	105	79
Contribution made	(27)	(8)	(36)	(63)
Increase (decrease) in net OPEB obligation	73	36	69	16
Net OPEB obligation - beginning of year	476	184	603 (1)	1,750
Net OPEB obligation - end of year	$ 549	$ 220	$ 672	$ 1,766

	U of A	UCA
Number of participating employers/contributing entities	13	1
Contribution rates for the fiscal year ended June 30, 2016 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	100.00%	0.00%
Annual required contribution (ARC)	$ 8,648	$ 326
Interest on net OPEB obligation	2,521	40
Adjustment to ARC	(2,090)	(68)
Annual OPEB cost	9,079	298
Contribution made	(2,324)	(88)
Increase (decrease) in net OPEB obligation	6,755	210
Net OPEB obligation - beginning of year	56,025 (1)	1,334 (1)
Net OPEB obligation - end of year	$ 62,780	$ 1,544

(1) Beginning balance restated to actuarial calculation

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	2014	$ 50		142%	$ 97
	2015	55		104%	95
	2016	61		151%	64
ASU	2014	2,088		10%	9,367
	2015	2,140		11%	11,262
	2016	1,932		30%	12,611
ATU	2014	1,120		41%	4,402
	2015	1,261		41%	5,151
	2016	1,287		44%	5,719
BRTC	2014	127		49%	377
	2015	141		52%	446
	2016	125		22%	527
EACC	2014	55		44%	190
	2015	57		42%	223
	2016	44		50%	244
HSU	2014	308		30%	1,520
	2015	312		37%	1,717
	2016	261		53%	1,840
MSCC	2014	71		7%	413
	2015	72		0%	485
	2016	68		22%	535
NAC	2014	27		37%	123
	2015	28		96%	124
	2016	18		33%	150
NPCC	2014	49		16%	355
	2015	50		14%	398
	2016	59		12%	448
NWACC	2014	53		4%	328
	2015	53	(2)	6%	379
	2016	51		2%	429
OC	2014	53		25%	195
	2015	53		8%	245
	2016	53		0%	298
PTC	2014	174		10%	978
	2015	176		26%	1,109
	2016	264		22%	1,312

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Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
RMCC	2014	$ 99	20%	$ 427
	2015	101	47%	476
	2016	100	27%	549
SACC	2014	45	73%	148
	2015	45	20%	184
	2016	44	18%	220
SAUT	2014	108	9%	522
	2015	121	21% (2)	617
	2016	105	34%	672
SAU	2014	90	179%	1,804
	2015	85	164%	1,750
	2016	79	80%	1,766
U of A (1)	2014	5,694	27%	49,993
	2015	8,203	26%	56,030
	2016	9,079	26%	62,780
UCA	2014	293	34%	1,139
	2015	291	35%	1,328
	2016	298	30%	1,544

(1) UAFS and UACCH moved into the U of A system in fiscal year 2016. Prior year balance restated.
(2) Restated to match actuary

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2016, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 604	$ 16,604	$ 10,959	$ 819	$ 370
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 604	$ 16,604	$ 10,959	$ 819	$ 370
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 6,264	$ 105,417	$ 42,363	$ 7,284	$ 5,424
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	9.64%	15.75%	25.87%	11.24%	6.82%

	HSU	MSCC	NAC	NPCC	NWACC
Actuarial accrued liability	$ 2,763	$ 390	$ 133	$ 371	$ 314
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 2,763	$ 390	$ 133	$ 371	$ 314
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 24,466	$ 6,393	$ 7,326	$ 10,769	$ 25,682
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	11.29%	6.10%	1.82%	3.45%	1.22%

	OC	PTC	RMCC	SACC	SAUT
Actuarial accrued liability	$ 336	$ 1,759	$ 688	$ 291	$ 688
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 336	$ 1,759	$ 688	$ 291	$ 688
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 4,778	$ 18,055	$ 3,934	$ 8,154	$ 7,095
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	7.03%	9.74%	17.49%	3.57%	9.70%

	SAU	U of A	UCA
Actuarial accrued liability	$ 2,250	$ 82,402	$ 2,798
Actuarial value of plan assets			
Unfunded actuarial accrued liability (funding excess)	$ 2,250	$ 82,402	$ 2,798
Funded ratio	0.00%	0.00%	0.00%
Covered payroll	$ 18,258	$ 1,167,667	$ 74,349
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	12.32%	7.06%	3.76%

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 ARC 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:

	BRTC, MSCC, OC, RMCC, SAUT	EACC, NAC, NPCC, NWACC	HSU, UCA	ANC
Actuarial valuation date	July 1, 2013	July 1, 2015	July 1, 2015	July 1, 2015
Actuarial cost method	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
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount rate	4.75%	4.50%	3.00%	4.75%
Projected salary increases	N/A	N/A	N/A	N/A
Healthcare inflation rate	10.00% initial 5.00% ultimate	10.00% initial 5.00% ultimate	(1) (1)	10.00% initial 5.00% ultimate
Inflation Rate	N/A	N/A	2.50%	N/A

	ASU	ATU	PTC	SACC	SAU	U of A
Actuarial valuation date	June 30, 2016	July 1, 2015	July 1, 2015	July 1, 2015	July 1, 2013	July 1, 2015
Actuarial cost method	Projected unit credit	Projected unit credit with linear proration to decrement	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, Open	Level dollar, Open	Level percentage of payroll, Open	Level dollar, Open	Level dollar, 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	3.00%	4.00%	3.75%	4.00%	3.00%	4.50%
Projected salary increases	1.00% until 2018 2.50% after 2018	N/A	3.00%	N/A	N/A	4.00%
Healthcare inflation rate	7.50% initial 5.00% ultimate	8.00% initial 5.00% ultimate	5.60% initial 4.50% ultimate	10.00% initial 5.00% ultimate	7.00% initial 4.00% ultimate	7.00% initial 4.50% ultimate
Inflation Rate	2.50%	3.00%	N/A	N/A	2.50%	2.20%

(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.

The Safe Drinking Water Revolving Loan Fund Program was created pursuant to the 2002 Amendments (P.L. 107-377) to the “Safe Drinking Water Act” to provide a perpetual fund for financing the construction of water treatment facilities for municipalities and other public entities.

Condensed Statement of Net Position (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Assets		
Current assets	$ 128,846	$ 46,872
Noncurrent assets	268,232	207,374
Total assets	397,078	254,246
Liabilities		
Current liabilities	$ 2,710	$ 2,429
Noncurrent liabilities	28,140	21,184
Total liabilities	30,850	23,613
Net position		
Restricted	366,228	230,633
Total net position	366,228	230,633
Total liabilities and net position	$ 397,078	$ 254,246

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

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Operating revenue/expenses:		
Licenses, permits and fees	$ 2,291	$ 1,732
Other operating expense	(1,090)	(8,551)
Operating income (loss)	1,201	(6,819)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	4,687	3,772
Grants and contributions	12,852	12,399
Amortization of bond discounts and premiums	(1,005)	(688)
Change in net position	17,735	8,664
Total net position, beginning of year	348,493	221,969
Total net position, end of year	$ 366,228	$ 230,633

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Net cash provided (used) by:		
Operating activities	$ 2,067	$ 1,550
Noncapital financing activities	3,012	5,928
Investing activities	(47,273)	(11,649)
Net decrease	(42,194)	(4,171)
Cash and cash equivalents, beginning	101,162	20,159
Cash and cash equivalents, end	$ 58,968	$ 15,988

(17) Risk Management Programs

The following describes the risk management programs administered by the State.

(a) Health and Life Plans

Primary Government

State Employee Health and Life Benefit Plan

As required by Arkansas Code Annotated § 21-5-405, the State and Public School Life and Health Insurance Board (the Board) and the Executive Director of Employee Benefits Division (EBD) of the Department of Finance and Administration take a risk management approach in designing the State employee benefit programs. In addition, the Board ensures that the state employee health benefit programs are maintained on an actuarially sound basis as determined by actuarial standards established by the Board. Not included in this service are most higher education, state police, and some portion of the State's vocational and technical schools.

The Board provides the following employee benefits to State employees: a self-funded comprehensive major medical plan that includes prescription drug benefits, a health savings account, a fully-funded mental health parity and employee assistance program, and a fully-funded basic and supplemental group term life insurance. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent 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 is offered to all state employees. Basic life insurance is provided to all full-time active state employees and is paid from the insurance trust fund. Costs are based on a set rate without regard to the age of the employee. 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 adjustment expenses for the current and prior fiscal year (expressed in thousands) are as follows:

	2016	2015
Claim liability, beginning of year	$ 26,500	$ 26,500
Incurred claims:		
Provision for insured events of current year	266,040	239,062
Total incurred claims and claim adjustment expense	266,040	239,062
Payments:		
Claims payments attributed to insured events of current year	233,687	221,523
Claims payments attributed to insured events of prior years	29,153	17,539
Total payments	262,840	239,062
Claim liability, end of year	$ 29,700	$ 26,500

Arkansas State Police Health Insurance Plan

Pursuant to Arkansas Code Annotated § 12-8-210, the Arkansas State Police offers healthcare 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. Healthcare 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, $12 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, 2015, is $862 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 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, 2016, are as follows (expressed in thousands):

	2016	2015
Claim liability, beginning of year	$ 849	$ 1,408
Incurred claims:		
Provision for insured events of current year	14,092	13,838
Increase (decrease) in provision for insured events of prior years	(32)	(756)
Total incurred claims and claim adjustment expense	14,060	13,082
Payments:		
Claims payments attributed to insured events of current year	13,017	12,989
Claims payments attributed to insured evens of prior years	818	652
Total payments	13,835	13,641
Claim liability, end of year	$ 1,074	$ 849

Business-Type Activities

Higher Education Health Plans

The Board of Trustees of the University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. All UA System campuses participate in the health plan. All campuses, except CCCUA, PCCUA, and UACCH, participate in the dental plan. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation. All ASU campuses, other than Mid-South, participate in the health insurance programs, which are administered by BlueAdvantage administrators.

The universities pay a portion of the total premium for full-time active employees. Retirees and former employees participate on a fully contributory basis at the UA System, while ASU pays 50% of coverage for retirees and their spouses who are not Medicare eligible

Changes in the balance of the UA System and ASU claim liability during the current fiscal year are as follows (expressed in thousands):

	2016	2015
Claim liability, beginning of year	$ 21,726	$ 15,516
Incurred Claims:		
Provision for insured events of current year	161,328	165,198
Increase (decrease) in provision for insured events of prior years	(5,711)	3,534
Total incurred claims and claim adjustment expense	155,617	168,732
Payments:		
Claims payments attributed to insured events of current year	142,059	143,472
Claims payments attributed to insured events of prior years	16,005	19,050
Total Payments	158,064	162,522
Claim liability, end of year	$ 19,279	$ 21,726

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 $1.1 million and $275 thousand for the UA System and ASU, respectively.

The plans have not purchased any annuity contracts on behalf of claimants.

Public School Employee Health and Life Benefit Plan

The State sponsors an insurance plan for participating public school employees. Public school employees are offered a self-funded comprehensive major medical plan that includes prescription drug benefits, a health savings account, a fully funded mental health parity benefit and employee assistance program, and a fully funded basic and supplemental group term life insurance program. Each school district obtains its own cafeteria plan and any other benefits that are offered to public school employees by their school districts.

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured and the life component remained fully insured. The pharmacy plan has been self-insured since the inception of the plan. While the health plan was fully insured, most plan participants' premiums for health, life and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and the Department of Finance and Administration – Employee Benefits Division, respectively. Premiums for certain retirees and COBRA participants were collected by the Department of Finance and Administration – Employee Benefits Division, and the health and life components were paid to the health and life insurance companies, respectively. Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board, and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts with school district match being at least $153 per employee. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the State Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Arkansas Code §6-17-1117 so that the contribution rate increases annually by the same percentage that the legislature increases the salary and benefit component of the per-student foundation funding amount under Arkansas Code §6-20-2305. 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:

	2016	2015
Claim liability, beginning of year	$ 29,400	$ 29,400
Incurred claims:		
Provision for insured events of current year	253,985	234,202
Total incurred claims and claim adjustment expense	253,985	234,202
Payments:		
Claims payments attributed to insured events of current year	223,095	212,567
Claims payments attributed to insured events of prior years	29,190	21,635
Total payments	252,285	234,202
Claim liability, end of year	$ 31,100	$ 29,400

(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 a $2.5 million deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), Act 1762 of 2003, and varying deductible amounts up to $100 thousand dollars per occurrence for the state agency involved. The total annual payout by AMAIT is capped at $2.5 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 the General Fund when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30.0 million in a high hazard zone with a $1.0 million deductible to $100.0 million in Zone X with a $100 thousand dollar deductible. Both earthquake and flood coverage limits are annual total maximum coverage for the State.

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 thousand. Also, such commercial insurance generally provides coverage against liability losses up to $250 thousand per occurrence in state and $5.0 million per occurrence out of state. Eight higher education institutions and three state agencies have elected to purchase $1.0 million liability coverage in state. Four higher education institutions and four state agencies purchased $500 thousand limits 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, 2016, is $68 thousand. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

(d) Public Employee Claims Division of the Arkansas Insurance Department

The State's Workers' Compensation Program (the Program) was created by state law to provide benefits to state employees injured on the job. All employees of the State and its component units are included in the Program. Prior to July 1, 1994, employees of State-sponsored school districts were also included in the plan, and the State continues to pay benefits to those employees injured prior to that date. Prior to July 1, 1986, employees of the counties and cities were included in the plan, and the State continues to pay benefits to those employees injured prior to that date. An injury is covered under workers' compensation if it is caused by an accident that arose out of and in the course of employment. Losses payable by the Program include medical claims, loss of wages, disability and death benefits.

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each state agency is responsible for contributing to the Program each year an amount determined by the division on past claims experience.

Changes in the balance of the State's workers' compensation claim liability during the current fiscal year are as follows (expressed in thousands):

	2016	2015
Claim liability, beginning of year	$ 76,961	$ 74,450
Incurred claims:		
Provision for insured events of current year	16,192	15,879
Increase (decrease) in provision for insured events of prior years	(1,046)	1,456
Total incurred claims and claim adjustment expense	15,146	17,335
Payments:		
Claims payments attributed to insured events of current year	4,620	4,412
Claims payments attributed to insured events of prior years	8,622	10,412
Total payments	13,242	14,824
Claim liability, end of year	$ 78,865	$ 76,961

(e) Special Funds Division of the Arkansas Workers' Compensation Commission

The State provides two forms of loss protection to employers and insurance companies operating in the State to minimize workers' compensation claims paid for wage losses. The first such plan was created by State law and is known as the Death & Permanent Total Disability Trust Fund (Disability Trust Fund). The second such plan was created by State law and is known as the Second Injury Trust Fund.

Death and Permanent Total Disability Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Generally, employers are liable for medical services and supplies for injured employees. Arkansas Code Annotated § 11-9-502 provides for the first $75 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 $210 thousand for 2016. Accordingly, the Disability Trust Fund was established. 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 3.00% 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 5 of the Third Extraordinary Session of 2016, provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under §11-9-502, the current maximum tax rate of 3.00% will change to 1.50%.

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):

	2016	**2015**
Claim liability, beginning of year	$ 242,541	$ 249,200
Incurred claims:		
Provision for insured events of current year	6,865	6,707
Increase (decrease) in provision for insured events of prior years	(8,281)	(10,430)
Increase due to decrease in discount period	11,763	12,084
Total incurred claims and claim adjustment expense	10,347	8,361
Payments:		
Claims payments attributed to insured events of prior years	14,555	15,020
Total payments	14,555	15,020
Claim liability, end of year	$ 238,333	$ 242,541

Total unpaid claims and claim adjustment expenses at the beginning of year does reflect the impact of Act 327 of 2009. Act 327, which became law in 2009, 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 3.00% 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):

	2016	2015
Claim liability, beginning of year	$ 28	$ 56
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	303	52
Increase due to decrease in discount period	1	1
Total incurred claims and claim adjustments expense	304	53
Payments:		
Claims payments attributed to insured events of prior years	25	81
Total payments	25	81
Claim liability, end of year	$ 307	$ 28

Total unpaid claims and claim adjustment expenses at the beginning of year does reflect the impact of Act 327 of 2009. Act 327, which became law in 2009, 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 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, collected at the wholesale level, of three-tenths of a cent for each gallon of fuel. 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 for a release is estimated at one half the plan limits (less the $7.5 thousand deductible) once a third-party claim is 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):

	2016	2015
Claim liability, beginning of year	$ 11,605	$ 12,205
Incurred claims:		
Provision for insured events of current year	5,663	5,534
Total incurred claims and claim adjustment expense	5,663	5,534
Payments:		
Claims payments attributed to insured events of current year	6,280	6,134
Total payments	6,280	6,134
Claim liability, end of year	$ 10,988	$ 11,605

(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 $1.2 million for the payment 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 $4.9 million.

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

	2016	2015
Litigation, beginning of year	$ 1,012	$ 1,316
Incurred litigation	1,403	2,836
Litigation payments/dismissals	(1,189)	(3,140)
Litigation, end of year	$ 1,226	$ 1,012

(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, 2016, the amount of expenditures which may be disallowed by the grantor cannot be determined, although the State expects such amounts, if any, to be immaterial.

(c) Loan Forgiveness

In compliance with terms of the Little Rock School District desegregation case settlement agreement of 1989, the State loaned $20.0 million to the Little Rock School District (LRSD) between the dates of July 1, 1989, and July 1, 1999. On March 19, 2001, the State and the LRSD executed an agreement in which $15.0 million of the loans made to the district was immediately forgiven and the remaining $5.0 million would be forgiven if the district 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 3.00% per annum. The LRSD did not meet the requirements, and in 2005, began payments on the loans. A settlement was reached during fiscal year 2014, ordering all prior agreements under the 1989 Settlement Agreement to cease as of June 30, 2014, forgiving the State's loan receivable and obligating the State to pay the Pulaski County Special School District, the Little Rock School District and the North Little Rock School District $65.8 million each year through June 30, 2018.

(d) Construction and Other Commitments

At June 30, 2016, the State has commitments of approximately $1.0 billion for construction and other contracts and approximately $101.9 million for professional service contracts. The Arkansas Natural Resource Commission has approved $26.2 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2016.

(e) Bond Guarantees

In accordance with the Venture Capital Investment Act of 2001, the State of Arkansas has guaranteed loans obtained by the Arkansas Institutional Fund (AIF) through the Bond Reserve Guarantee Fund and in the form of income tax credits to be issued by the Department of Finance and Administration. The tax credits can only be used to offset payment of reported state income tax liability and are not refundable. The guarantee extends through the maturity of the loans with the last maturity date being September 28, 2016. The Bond Reserve Guarantee Fund provides a guarantee for the first $10.0 million in loans and the balance is guaranteed by the pledge of tax credits. In the event AIF is unable to make the required payments on the loans, the State is required to issue tax credits to the creditor for any balances not covered by the Bond Reserve Guarantee Fund. The maximum amount of tax credits that can be issued is $60.0 million, not to exceed $10.0 million per fiscal year.

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, 2016, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $35.3 million. During fiscal year 2016, $4.2 million of these 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 $206.0 billion over the next 25 years and continues in perpetuity. All disbursements from the Master Settlement Agreement were initially deposited to the Tobacco Settlement Cash Holding Account. In 2001, funds were distributed to various accounts within the General Fund, including the Arkansas Healthy Century Trust Account, in the amount needed to bring the principal balance to $100.0 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5.0 million 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 the 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, 2016, the University would have incurred a liability of $60.2 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 2016. In fiscal year 2016, the State recorded a total of $49.2 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 $113.9 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):

	2016	2015
Business incentives, beginning of year	$ 110,191	$ 126,636
Incurred business incentives, net of allowance	35,512	20,740
Business incentives payments/dismissals	(31,837)	(37,185)
Business incentives, end of year	$ 113,866	$ 110,191

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, 2016, there were no litigations of 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, 2016.

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

	2016	2015
Litigation, beginning of year	$ 8	$ 45
Incurred litigation	0	126
Litigation payments/dismissals	(8)	(163)
Litigation, end of year	$ 0	$ 8

(b) Construction and Other Commitments

Higher Education

At June 30, 2016, the State has commitments in its business-type activities of approximately $97.1 million for construction and other contracts and approximately $888 thousand for professional service contracts.

Office of the Arkansas Lottery

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) 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. OAL has a three-year contract with one vendor that expires in fiscal year 2020 and a multi-year contract with a second vendor that expires fiscal year 2027. Total fees paid on these contracts for the fiscal year ended June 30, 2016, was $19.3 million.

During the fiscal year ended June 30, 2016, the OAL executed a contract with a third vendor to provide a business plan and other consultancy services that will expire on June 30, 2020. The base compensation costs is $650 thousand per year and reimbursable travel costs will not exceed $100 thousand per year. Incentive compensation costs are incurred as a percentage of operating income and as such, future obligations cannot be easily determined. In fiscal year 2016, $25 thousand travel costs and $1.6 million incentive compensation costs were paid by OAL.

Fiduciary Fund Activities

Litigation

Arkansas State Police Retirement System

The Arkansas State Police Retirement System (ASPRS) was sued in January of 2012 by six retired troopers. The suit is over changes in how interest rates on the State Police's Deferred Retirement Option Plan, also known as the DROP, have been calculated. In October of 2013, the Judge granted the lawsuit class-action status and the plaintiff pool grew to 51 officers. In May 2015, the judge agreed with the plaintiff's that interest rates were changed unconstitutionally. Depending on how interest rates are finally calculated the liability to ASPRS could be $2.9 million.

Component Unit Activities

Construction and Other Commitments

Arkansas Student Loan Authority

The Arkansas Student Loan Authority (ASLA) 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 ASLA 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, ASLA has contracted with EdFinancial to perform a variety of administrative activities primarily related to marketing ASLA and certain other administrative functions on behalf of ASLA.

Arkansas Development Finance Authority

Arkansas Development Finance Authority (ADFA) has $6.7 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, 2016.

In 2003, ADFA initiated the funding for the Arkansas Institutional Fund (AIF), an institutional fund of venture capital investment program funds created by the Arkansas General Assembly in 2001. The Venture Capital Act of 2001 authorizes ADFA 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, 2016, was $25.0 million. There were eleven approved investments as of June 30, 2016, totaling $37.2 million, of which $7.7 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 or other organization that 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. During the fiscal year ended June 30, 2016, the Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL) was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL).

Multi-State Lottery Association

In July 2009, the OAL joined MUSL, which is comprised of a group of U.S. lotteries that combine jointly to sell online Powerball® and Mega Millions® lottery tickets. On January 27, 2015, MUSL added the Lucky for Life online game to be available to the member lotteries for the joint sales of that game, in which the OAL elected to participate. Each lottery participating in Lucky for Life ticket sales must annually subject the transactions, accounts and processes related to Lucky for Life to a test of agreed upon procedures. The chief executive officer of each member lottery serves on the MUSL Board of Directors. MUSL is audited annually by a separate independent audit firm.

As a member of the MUSL, the OAL is required to contribute to various prizes reserve funds for Powerball® and Mega Millions®, which are maintained by MUSL. The prizes reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prizes payment liabilities. MUSL periodically reallocates the prizes 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, would be returned to the OAL if it were to ever leave the MUSL. As of June 30, 2016, the OAL had reserve fund deposits with MUSL of $1.8 million. MUSL does not maintain prizes reserve funds for Lucky for Life. Instead, each participating lottery is responsible for maintaining its own prizes reserve funds for potential Lucky for Life prizes payments.

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

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2016, is summarized below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 48,073	$ 23,403
Mega Millions®	14,632	7,051
Lucky for Life	3,317	2,216

(20) Subsequent Events

Primary Government

Governmental Activities

Arkansas Department of Health

On August 1, 2016, Arkansas Department of Health (ADH) sold the In Home Services program to Kindred Health Care, Inc., a Kentucky based publicly traded fortune 500 company, for $39.0 million due to declining numbers of patients, employees and revenue. $24.0 million will be remitted to Department of Finance and Administration and $15.0 million will be retained for the anticipated employee costs of $4.2 million, estimated accounts and loan payments of $7.0 million, including $1.0 million for consulting fees, and contingencies of $3.8 million. The loss on fixed assets from this sale is considered immaterial. In fiscal year 2015, gross revenue from this service was $58.5 million.

On November 8, 2016, the Medical Marijuana Act was passed. The estimated startup expenditures are between $1.6 million and $2.4 million and estimated annual expenditures are between $600 thousand to $900 thousand. A transfer of $2.5 million will be made from the rainy day set-aside general improvement fund to assist with the initial startup expenditures. Estimated annual sales tax revenue from the Medical Marijuana Act is $100 thousand. Annual revenue from licenses that will be issued is currently unknown and cannot be estimated.

Arkansas Department of Higher Education

On July 28, 2016, the Arkansas Development Finance Authority issued $83.2 million in Higher Education General Obligation Bonds Taxable Refunding, Series 2016. The purpose of the bonds is to refund a portion of the Series 2007A bonds that were used to refund a portion of the State of Arkansas College Savings General Obligation Bonds outstanding. At June 30, 2016, the Series 2007A bonds had a balance of $86.2 million. The bonds are secured by the general revenue of the State of Arkansas.

Arkansas Natural Resources Commission

On October 5, 2016, the Arkansas Natural Resources Commission (ANRC) issued the $30.9 million Water, Waste Disposal and Pollution Abatement Facilities Refunding Bonds, Series 2016A. The purpose of the bonds is to refund the Series 2007, Series 2008 and Series 2009A bonds, which were originally issued for the purpose of financing the costs of development of water, waste disposal, pollution abatement, irrigation, drainage and flood control and/or wetland preservation facilities. At June 30, 2016, the Series 2007, Series 2008 and Series 2009A bonds had a balance of $38.8 million. ANRC will make a cash contribution of $5.4 million from the operating funds. The bonds are secured by the general revenue of the State of Arkansas.

Arkansas State Police

On November 28, 2016, Arkansas State Police announced plans to issue $30.0 million in bonds during the beginning of calendar year 2017 to finance construction of five new troop headquarters.

Business-Type Activities

Office of the Arkansas Lottery

At the request of the Arkansas Department of Higher Education (ADHE), on September 9, 2016, a payment of $36.0 million was made from the Education Trust Account to ADHE for payment of scholarships.

Arkansas State University – Jonesboro Campus

On July 21, 2016, the University entered into a public-private partnership with ZP NO. 315, LLC (Zimmer) to construct and operate undergraduate and graduate student housing facilities on approximately 13 acres of land owned by the University. Zimmer is responsible for all construction costs, maintenance costs and operational costs of the housing. The University will receive rent annually for the use of the land beginning in fall 2017. The term of the lease is thirty-five years.

On September 23, 2016, the Board of Trustees authorized the issuance of new bonds to refund the Series 2007 Student Fee and Series 2007 Housing bond issues. The refundings will have a net present value savings of at least 4.00%. The bonds will mature no later than March 1, 2037, and will have a true interest cost (after taking into account original issue discount and premium and underwriters' discount but excluding costs of issuing and insuring the bonds) not greater than 4.25%.

Black River Technical College

On September 26, 2016, Black River Technical College signed a $1.0 million contract to purchase a new resource planning system for the college which will replace the current software.

South Arkansas Community College

On September 20, 2016, the Board of Trustees approved an energy performance contract with Johnson Controls, Inc. that includes chilled water plant extension, lighting upgrades, energy management control systems, boiler replacement and building weatherization. The project is approved by the Arkansas Energy Office and is being financed through a fifteen year $2.4 million tax exempt lease/purchase agreement at 2.05%. Energy cost savings are expected to be sufficient to provide the monthly debt service payments.

Southern Arkansas University

On November 2, 2016, the University Board of Directors authorized the issuance of Student Fee Secured Refunding Bonds in the amount of $6.5 million to refinance the Series 2011 bond issue with no new funds created. At June 30, 2016, the Series 2011 bonds had a balance of $6.4 million.

University of Arkansas – Fayetteville Campus

On September 8, 2016, the Board of Trustees authorized the issuance of bonds not to exceed $120.0 million for the purpose of constructing, reconstructing, enlarging, and repairing additional facilities including particularly improvements to and expansion of the Donald W. Reynolds Razorback Stadium and renovation and replacement of the Frank Broyles Athletic Center and related projects. On October 5, 2016, the University sold the Board of Trustees of the University of Arkansas Athletic

Facilities Revenue Bonds (Fayetteville Campus), Tax-Exempt Series 2016A with a par amount of $24.8 million and Taxable Series 2016B with a par amount of $90.0 million. The bond issues were closed and delivered October 19, 2016.

University of Arkansas – Fort Smith Campus

On September 8, 2016, the Board of Trustees authorized the issuance of bonds not to exceed $29.5 million to refund all or a portion of the Series 2009 Student Fee Revenue Bonds and the Series 2010B Student Fee Revenue Bonds. On October 6, 2016, the University sold the Board of Trustees of the University of Arkansas Student Fee Refunding Revenue Bonds, Tax-Exempt Series 2016 (Fort Smith Campus), with a par value of $19.5 million. The bond issue was closed and delivered October 20, 2016.

University of Arkansas – Batesville Campus

On September 8, 2016, the Board approved the pursuit of a loan from the Arkansas Department of Higher Education's College Savings Bond Revolving Loan Fund. The Arkansas Department of Higher Education Coordinating Board subsequently approved the loan on September 30, 2016, in the amount of $2.0 million with a term of ten years with an annual interest rate not to exceed 0.68%. Proceeds from the loan will be used to construct a Workforce Training Center. The remainder of funds will be provided by campus reserves.

University of Arkansas System – Pending Mergers

On July 28, 2016, the Board of Trustees entered into a merger agreement with the Board of Trustees of Rich Mountain Community College (RMCC), a publicly supported community college located in Mena, Arkansas. After the merger, RMCC will be known as University of Arkansas Community College at Rich Mountain. The merger, which is to be effective January 1, 2017, is subject to the approval of accreditation by the Higher Learning Commission of the North Central Association.

On July 28, 2016, the Board entered into a merger agreement with the Board of Trustees of Pulaski Technical College (PTC), a publicly supported, multi-campus, technical college located in Pulaski County, Arkansas. After the merger, PTC will be known as University of Arkansas - Pulaski Technical College. The merger with PTC, which is to be effective February 1, 2017, is not only subject to the Higher Learning Commission approval of accreditation but also approval by the Arkansas General Assembly of enacting legislation authorizing the control of UA-Pulaski Tech be vested with the Board of Trustees.

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Required Supplementary Information


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Required Supplementary Information
Arkansas Judicial Retirement System
Schedule of Changes in the State's Net Pension Liability and Related Ratios
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014-2007
Total Pension Liability			N/A
Service Cost	$ 7,230	$ 5,342	
Interest	15,770	14,883	
Differences between expected and actual experience	(5,184)	12,970	
Changes of assumptions		24,290	
Benefit payments	(12,007)	(10,763)	
Refunds	(1)	(14)	
Net changes in total pension liability	5,808	46,708	
Total pension liability - beginning	254,714	208,006	
Total pension liability - ending (a)	$ 260,522	$ 254,714	
Plan Fiduciary Net Position			
Employer contributions	$ 5,561	$ 5,690	
Employee contributions	1,011	946	
Net investment income	(1,744)	9,972	
Benefit payments	(12,007)	(10,763)	
Refunds	(1)	(14)	
Administrative expense	(159)	(138)	
Net change in plan fiduciary net position	(7,339)	5,693	
Plan fiduciary net position - beginning	223,124	217,431	
Plan fiduciary net position - ending (b)	$ 215,785	$ 223,124	
State's net pension liability - ending (a-b)	$ 44,737	$ 31,590	
Plan fiduciary net position as a percentage of total pension liability	82.83%	87.60%	
Covered-employee payroll	$ 22,308	$ 22,308	
Net pension liability as percentage of covered-employee payroll	200.54%	141.61%	

Notes to Schedule

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for the schedule was not available prior to this fiscal year.

Required Supplementary Information
Arkansas State Police Retirement System
Schedule of Changes in the State's Net Pension Liability and Related Ratios
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014 to 2007
Total Pension Liability			
Service Cost	$ 5,488	$ 6,102	N/A
Interest	29,470	29,219	
Differences between expected and actual experience	1,757	(3,107)	
Changes of assumptions		8,703	
Benefit payments	(26,035)	(23,359)	
Net changes in total pension liability	10,680	17,558	
Total pension liability - beginning	403,203	385,645	
Total pension liability - ending (a)	$ 413,883	$ 403,203	
Plan Fiduciary Net Position			
Employer contributions	$ 19,713	$ 19,784	
Employee contributions		95	
Net investment income	(210)	6,132	
Benefit payments	(26,035)	(23,359)	
Administrative expense	(206)	(196)	
Net change in plan fiduciary net position	(6,738)	2,456	
Plan fiduciary net position - beginning	279,658	277,202	
Plan fiduciary net position - ending (b)	$ 272,920	$ 279,658	
State's net pension liability - ending (a-b)	$ 140,963	$ 123,545	
Plan fiduciary net position as a percentage of total pension liability	65.94%	69.36%	
Covered-employee payroll (1)	$ 29,449	$ 29,929	
Net pension liability as a percentage of covered-employee payroll	478.67%	412.79%	

Notes to Schedule

(1) Covered-employee payroll used an estimate of average annual payroll for DROP participants of $75 thousand and $67 thousand in 2015 and 2016, respectively.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for this schedule was not available prior to this fiscal year.

Required Supplementary Information
Arkansas State Highway Employees Retirement System
Schedule of Changes in the State's Net Pension Liability and Related Ratios
Last 10 Fiscal Years (1)
(Expressed in thousands)

	2016	2015	2014 to 2007
Total Pension Liability			
Service cost	$ 18,413	$ 16,863	N/A
Interest	115,441	112,962	
Differences between expected and actual experience	20,791		
Changes of assumptions	91,941		
Benefit payments, including refunds of employee contributions	(102,246)	(95,455)	
Net changes in total pension liability	144,340	34,370	
Total pension liability - beginning	1,484,936	1,450,566	
Total pension liability - ending (a)	$ 1,629,276	$ 1,484,936	
Plan Fiduciary Net Position			
Employer contributions	$ 19,059	$ 18,615	
Employee contributions	9,138	8,884	
Net investment income	25,384	234,209	
Benefit payments, including refunds of employee contributions	(102,246)	(95,455)	
Administrative expense	(91)	(43)	
Net change in plan fiduciary net position	(48,756)	166,210	
Plan fiduciary net position - beginning	1,492,232	1,326,022	
Plan fiduciary net position - ending (b)	$ 1,443,476	$ 1,492,232	
State's net pension liability - ending (a-b)	$ 185,800	$ (7,296)	
Plan fiduciary net position as a percentage of total pension liability	88.60%	100.49%	
Covered-employee payroll (2)	$ 140,544	$ 137,262	
Net pension liability as a percentage of covered-employee payroll	132.20%	(5.32)%	

Notes to Schedule

(1) Measurement date is as of the State's prior fiscal year-end date.

(2) The covered payroll is the reported salary for fiscal year 2015 for active members (who are not in the DROP) as of the measurement date. If the reported salary was for a period of less than 12 months, it has been annualized.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for the schedule was not available prior to this fiscal year.

Required Supplementary Information
Arkansas Judicial Retirement System
Schedules of State Contributions
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Actuarially determined contribution	$ 5,561	$ 5,690	$ 6,117
Contributions in relation to the actuarially determined contribution	5,561	5,690	6,117
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered-employee payroll	$ 22,308	$ 22,308	$ 19,782
Contributions as a percentage of covered-employee payroll	24.93%	25.51%	30.92%

Notes to Schedule
Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years
Asset valuation method	4-year smoothed market, 25% corridor
Inflation	2.50% price inflation
Salary increases	3.25%
Investment rate of return	6.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 mortality tables projected to 2020 using projection scale BB

Other information:

There were no benefit changes during the year. An investment rate of return assumption of 6.25% and a salary increase assumption of 3.25% were first used in the June 30, 2015, valuation.

	2013	2012	2011	2010	2009	2008	2007
	$ 5,672	$ 5,465	$ 5,221	$ 4,668	$ 4,467	$ 5,145	$ 5,182
	5,672	5,465	5,221	4,668	4,467	5,145	5,182
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 19,586	$ 19,202	$ 19,338	$ 18,630	$ 18,875	$ 18,074	$ 17,334
	28.96%	28.46%	27.00%	25.06%	23.67%	28.47%	29.90%

Required Supplementary Information
Arkansas State Police Retirement System
Schedules of State Contributions
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014
Actuarially determined contribution	$ 14,300	$ 14,200	$ 14,000
Contributions in relation to the actuarially determined contribution	19,700	19,800	19,500
Contribution deficiency (excess)	$ (5,400)	$ (5,600)	$ (5,500)
Covered-employee payroll (1)	$ 29,400	$ 29,900	$ 29,100
Contributions as a percentage of covered-employee payroll	67.01%	66.22%	67.01%

Notes to Schedule

(1) In 2016, $67 thousand was used as an estimate of average annual pay for DROP participants. In 2015, $75 thousand was used as an estimate of average annual pay for DROP participants.

Valuation date: June 30, 2016

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	23 years
Asset valuation method	4-year smoothed market
Inflation	2.50% price inflation
Salary increases	3.25% to 10.25% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set forward 2 years for males and 1 year for females, with an approximate 14% margin for future mortality improvement.

Other information:

There were no benefit changes during the year.

	2013		2012		2011		2010		2009		2008		2007
$	13,600	$	14,100	$	12,600	$	12,700	$	10,500	$	10,000	$	9,900
	19,500		19,700		14,100		20,500		12,100		11,700		11,500
$	(5,900)	$	(5,600)	$	(1,500)	$	(7,800)	$	(1,600)	$	(1,700)	$	(1,600)
$	28,100	$	29,500	$	28,200	$	28,500	$	27,600	$	26,400	$	24,600
	69.40%		66.78%		50.00%		71.93%		43.84%		44.32%		46.75%

Required Supplementary Information
Arkansas State Highway Employees Retirement System
Schedule of State Contributions
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014	2013 to 2007
Statutorily determined contribution	$ 19,232	$ 19,059	$ 18,615	N/A
Contributions in relation to the statutorily determined contribution	19,232	19,059	18,615	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	
Covered-employee payroll	$ 141,906	$ 140,544	$ 137,262	
Contributions as a percentage of covered-employee payroll	13.55%	13.56%	13.56%	

Notes to Schedule

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for the schedule was not available prior to 2014.

Required Supplementary Information
Arkansas Public Employees Retirement System
Schedule of State's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years (1)
(Expressed in thousands)

	2016	2015	2014 to 2007
State's proportion of the net pension liability (asset)	67.27%	67.64%	N/A
State's proportionate share of the net pension liability (asset)	$ 1,238,862	$ 959,763	
State's covered-employee payroll	$ 1,125,658	$ 1,112,250	
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	110.06%	86.29%	
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%	

Notes to Schedule

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for the schedule was not available prior to this fiscal year.

Required Supplementary Information
Arkansas Teachers Retirement System
Schedule of State's Proportionate Share of the Net Pension Liability
Last 10 Fiscal Years (1)
(Expressed in thousands)

	2016	2015	2014 to 2007
State's proportion of the net pension liability (asset)	4.14%	4.29%	N/A
State's proportionate share of the net pension liability (asset)	$ 134,997	$ 112,517	
State's covered-employee payroll	$ 118,121	$ 119,107	
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	114.29%	94.47%	
Plan fiduciary net position as a percentage of the total pension liability	82.20%	84.98%	

Notes to Schedule

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for the schedule was not available prior to this fiscal year.

Required Supplementary Information
Arkansas Public Employees Retirement System
Schedule of State Contributions
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015		2014	2013 to 2007
Statutorily determined contribution	$ 174,479	$ 175,750		$ 177,950	N/A
Contributions in relation to the statutorily determined contribution	174,479	175,750		177,950	
Contribution deficiency (excess)	$ 0	$ 0		$ 0	
Covered-employee payroll	$ 1,125,658	$ 1,112,250	(1)	$ 1,105,688	
Contributions as a percentage of covered-employee payroll	15.50%	15.80%		16.09%	

Notes to Schedule

(1) Restated to match actuary.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for this schedule was not available prior to 2014.

Required Supplementary Information
Arkansas Teachers Retirement System
Schedule of State Contributions
Last 10 Fiscal Years
(Expressed in thousands)

	2016	2015	2014	2013 to 2007
Statutorily determined contribution	$ 16,337	$ 17,118	$ 17,352	N/A
Contributions in relation to the statutorily determined contribution	16,337	17,118	17,352	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	
Covered-employee payroll	$ 118,121	$ 119,107 (1)	$ 121,357	
Contributions as a percentage of covered-employee payroll	13.83%	14.37%	14.30%	

Notes to Schedule

(1) Restated to match Actuary.

N/A The State implemented GASB Statement 68 in fiscal year 2015. Information for this schedule was not available prior to fiscal year 2014.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures (1)				
Current:				
General government	$ 8,983,023	$ 6,050,831	$ 1,804,301	$ 4,246,530
Education	4,312,641	4,341,694	3,720,241	621,453
Health and human services	9,557,196	9,016,990	8,052,763	964,227
Law, justice and public safety	1,008,244	1,048,372	805,714	242,658
Recreation and resource development	489,100	528,656	286,985	241,671
Regulation of business and professionals	222,133	226,469	131,660	94,809
Transportation	579,700	647,147	461,454	185,693
Debt service	168,919	332,257	171,433	160,824
Capital outlay	1,696,367	1,490,900	811,365	679,535
Total expenditures	$ 27,017,323	$ 23,683,316	$ 16,245,916	$ 7,437,400

(1) Expenditures are appropriated; amounts blocked determine 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.

See Notes to Schedule of Expenditures – Budget and Actual on next page

Required Supplementary Information
Notes to Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2016

(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 appropriation 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, 3.00% 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 3.00% of revenues collected by the DFA and 1.50% 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 established 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 the DFA. The DFA utilizes quarterly allotments which restrict 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.

The 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 the 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	$	16,398,766
Less non-cash federal grant expenditures		(686,062)
Less non-appropriated expenditures		(6,806,152)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		6,793,867
Plus refunds treated as reduction of revenue for financial statements purposes		566,943
Less basis of accounting differences		(21,446)
Total statutory basis expenditures General Fund	$	16,245,916

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

	2007	2008	2009	2010
Premium and investment revenues:				
Premium income	$ 230,141,726	$ 239,686,872	$ 252,028,277	$ 265,671,434
Investment interest income	2,352,048	2,482,253	1,322,380	442,355
Totals	$ 232,493,774	$ 242,169,125	$ 253,350,657	$ 266,113,789
Unallocated expenses:				
Operating costs	$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158
Reinsurance premium expense	0	0	0	0
Totals	$ 1,703,938	$ 4,288,268	$ 5,569,196	$ 3,788,158
Estimated incurred claims and expenses, end of fiscal year	$ 236,300,587	$ 208,506,000	$ 235,781,000	$ 237,226,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	213,550,587	185,756,000	211,281,000	209,386,000
One year later	235,854,687	207,975,925	235,244,450	236,679,328
Two years later	236,359,737	208,449,125	235,757,056	237,198,903
Re-estimated incurred claims and expenses (2):				
End of fiscal year	236,300,587	208,506,000	235,781,000	237,226,000
One year later	236,300,587	208,506,000	235,781,000	237,226,000
Two years later	236,300,587	208,506,000	235,781,000	237,226,000
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	48,846	50,370	50,277	52,094

(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.

	2011	2012	2013	2014	2015	2016
	$ 271,802,235	$ 273,702,538	$ 276,235,566	$ 274,117,377	$ 301,894,264	$ 301,501,278
	302,462	180,027	94,975	95,121	181,804	292,270
	$ 272,104,697	$ 273,882,565	$ 276,330,541	$ 274,212,498	$ 302,076,068	$ 301,793,548
	$ 3,423,965	$ 6,374,870	$ 6,977,013	$ 8,533,361	$ 11,658,122	$ 10,579,867
	0	0	0	0	0	0
	$ 3,423,965	$ 6,374,870	$ 6,977,013	$ 8,533,361	$ 11,658,122	$ 10,579,867
	$ 251,536,000	$ 259,784,000	$ 280,127,000	$ 256,961,000	$ 234,202,000	$ 253,985,000
	224,266,659	232,820,863	250,689,890	227,823,740	205,092,655	223,050,692
	251,226,738	259,449,420	279,891,538	256,700,395	234,066,260	
	251,508,249	259,757,662	280,097,026	256,930,541		
	251,536,000	259,784,000	280,127,000	256,961,000	234,202,000	253,985,000
	251,536,000	259,784,000	280,127,000	256,961,000	234,202,000	
	251,536,000	259,784,000	280,127,000	256,961,000		
	0	0	0	0	0	0
	0	0	0	0	0	0
	53,347	54,866	57,087	58,253	57,879	58,181

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

	2007	2008	2009	2010
Premium and investment revenues:				
Premium income	$ 7,536,378	$ 9,016,067	$ 9,075,784	$ 8,226,832
Investment interest income	6,098,515	6,325,923	3,590,255	2,315,616
Totals	$ 13,634,893	$ 15,341,990	$ 12,666,039	$ 10,542,448
Unallocated expenses:				
Operating costs (2)	$ 129,292	$ 120,693	$ 271,386	$ 285,513
Estimated incurred claims and expenses, end of fiscal year	$ 11,605,274	$ 10,896,034	$ 6,619,914	$ 5,640,789
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	40,000	23,750	20,000	0
Two years later	116,115	53,750	20,000	0
Three years later	456,230	188,555	20,000	0
Four years later	963,169	493,486	20,000	0
Five years later	1,840,785	896,344	20,000	3,268
Six years later	2,903,214	1,415,712	35,164	111,825
Seven years later	4,083,936	2,113,422	192,006	
Eight years later	5,308,731	2,943,433		
Nine years later	6,516,064			
Re-estimated incurred claims and expenses:				
End of fund year	3,606,231	3,135,931	2,675,997	2,546,952
One year later	6,720,442	7,448,896	4,215,186	6,118,056
Two years later	11,299,265	9,810,061	5,837,915	6,897,305
Three years later	12,884,190	11,188,480	5,718,497	7,219,746
Four years later	14,829,242	14,777,103	5,673,165	8,159,307
Five years later	9,263,930	6,920,424	2,800,589	8,192,191
Six years later	20,919,814	11,379,566	3,129,967	8,129,987
Seven years later	23,051,323	15,499,572	5,253,531	
Eight years later	22,893,746	17,906,506		
Nine years later	24,091,070			
Increase (decrease) in estimated incurred claims and expense from end of policy year	12,485,796	7,010,472	(1,366,383)	2,489,198
Number of fund participants receiving benefits at end of year	1,342	1,356	1,349	1,454

(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.

2011	2012	2013	2014	2015	2016
$ 7,390,622	$ 10,462,123	$ 8,867,656	$ 5,588,765	$ 8,642,283	$ 9,519,983
1,701,541	970,017	731,425	573,589	515,618	718,453
$ 9,092,163	$ 11,432,140	$ 9,599,081	$ 6,162,354	$ 9,157,901	$ 10,238,436
$ 257,079	$ 274,375	$ 248,942	$ 247,135	$ 227,326	$ 220,142
$ 6,413,633	$ 7,645,295	$ 7,037,748	$ 7,593,766	$ 6,706,673	$ 6,864,888
0	0	0	0	0	0
0	0	0	0	0	
0	0	0	0		
20,000	50,000	0			
0	50,000				
0					
3,904,725	3,312,740	1,268,529	1,416,083	2,600,334	2,754,013
7,110,289	4,740,760	3,500,691	3,051,235	4,457,931	
8,706,668	5,986,391	4,863,077	4,304,721		
8,585,328	5,202,993	4,913,891			
9,497,819	6,372,372				
9,237,490					
2,823,857	(1,272,923)	(2,123,857)	(3,289,045)	(2,248,742)	(4,110,875)
1,501	1,481	1,474	1,442	1,403	1,369

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

	2007	2008	2009	2010
Premium and investment revenues:				
Premium taxes	$ 2,763,390	$ 1,327,517	$ 1,082,496	$ 659,098
Interest income	101,278	91,863	35,500	18,800
Totals	$ 2,864,668	$ 1,419,380	$ 1,117,996	$ 677,898
Unallocated expenses:				
Operating costs (2)	$ 583,796	$ 642,794	$ 582,490	$ 531,955
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount period	$ 4,364,507	$ 2,078,337	$ 0	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	169,875	0	0	0
Two years later	625,574	0	0	0
Three years later	672,724	0	0	0
Four years later	679,624	0	0	0
Five years later	679,624	0	0	0
Six years later	746,562	0	0	0
Seven years later	757,902	0	0	
Eight years later	774,912	0		
Nine years later	799,319			
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later	169,875	0	0	0
Two years later	625,574	0	0	0
Three years later	672,724	0	0	0
Four years later	679,624	0	0	0
Five years later	679,624	0	0	0
Six years later	1,043,741	0	0	0
Seven years later	757,902	0	0	
Eight years later	774,912	0		
Nine years later	1,081,926			
Increase (decrease) in estimated incurred claims and expense from end of policy year	(3,282,581)	(2,078,337)	0	0
Number of fund participants receiving benefits at end of year	119	112	109	2

(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.

	2011	2012	2013	2014	2015	2016
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	9,679	5,512	4,315	3,311	3,600	6,783
	$ 9,679	$ 5,512	$ 4,315	$ 3,311	$ 3,600	$ 6,783
	$ 526,189	$ 483,246	$ 396,593	$ 361,793	$ 343,313	$ 333,837
	$ 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				
	0					
	0	0	0	0	0	0
	3	3	3	0	0	1

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	7/1/2010	$ 0	$ 316	$ 316	0.0%	$ 8,509	4%
	7/1/2013	0	480	480	0.0%	6,604	7%
	7/1/2015	0	604	604	0.0%	6,264 (3)	10%
Arkansas State University	7/1/2012	0	12,921	12,921	0.0%	100,382	13%
	7/1/2013	0	15,342	15,342	0.0%	105,129	15%
	6/30/2016	0	16,604	16,604	0.0%	105,417	16%
Arkansas Tech University	7/1/2011	0	8,272	8,272	0.0%	43,697	19%
	7/1/2013	0	8,907	8,907	0.0%	38,260	23%
	7/1/2015	0	10,959	10,959	0.0%	42,363	26%
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%
	7/1/2013	0	819	819	0.0%	7,284	11%
East Arkansas Community College	7/1/2009	0	354	354	0.0%	5,252	7%
	7/1/2012	0	481	481	0.0%	5,617	9%
	7/1/2015	0	370	370	0.0%	5,424	7%
Henderson State University	7/1/2012	0	2,800	2,800	0.0%	23,197	12%
	7/1/2013	0	2,765	2,765	0.0%	21,019	13%
	7/1/2015	0	2,763	2,763	0.0%	24,466	11%
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%
	7/1/2013	0	390 (3)	390 (3)	0.0%	6,393	6%
North Arkansas College	7/1/2011	0	223	223	0.0%	6,784	3%
	7/1/2013	0	183	183	0.0%	6,820	3%
	7/1/2015	0	133	133	0.0%	7,326	2%
National Park Community College	7/1/2011	0	391	391	0.0%	11,486	3%
	7/1/2013	0	324	324	0.0%	11,666	3%
	7/1/2015	0	371	371	0.0%	10,769	3%
Northwest Arkansas Community College	7/1/2011	0	312	312	0.0%	26,390	1%
	7/1/2013	0	283	283	0.0%	27,624	1%
	7/1/2015	0	314	314	0.0%	25,682	1%
Ozarka College	7/1/2009	0	282	282	0.0%	3,737	8%
	7/1/2011	0	279	279	0.0%	4,363	6%
	7/1/2013	0	336	336	0.0%	4,778	7%
Pulaski Technical College	7/1/2011	0	741	741	0.0%	19,585	4%
	7/1/2013	0	883	883	0.0%	20,784	4%
	7/1/2015	0	1,759	1,759	0.0%	18,055	10%
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%
	7/1/2013	0	688	688	0.0%	3,934	17%
South Arkansas Community College	7/1/2011	0	292	292	0.0%	8,022	4%
	7/1/2013	0	327	327	0.0%	8,045	4%
	7/1/2015	0	291	291	0.0%	8,154	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%
	7/1/2013	0	688	688	0.0%	7,095	10%
Southern Arkansas University	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%
	7/1/2013	0	2,250	2,250	0.0%	18,258	12%
University of Arkansas System Self-Funded Plan (2)	7/1/2013	0	53,499	53,499	0.0%	1,103,764	5%
	7/1/2014	0	72,780	72,780	0.0%	1,120,191	6%
	7/1/2015	0	82,402	82,402	0.0%	1,167,667	7%
University of Central Arkansas	7/1/2012	0	2,740	2,740	0.0%	67,038	4%
	7/1/2013	0	2,550	2,550	0.0%	67,882	4%
	7/1/2015	0	2,798	2,798	0.0%	74,349	4%
Arkansas State Police	6/30/2013	0	104,137	104,137	0.0%	42,846	243%
	6/30/2014	0	108,659	108,659	0.0%	42,846	254%
	6/30/2015	0	119,384	119,384	0.0%	44,477	268%
Arkansas Employee Benefits Plan (1)	7/1/2012	0	1,953,192	1,953,192	0.0%	1,419,268	138%
	7/1/2014	0	1,675,964	1,675,964	0.0%	1,379,640	121%
	7/1/2016	0	2,040,881	2,040,881	0.0%	1,385,196	147%

(1) Prior years covered payroll and UAAL as a percentage of covered payroll adjusted to not include Arkansas State Police.

(2) As of FY 2016, University of Arkansas of Fort Smith and University of Arkansas System AHEC Benefits are now under the University of Arkansas System Self-Funded Plan.

(3) Restated to match actuary.

Actuarial assumptions are presented in Note 15.

Combining Financial Statements

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

NON-MAJOR ENTERPRISE FUNDS

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

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

Construction Assistance Revolving Loan Fund – This program is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

Public School Employee Health and Life Benefit Plan – This program is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees.

Other Revolving Loan Funds – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation 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 provide funding for communities to address affordable housing needs in metropolitan and rural areas in Arkansas.

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2016
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 979	$ 58,968	$ 124,815	$ 31,060	$ 215,822
Investments	183	69,368		30,029	99,580
Receivables:					
Accounts		142	2,691	544	3,377
Loans				704	704
Interest		368	36	312	716
Advances to other funds				971	971
Inventories	5				5
Total current assets	1,167	128,846	127,542	63,620	321,175
Noncurrent assets:					
Investments - restricted		33,139	159	37,222	70,520
Capital assets:					
Buildings	22,601				22,601
Equipment	1,285		94		1,379
Improvements other than building	446				446
Other depreciable/amortizable assets			2,179		2,179
Assets under construction			342		342
Less accumulated depreciation/amortization	(11,963)		(707)		(12,670)
Advances to other funds		498		4,948	5,446
Loans receivable, restricted		234,595		170,152	404,747
Total noncurrent assets	12,369	268,232	2,067	212,322	494,990
Total assets	13,536	397,078	129,609	275,942	816,165
Deferred Outflows of Resources					
Deferred outflows related to pensions	103				103
Total deferred outflows of resources	103				103
Total assets and deferred outflows of resources	$ 13,639	$ 397,078	$ 129,609	$ 275,942	$ 816,268

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2016
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Liabilities					
Current liabilities:					
Accounts payable	$ 6	$ 195	$ 5,672	$ 153	$ 6,026
Accrued interest	10	110			120
Accrued and other current liabilities	18			83	101
Due to other funds	59			396	455
Due to other governments			1,011		1,011
Loans and bonds payable	500	2,405		1,810	4,715
Claims, judgments and compensated absences	9		30,994		31,003
Unearned revenue			17		17
Total current liabilities	602	2,710	37,694	2,442	43,448
Noncurrent liabilities:					
Loans and bonds payable		28,140		21,184	49,324
Net postemployment benefits payable	231				231
Net pension liability	358				358
Claims, judgments and compensated absences	53		106		159
Total noncurrent liabilities	642	28,140	106	21,184	50,072
Total liabilities	1,244	30,850	37,800	23,626	93,520
Deferred Inflows of Resources					
Deferred inflows related to pensions	41				41
Total liabilities and deferred inflows of resources	1,285	30,850	37,800	23,626	93,561
Net Position					
Net investment in capital assets	11,869		1,908		13,777
Restricted for:					
Program requirements		366,228		252,316	618,544
Unrestricted	485		89,901		90,386
Total net position	12,354	366,228	91,809	252,316	722,707
Total liabilities, deferred inflows of resources and net position	$ 13,639	$ 397,078	$ 129,609	$ 275,942	$ 816,268

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Operating revenues:					
Charges for sales and services	$ 2,279	$	$ 302,445	$	$ 304,724
Licenses, permits and fees		2,291		1,733	4,024
Total operating revenues	2,279	2,291	302,445	1,733	308,748
Operating expenses:					
Cost of sales and services	1,099				1,099
Compensation and benefits	516				516
Supplies and services	604		27,563		28,167
General and administrative expenses	368	247	38	226	879
Benefits and aid payments			256,882		256,882
Federal financial assistance		3		4,372	4,375
Depreciation and amortization	832		501		1,333
Total operating expenses	3,419	250	284,984	4,598	293,251
Operating income (loss)	(1,140)	2,041	17,461	(2,865)	15,497
Nonoperating revenues (expenses):					
Investment earnings	2	4,687	280	3,798	8,767
Grants and contributions	252	12,852		12,399	25,503
Interest and amortization expense	(39)	(1,005)		(688)	(1,732)
Net increase in fair value of investments				70	70
Other non-operating expense	(1)			(20,829)	(20,830)
Total nonoperating revenues (expenses)	214	16,534	280	(5,250)	11,778
Income (loss) before transfers and contributions	(926)	18,575	17,741	(8,115)	27,275
Transfers in	894			900	1,794
Transfers out	(76)	(840)	(325)	(4,683)	(5,924)
Change in net position	(108)	17,735	17,416	(11,898)	23,145
Total net position - beginning	12,462	348,493	74,393	264,214	699,562
Total net position - ending	$ 12,354	$ 366,228	$ 91,809	$ 252,316	$ 722,707

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Cash flows from operating activities:					
Cash received from customers	$ 2,279	$	$ 302,856	$	$ 305,135
Payments to employees	(510)				(510)
Payments of benefits			(255,784)		(255,784)
Payments to suppliers	(2,060)		(21,969)		(24,029)
Loan administration received				1,515	1,515
Federal grant funds expended				(17)	(17)
Other operating receipts (payments)		2,067	(38)	(7)	2,022
Net cash provided by (used in) operating activities	(291)	2,067	25,065	1,491	28,332
Cash flows from noncapital financing activities:					
Direct lending payments	(500)	(7,405)		(1,805)	(9,710)
Direct lending interest		(1,595)		(1,081)	(2,676)
Grants and contributions	252	12,852		12,825	25,929
Other non-operating expense	(1)			(1,655)	(1,656)
Transfers in	894			900	1,794
Transfers out	(76)	(840)	(325)	(4,683)	(5,924)
Net cash provided by (used in) noncapital financing activities	569	3,012	(325)	4,501	7,757
Cash flows from capital and related financing activities:					
Interest paid on capital debts and leases	(49)				(49)
Acquisition and construction of capital assets	(80)		(342)		(422)
Net cash used in capital and related financing activities	(129)		(342)		(471)
Cash flows from investing activities:					
Purchase of investments		(141,935)		(89,177)	(231,112)
Proceeds from sale and maturities of investments	3	99,033	88,520	76,500	264,056
Interest and dividends on investments	2	704	262	142	1,110
Loan disbursements		(24,055)		(6,407)	(30,462)
Principal repayments on loans		14,846		9,329	24,175
Interest received on loans		4,137		3,605	7,742
Federal grant funds expended		(3)		(4,356)	(4,359)
Net cash provided by (used in) investing activities	5	(47,273)	88,782	(10,364)	31,150
Net increase (decrease) in cash and cash equivalents	154	(42,194)	113,180	(4,372)	66,768
Cash and cash equivalents - beginning	825	101,162	11,635	35,432	149,054
Cash and cash equivalents -ending	$ 979	$ 58,968	$ 124,815	$ 31,060	$ 215,822
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (1,140)	$ 2,041	$ 17,461	$ (2,865)	$ 15,497
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	832		501		1,333
Federal grants expended		3		4,356	4,359
Other/Miscellaneous				(1)	(1)
Net changes in assets, liabilities and deferred outflows/inflows:					
Accounts receivable		12	411	2	425
Accounts payable and other accrued liabilities	(3)	11	6,692	(1)	6,699
Net OPEB	21				21
Net pension liability	82				82
Deferred outflows related to pensions	(19)				(19)
Deferred inflows related to pensions	(71)				(71)
Compensated absences	7				7
Net cash provided by (used in) operating activities	$ (291)	$ 2,067	$ 25,065	$ 1,491	$ 28,332

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 the Public Employees Retirement System (which also administers the State Police Retirement System and the Judicial Retirement System), the Teacher Retirement System and the State Highway Employees Retirement System.
>
> ***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, 2016
(Expressed in thousands)

	Public Employees Retirement System	State Police Retirement System	Judicial Retirement System	Teacher Retirement System	State Highway Employees Retirement System	Total
Assets						
Cash and cash equivalents	$ 239,355	$ 15,282	$ 4,002	$ 228,375	$ 196,201	$ 683,215
Receivables:						
Employee	592			9,320	499	10,411
Employer	11,523		153	27,315	1,036	40,027
Investment principal	52,384	1,900	158	78,683		133,125
Interest and dividends	16,981	616	811	10,574	1,768	30,750
Other	1,314	78		372	1,494	3,258
Due from other funds	1			2,755		2,756
Total receivables	82,795	2,594	1,122	129,019	4,797	220,327
Investments at fair value:						
U.S. government securities	272,288	9,878	29,814	26,770	108,018	446,768
Bonds, notes, mortgages and preferred stock	74,908	2,717	2,490	480,905	139,759	700,779
Common stock	2,972,172	107,822	82,232	2,623,361	844,175	6,629,762
Real estate	719,132	26,088	19,490	58,731		823,441
International investments	1,551,005	56,266	31,542	5,496,376	16,149	7,151,338
Pooled investment funds	850,736	30,862	13,834	1,473,450		2,368,882
Corporate obligations	540,319	19,601	32,411	220,939		813,270
Asset and mortgage-backed securities	32,342	1,173	2,390	31,626		67,531
Other	130,243	4,725	(209)	3,891,810		4,026,569
Total investments	7,143,145	259,132	213,994	14,303,968	1,108,101	23,028,340
Securities lending collateral	897,813	32,570		574,498		1,504,881
Capital assets	15,663			232		15,895
Other assets	21			79		100
Total assets	8,378,792	309,578	219,118	15,236,171	1,309,099	25,452,758
Liabilities						
Accounts payable and other liabilities	8,221	475	304	16,453	307	25,760
Investment principal payable	96,542	3,502	3,028	82,996	3,857	189,925
Obligations under securities lending	900,880	32,681		574,903		1,508,464
Postemployment benefit liability	2,708			3,236		5,944
Due to other funds	117			6		123
Total liabilities	1,008,468	36,658	3,332	677,594	4,164	1,730,216
Net position						
Net position restricted for pensions	$ 7,370,324	$ 272,920	$ 215,786	$ 14,558,577	$ 1,304,935	$ 23,722,542

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	Public Employees Retirement System	State Police Retirement System	Judicial Retirement System	Teacher Retirement System	State Highway Employees Retirement System	Total
Additions:						
Contributions:						
Members	$ 55,913	$ 30	$ 1,025	$ 131,101	$ 9,380	$ 197,449
Employers	263,173	6,582	2,675	410,358	19,232	702,020
Supplemental contributions	404	6,234	2,285			8,923
Title fees		4,662				4,662
Court fees		974	588			1,562
Reinstatement fees		1,231				1,231
Total contributions	319,490	19,713	6,573	541,459	28,612	915,847
Investment income:						
Net decrease in fair value of investments	(142,628)	(5,228)	(5,255)	(33,824)	(75,867)	(262,802)
Interest, dividends and other	162,473	5,908	4,678	99,008	23,597	295,664
Other investment income	1,472	27		7,206		8,705
Securities lending income, net of expenses	4,495	163		4,699		9,357
Total investment income (loss)	25,812	870	(577)	77,089	(52,270)	50,924
Less investment expense	29,989	1,080	1,167	41,650	8,009	81,895
Net investment income (loss)	(4,177)	(210)	(1,744)	35,439	(60,279)	(30,971)
Miscellaneous	6,487			141		6,628
Total additions (losses)	321,800	19,503	4,829	577,039	(31,667)	891,504
Deductions:						
Benefits paid to participants or beneficiaries	480,913	26,035	12,008	1,035,959	105,057	1,659,972
Refunds of employee/employer contributions	13,189		1	10,145	1,699	25,034
Administrative expenses	7,367	206	158	8,059	118	15,908
Total deductions	501,469	26,241	12,167	1,054,163	106,874	1,700,914
Change in net position held in trust for employees' pension benefits	(179,669)	(6,738)	(7,338)	(477,124)	(138,541)	(809,410)
Net position - beginning	7,549,993	279,658	223,124	15,035,701	1,443,476	24,531,952
Net position - ending	$ 7,370,324	$ 272,920	$ 215,786	$ 14,558,577	$ 1,304,935	$ 23,722,542

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2016
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 4,940	$ 140,162	$ 145,102
Receivables:			
Interest and dividends		13	13
Other		105	105
Total receivables		118	118
Investments at fair value:			
Certificates of deposit	620	22,662	23,282
Bonds, government securities, notes and mortgages		1,418	1,418
Total investments	620	24,080	24,700
Financial assurance instruments	250,738	1,671	252,409
Total assets	$ 256,298	$ 166,031	$ 422,329
Liabilities			
Accounts payable and other liabilities	$	$ 6,703	$ 6,703
Due to other governments		139,939	139,939
Due to third parties	256,298	19,389	275,687
Total liabilities	$ 256,298	$ 166,031	$ 422,329

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Assets				
Cash and cash equivalents	$ 4,996	$ 158	$ 214	$ 4,940
Investments at fair value:				
Certificates of deposit	720	100	200	620
Financial assurance instruments	251,108	369	739	250,738
Total assets	$ 256,824	$ 627	$ 1,153	$ 256,298
Liabilities				
Due to third parties	$ 256,824	$ 627	$ 1,153	$ 256,298
Total liabilities	$ 256,824	$ 627	$ 1,153	$ 256,298

	Other Agencies			
	Balance July 1, 2015	Additions	Reductions	Balance June 30, 2016
Assets				
Cash and cash equivalents	$ 56,657	$ 2,395,142	$ 2,311,637	$ 140,162
Receivables:				
Interest and dividends	7	13	7	13
Other	1,388	214	1,497	105
Investments at fair value:				
Certificates of deposit	29,819	2,321	9,478	22,662
Bonds, government securities, notes, mortgages and preferred stock	68,539	1,418	68,539	1,418
Financial assurance instruments	2,138		467	1,671
Total assets	$ 158,548	$ 2,399,108	$ 2,391,625	$ 166,031
Liabilities				
Accounts payable and other liabilities	$ 7,530	$ 19,116	$ 19,943	$ 6,703
Due to other governments	133,917	139,939	133,917	139,939
Due to third parties	17,101	102,849	100,561	19,389
Total liabilities	$ 158,548	$ 261,904	$ 254,421	$ 166,031

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2016
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2015	**Additions**	**Reductions**	**Balance June 30, 2016**
Assets				
Cash and cash equivalents	$ 61,653	$ 2,395,300	$ 2,311,851	$ 145,102
Receivables:				
Interest and dividends	7	13	7	13
Other	1,388	214	1,497	105
Investments at fair value:				
Certificates of deposit	30,539	2,421	9,678	23,282
Bonds, government securities, notes, mortgages and preferred stock	68,539	1,418	68,539	1,418
Financial assurance instruments	253,246	369	1,206	252,409
Total assets	$ 415,372	$ 2,399,735	$ 2,392,778	$ 422,329
Liabilities				
Accounts payable and other liabilities	$ 7,530	$ 19,116	$ 19,943	$ 6,703
Due to other governments	133,917	139,939	133,917	139,939
Due to third parties	273,925	103,476	101,714	275,687
Total liabilities	$ 415,372	$ 262,531	$ 255,574	$ 422,329


GREAT SEAL OF THE STATE OF ARKANSAS
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JUSTICE

Statistical Section

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

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:

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

	2016	2015 (1)	2014	2013
Primary Government				
Governmental Activities				
Net investment in capital assets	$ 10,573,154	$ 10,418,250	$ 9,441,544	$ 9,714,929
Restricted	2,142,787	1,627,433	2,098,642	1,319,560
Unrestricted	(1,548,988)	(1,406,667)	(1,402,681)	449,360
Total governmental activities net position	11,166,953	10,639,016	10,137,505	11,483,849
Business-Type Activities				
Net investment in capital assets	1,997,666	1,995,542	1,966,036	1,929,075
Restricted	1,046,934	1,049,397	1,008,203	928,743
Unrestricted	1,233,085	1,019,309	829,571	747,820
Total business-type activities net position	4,277,685	4,064,248	3,803,810	3,605,638
Total Primary Government				
Net investment in capital assets	12,570,820	12,413,792	11,407,580	11,644,004
Restricted	3,189,721	2,676,830	3,106,845	2,248,303
Unrestricted	(315,903)	(387,358)	(573,110)	1,197,180
Total primary government activities net position	$ 15,444,638	$ 14,703,264	$ 13,941,315	$ 15,089,487

(1)Fiscal year 2015 balances restated in fiscal year 2016.

	2012	2011	2010	2009	2008	2007
	$ 9,632,774	$ 9,296,899	$ 8,886,979	$ 8,766,290	$ 8,210,615	$ 7,937,210
	1,256,134	1,175,983	1,253,570	734,837	863,721	812,989
	589,166	1,024,091	1,251,501	1,922,388	2,349,314	2,469,825
	11,478,074	11,496,973	11,392,050	11,423,515	11,423,650	11,220,024
	1,889,473	1,805,096	1,757,523	1,690,161	1,500,418	1,456,147
	892,101	849,209	760,352	726,800	954,661	882,865
	556,124	429,293	311,584	325,596	459,677	410,378
	3,337,698	3,083,598	2,829,459	2,742,557	2,914,756	2,749,390
	11,522,247	11,101,995	10,644,502	10,456,451	9,711,033	9,393,357
	2,148,235	2,025,192	2,013,922	1,461,637	1,818,382	1,695,854
	1,145,290	1,453,384	1,563,085	2,247,984	2,808,991	2,880,203
	$ 14,815,772	$ 14,580,571	$ 14,221,509	$ 14,166,072	$ 14,338,406	$ 13,969,414

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

	2016	2015 (1)	2014	2013
Governmental				
Expenses				
General government	$ 1,553,087	$ 1,581,265	$ 1,676,440	$ 1,538,578
Education	3,718,585	3,677,244	3,595,660	3,587,503
Health and human services	8,461,524	8,119,737	7,195,051	6,769,015
Transportation	954,670	909,171	867,095	823,616
Law, justice and public safety	829,280	789,477	797,423	747,845
Recreation and resources development	275,987	283,446	284,506	258,084
Regulation of business and professionals	134,567	132,211	148,008	124,065
Interest on long-term debt	61,920	61,106	52,805	41,036
Total expenses	15,989,620	15,553,657	14,616,988	13,889,742
Program Revenues				
Charges for services				
General government	415,138	431,891	392,937	349,146
Education	5,092	2,111	3,413	5,537
Health and human services	413,515	471,443	453,436	427,284
Transportation	120,004	121,225	114,417	110,722
Law, justice and public safety	95,585	88,904	73,989	83,600
Recreation and resources development	97,925	119,160	85,792	83,163
Regulation of business and professionals	116,206	106,167	100,084	86,797
Operating grants	7,333,883	7,043,670	6,010,077	5,642,584
Capital grants and contributions	572,654	520,477	590,791	609,062
Total program revenues	9,170,002	8,905,048	7,824,936	7,397,895
Net (Expense) Revenue	(6,819,618)	(6,648,609)	(6,792,052)	(6,491,847)
General Revenues and Transfers				
Taxes				
Personal and corporate income	3,222,351	3,209,528	3,000,440	3,013,345
Consumer sales and use	3,028,285	2,932,562	2,877,342	2,570,848
Gas and motor carrier	463,126	443,413	431,725	437,310
Other	989,901	1,006,692	995,644	955,369
Investment earnings	84,100	40,471	70,578	(1,911)
Miscellaneous income	335,198	380,547	304,621	313,003
Transfers - internal activities	(775,406)	(768,742)	(921,211)	(784,945)
Restatement		(94,351)	(1,313,431)	(5,397)
Total general revenues and transfers	7,347,555	7,150,120	5,445,708	6,497,622
Total Governmental Activities Change in Net Position	$ 527,937	$ 501,511	$ (1,346,344)	$ 5,775

(1) Fiscal year 2015 balances restated in fiscal year 2016.

2012	2011	2010	2009	2008	2007
$ 1,559,775	$ 1,477,309	$ 1,356,657	$ 1,310,341	$ 1,296,232	$ 1,156,301
3,648,068	3,769,004	3,605,065	3,338,002	3,291,054	3,153,653
6,709,730	6,411,416	6,144,706	5,457,305	5,195,317	4,855,759
766,297	759,872	731,317	699,737	668,305	625,911
794,165	748,590	779,374	820,960	631,793	587,413
265,156	350,530	277,402	243,419	244,959	219,283
118,934	120,320	105,968	107,347	105,620	119,225
39,852	44,824	52,145	55,193	57,923	56,143
13,901,977	13,681,865	13,052,634	12,032,304	11,491,203	10,773,688
348,130	336,193	325,072	276,112	291,216	269,310
6,372	6,675	6,469	18,637	16,638	14,322
427,079	385,693	362,532	303,174	244,706	234,181
113,081	110,831	107,818	147,267	146,463	137,338
79,734	75,051	73,601	70,262	72,066	64,666
81,637	81,076	79,780	106,988	79,438	61,844
97,271	87,526	80,079	76,695	81,585	86,721
5,756,464	6,092,989	5,868,623	4,943,264	4,410,782	4,180,653
644,621	551,523	493,064	455,765	413,055	422,270
7,554,389	7,727,557	7,397,038	6,398,164	5,755,949	5,471,305
(6,347,588)	(5,954,308)	(5,655,596)	(5,634,140)	(5,735,254)	(5,302,383)
2,794,097	2,688,093	2,468,798	2,507,368	2,655,399	2,522,806
2,543,873	2,483,908	2,376,891	2,487,944	2,544,356	2,618,936
442,658	444,555	449,274	444,496	456,223	462,732
945,773	927,922	903,113	815,206	790,010	785,213
40,374	43,232	52,809	82,681	172,081	162,603
367,531	343,874	330,397	286,173	274,730	247,395
(805,617)	(844,028)	(885,711)	(955,484)	(947,339)	(811,518)
	(28,325)	(71,440)	(34,379)	(6,580)	(20,550)
6,328,689	6,059,231	5,624,131	5,634,005	5,938,880	5,967,617
$ (18,899)	$ 104,923	$ (31,465)	$ (135)	$ 203,626	$ 665,234

Continued on the following page

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

Continued from the previous page

	2016	2015	2014	2013
Business-Type				
Expenses				
Higher education	$ 3,806,452	$ 3,676,886	$ 3,607,528	$ 3,499,550
Workers' Compensation Commission	19,905	17,922	19,806	18,368
Department of Workforce Services	216,398	256,048	360,753	521,449
Office of the Arkansas Lottery (1)	368,085	337,072	331,471	352,063
War Memorial Stadium Commission	3,419	2,828	3,103	3,242
Public School Employee Health and Life Benefit Plan	284,984	266,650	287,165	306,798
Revolving loans	4,848	9,934	9,745	10,267
Total expenses	4,704,091	4,567,340	4,619,571	4,711,737
Program Revenues				
Charges for services				
Higher education	2,039,020	1,825,742	1,655,419	1,572,301
Workers' Compensation Commission	17,864	16,240	20,209	17,372
Department of Workforce Services	301,567	327,907	421,348	454,253
Office of the Arkansas Lottery (1)	456,317	409,214	410,627	440,105
War Memorial Stadium Commission	2,279	2,056	1,785	2,337
Public School Employee Health and Life Benefit Plan	302,445	303,474	275,969	277,390
Revolving loans	4,024	4,269	4,241	4,273
Operating grants	826,300	856,669	975,632	1,129,853
Capital grants and contributions	31,627	71,050	31,609	31,602
Total program revenues	3,981,443	3,816,621	3,796,839	3,929,486
Net (Expense) Revenue	(722,648)	(750,719)	(822,732)	(782,251)
Business-Type Revenues and Transfers				
Taxes				
Other	31,935	31,148	30,650	30,402
Investment earnings	21,217	30,869	62,242	37,655
Miscellaneous income	107,527	180,398	180,502	210,293
Transfers - internal activities	775,406	768,742	921,211	784,945
Restatement			(173,701)	(13,104)
Total business-type revenues and transfers	936,085	1,011,157	1,020,904	1,050,191
Total Business-Type Activities Change in Net Position	213,437	260,438	198,172	267,940
Total Primary Government Change in Net Position	$ 741,374	$ 761,949	$ (1,148,172)	$ 273,715

(1) The Arkansas Lottery was created in 2009; operations commenced in 2010.

2012	2011	2010	2009	2008	2007
$ 3,472,444	$ 3,362,705	$ 3,191,697	$ 3,021,439	$ 2,851,140	$ 2,628,963
45,243	29,768	15,918	29,349	53,967	33,363
618,522	776,734	1,211,812	901,064	432,661	384,313
379,139	371,716	302,579	16		
3,425	3,545	3,439	2,585	3,990	3,293
286,331	275,743	260,194	259,385	232,252	240,944
5,168	12,940	18,675	3,941	4,203	4,406
4,810,272	4,833,151	5,004,314	4,217,779	3,578,213	3,295,282
1,524,943	1,471,639	1,529,344	1,424,219	1,345,783	1,196,351
473,624	465,075	384,565			
2,394	2,760	1,852	1,803	1,860	1,980
275,639	274,073	268,312	252,927	241,839	232,558
4,155	4,001	3,732	3,485	3,335	3,120
1,218,671	1,325,685	1,498,215	928,570	626,798	578,648
66,419	44,313	33,052	52,438	72,677	60,447
3,565,845	3,587,546	3,719,072	2,663,442	2,292,292	2,073,104
(1,244,427)	(1,245,605)	(1,285,242)	(1,554,337)	(1,285,921)	(1,222,178)
491,994	449,146	377,460	320,271	310,728	306,019
28,051	52,979	54,846	(8,628)	57,064	96,394
172,865	153,592	82,176	108,788	136,156	123,934
805,617	844,027	885,711	955,484	947,339	811,518
		(28,049)	6,223		
1,498,527	1,499,744	1,372,144	1,382,138	1,451,287	1,337,865
254,100	254,139	86,902	(172,199)	165,366	115,687
$ 235,201	$ 359,062	$ 55,437	$ (172,334)	$ 368,992	$ 780,921

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

	2016	2015	2014	2013
General Fund				
Nonspendable	$ 100,632	$ 124,784	$ 322,476	$ 320,289
Restricted	1,507,742	1,409,242	1,189,822	555,555
Committed	1,489,615	1,449,480	1,223,617	1,286,331
Assigned	337,504	267,283	387,191	205,204
Unassigned	788,136	811,336	581,395	952,630
Total General Fund	4,223,629	4,062,125	3,704,501	3,320,009
Total Fund Balances, Governmental Funds	$ 4,223,629	$ 4,062,125	$ 3,704,501	$ 3,320,009

General Fund				
Reserved				
Unreserved				
Total General Fund				
Total Fund Balances, Governmental Funds				

(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.

2012	2011(1)	2010	2009	2008	2007
$ 288,814	$ 306,275				
494,217	553,509				
1,505,457	1,555,139				
252,590	382,308				
714,519	685,463				
3,255,597	3,482,694				
$ 3,255,597	$ 3,482,694				
		$ 1,838,326	$ 1,276,214	$ 1,257,856	$ 1,227,194
		1,836,912	2,256,642	2,309,421	2,272,762
		3,675,238	3,532,856	3,567,277	3,499,956
		$ 3,675,238	$ 3,532,856	$ 3,567,277	$ 3,499,956

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

	2016	2015	2014	2013
Revenues:				
Taxes:				
Personal and corporate income	$ 3,219,066	$ 3,207,038	$ 3,002,722	$ 3,011,514
Consumer sales and use	3,031,524	2,929,426	2,880,146	2,571,964
Gas and motor carrier	462,761	443,058	433,108	436,390
Other	989,962	1,005,951	997,563	956,482
Intergovernmental	7,888,337	7,564,360	6,584,513	6,232,982
Licenses, permits and fees	1,327,225	1,368,678	1,253,365	1,182,989
Investment earnings	84,100	40,471	70,578	(1,911)
Miscellaneous	330,258	334,145	308,919	324,745
Total revenues	17,333,233	16,893,127	15,530,914	14,715,155
Expenditures:				
Current:				
General government	1,468,346	1,535,963	1,537,466	1,410,902
Education	3,715,057	3,676,561	3,588,822	3,583,254
Health and human services	8,458,304	8,162,633	7,195,414	6,761,841
Transportation	521,237	508,716	455,070	422,153
Law, justice and public safety	796,987	768,521	766,498	718,798
Recreation and resources development	255,074	264,169	265,133	238,143
Regulation of business and professionals	131,865	128,769	145,026	120,715
Debt service:				
Principal retirement	99,689	165,416	124,425	125,590
Interest expense	76,631	71,526	63,393	46,206
Bond issuance costs	63	1,062	33	1,231
Capital outlay	875,513	899,502	817,693	725,445
Total expenditures	16,398,766	16,182,838	14,958,973	14,154,278
Excess of revenues over expenditures	934,467	710,289	571,941	560,877
Other financing sources (uses):				
Issuance of debt	892	374,709	717,036	264,159
Issuance of refunding debt	28,495	135,155		
Bond discounts/premiums	1,665	51,338	55,260	33,742
Payment to refunding escrow agent	(43,636)	(150,513)	(46,908)	(19,368)
Lease proceeds	11,323	1,478	4,757	6,325
Installment sales				
Sale of capital assets	3,707	3,880	3,617	3,596
Transfers in	174,908	179,278	183,161	304,538
Transfers out	(950,317)	(947,990)	(1,104,372)	(1,089,457)
Restatement				
Total other financing uses	(772,963)	(352,665)	(187,449)	(496,465)
Net change in fund balances	161,504	357,624	384,492	64,412
Fund balances-beginning	4,062,125	3,704,501	3,320,009	3,255,597
Fund balances-ending	$ 4,223,629	$ 4,062,125	$ 3,704,501	$ 3,320,009
Debt Service as a percentage of noncapital expenditures:	1.14%	1.55%	1.33%	1.28%

	2012	2011	2010	2009	2008	2007
	$ 2,798,083	$ 2,697,352	$ 2,471,420	$ 2,549,965	$ 2,644,852	$ 2,515,958
	2,552,282	2,491,772	2,390,819	2,502,403	2,551,222	2,624,325
	442,772	444,232	449,754	444,573	456,216	463,362
	944,406	927,452	903,618	813,733	790,122	784,936
	6,402,940	6,642,135	6,364,695	5,394,538	4,832,649	4,594,212
	1,186,346	1,109,258	1,055,693	1,031,568	957,424	886,106
	40,374	43,232	52,809	82,681	172,081	162,603
	352,317	344,241	336,775	278,046	275,646	287,031
	14,719,520	14,699,674	14,025,583	13,097,507	12,680,212	12,318,533
	1,426,718	1,367,985	1,237,895	1,190,436	1,190,857	1,213,597
	3,644,195	3,764,814	3,600,560	3,333,875	3,286,143	3,149,468
	6,696,046	6,401,101	6,129,257	5,441,822	5,184,858	4,844,657
	379,278	391,019	365,980	348,665	338,062	297,816
	763,725	719,401	747,379	794,793	606,633	552,728
	246,158	330,301	258,322	225,461	228,663	187,970
	117,450	119,058	108,748	105,752	109,818	112,833
	83,111	204,701	95,924	101,054	107,070	103,782
	44,865	52,665	53,303	55,766	59,671	59,752
	1,365		1,675	406	345	1,317
	744,000	683,872	614,241	561,354	628,536	611,567
	14,146,911	14,034,917	13,213,284	12,159,384	11,740,656	11,135,487
	572,609	664,757	812,299	938,123	939,556	1,183,046
	85,170	11,391	324,745	18,721	35,417	38,320
	39,565					224,855
	1,588		21,045	(618)	(306)	5,248
	(127,300)		(174,165)		(4,523)	(107,806)
	3,869		19,520	3,892	32,047	22,855
					13,210	
	3,011	4,083	2,476	2,924	2,943	2,717
	216,443	188,947	160,402	72,467	82,277	60,316
	(1,022,052)	(1,032,902)	(1,046,121)	(1,027,604)	(1,033,300)	(871,821)
		(28,820)	22,181	(42,326)		
	(799,706)	(857,301)	(669,917)	(972,544)	(872,235)	(625,316)
	(227,097)	(192,544)	142,382	(34,421)	67,321	557,730
	3,482,694	3,675,238	3,532,856	3,567,277	3,499,956	2,942,226
	$ 3,255,597	$ 3,482,694	$ 3,675,238	$ 3,532,856	$ 3,567,277	$ 3,499,956
	0.95%	1.93%	1.18%	1.35%	1.50%	1.55%

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

	2016		2015		2014		2013	
Industry	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total
Agriculture, forestry, fishing and hunting	$ 97,579	0.21%	$ 96,945	0.21%	$ 91,716	0.21%	$ 115,784	0.27%
Mining	174,093	0.37%	213,038	0.45%	250,153	0.56%	258,330	0.59%
Utilities	4,690,082	10.02%	4,459,479	9.51%	4,759,648	10.59%	4,698,734	10.76%
Construction	811,057	1.73%	703,596	1.50%	660,847	1.47%	656,891	1.50%
Manufacturing	4,038,757	8.63%	3,966,593	8.46%	3,663,359	8.15%	3,460,971	7.93%
Wholesale trade	3,835,197	8.19%	4,465,509	9.53%	4,249,892	9.46%	4,218,855	9.66%
Retail trade	21,332,067	45.58%	21,183,817	45.18%	20,915,302	46.54%	20,157,488	46.16%
Transportation and warehousing	252,137	0.54%	287,545	0.61%	299,491	0.67%	224,173	0.51%
Information	2,632,096	5.62%	3,006,826	6.41%	2,200,618	4.90%	2,279,914	5.22%
Finance and insurance	94,030	0.20%	83,532	0.18%	69,464	0.16%	57,604	0.13%
Real estate, rental and leasing	1,123,616	2.40%	989,814	2.11%	882,398	1.96%	835,438	1.91%
Professional, scientific and technical services	213,535	0.46%	194,865	0.42%	158,906	0.35%	122,357	0.28%
Management of companies and enterprises	2,156	0.00%	4,691	0.01%	675	0.00%	61	0.00%
Administrative, support, waste management and remediation services	884,244	1.89%	852,431	1.82%	799,814	1.78%	758,810	1.74%
Educational services	64,333	0.14%	57,180	0.12%	40,810	0.09%	43,528	0.10%
Health care and social services	52,051	0.11%	85,280	0.18%	22,360	0.05%	86,618	0.20%
Arts, entertainment and recreation	289,079	0.62%	271,720	0.58%	264,002	0.59%	231,319	0.53%
Accommodation and food services	4,457,348	9.52%	4,293,021	9.16%	4,008,663	8.92%	3,900,648	8.93%
Other services (except public administration)	1,711,584	3.66%	1,631,985	3.48%	1,556,550	3.46%	1,519,925	3.48%
Public administration	50,447	0.11%	35,182	0.08%	42,316	0.09%	41,735	0.10%
Total (1)	$ 46,805,488	100.0%	$ 46,883,049	100.0%	$ 44,936,984	100.0%	$ 43,669,183	100.0%
Direct sales tax rate	6.50% (General) 1.50% (Food) .625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 1.625% (Mfg util tax) 3.25% (Elec.) 1/1-12/31/14 1.625% (Elec.) 1/1/15 0.625% (Mfg Repair Appr. Project) 7/1/14 5.50% (Mfg Repair) 7/1/14		6.50% (General) 1.50% (Food) 3.25% (Mfg util tax) 3.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)	

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

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

2012		2011		2010		2009		2008		2007	
Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total
$ 92,128	0.21%	$ 97,379	0.24%	$ 97,655	0.23%	$ 112,929	0.23%	$ 105,304	0.25%	$ 108,964	0.27%
181,088	0.42%	163,822	0.40%	251,689	0.60%	311,266	0.62%	246,908	0.60%	224,806	0.55%
4,452,417	10.30%	4,095,947	9.93%	4,233,123	10.03%	5,493,990	11.00%	4,708,255	11.40%	4,532,525	11.06%
688,112	1.59%	589,146	1.43%	564,684	1.34%	612,122	1.23%	529,727	1.28%	493,295	1.20%
3,571,937	8.26%	3,404,998	8.25%	3,262,473	7.73%	3,864,172	7.73%	3,624,193	8.77%	3,670,740	8.96%
4,221,149	9.76%	3,974,829	9.64%	3,910,161	9.26%	4,645,027	9.30%	4,218,275	10.21%	4,205,431	10.26%
20,070,357	46.43%	19,055,734	46.20%	19,632,455	46.50%	21,901,249	43.85%	18,485,279	44.75%	18,655,946	45.51%
233,875	0.54%	277,598	0.67%	283,412	0.67%	417,326	0.84%	362,152	0.88%	384,758	0.94%
2,241,656	5.19%	2,590,266	6.28%	3,056,493	7.24%	5,253,774	10.52%	2,722,146	6.59%	2,653,893	6.47%
56,659	0.13%	55,309	0.13%	62,647	0.15%	67,089	0.13%	57,703	0.14%	47,903	0.12%
828,549	1.92%	877,160	2.13%	827,440	1.96%	957,993	1.92%	832,469	2.02%	803,267	1.96%
145,274	0.34%	144,678	0.35%	119,903	0.28%	143,516	0.29%	112,101	0.27%	108,423	0.26%
65	0.00%	483	0.00%	167	0.00%	56,835	0.11%	120	0.00%	293	0.00%
759,235	1.76%	689,466	1.67%	671,947	1.59%	653,184	1.31%	585,095	1.42%	550,851	1.34%
46,640	0.11%	44,236	0.11%	49,553	0.12%	36,476	0.07%	41,684	0.10%	41,719	0.10%
85,379	0.20%	56,141	0.13%	92,069	0.22%	72,416	0.14%	64,206	0.16%	62,036	0.15%
186,121	0.43%	167,512	0.41%	162,494	0.38%	177,186	0.35%	159,423	0.39%	161,053	0.39%
3,820,416	8.84%	3,515,932	8.52%	3,528,970	8.36%	3,754,045	7.52%	3,198,652	7.74%	3,117,969	7.61%
1,480,057	3.42%	1,374,149	3.33%	1,332,520	3.16%	1,342,494	2.69%	1,182,542	2.86%	1,102,308	2.69%
65,628	0.15%	75,043	0.18%	74,704	0.18%	74,436	0.15%	72,240	0.17%	65,026	0.16%
$ 43,226,742	100.0%	$ 41,249,828	100.0%	$ 42,214,559	100.0%	$ 49,947,525 (2)	100.0%	$ 41,308,474	100.0%	$ 40,991,206	100.0%
6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 5.25% (Electricity)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.00% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.50% (Mfg util tax)		6.00% (General)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2007
(Expressed in thousands, except number of taxpayers)

	2016				2007	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 6,155	0.23%	548	0.86%	$ 6,538	0.27%
Mining	11,004	0.41%	193	0.30%	13,488	0.55%
Utilities	291,008	10.73%	817	1.28%	271,952	11.06%
Construction	52,704	1.94%	2,460	3.86%	29,598	1.20%
Manufacturing	215,725	7.95%	4,714	7.39%	220,244	8.96%
Wholesale	240,413	8.86%	4,649	7.29%	252,326	10.26%
Retail trade	1,129,868	41.65%	24,226	37.98%	1,119,357	45.51%
Transportation and warehousing	16,286	0.60%	925	1.45%	23,085	0.94%
Information	171,075	6.31%	927	1.45%	159,234	6.47%
Finance and insurance	6,112	0.23%	346	0.54%	2,874	0.12%
Real estate, rental and leasing	72,960	2.69%	1,473	2.31%	48,196	1.96%
Professional, scientific and technical services	13,862	0.51%	1,820	2.85%	6,505	0.27%
Management of companies and enterprises	138	0.01%	17	0.03%	18	0.00%
Administrative, support, waste management and remediation services	57,471	2.12%	3,495	5.48%	33,051	1.34%
Educational services	4,180	0.15%	307	0.48%	2,503	0.10%
Health care and social services	3,351	0.12%	1,146	1.80%	3,722	0.15%
Arts, entertainment and recreation	18,178	0.67%	1,262	1.98%	9,663	0.39%
Accommodation and food services	288,222	10.62%	7,238	11.35%	187,078	7.61%
Other services (except public administration)	111,077	4.09%	7,163	11.23%	66,138	2.69%
Public administration	3,277	0.12%	66	0.10%	3,902	0.16%
Total	$ 2,713,066	100.00%	63,792	100.00%	$ 2,459,472	100.00%

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

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
Governmental										
General obligation bonds	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193
Special obligations										
Revenue bond guaranty fund		300	590	3,775	2,545	1,385		2,575	5,703	2,925
Add (deduct):										
Unamortized bond refunding loss (1)				(18,043)	(21,072)	(16,849)	(20,593)	(11,852)	(13,140)	(14,263)
Issuance premiums/(discounts)	112,405	123,199	84,980	43,406	17,438	21,287	28,002	12,614	15,786	18,689
Other debt instruments										
Notes payable to component unit	68,915	79,163	85,694	92,051	98,883	100,674	100,788	109,893	117,390	121,644
Notes payable to pension trust fund						2,685	5,172	7,474	9,606	11,580
Revolving loan fund						155				
Capital leases	2,202	2,581	2,947	3,245	3,576		692	1,874	4,586	3,520
Capital leases with component unit	114,926	123,076	129,017	129,855	128,540	131,468	137,949	123,800	131,792	111,450
Installment sale with component unit			10,340	10,870	11,380	11,870	12,340	12,795	13,210	
Total governmental activities debt	1,816,596	1,931,129	1,687,122	1,077,372	922,988	1,008,543	1,207,072	1,114,772	1,197,228	1,227,738
Business-Type										
Special obligation:										
War Memorial Stadium Commission	500	1,000	1,500	2,000	2,500	3,000	1,700			
Construction Assistance Revolving Loan Fund	27,890	35,295	40,220	52,020	63,340	41,995	57,910	65,120	72,965	78,775
Safe Drinking Water Revolving Loan Fund	20,995	22,800	24,065	24,375	24,375					
College & university revenue bonds	1,847,032	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226	1,402,967	1,314,295	1,246,075	1,197,070
Add (deduct): issuance premiums/(discounts)	115,742	97,062	77,148	55,914	27,663	15,635	9,214	8,364	9,307	8,912
Notes payable	83,988	92,045	98,305	118,465	66,170	56,988	45,092	47,285	32,016	22,920
Notes payable with component unit		134	561	1,083	1,509	2,046	2,550	3,042	3,518	5,857
Capital leases	46,802	39,327	38,308	52,110	43,537	46,178	40,408	45,002	42,002	29,737
Capital leases with component unit					358	420	620	810	995	1,174
Total business-type activities debt	2,142,949	2,167,490	2,139,502	2,112,393	1,880,677	1,760,488	1,560,461	1,483,918	1,406,878	1,344,445
Total Primary Government Debt	3,959,545	4,098,619	3,826,624	3,189,765	2,803,665	2,769,031	2,767,533	2,598,690	2,604,106	2,572,183
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	3.29%	3.52%	3.41%	2.95%	2.62%	2.77%	2.96%	2.84%	2.80%	2.90%
Per capita (3)	$ 1,323	$ 1,375	$ 1,289	$ 1,078	$ 950	$ 942	$ 946	$ 896	$ 905	$ 902
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193
Less: debt service funds	(262,729)	(284,330)	(140,020)	(146,234)	(146,247)	(136,092)	(243,153)	(183,325)	(255,139)	(248,143)
Net bonded debt	$ 1,255,419	$ 1,318,480	$ 1,233,534	$ 665,979	$ 535,451	$ 619,776	$ 699,569	$ 672,274	$ 657,156	$ 724,050
Per capita (3)	$ 420	$ 442	$ 416	$ 225	$ 182	$ 211	$ 239	$ 232	$ 228	$ 254
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	$ 194,968	$ 231,562	$ 282,792	$ 332,463	$ 213,547	$ 241,281	$ 521,450	$ 612,400	$ 691,150	$ 753,780
Less: unamortized bond issuance cost	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)					
Notes payable	14,496	18,421	23,113		183,866	217,373	252,700			
Arkansas Development Finance Authority:										
Bonds payable	519,117	578,430	782,091	767,035	822,034	954,340	1,153,676	1,080,671	1,084,940	1,133,632
Notes payable	52,410	52,000	1,469	1,223	39,527	13,634	4,236		205,723	220,751
Add (deduct): issuance premiums/(discounts)	104	315	642	555	854	1,318	1,756	2,232	2,951	2,686
U of A Foundation annuity obligations	14,065	15,068	16,259	15,204	14,804	15,967	16,669	15,443	18,362	19,606
Total Component Unit Debt	794,014	894,549	1,105,019	1,111,345	1,269,204	1,443,913	1,950,487	1,710,746	2,003,126	2,130,455
Total Debt	$ 4,753,559	$ 4,993,168	$ 4,931,643	$ 4,301,110	$ 4,072,869	$ 4,212,944	$ 4,718,020	$ 4,309,436	$ 4,607,232	$ 4,702,638
Debt Ratios										
Ratio of total debt to personal income (2)	3.95%	4.29%	4.40%	3.98%	3.81%	4.22%	5.05%	4.70%	4.95%	5.29%
Per capita (3)	$ 1,589	$ 1,676	$ 1,662	$ 1,454	$ 1,381	$ 1,433	$ 1,614	$ 1,486	$ 1,601	$ 1,649

(1) Beginning FY2014, the unamortized bond refunding loss was reclassified to a separately reported deferred outflow of resources in accordance with GASB statement 65.
(2) Personal income data can be found in schedule 9.
(3) Population can be found in schedule 9.
(4) Bond detail can be found in Note 8 to the financial statements.

Schedule 8
Pledged Revenue Bond Coverage (Unaudited)
Last Ten Years
(Expressed in thousands)

Colleges and Universities	Revenue Available for Debt Service (1)	Principal	Interest	Total Debt Service	Coverage
Refunding Bonds					
2016	$ 1,109,845	$ 22,100	$ 23,213	$ 45,313	24.49
2015	482,896	18,055	14,683	32,738	14.75
2014	438,138	15,866	13,867	29,733	14.74
2013	219,191	9,406	6,228	15,634	14.02
2012	182,429	8,771	6,367	15,138	12.05
2011	161,448	12,380	6,747	19,127	8.44
2010	139,163	7,629	5,663	13,292	10.47
2009	78,003	6,086	4,016	10,102	7.72
2008	76,479	5,300	3,660	8,960	8.54
2007	63,172	4,700	3,023	7,723	8.18
Housing Bonds					
2016	$ 95,859	$ 8,492	$ 10,894	$ 19,386	4.94
2015	49,479	6,840	9,149	15,989	3.09
2014	55,863	7,269	10,332	17,601	3.17
2013	31,803	5,013	7,387	12,400	2.56
2012	35,424	4,650	7,908	12,558	2.82
2011	54,774	4,380	7,532	11,912	4.60
2010	48,552	3,785	6,940	10,725	4.53
2009	60,375	3,105	6,410	9,515	6.35
2008	55,512	3,075	5,766	8,841	6.28
2007	27,940	2,190	4,627	6,817	4.10
Facilities Bonds					
2016	$ 686,937	$ 35,693	$ 37,739	$ 73,432	9.35
2015	1,196,485	38,710	50,003	88,713	13.49
2014	1,099,298	36,326	50,194	86,520	12.71
2013	1,223,066	39,196	55,601	94,797	12.90
2012	1,234,079	37,213	50,729	87,942	14.03
2011	1,176,401	29,904	46,107	76,011	15.48
2010	1,096,180	39,707	47,211	86,918	12.61
2009	1,055,983	30,189	45,362	75,551	13.98
2008	1,023,312	26,310	40,342	66,652	15.35
2007	804,021	29,260	33,068	62,328	12.90
General Revenue and Other Bonds					
2016	$ 21,106	$ 6,105	$ 3,214	$ 9,319	2.26
2015	19,377	3,585	4,040	7,625	2.54
2014	20,785	2,665	3,624	6,289	3.31
2013	10,277	2,575	3,047	5,622	1.83
2012	10,266	1,900	3,460	5,360	1.92
2011	7,898	1,975	2,312	4,287	1.84
2010	12,442	2,001	1,552	3,553	3.50
2009	11,991	1,710	1,986	3,696	3.24
2008	11,200	1,645	2,048	3,693	3.03
2007	8,041	1,585	1,708	3,293	2.44

(1) Revenue Available for Debt Service includes student tuition and fees, housing fees, rent, athletic fees, millage revenue and other auxiliary revenues.

Note: This table has been restated to present pledged revenue as defined by the bond documents.

Continued on the following page

Schedule 8
Pledged Revenue Bond Coverage (Unaudited)
Last Ten Years
(Expressed in thousands)

Continued from the previous page

Arkansas Student Loan Authority	Gross Revenue (1)	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Coverage
2016	$ 49,117	$ 6,822	$ 42,295	$ 36,593	$ 2,415.00	$ 39,008	1.08
2015	67,807	6,959	60,848	55,923	2,825.00	58,748	1.04
2014	54,029	3,467	50,562	49,671	2,571.00	52,242	0.97
2013	55,955	4,174	51,781	41,784	3,279.00	45,063	1.15
2012	88,453	5,306	83,147	27,733	3,047.00	30,780	2.70
2011	77,732	4,610	73,122	26,219	5,023.00	31,242	2.34
2010	76,356	6,271	70,085	90,950	4,204.00	95,154	0.74
2009	94,811	6,144	88,667	78,750	14,967.00	93,717	0.95
2008	122,316	5,986	116,330	62,630	36,842.00	99,472	1.17
2007	164,085	5,405	158,680	0	29,956.00	29,956	5.30

(1) Gross Revenue includes payment of principal loans.

Source: Colleges and Universities; Arkansas Student Loan Authority

Schedule 9
Demographic and Economic Indicators (Unaudited)
Last Ten Years

Calendar year	Total population (in thousands)	Total personal income (in millions)	Per capita personal income	Unemployment rate
2016 (1)	2,992	$ 120,434	$ 40,250	4.1%
2015	2,980	116,517	39,104	5.2%
2014	2,968	112,076	37,756	6.0%
2013	2,959	108,081	36,525	7.2%
2012	2,950	107,033	36,277	7.5%
2011	2,940	99,792	33,948	8.2%
2010	2,924	93,486	31,974	8.2%
2009	2,900	91,625	31,593	7.9%
2008	2,877	93,073	32,350	5.4%
2007	2,852	88,831	31,149	5.3%

(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 2007

2016	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	60,816	4.90%
2	Wal-Mart Stores, Inc.	51,680	4.20%
3	Tyson Foods, Inc.	23,000	1.90%
4	U.S. Federal Government	20,300	1.70%
5	Baptist Health	8,249	0.70%
6	Community Health Systems, Inc.	5,700	0.50%
7	CHI St Vincent	4,662	0.40%
8	Mercy	4,653	0.40%
9	Kroger Company	4,309	0.40%
10	Arkansas Children's Hospital	4,110	0.30%
		187,479	15.40%

2007	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	53,161	4.40%
2	Wal-Mart Stores, Inc.	45,852	3.80%
3	Tyson Foods, Inc.	22,500	1.90%
4	U.S. Federal Government	20,660	1.70%
5	Baptist Health	7,834	0.60%
6	Sisters of Mercy Health System	5,115	0.40%
7	Triad Hospitals	4,592	0.40%
8	Whirpool Corp.	4,200	0.30%
9	Pilgrim's Pride Corp.	4,100	0.30%
10	Arkansas Children's Hospital	3,900	0.30%
		171,914	14.10%

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

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

Full-Time Employees

	2016	2015	2014	2013
General Government				
Department of Finance and Administration - Revenue	1,338	1,385	1,389	1,415
Department of Workforce Services	893	941	1,023	1,066
All other	2,622	2,705	2,757	2,755
Education				
Department of Career Education	549	561	598	589
Department of Education	374	401	394	399
All other	698	723	730	742
Health and Human Services				
Department of Human Services	7,772	7,852	7,878	7,923
Department of Health	2,362	2,633	2,657	2,724
All other	656	650	675	566
Transportation				
Department of Highway and Transportation	3,715	3,634	3,531	3,511
Law, Justice and Public Safety				
Department of Correction	4,143	4,102	4,011	4,169
Arkansas State Police	997	995	971	958
All other	3,508	3,185	2,857	2,801
Recreation and Resources Development				
Department of Parks and Tourism	1,371	1,393	1,339	1,339
Arkansas Game and Fish Commission	694	671	711	702
All other	948	961	842	841
Regulation of Business and Professionals				
Department of Insurance	173	190	201	199
All other	936	938	1,070	1,076
Proprietary Funds				
Colleges and Universities (2)	26,893	22,861	23,107	23,442
Workers' Compensation Commission	96	101	104	107
Office of the Arkansas Lottery (1)	65	64	81	80
War Memorial Stadium Commission	13	10	18	17
State Total	60,816	56,956	56,944	57,421

(1) Commenced operations in 2010

(2) Previous to 2016, institutions did not include part-time faculty and graduate assistants as part of the monthly employment report. Starting in 2016, institutions included all appropriated full-time positions, which included part-time faculty and graduate assistant positions. Part-time faculty and graduate assistants can be a significant number of employees at some institutions and the difference in reporting between 2015 and 2016 is more due to this change in reporting.

Source: Department of Finance and Administration Office of Personnel Management; Department of Highway and Transportation; Colleges and Universities

2012	2011	2010	2009	2008	2007
1,425	1,426	1,423	1,473	1,443	1,420
1,115	1,178	1,221	1,102	976	907
2,781	2,816	2,868	2,913	2,816	2,764
608	629	608	603	613	622
381	372	387	384	371	346
734	775	797	801	859	837
7,948	7,891	8,011	7,755	7,617	7,524
2,725	2,863	2,867	2,926	2,907	2,887
664	674	669	548	473	458
3,567	3,587	3,558	3,587	3,576	3,614
4,158	4,056	3,950	3,890	3,750	3,792
956	963	971	972	985	966
2,758	2,731	2,727	2,784	2,786	2,553
1,344	1,308	1,323	1,321	1,291	1,298
636	627	621	679	647	649
837	868	887	890	1,010	988
189	194	190	192	189	185
1,077	1,064	1,061	1,057	941	922
22,593	22,491	22,727	21,846	19,529	20,269
108	113	119	123	127	135
85	83	84	N/A	N/A	N/A
16	42	40	25	32	25
56,705	56,751	57,109	55,871	52,938	53,161

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

	2016	2015	2014	2013
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	912,820	893,069	930,474	789,172
Registered vehicles	4,252,854	4,149,491	4,082,014	3,990,259
Income Tax Administration				
Total electronic tax filers	1,137,497	1,106,280	1,059,101	991,465
EFT estimate payments by corporations	6,123	5,616	5,200	4,399
EFT withholding payments	577,097	539,549	435,403	460,028
Education				
Department of Education				
All school districts				
Average daily membership	459,858	460,693	461,597	460,019
Number of certified personnel (1)	N/A	36,260	36,380	36,436
Average salary of K-12 classroom full-time employees (1)	N/A	$ 48,575	$ 48,060	$ 47,316
Per pupil expenditures (1)	N/A	$ 9,365	$ 9,457	$ 8,918
Foundation aid per student	$ 6,646	$ 6,584	$ 6,521	$ 6,267
Assessed valuation (in millions)	$ 46,135	$ 45,163	$ 44,335	$ 43,027
Higher Education				
Public institutions				
Net enrollment	150,040	151,350	153,804	157,132
Undergraduate degrees awarded	31,698	27,467	31,924	29,163
Graduate degrees awarded	6,332	5,222	5,684	6,027
Private institutions				
Fall net enrollment	16,619	16,497	16,104	16,605
Undergraduate degrees awarded	2,648	2,363	2,709	2,490
Graduate degrees awarded	600	601	605	568
Health and Human Services				
Department of Human Services				
Foster care recipients	8,555	7,686	7,513	7,701
Percent of population	0.27%	0.25%	0.25%	0.26%
Food stamp recipients	642,571	659,887	685,812	696,343
Percent of population	20.46%	21.24%	22.54%	23.13%
Medicaid recipients (3)	1,085,787	933,033	902,378	777,922
Percent of population	34.57%	30.03%	29.66%	25.83%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)	148,441	149,536	152,902	160,723
Percent of population	4.73%	4.81%	5.03%	5.34%
Doses of vaccine administered (2)	663,689	665,550	630,304	580,498
In-home patients served (4)	9,146	14,919	19,411	20,722

(1) Fiscal year 2016 figures not available as of print date
(2) Commenced Flu Vaccine Program in 2008; in 2010 had H1N1 Pandemic
(3) In fiscal year 2016, the number of people that purchased health care through the Health Care Independence Act, commonly known as the private option, increased. As a result, the number of Medicaid recipients also increased as more people became eligible for Medicaid.
(4) Given the upcoming sale of In Home Services on August 1, 2016, both patients and employees were aware of the upcoming sale. This caused patients to look for services and employees to seek other employment. An incentive was offered for employees to stay on; however, not all employees acted on the incentive. Due to the decrease of employees, patients serviced decreased.

Source: Arkansas State Police; Arkansas Game and Fish Commission; Department of Finance and Administration - Revenue Division; Department of Education; Department of Higher Education; Department of Health; Department of Human Services; Department of Highway and Transportation; Department of Correction; Department of Parks and Tourism and Department of Insurance

2012	2011	2010	2009	2008	2007
799,564	778,521	852,998	820,155	728,893	734,555
3,904,307	3,818,476	3,700,308	3,619,926	3,363,504	3,272,311
971,603	878,471	791,646	777,486	762,741	676,504
3,475	2,342	1,961	1,769	1,697	1,662
411,925	211,129	231,209	161,404	170,071	140,678
457,737	457,717	458,172	457,566	459,460	459,865
36,290	35,637	36,050	36,201	36,194	36,112
$ 46,946	$ 46,663	$ 46,601	$ 45,862	$ 45,393	$ 44,493
$ 9,379	$ 9,315	$ 9,112	$ 8,308	$ 8,256	$ 7,992
$ 6,144	$ 6,023	$ 5,905	$ 5,789	$ 5,719	$ 5,662
$ 41,877	$ 40,484	$ 39,567	$ 38,667	$ 35,970	$ 33,438
158,606	155,881	149,312	140,393	135,521	131,442
28,955	30,729	26,294	23,523	21,180	19,930
5,976	5,412	4,811	4,141	3,873	3,613
17,351	16,500	15,507	14,952	14,496	13,981
2,621	2,425	2,425	2,295	2,284	2,286
560	501	522	532	520	491
7,739	7,959	7,491	7,446	6,974	7,194
0.26%	0.27%	0.26%	0.26%	0.24%	0.25%
693,564	678,358	643,420	577,329	556,735	553,618
23.55%	23.22%	22.27%	20.09%	19.54%	19.60%
776,050	770,792	755,607	747,851	744,269	742,965
26.35%	26.38%	26.16%	26.03%	26.13%	26.30%
165,795	169,732	169,789	187,880	163,766	160,687
5.63%	5.81%	5.88%	6.54%	5.75%	5.69%
534,759	688,116	1,144,245	888,011	503,185	414,971
23,907	26,683	24,391	24,140	26,393	26,732

Continued on the following page

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

Continued from previous page

	2016	2015	2014	2013
Transportation				
Highway and Transportation Department				
Miles of state highway maintained (5)	N/A	16,424	16,418	16,411
Law, Justice and Public Safety				
Department of Correction				
Custody population count	16,050	15,410	14,558	14,061
Inmate cost per day	$ 60	$ 63	$ 64	$ 63
Operating capacity	14,821	14,397	13,794	13,467
Inmate care/custody operating expenses (in thousands)	$ 343,138	$ 336,640	$ 324,189	$ 318,689
Arkansas State Police				
Commissioned officers	559	553	528	524
Number of homicides investigated	200	246	198	239
Total citations issued	222,922	230,655	227,756	232,158
Total motorist assists	26,872	26,552	30,374	30,447
Total number of traffic accidents	18,962	17,853	20,983	16,050
Total criminal investigations	1,820	1,870	2,614	2,818
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,602	54,466	54,372	54,358
Game and Fish Commission				
Fishing licenses sold	681,493	653,598	689,698	667,536
Hunting licenses sold	505,058	515,307	502,568	488,217
Lifetime licenses sold	28,997	28,643	28,922	29,380
Other licenses sold	36,873	36,347	36,291	35,776
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	123,313	119,066	110,192	101,089
Total consumer complaints received	2,437	2,417	2,376	2,100
Total consumer complaints closed	2,218	2,310	2,209	1,923
Total dollars recovered for consumers (in thousands)	$ 3,557	$ 3,173	$ 3,578	$ 4,174

(5) Fiscal year 2016 figures not available as of print date

Source: Arkansas State Police; Arkansas Game and Fish Commission; Department of Finance and Administration - Revenue Division; Department of Education; Department of Higher Education; Department of Health; Department of Human Services; Department of Highway and Transportation; Department of Correction; Department of Parks and Tourism, and Department of Insurance

2012	2011	2010	2009	2008	2007
16,398	16,414	16,416	16,443	16,428	16,438
14,151	14,129	13,908	13,237	13,293	12,828
$ 60	$ 62	$ 60	$ 60	$ 57	$ 53
13,919	13,496	13,133	12,723	12,723	12,552
$ 316,659	$ 304,658	$ 288,609	$ 277,491	$ 272,844	$ 253,888
535	536	546	542	550	544
219	211	227	214	199	219
207,651	246,417	266,764	269,080	271,125	243,234
24,002	28,838	26,660	22,708	21,380	21,069
14,813	14,977	16,320	16,306	16,759	16,561
4,017	4,152	3,038	3,367	3,251	2,688
54,374	54,343	54,161	54,166	54,623	53,741
722,041	663,426	701,805	698,071	680,770	748,184
467,167	454,794	448,625	462,164	417,560	408,253
27,721	25,379	26,360	27,734	23,241	21,997
39,193	34,243	32,989	28,879	21,774	24,268
88,910	85,865	83,231	82,123	77,310	66,987
2,387	2,352	3,008	2,881	2,976	3,080
2,221	2,167	3,111	3,021	3,068	2,927
$ 3,982	$ 4,678	$ 10,608	$ 11,632	$ 8,768	$ 5,161

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

	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007
General Government										
Department of Finance and Administration - Revenue										
Vehicles	170	191	179	172	174	180	182	181	177	180
Education										
Department of Education										
Vehicles (1)	7	5	5	216	217	202	216	219	207	217
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	448	444	442	446	448	444	442	446	449	459
Vehicles	617	606	572	595	582	560	516	516	496	486
Department of Health										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	140	139	137	142	138	135	131	154	134	148
Transportation										
Highway and Transportation Department										
Passenger vehicles	1,845	1,761	1,738	1,729	1,743	1,808	1,761	1,777	1,801	1,705
Law, Justice and Public Safety										
Department of Correction										
Correctional units	21	21	19	19	19	20	20	20	20	20
Vehicles	421	422	429	417	428	411	419	430	384	399
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	868	921	943	829	820	809	877	855	885	854
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	393	400	385	396	372	353	356	355	342	331
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	948	961	945	918	890	895	1,038	979	960	1,025
Boats	581	569	569	585	599	589	580	576	572	568
Regulation of Business and Professionals										
Vehicles	118	120	121	120	129	118	120	119	105	98

(1) The school buses formerly owned by this agency were used by the Pulaski County School District. After the School Segregation Lawsuit was settled, the buses were transferred to the School District in fiscal year 2014.

Source: Arkansas State Police; Arkansas Game and Fish Commission, Arkansas Highway and Transportation Department, Department of Finance and Administration Office of Accounting, Department of Education, Department of Higher Education, Department of Correction, Department of Parks and Tourism

Schedule 14
Miscellaneous Statistics (Unaudited)

State Capitol	Little Rock
Statehood	June 15, 1836
Nickname	The Natural State
State Motto	Regnat populus (The people rule)
Land Area	34,034,560 Acres
Counties	75
Largest Cities	Little Rock, Fort Smith, Fayetteville, Springdale and Jonesboro
Highest Point	Mount Magazine, 2,753 feet
Lowest Point	Ouachita River, 54 feet
State Seal	Adopted in its basic form in 1864, and in its present form in 1907

On the shield of our state seal are a steamboat, a plow, a beehive and a sheaf of wheat, symbols of Arkansas' industrial and agricultural wealth. The Angel of Mercy, the Sword of Justice and the Goddess of Liberty surround a bald eagle.

The eagle holds in its beak a scroll inscribed with the Latin phrase "Regnat Populus", our state motto, which means "The People Rule"

State Flag — Adopted by the General Assembly of 1913

Flag Colors:
- The word Arkansas is blue
- The diamond outline border is blue
- The area outside of the diamond is red
- The inside of the diamond is white
- The 25 stars in the diamond border are white
- The four stars in the center are blue

Meaning of Stars:
- The 25 stars indicate that Arkansas was the 25th state admitted to the U.S.
- The three large stars in the center stand for the three nations that have ruled Arkansas: Spain, France and the U.S.
- The three large stars also represent that Arkansas was the third state formed from the Louisiana Purchase
- The large star above ARKANSAS symbolizes the Confederacy which Arkansas was a part of from 1861-1865
- The diamond formed by the 25 stars represents Arkansas as the only diamond producing state in the Union

State Flower	Apple Blossom – Adopted by the General Assembly of 1901
State Bird	Mockingbird – Adopted by the General Assembly of 1929
State Tree	Pine Tree – Adopted by the General Assembly of 1939
State Gem	Diamond – Adopted by the General Assembly of 1967
State Insect	Honeybee – Adopted by the General Assembly of 1973
State Anthem	“Arkansas” – Adopted by the General Assembly of 1987
State Mammal	White-tail Deer – Adopted by the General Assembly of 1993
State Grain	Rice – Adopted by the General Assembly of 2007
State Nut	Pecan – Adopted by the General Assembly of 2009

Source: Arkansas Secretary of State


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE