ARKANSAS

The Natural State

Comprehensive

Annual

Financial

Report

Fiscal Year Ended
June 30, 2017

ARKANSAS

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2017

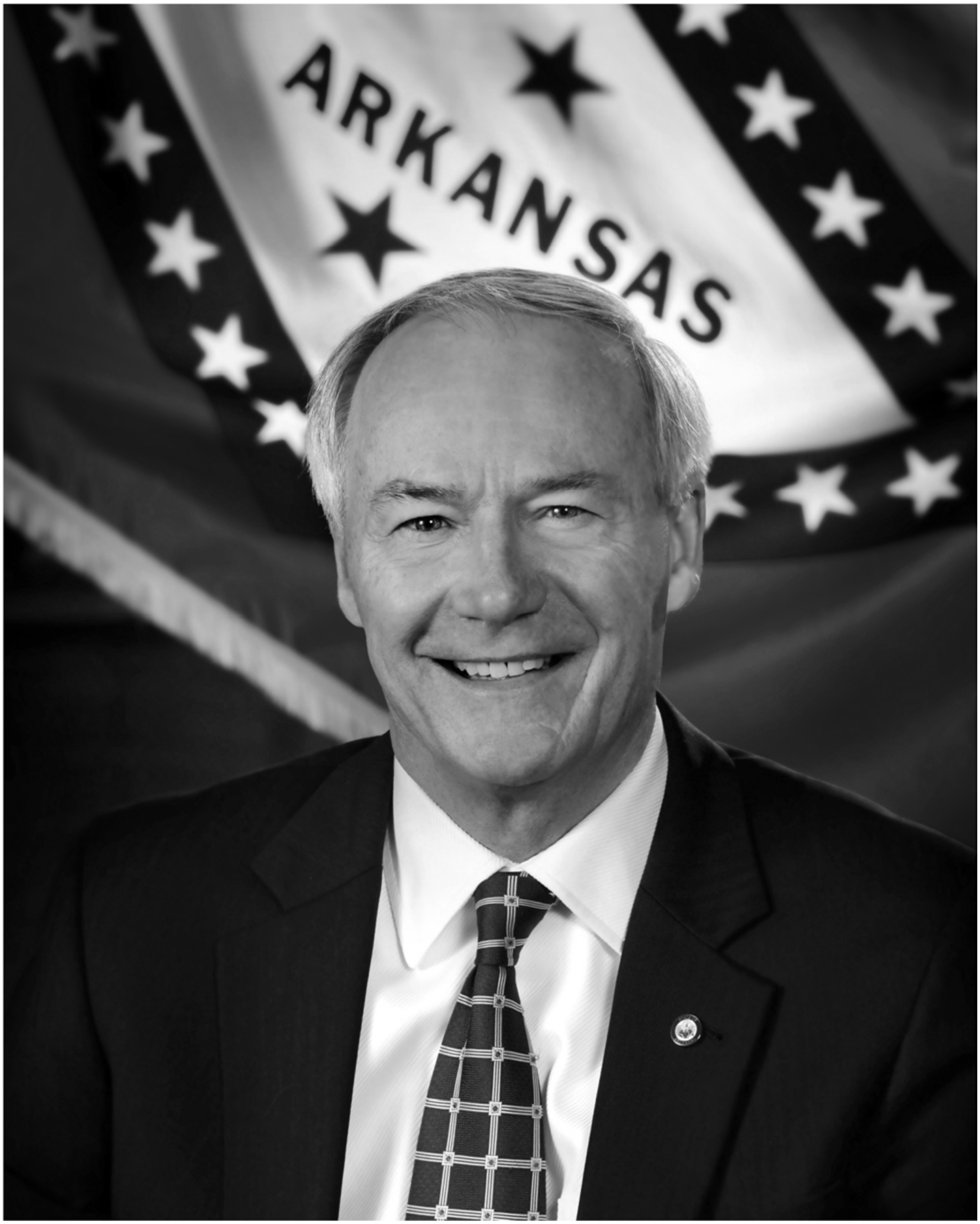
Asa Hutchinson
Governor

Larry W. 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, 2017

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

I am pleased to submit the Fiscal Year 2017 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 2017 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 2016 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award nineteen 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 2017 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, 2017

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REGNAT POPULUS
JUSTICE

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December 22, 2017

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, 2017.

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 are accurate in all material respects and are 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, 2017. 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. They include 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 (7) Fortune 500 companies that got their start and are headquartered here: Wal-Mart (ranked #1), Tyson Foods, Murphy Oil USA, Murphy Oil, Dillard's, J.B. Hunt Transport Services, and Windstream Holdings. This year, the State has continued to attract new businesses. Six (6) new companies to Arkansas have announced investments of over $520.5 million, creating about 1,510 new jobs. The major three (3) companies are: Shandong Ruyi Technology Group (Ruyi), who is opening its first facility in North America, by renovating the former Sanyo manufacturing facility in Forrest City; Suzhou Tianyuan Garments Company, a garment manufacturing plant in Little Rock; and Conifex Timber Inc., a state-of-the-art sawmill in El Dorado. In addition, over 12 existing companies have announced added investments of over $327.1 million, creating 1,339 new jobs. The major three (3) investors are: Nucor Corporation, a steel mill in Blytheville; Mars Petcare, a Ft. Smith pet food manufacture; and Intimidator Inc., a manufacturer of 4x4 utility vehicles and zero turn mowers in Batesville.

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. For the 2016 Tax Year, seven (7) companies received a total of $984.1 thousand in Research and Development Tax Credits. To date, 34 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $16.7 million.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy continued a positive trend in fiscal year 2017. Personal income, wage disbursements, and employment all increased in fiscal year 2017 as compared to fiscal year 2016.

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 $120.7 billion in fiscal year 2017. This represented an increase of $3.0 billion, or 2.5%, from fiscal year 2016. Fiscal year 2018 is estimated at $124.5 billion (current dollars), an increase of $3.9 billion, or 3.2%, from fiscal year 2017.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $54.8 billion in fiscal year 2017, an increase of $1.3 billion, or 2.4%, from fiscal year 2016. Fiscal year 2018 is projected at $57.3 billion (current dollars), an increase of $2.4 billion, or 4.4%, from fiscal year 2017.

Employment: In fiscal year 2017, revised payroll employment in Arkansas averaged 1.2 million jobs. This represented an increase of approximately 17 thousand jobs, or 1.4%, from fiscal year 2016. In fiscal year 2018, payroll employment is expected to average 1.3 million jobs. This represents a projected increase of approximately 22 thousand jobs, or 1.8%, from fiscal year 2017.

Fiscal Year 2017 Net Available General Revenues: Actual net available general revenues collected totaled $5.3 billion with a $15.7 million surplus above net available distribution. The net available collected was $19.0 million, or (0.4%), below the net available in fiscal year 2016. Fiscal year 2018 net available general revenue collections are estimated at $5.5 billion, an increase of $104.4 million, or 2.0%, from fiscal year 2017 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 2017, $488.7 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2018 net tax collections estimated to be $505.1 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 Governor shall issue a general revenue forecast, no later than sixty days prior to the convening of the General Assembly in regular session or by December 1 of the year preceding a fiscal session. 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. 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.

Tax Abatements: The State provides tax abatements through 13 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development, and other programs. The **Advantage Arkansas** program provides income tax abatements to encourage economic development through job creation. The **ArkPlus** program provides income tax and sales and use tax abatements to encourage economic development through job creation and capital investments. The **InvestArk** program provides for abatement of sales and use taxes to encourage economic development through retention of current Arkansas businesses. The **Tax Back** program provides for abatement of sales and use taxes to encourage economic development through job creation. The **Biotechnology Training and Development** program provides tax abatements to encourage investments in biotechnology. The **In-House Research and Development** program provides for abatement of income taxes to encourage economic development through research activities. The **Targeted Research** program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The **Targeted Business Payroll** program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the State average hourly wage, if less. The **Tourism Development** program provides for abatement of income taxes and sales and use taxes to encourage the development of tourism attractions within the State. The **Water Resource Conservation and Development** program provides for abatement of income taxes to encourage investment in projects that increase the use of surface water and reduce agricultural irrigation water use. The **Wetland and Riparian Zone** program provides for abatement of income taxes to encourage landowners to restore and enhance existing wetlands and riparian zones or create new wetlands and riparian zones. The **Low Income Housing** program provides for abatement of income taxes to encourage the development of housing for individuals and families with low income. The **Major Maintenance and Improvement** program provides for abatement of sales and use taxes to assist manufacturing and processing facilities in remaining competitive and preserving jobs.

MAJOR INITIATIVES

Education: The Arkansas Department of Education (ADE) is partnering with schools and communities around the State to transform Arkansas to lead the nation in student-focused education. From serving as a model for computer science education to launching a statewide reading campaign, Arkansas is leading the way in K-12 public school education.

The development of Arkansas' Every Student Succeeds Act plan will further transform education in Arkansas. The plan, once approved by the U.S. Department of Education, will allow Arkansas to measure student learning in ways that best reflect Arkansas' education system. The plan will be fully implemented in the 2018-2019 school year.

In January 2017, ADE and Gov. Asa Hutchinson launched the Reading Initiative for Student Excellence (R.I.S.E.) Arkansas campaign. The campaign is building a culture of reading. Since the launch, more than 350 schools have been named R.I.S.E. Schools; more than 1,000 educators attended the second annual ADE reading conference; and more than 80 literacy specialists have received additional training. These specialists are providing support to more than 1,000 kindergarten through second-grade teachers this school year.

Highway and Transportation: In July 2017, the Arkansas State Highway and Transportation Department changed its name to the Arkansas Department of Transportation (ARDOT) in order to align it with specific language in Federal law that refers to the various state "departments of transportation." Efficient and orderly movement of goods and people is essential for a thriving population. With this aim in mind, ARDOT completed many construction projects in fiscal year 2017. The Interstate Rehabilitation Program completed 33 projects totaling 210 miles of improvement throughout the state which included the new Broadway Bridge (U.S. Highway 70) spanning the Arkansas River between Little Rock and North Little Rock. Crews removed the old bridge and constructed the new one only rerouting traffic for 152 days. Also, a new six-mile section of the Bella Vista Bypass opened to traffic. Upon completion, the roadway will connect Bentonville, Arkansas, with Pineville, Missouri, and will eventually be part of Interstate 49. The Connecting Arkansas Program completed six (6) projects totaling 27.3 miles of improvement throughout the State which included: widening five miles of Interstate 40 just north of North Little Rock; widening two ramps at the Interstate 40/Interstate 430 interchange; and widening Interstate 40 between North Little Rock and Conway to six lanes.

State Parks: Arkansas's 52 state parks encompassing 54,643 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 1,768 campsites, 4 lodges, 201 fully equipped cabins, 10 marinas, 11 swimming pools, 8 restaurants, 18- and 27- hole golf courses, over 205 miles of roads, hundreds of miles of utilities, and an assortment of 149 hiking, mountain bike, backpack, equestrian, and multi-use trails covering 415 miles. Almost 8.1 million visitors came to the State parks with 767 thousand visitors participating in almost 43 thousand educational/recreational programs and special events throughout the park system in the fiscal year 2017.

Twenty-five construction and major renovation projects totaling $16.7 million were completed during fiscal year 2017 including: Campground Renovation at Davidsonville Historic State Park; Shared Use Roadway at Delta Heritage Trail State Park; DeRoche Ridge Day-Use Area Renovation at DeGray Lake Resort State Park; Campground Area B Renovation to include Camper Cabin Development at Devil's Den State Park; and Walk-in Campground and Restroom Development at Withrow Springs State Park.

Tourism: The tourism and hospitality industry is one of the largest sectors of the Arkansas economy. Arkansas's statewide tourism tax collections outpaced inflation. The top three counties (Pulaski, Garland, and Benton) all reported growth in excess of 5% over the previous year.

The State's tourism industry again recorded key improvements with the unveiling of the renovated Robinson Center complex in downtown Little Rock; opening of the new Waters Hotel on Central Avenue in Hot Springs; completion of the Big River Crossing, a bicycle/pedestrian bridge project connecting West

Memphis and Memphis; opening of the new Red River Welcome Center on US 71 north of Texarkana; and the completion of Phase 1 of the Murphy Arts District in El Dorado.

There are also several key tourism projects still in development. The Walton Family Foundation announced a generous gift which will allow planning and construction of a significant mountain biking trail complex north of Hot Springs; work continues for the US Marshal Museum in Fort Smith which will provide a major boost for western Arkansas; Arkansas State Parks will soon unveil a wonderful new Hampson Archaeological State Park Museum in Wilson; Arkansas State University is expanding the Johnny Cash Boyhood Home project with the addition of several key outbuildings; the Harrison Welcome Center on US 65 is being replaced with a spacious and modern facility; the Crystal Bridges Museum of American Art in Bentonville will soon open a new entrance along with allowing the public to experience Buckminster Fuller’s Geodesic Dome; and in Fayetteville, a multi-million Theatre Squared project is in the works.

Heritage: The Department of Arkansas Heritage (DAH) was created in 1975 to discover, strengthen, protect, and preserve Arkansas’s natural and cultural heritage. DAH is composed of four (4) heritage resource agencies: the Arkansas Arts Council; the Arkansas Historic Preservation Program; the Arkansas Natural Heritage Commission; and the Arkansas State Archives. It operates four (4) museums: the Delta Cultural Center; the Historic Arkansas Museum; the Mosaic Templars Cultural Center; and the Old State House Museum located in the oldest standing Capitol west of the Mississippi. It has two (2) historic sites: the Jacob Wolf House, which is the original territorial courthouse for Izard County and the oldest public structure west of the Mississippi River, and the Trapnall Hall. DAH’s central office is dedicated to identifying, protecting, and promoting the State’s natural, cultural, and historic resources. 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 provides a variety of educational means for the public through The Arkansas Food Hall of Fame, regarding food and its role in the State’s culture and history, and with The World War I Centennial Commemoration Committee as it continues an educational and outreach effort focused on The Great War and its impact on Arkansas. The “Authentic Arkansas” initiative attracts visitors by highlighting the historic, cultural, and natural resources that make Arkansas interesting, unique, and worth visiting. Finally, 2 new grant programs were established in 2017: The Arkansas Historical Marker Program and the National History Day Travel Grant Program.

Human Services: The Arkansas Department of Human Services (DHS) has more than 7,400 employees who served more than 1.4 million Arkansans last year. DHS leadership is focused on creating a strategic plan that will serve as the blueprint for the future of the agency. The goals and strategies are ambitious and reinforce the commitment to the people of Arkansas to make DHS the best agency it can be with a foundation built on service, efficiency, integrity, and innovation.

To truly build a stronger foundation for DHS, the agency set its 2017 goals on addressing long-standing issues concerning the integrity of programs by creating better efficiencies, eliminating bureaucratic red tape affecting clients and providers, pushing for innovative changes in the Medicaid program, and delivering high-quality services to the people who need them most. DHS is continuing its efforts to build a more cohesive agency, to prioritize what needs to be fixed, and put a well-constructed plan in motion to create lasting, positive change. DHS has completed its first phase of a major re-organization aimed at streamlining some of the core business processes in the agency. It also has eliminated a backlog of more than 140,000 Medicaid eligibility cases and developed a plan to address the child welfare crisis in the State. With the help of the Governor and Legislature, DHS has begun to push forward with a new way of paying for care for the highest-need Medicaid populations and has made innovative changes to the Arkansas Works program that will help people move up the economic ladder while also emphasizing the importance of personal responsibility.

Information Technology: The information technology products and solutions provider for the state and 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 provides over $80.0 million in IT products and solutions to approximately 300 state agencies, boards and commissions, K-12 public schools, business and administrative departments of higher education, cities and counties, and public safety organizations across the State. As a cost recovery agency, DIS charges the entities it serves for the products and solutions acquired from DIS, but the agency is legislatively prohibited from making a profit.

DIS hosts some of the State's most critical applications, including the State's web portal, Arkansas.gov. This portal allows citizens to access online public services and showcases the State's economic benefits and exceptional quality of life to visitors to the State, as well as prospective business and industry.

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 created the Arkansas Lottery Commission (ALC) for the purpose of 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 created 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, Fast Play games on October 25, 2010, Natural State Jackpot on August 27, 2012, and Lucky for Life commenced sales on January 27, 2015. For the fiscal year 2017, OAL had operating revenues of $449.9 million, paid gaming prizes of $306.4 million, paid selling and cashing commissions to Arkansas retailers of $25.3 million, and provided $85.2 million in scholarship funds, after payment of other lottery expenses.

Health: The Arkansas Department of Health (ADH) continues its mission to protect the health and well-being of all Arkansans. New challenges that pose major obstacles to healthy living in today's world are the obesity epidemic, tobacco use, teen pregnancy, poor dental health, high infant mortality, abuse and misuse of prescription opioids, and poor health literacy. 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.

ADH's Strategic plan for 2016-2019 has six (6) focus areas: childhood obesity, hypertension, immunizations, mental and community wellness, teen pregnancy, and tobacco use. Each area has specific objectives and goals to guide ADH's efforts and help measure progress. Since launching this strategic plan, ADH has already made significant strides in these areas. Efforts with ADH's partners to address childhood obesity factors range from the Baby-Friendly designation for two (2) hospitals, to community events encouraging walkable communities and multimodal transportation policies. ADH hypertension team-based care program is being offered through six (6) Local Health Units through trained ADH hypertension nurse care managers who work with community physicians on a referral basis. Arkansas has moved from number 46 to number 39 in the nation for completed childhood immunizations ages 19-35 months. To address mental and community wellness, ADH launched a substantial suicide prevention media campaign and began operation of a state call center for calls made to the National Suicide Prevention Lifeline. Set to operate 24 hours a day and answer 90% of calls made in Arkansas, the call center allows in-state call-takers to speak with those in crisis to guide them to local help. In regards to teen pregnancy, ADH has already surpassed the objectives set to reduce the rate of teen births and is setting new objectives and priorities. To address Arkansas's high rate of adult tobacco use, ADH is working to improve Quitline services and awareness and has partnered with Arkansas Children's Hospital on the Project Prevent Youth Coalition to encourage the formation of school coalitions throughout the State. With a few years left to focus on these areas as part of ADH's current strategic plan, it is exciting that ADH has already been able to move the needle in these areas.

ADH continuously collaborates with a wide variety of partners in the public and private sectors to address the health problems facing Arkansans. Governor's Healthy Active Arkansas initiative, which focuses on access to healthy foods and physical activity, is an example of this collaboration. ADH is working to address the opioid crisis with many state and federal partners. As the State's Prescription Drug Monitoring Program is housed inside the new ADH Branch for Substance Misuse and Injury Prevention, ADH works with prescribers, law enforcement, other state government agencies and offices, hospitals, healthcare associations and other stakeholders to provide data, support and coordinate efforts to address this issue. The opioid crisis affects Arkansans from all walks of life, and will require multiple partners across several sectors to prevent and treat opioid misuse. ADH is coordinating statewide efforts to increase opportunities for Arkansans to live long and healthy lives by working with other agencies, organizations, and partners. ADH works every day to improve the health of individual Arkansans, protect the public from epidemics, and provide preventive health services in Arkansas communities.

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, 2016. This was the nineteenth consecutive year that the State has achieved this prestigious award. 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 the people responsible for preparing the CAFR.

Sincerely,

Larry W. Walther
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

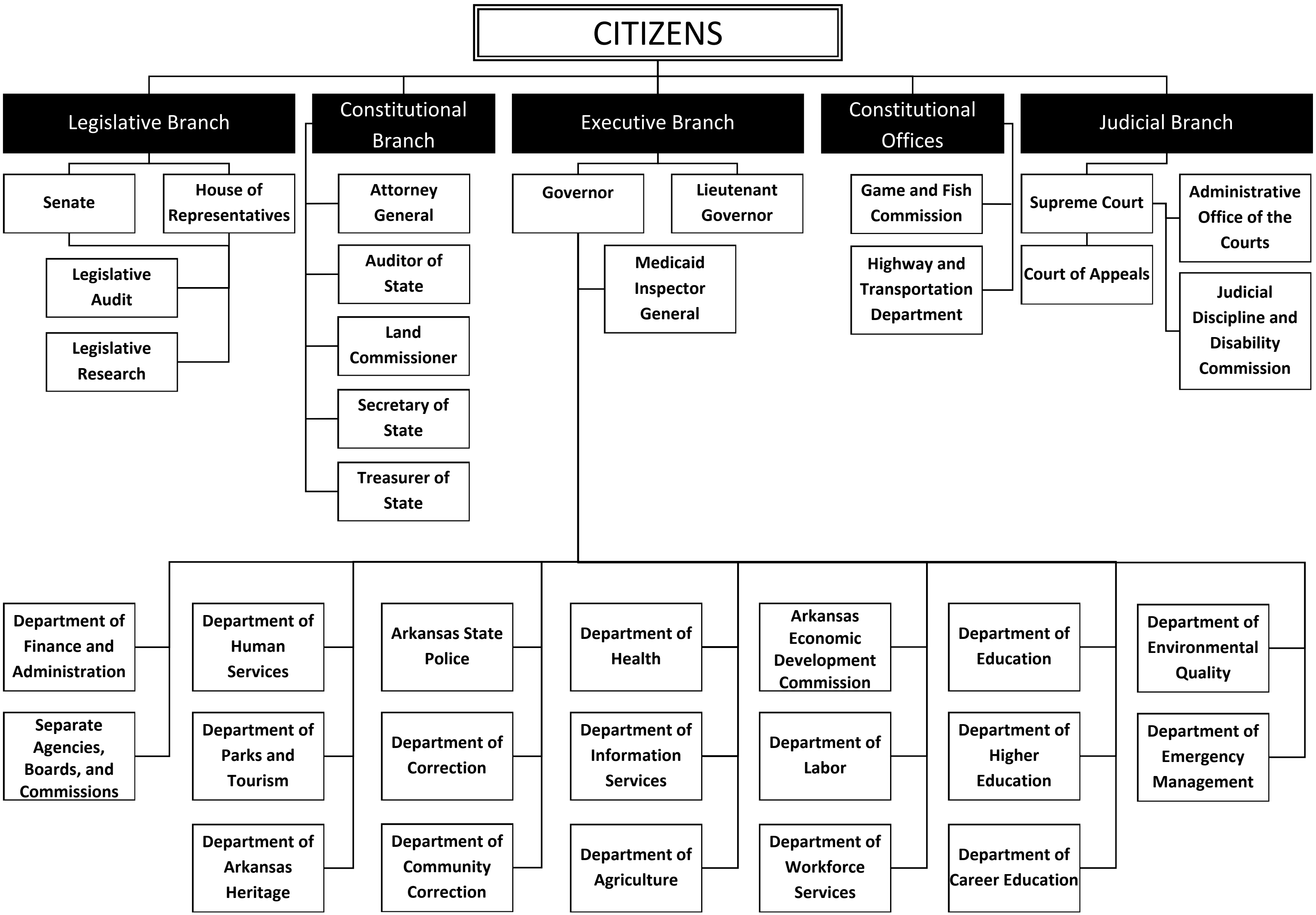
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2016

Jeffrey R. Emer

Executive Director/CEO

ARKANSAS
Organizational Chart



Principal Officials

Elected Officials

Governor

Asa Hutchinson

Lieutenant Governor

Tim Griffin

Attorney General

Leslie Rutledge

Auditor of State

Andrea Lea

Land Commissioner

John Thurston

Secretary of State

Mark Martin

Treasurer of State

Dennis Milligan

Legislative Branch

President Pro Tempore

Senator Jonathan Dismang

Speaker of the House

Representative Jeremy Gillam

Supreme Court

Chief Justice

John Dan Kemp

Associate Justice

Robin F. Wynne

Associate Justice

Courtney Hudson Goodson

Associate Justice

Josephine L. Hart

Associate Justice

Shawn A. Womack

Associate Justice

Karen R. Baker

Associate Justice

Rhonda K. Wood


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, 2017, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of:

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 17% of the assets and 35% of the revenues of the business-type activities opinion unit and 21% of the assets and 49% 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 9% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit.

Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2017, 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 20 to the financial statements, in fiscal year 2017 the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 77, *Tax Abatement Disclosures*. 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, 2017 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's 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, 2017
CAFR00117


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Management's Discussion and Analysis


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

MANAGEMENT'S DISCUSSION AND ANALYSIS (Introduction)

Management of the State of Arkansas (the State) provides this *Management's Discussion and Analysis* (MD&A) of the State's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative, overview and analysis of the financial activities of the State are for the year ended June 30, 2017. The State's June 30, 2017, financial statements received an unmodified opinion (see Independent Auditor's 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 continues to aggressively address audit areas of concern by adding professional accounting staff, strengthening internal control, training agency staff, 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, 2017, by $15.8 billion (presented as "Total net position"). The net position of the State increased by $384.1 million during the year. The governmental activities net position increased by $106.2 million and the business-type activities increased by $277.9 million. Of the total net position, $13.1 billion (82.82%) reflects its investment in capital assets such as land, buildings, equipment, intangibles and infrastructure (roads, bridges and other immovable assets), less any related outstanding debt used to acquire these assets. An additional portion of the State's net position, $3.5 billion (21.80%), 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 a negative $730.4 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, 2017, was $3.9 billion. Additional debt totaling $405.4 million was entered into during the year. $210.7 million of that increase was attributable to increases in college and university revenue bonds, $83.2 million was attributable to the Higher Education General Obligation Refunding Bonds, $68.6 million was attributable to the Water, Waste Disposal and Pollution Abatement Facilities Bonds and $23.9 million was attributable to the increase in college and university capital leases.

Fund Highlights

As of the close of business on June 30, 2017, the State's General Fund reported a fund balance of $4.1 billion. As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* $106.4 million (2.58%) of the total fund balance is nonspendable, $1.5 billion (36.01%) of the total fund balance is restricted, $1.8 billion (44.46%) of the total fund balance is committed, $152.9 million (3.70%) of the total fund balance is assigned and $547.3 million (13.25%) of the total fund balance is unassigned. The fund balance in the General Fund decreased $91.7 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, 2017. 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, 2017, are accounted for, even if the cash involved was not received or paid by June 30, 2017. 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, 2017, 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, Public School Employees Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund, other Revolving Loan Funds and other Enterprise Funds. In prior fiscal years, War Memorial Stadium Commission was shown in business type activities. By act of the General Assembly, it was merged with Department of Parks and Tourism and is now reported in governmental activities.
>>
>> 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), University of Arkansas Foundation, Inc. and University of Arkansas Fayetteville Campus Foundation, Inc. Complete financial statements of ASLA, ADFA, University of Arkansas Foundation, Inc. and 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 Fund 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 seven proprietary funds: the Higher Education Fund, the Workers' Compensation Commission, the Department of Workforce Services, the Office of the Arkansas Lottery, the Public School Employees 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 Fund 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, State Highway Employees Retirement System, 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 fund 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 chart presents a summary of the government-wide financial statements (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2017	2016	2017	2016	2017	2016
Current assets	$ 5,376,235	$ 5,308,787	$ 2,593,887	$ 2,334,894	$ 7,970,122	$ 7,643,681
Noncurrent assets	272,892	268,049	1,228,838	2,452,142	1,501,730	2,720,191
Capital assets	12,103,310	11,426,237	3,977,902	3,996,263	16,081,212	15,422,500
Total assets	17,752,437	17,003,073	7,800,627	8,783,299	25,553,064	25,788,388
Deferred Outflows of Resources	1,498,480	540,141	121,298	84,169	1,619,778	624,310
Current liabilities	1,469,453	1,312,640	554,876	534,333	2,024,329	1,846,973
Long-term liabilities	6,401,588	4,897,415	2,792,233	4,024,907	9,193,821	8,922,322
Total liabilities	7,871,041	6,210,055	3,347,109	4,559,240	11,218,150	10,769,295
Deferred Inflows of Resources	106,677	166,206	19,187	30,543	125,864	196,749
Net position						
Net investment in capital assets	11,116,044	10,573,154	1,992,873	1,997,666	13,108,917	12,570,820
Restricted	2,318,037	2,142,787	1,132,263	1,046,934	3,450,300	3,189,721
Unrestricted	(2,160,882)	(1,548,988)	1,430,493	1,233,085	(730,389)	(315,903)
Total net position	$ 11,273,199	$ 11,166,953	$ 4,555,629	$ 4,277,685	$ 15,828,828	$ 15,444,638

The net position of the governmental activities increased $106.2 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 an increase in Medicaid reimbursements related to the Private Option program by the Department of Human Services.

The net position of the business-type activities increased $277.9 million. This change is primarily due to an increase in cash and investment 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, 2017, was $12.1 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	
	2017	2016	2017	2016	2017	2016
Revenues:						
Program revenues:						
Charges for services	$ 1,262,738	$ 1,263,465	$ 3,257,413	$ 3,123,516	$ 4,520,151	$ 4,386,981
Operating grants and contributions	7,691,132	7,333,883	784,516	826,300	8,475,648	8,160,183
Capital grants and contributions	781,522	572,654	46,482	31,627	828,004	604,281
General revenues:						
Personal and corporate taxes	3,163,104	3,222,351			3,163,104	3,222,351
Sales and use taxes	3,114,497	3,028,285			3,114,497	3,028,285
Motor fuel taxes	468,822	463,126			468,822	463,126
Other taxes	1,023,700	989,901	32,397	31,935	1,056,097	1,021,836
Other revenues:						
Investment earnings (loss)	60,201	84,100	68,636	21,217	128,837	105,317
Miscellaneous income	346,077	335,198	96,293	107,527	442,370	442,725
Disposal of operations	33,611		(664)		32,947	
Total revenues	17,945,404	17,292,963	4,285,073	4,142,122	22,230,477	21,435,085
Expenses:						
Governmental expenses:						
Education	3,751,603	3,718,585			3,751,603	3,718,585
Health and human services	8,949,631	8,461,524			8,949,631	8,461,524
Transportation	1,290,944	954,670			1,290,944	954,670
Law, justice and public safety	820,043	829,280			820,043	829,280
Recreation and resources development	277,979	275,987			277,979	275,987
General government	1,607,462	1,553,087			1,607,462	1,553,087
Regulation of business and professionals	126,905	134,567			126,905	134,567
Interest expense	60,318	61,920			60,318	61,920
Business-type expenses:						
Higher education			3,971,283	3,806,452	3,971,283	3,806,452
Workers' Compensation Commission			12,115	19,905	12,115	19,905
Department of Workforce Services			147,061	216,398	147,061	216,398
Office of the Arkansas Lottery			366,200	368,085	366,200	368,085
War Memorial Stadium Commission			2,630	3,419	2,630	3,419
Public School Employee Health and Life Benefit Plan			270,234	284,984	270,234	284,984
Revolving loans			4,281	4,848	4,281	4,848
Total expenses	16,884,885	15,989,620	4,773,804	4,704,091	21,658,689	20,693,711
Increase (decrease) in net position before special items and transfers	1,060,519	1,303,343	(488,731)	(561,969)	571,788	741,374
Special items:						
Issuance of buy back agreement	(187,598)				(187,598)	
Transfers - internal activities	(766,675)	(775,406)	766,675	775,406		
Total special items and transfers	(954,273)	(775,406)	766,675	775,406	(187,598)	
Increase (decrease) in net position	106,246	527,937	277,944	213,437	384,190	741,374
Net position - beginning (as restated)	11,166,953	10,639,016	4,277,685	4,064,248	15,444,638	14,703,264
Net position - ending	$ 11,273,199	$ 11,166,953	$ 4,555,629	$ 4,277,685	$ 15,828,828	$ 15,444,638

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $7.1 billion were funded by normal State taxing activities.

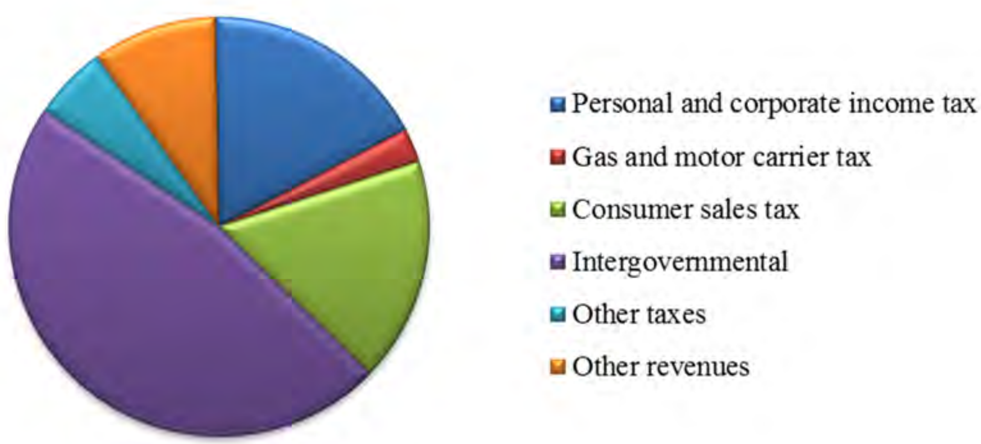
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenue in the General Fund are taxes and intergovernmental (e.g. federal grants). The State's most significant areas of expenditure 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, 2017, and 2016 (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)

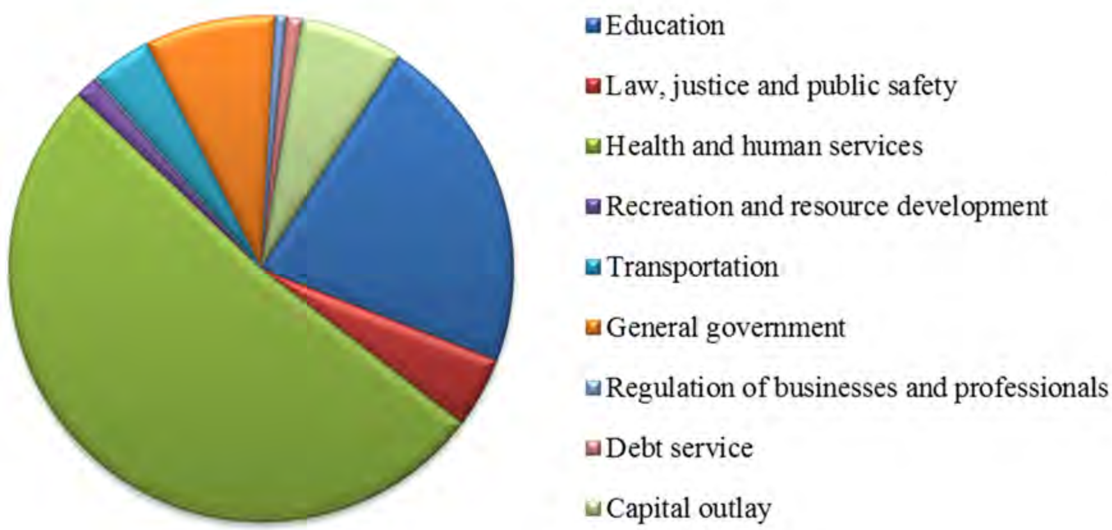
Revenues	2017	2016	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,165,911	$ 3,219,066	(1.65%)
Gas and motor carrier tax	469,542	462,761	1.47%
Consumer sales tax	3,113,922	3,031,524	2.72%
Intergovernmental	8,443,611	7,888,337	7.04%
Other taxes	1,023,060	989,962	3.34%
Other revenues	1,731,010	1,741,583	(0.61%)
Total	$ 17,947,056	$ 17,333,233	3.54%



Governmental revenues increased by 3.54%. Consumer sales tax revenue increased $82.4 million due to continued economic and market recovery. Intergovernmental activity increased by $555.3 million due primarily to an increase in Medicaid Health Insurance Program reimbursements related to the Private Option Program by the Department of Human Services.

Expenditures by Function - General Fund (expressed in thousands)

Expenditures	2017	2016	Increase (Decrease) Percent
Education	$ 3,748,403	$ 3,715,057	0.90%
Law, justice and public safety	789,376	796,987	(0.95%)
Health and human services	8,930,024	8,458,304	5.58%
Recreation and resource development	257,494	255,074	0.95%
Transportation	680,353	521,237	30.53%
General government	1,446,481	1,468,346	(1.49%)
Regulation of businesses and professionals	125,232	131,865	(5.03%)
Debt service	180,028	176,383	2.07%
Capital outlay	1,133,099	875,513	29.42%
Total	$ 17,290,490	$ 16,398,766	5.44%



State agencies' expenditures increased for the year ended June 30, 2017, by 5.44%. Health and human service expenses increased by $471.7 million primarily due to increases in Medicaid grant program expenditures related to the Private Option Program. Transportation expenses increased by $159.1 million primarily due to the increase in Connecting Arkansas Program expenditures by the Arkansas Highway and Transportation Department. Regulation of businesses and professionals expenses decreased by $6.6 million primarily due to the decrease in insurance refunds paid out by the Arkansas Insurance Department, which was caused by amended filings and overpayments by insurance companies. Capital Outlay expenses increased by $257.6 million primarily due to the increase in expenditures by the Arkansas Highway and Transportation Department to construct roads, bridges, interchanges and to purchase right-of-ways.

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, 2017.

At June 30, 2017, the State's General Fund reported an ending fund balance of $4.1 billion, which is a decrease of $91.7 million in comparison to June 30, 2016. The decrease is predominately due to increased expenditures consisting of the construction of roads, bridges, overlays, and acquisitions of right of ways in accordance with the Connecting Arkansas program.

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, $106.4 million or 2.58%
- Restricted, $1.5 billion or 36.01%
- Committed, $1.8 billion or 44.46%
- Assigned, $152.9 million or 3.70%
- Unassigned, $547.3 million or 13.25%

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 $28.6 billion, and the accumulated depreciation was $12.5 billion at June 30, 2017. The net book value was $16.1 billion. Depreciation expense was $546.8 million for governmental activities and $266.9 million for business-type activities.

Major capital asset events during the current year ended June 30, 2017, included the following:

- Department of Human Services expended $34.5 million on various types of computer software and $0.4 million on greenhouse and recycling building renovations.
- Arkansas Department of Correction expended $4.1 million on Ester Unit renovation and Cummins poultry houses, and $1.4 million on vehicles and various utility and kitchen equipment.
- Arkansas Military Department expended $6.7 million on renovations to various barracks and other buildings and $1.1 million on vehicles, tractors and other equipment.
- Arkansas Game and Fish Commission expended $5.6 million on land purchases and improvements that included the Frog Bayou Williams Tract, Stone Prairie Wildlife Management Area and others. Game and Fish also spent $7.0 million on vehicles, boats, mowers and other equipment.
- Arkansas Department of Parks and Tourism expended $5.2 million on improvements to various parks, $11.9 million on the construction of Delta Heritage Trail, Jackson Visitor Center and Lake Ouachita Marina and $2.3 million on vehicles and other equipment.

- Arkansas Department of Highway and Transportation (AHTD) constructed roads, bridges and interchanges for $941 million and purchased right-of-ways for $43 million. AHTD also spent $21.9 million on various types of equipment.

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 development 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 Aa2 and A3 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, University of Arkansas Community College – Rich Mountain, South Arkansas Community College, Southern Arkansas University and Southern Arkansas University – Tech branch.

Governmental Activities

The State's governmental activities had $1.7 billion in bonds, notes payable and capital leases outstanding at June 30, 2017, compared to $1.8 billion at June 30, 2016. The net decrease is approximately $89.3 million.

For the year ended June 30, 2017, bonds payable had a net decrease of $75.1 million. Principal payments on these bonds totaled $83.2 million. Capital leases to outside entities had a net decrease of $311 thousand. Notes payable and capital leases payable to component units had a net decrease of $13.8 million during the year ended June 30, 2017.

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

- The Arkansas Department of Higher Education issued $83.2 million in taxable revenue refunding bonds, Series 2016, to refund Series 2007A bonds.
- The Arkansas Natural Resource Commission issued $30.9 million in tax exempt general obligation bonds, Series 2016A, to refund Series 2007 water, waste disposal and pollution abatement facilities general obligation bonds, $20.0 million in taxable general obligation bonds, Series 2017A, for the development of water, waste disposal, pollution control, abatement and prevention, drainage, irrigation, flood control and wetland and aquatic resources projects; and $17.8 million in tax exempt general obligation bonds, Series 2017B, to refund Series 2010A water, waste disposal and pollution abatement facilities general obligation bonds.

The State's governmental activities had approximately $118.2 million of claims and judgments outstanding at June 30, 2017, compared to $121.9 million at June 30, 2016. Other obligations include $140.0 million for accrued sick leave and vacation pay, $28.3 million for pollution remediation and $177.7 million for recycling tax obligations at June 30, 2017. The State's governmental activities also had $1.3 billion recorded for net other postemployment benefits obligations and $2.9 billion recorded for net pension liability at June 30, 2017.

Business-type Activities

The State's business-type activities had $2.2 billion in bonds, notes payable and capital leases outstanding at June 30, 2017, and $2.1 billion at June 30, 2016. The net increase was approximately $57.5 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 University of Arkansas at Fayetteville issued $24.8 million in tax exempt athletic facilities revenue bonds, Series 2016A, and $90.0 million in taxable athletic facilities revenue bonds, Series 2016B, for the construction and equipping of improvements, renovations, replacements and expansions to various athletic facilities.
- The Arkansas State University at Jonesboro issued $23.2 million in tax exempt housing system revenue refunding bonds, Series 2016, to refund Series 2007 housing revenue bonds and $13.9 million in tax exempt student fee revenue refunding bonds, Series 2016, to refund Series 2007 student fee revenue bonds.
- The University of Arkansas at Fort Smith issued $19.5 million in tax exempt student fee refunding revenue bonds, Series 2016, to refund Series 2009 bonds.
- The Southern Arkansas University issued $8.0 million in tax exempt auxiliary enterprises secured capital improvement bonds, Series 2017, for acquisition, construction and equipping of capital improvements and $6.5 million in student fee secured refunding bonds, Series 2016, to refund Series 2011 bonds.
- The University of Arkansas at Monticello issued $11.3 million in tax exempt various facilities revenue bonds, Series 2017A, and $1.8 million in taxable various facilities revenue bonds, Series 2017B, for capital improvements to various facilities.

The colleges and universities also entered into capital leases totaling $23.9 million, as well as notes payable totaling $4.2 million. The State's business-type activities reduced bonds, notes payable and capital leases by $181.3 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $270.8 million of claims and judgments outstanding at June 30, 2017, compared to $289.0 million at June 30, 2016. Other obligations included accrued sick leave and vacation pay of $117.2 million at June 30, 2017. The State's business-type activities also had $112.8 million recorded for net other postemployment benefits obligation and $226.8 million recorded for net pension liability at June 30, 2017.

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	$ 6,037,902	$ 6,108,645	$ 1,906,305
Education	4,283,408	4,400,812	3,761,206
Health and human services	9,619,617	9,012,723	8,577,309
Law, justice and public safety	1,012,117	1,034,951	803,325
Recreation and resources development	489,407	531,199	300,841
Regulation of business and professionals	197,766	199,364	127,273
Transportation	580,726	823,369	458,924
Debt service	161,559	196,544	166,905
Capital outlay	1,793,908	1,545,121	1,098,404
Total	$ 24,176,410	$ 23,852,728	$ 17,200,492

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 $323.7 million. The increases in general government; 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
REGNAT POPULUS
JUSTICE

Basic Financial Statements

Statement of Net Position
June 30, 2017
(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	$ 1,640,605	$ 1,627,487	$ 3,268,092	$ 1,077	$ 122,451
Cash and cash equivalents-restricted		46,395	46,395	594	
Investments	2,407,128	466,059	2,873,187	13,337	3,009
Receivables, net:					
Accounts	123,281	352,672	475,953		784
Taxes	461,430		461,430		
Medicaid	234,728		234,728		
Loans	6,500	8,067	14,567		1,391
Leases	90		90		
Interest	12,641	1,342	13,983	3,983	1,873
Other	40,266	14,412	54,678	8	
Internal balances	32,505	(32,505)			751
Due from other governments	297,224	29,927	327,151		
Prepaid items	28,744	24,301	53,045		
Inventories	71,783	38,244	110,027		
Deposits with trustee	19,310	15,277	34,587		
Other current assets		2,209	2,209		
Total current assets	5,376,235	2,593,887	7,970,122	18,999	130,259
Noncurrent assets:					
Cash and cash equivalents, restricted		184,637	184,637		
Deposits with component unit	22,718		22,718		
Deposits with bond trustee		153,596	153,596		
Deposits with Multi-State Lottery Association		1,948	1,948		
Investments	51	424,087	424,138		349,763
Receivables, net		47,581	47,581		
Loans and mortgages receivable	177,897	402,491	580,388	212,093	258,463
Loans receivable - component unit	50,000		50,000		
Loans and capital leases receivable from primary government					179,928
Capital leases receivable	496		496		
Due from other governments		193	193		
Financial assurance instruments		11,202	11,202		
Other noncurrent assets	21,730	3,103	24,833	137	1,539
Total noncurrent assets	272,892	1,228,838	1,501,730	212,230	789,693
Capital assets (net of accumulated depreciation):					
Capital assets, non depreciable					
Land	963,118	165,590	1,128,708	670	
Construction in progress	2,054,649	151,533	2,206,182		
Construction in progress - intangibles	418	2,673	3,091		
Other non depreciable assets	22,350	2,675	25,025		
Total capital assets, non depreciable	3,040,535	322,471	3,363,006	670	
Capital assets, depreciable					
Land improvements	76,276		76,276		
Infrastructure	7,681,092	368,181	8,049,273		
Buildings	1,042,205	2,962,660	4,004,865	1,372	
Equipment	226,473	168,142	394,615	553	71
Improvements other than building		17,044	17,044		
Intangibles	34,184	67,219	101,403	17	
Other capital assets	2,545	72,185	74,730		
Total capital assets, depreciable	9,062,775	3,655,431	12,718,206	1,942	71
Total capital assets, net of depreciation	12,103,310	3,977,902	16,081,212	2,612	71
Total noncurrent assets and capital assets	12,376,202	5,206,740	17,582,942	214,842	789,764
Total assets	17,752,437	7,800,627	25,553,064	233,841	920,023
Deferred outflows of resources					
Related to debt refunding	28,606	38,775	67,381	2,917	48
Related to pensions	1,469,874	82,523	1,552,397	167	1,650
Total deferred outflows	1,498,480	121,298	1,619,778	3,084	1,698
Total assets and deferred outflows of resources	$ 19,250,917	$ 7,921,925	$ 27,172,842	$ 236,925	$ 921,721

Statement of Net Position
June 30, 2017
(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	$ 84,184	$ 105,370	$ 189,554	$ 1,742	$ 1,352
Prizes payable		19,084	19,084		
Accrued interest	7,343	17,186	24,529		4,936
Accrued and other current liabilities	217,848	118,694	336,542		
Medicaid payable	354,646		354,646		
Income tax refunds payable	345,813		345,813		
Due to other governments	74,189	2,494	76,683		
Workers' compensation benefits payable		14,714	14,714		
Funds held in trust for others		9,788	9,788		
Bonds, notes and leases payable	120,378	109,690	230,068	35,193	42,049
Claims, judgments, arbitrage and compensated absences	134,710	86,358	221,068		
Pollution remediation obligation	17,604	2,372	19,976		
Deferred gain on financing sale of asset					547
Current rebate/refund incentives payable	14,478		14,478		
Current recycling tax obligation payable	10,225		10,225		
Unearned revenue	88,035	69,126	157,161		
Total current liabilities	1,469,453	554,876	2,024,329	36,935	48,884
Long-term liabilities:					
Workers' compensation benefits payable		212,414	212,414		
Bonds, notes and leases payable	1,606,932	2,090,722	3,697,654	141,380	438,731
Loans payable - primary government					50,000
Claims, judgments, arbitrage and compensated absences	123,392	102,694	226,086		
Pollution remediation obligation	10,729		10,729		
Net post employment benefits obligation	1,274,401	112,755	1,387,156	182	2,256
Net pension liability	2,887,441	226,821	3,114,262	464	4,496
Deposits held on behalf of primary government					22,718
Other noncurrent liabilities	226,810	45,532	272,342		13,841
Deferred gain on refinancing sale of asset					266
Noncurrent rebate/refund incentives payable	104,413		104,413		
Noncurrent recycling tax obligation payable	167,470		167,470		
Unearned revenue		1,295	1,295		1,749
Total long-term liabilities	6,401,588	2,792,233	9,193,821	142,026	534,057
Total liabilities	7,871,041	3,347,109	11,218,150	178,961	582,941
Deferred inflows of resources					
Related to pensions	106,677	19,187	125,864	17	248
Total deferred inflows of resources	106,677	19,187	125,864	17	248
Total liabilities and deferred inflows of resources	7,977,718	3,366,296	11,344,014	178,978	583,189
Net Position					
Net position:					
Net investment in capital assets	11,116,044	1,992,873	13,108,917	2,595	71
Restricted for:					
Debt service	245,864	15,350	261,214		
Other capital projects	130,599	173,772	304,371		
Bond and resolution program					243,887
Program requirements	1,063,479	731,572	1,795,051		
Lottery	50,283		50,283		
Tobacco settlement	111,940		111,940		
Transportation	715,872		715,872		
Non-expendable - endowment		101,941	101,941		
Non-expendable - minority interest					122
Expendable-capital projects, debt service, loans and other		109,628	109,628	55,352	
Unrestricted	(2,160,882)	1,430,493	(730,389)		94,452
Total net position	11,273,199	4,555,629	15,828,828	57,947	338,532
Total liabilities, deferred inflows of resources and net position	$ 19,250,917	$ 7,921,925	$ 27,172,842	$ 236,925	$ 921,721

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, 2017
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $776 and unamortized discount of $1,217	$	25,634
Interest receivable		2,481
Cash value of life insurance		1,379
Land		552
Investments		964,470
Total assets	$	994,516
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	7,146
Annuity obligations		14,069
Total liabilities		21,215
Net assets:		
Unrestricted		105,675
Temporarily restricted		151,110
Permanently restricted		716,516
Total net assets		973,301
Total liabilities and net assets	$	994,516

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, 2017
(Expressed in thousands)

Assets	
Investments	$ 534,656
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 931
Total liabilities	931
Net assets:	
Temporarily restricted	36,403
Permanently restricted	497,322
Total net assets	533,725
Total liabilities and net assets	$ 534,656

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

Statement of Activities
For the Year Ended June 30, 2017
(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	$ 1,607,462	$ 433,652	$ 201,685	$ 612
Education	3,751,603	5,632	626,011	
Health and human services	8,949,631	414,670	6,518,609	5,198
Transportation	1,290,944	122,438	216,111	773,950
Law, justice and public safety	820,043	67,948	90,481	1,261
Recreation and resources development	277,979	101,985	33,847	501
Regulation of business and professionals	126,905	116,413	4,388	
Interest expense	60,318			
Total governmental activities	16,884,885	1,262,738	7,691,132	781,522
Business-type activities:				
Higher education	3,971,283	2,234,590	751,735	46,482
Workers' Compensation Commission	12,115	19,905		
Department of Workforce Services	147,061	242,692	11,057	
Office of the Arkansas Lottery	366,200	449,911		
War Memorial Stadium Commission	2,630	1,639	233	
Public School Employee Health and Life Benefit Plan	270,234	306,087		
Revolving loans	4,281	2,589	21,491	
Total business-type activities	4,773,804	3,257,413	784,516	46,482
Total primary government	$ 21,658,689	$ 4,520,151	$ 8,475,648	$ 828,004
Component units:				
Arkansas Student Loan Authority	$ 9,765	$ 10,691	$	
Arkansas Development Finance Authority	35,208	40,855	7,831	
Total component units	$ 44,973	$ 51,546	$ 7,831	

General revenues:
Taxes:
Personal and corporate income
Consumer sales and use
Gas and motor carrier
Other
Total taxes
Investment earnings (loss)
Miscellaneous income
Special items
Disposal of operations
Issuance of buy back agreement
Transfers-internal activities
Total general revenues, special items and transfers

Change in net position
Net position - beginning
Net position - ending

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

Net Revenue (Expense)				
Primary Government			Component Units	
Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
$ (971,513)	$	$ (971,513)		
(3,119,960)		(3,119,960)		
(2,011,154)		(2,011,154)		
(178,445)		(178,445)		
(660,353)		(660,353)		
(141,646)		(141,646)		
(6,104)		(6,104)		
(60,318)		(60,318)		
(7,149,493)		(7,149,493)		
	(938,476)	(938,476)		
	7,790	7,790		
	106,688	106,688		
	83,711	83,711		
	(758)	(758)		
	35,853	35,853		
	19,799	19,799		
	(685,393)	(685,393)		
(7,149,493)	(685,393)	(7,834,886)		
			$ 926	$
				13,478
			926	13,478
3,163,104		3,163,104		
3,114,497		3,114,497		
468,822		468,822		
1,023,700	32,397	1,056,097		
7,770,123	32,397	7,802,520		
60,201	68,636	128,837	41	(12,456)
346,077	96,293	442,370	32	13,100
33,611	(664)	32,947		
(187,598)		(187,598)		
(766,675)	766,675			
7,255,739	963,337	8,219,076	73	644
106,246	277,944	384,190	999	14,122
11,166,953	4,277,685	15,444,638	56,948	324,410
$ 11,273,199	$ 4,555,629	$ 15,828,828	$ 57,947	$ 338,532

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2017
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 14,767	$ 20,254	$ 14,732	$ 49,753
Interest and dividends	4,323	5,885	269	10,477
Net realized and unrealized gains on investments	4,593	23,868	62,277	90,738
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	42,840	(42,840)		
Total revenues, gains and other support	66,523	7,167	77,278	150,968
Expenses and losses:				
Program services:				
Construction	2,974			2,974
Research	14,273			14,273
Faculty/staff support	16,856			16,856
Scholarships and awards	11,816			11,816
Public/staff relations	2,253			2,253
Equipment	3,939			3,939
Sponsored programs	804			804
Other	11,603			11,603
Total program services	64,518			64,518
Supporting services:				
Management and general	676			676
Fundraising	2,342			2,342
Change in value of split-interest agreements	8		187	195
Provision for loss on uncollectible pledges	115	24	42	181
Total supporting services	3,141	24	229	3,394
Total expenses and losses	67,659	24	229	67,912
Change in net assets	(1,136)	7,143	77,049	83,056
Net assets - beginning	106,811	143,967	639,467	890,245
Net assets - ending	$ 105,675	$ 151,110	$ 716,516	$ 973,301

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, 2017
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 3,598	$ 2	$ 3,600
Net realized and unrealized gains on investments		15,847	44,705	60,552
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	16,917	(16,917)		
Total revenues, gains and other support	16,917	2,528	44,707	64,152
Expenses and losses:				
Program services:				
Research	912			912
Faculty/staff support	3,101			3,101
Scholarships and awards	11,397			11,397
Equipment and technology	1,108			1,108
Other	399			399
Total program services	16,917			16,917
Change in net assets		2,528	44,707	47,235
Net assets - beginning		33,875	452,615	486,490
Net assets - ending	$	$ 36,403	$ 497,322	$ 533,725

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

Balance Sheet
Governmental Fund
June 30, 2017
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	1,640,605
Deposit with trustee		19,310
Investments		2,407,179
Receivable, net:		
Accounts		123,236
Taxes		461,430
Medicaid		234,728
Loans		234,397
Leases		586
Interest		12,641
Other		40,266
Due from other funds		48,120
Due from other governments		297,224
Advances to other funds		5,458
Prepaid items		28,603
Inventories		71,783
Deposits with component unit		22,718
Other assets		21,732
Total assets	$	5,670,016
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	81,223
Accrued and other current liabilities		229,211
Unearned income		88,035
Income tax refunds payable		345,813
Due to other governments		74,189
Due to other funds		19,906
Advances from other funds		4,083
Medicaid claims payable		354,646
Total liabilities		1,197,106
Deferred inflows of resources		
Related to revenues		340,979
Total liabilities and deferred inflows of resources		1,538,085
Fund balance:		
Nonspendable:		
Prepaid items		28,603
Inventories		71,783
Loans		5,476
Leases		586
Restricted		1,488,099
Committed		1,837,219
Assigned		152,890
Unassigned		547,275
Total fund balance		4,131,931
Total liabilities, deferred inflows of resources and fund balance	$	5,670,016

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, 2017
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 4,131,931
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	$ 1,152,918	
Infrastructure assets	15,176,532	
Other capital assets	4,744,437	
Accumulated depreciation	(8,970,577)	
Total capital assets		12,103,310
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.		141
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.		340,979
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	$ (106,677)	
Total outflows	1,469,874	1,363,197
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.		28,606
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	$ (1,619,268)	
Claims, judgments, arbitrage and compensated absences	(246,741)	
Other non-current liabilities	(226,810)	
Refund/Rebate incentives payable	(118,891)	
Recycling Tax Obligation	(177,695)	
Net OPEB obligation	(1,274,401)	
Pollution remediation obligation	(28,333)	
Unamortized bond issue premiums	(108,610)	
Accrued interest on bonds, notes, installment sales payable and leases	(7,343)	
Unamortized bond issue discounts	568	
Net pension liabilities	(2,887,441)	
Total long-term liabilities		(6,694,965)
Net position of governmental activities		$ 11,273,199

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, 2017
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,165,911
Consumers sales and use		3,113,922
Gas and motor carrier		469,542
Other		1,023,060
Intergovernmental		8,443,611
Licenses, permits and fees		1,291,699
Investment earnings		60,201
Miscellaneous		347,449
Total revenues		17,915,395
Expenditures:		
Current:		
General government		1,446,481
Education		3,748,403
Health and human services		8,930,024
Transportation		680,353
Law, justice and public safety		789,376
Recreation and resources development		257,494
Regulation of business and professionals		125,232
Debt service:		
Principal retirement		102,397
Interest		77,568
Bond issuance costs		63
Capital outlay		1,133,099
Total expenditures		17,290,490
Excess of revenues over expenditures		624,905
Other financing sources (uses):		
Issuance of debt		22,199
Issuance of refunding debt		131,840
Bond discounts/premiums		9,846
Lease proceeds		2,807
Sale of capital assets		4,922
Disposal of operations		31,661
Transfers in		180,819
Transfers out		(959,820)
Payment to refunding escrow agent		(140,877)
Total other financing sources and uses		(716,603)
Net change in fund balance		(91,698)
Fund balance - beginning		4,223,629
Fund balance - ending	$	4,131,931

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, 2017
(Expressed in thousands)

Net change in fund balance-governmental fund		$ (91,698)
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	$ 1,133,099	
Depreciation expense	(546,816)	
Excess of capital outlay over depreciation expense		586,283
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to increase net position.		88,590
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(154,039)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		(9,846)
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.		140,877
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.		(2,807)
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		102,397
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.		34,182
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	$ 6,705	
Increase in claims, judgments, arbitrage and compensated absences	12,276	
Amortization of bond premiums and discounts	13,318	
Amortization of bond insurance costs	(18)	
Amortization of deferred outflows of resources related to debt refunding	(3,303)	
Decrease in pollution remediation obligations	1,139	
Loss on sale of capital assets	(2,644)	
Net change in pension related accounts	(300,289)	
Adoption subsidy	(15,274)	
Issuance of recycling tax credits	(187,598)	
Decrease in accrued interest	548	
Increase in other postemployment benefits obligations	(112,616)	
Total additional expenditures		(587,756)
Change in net position of governmental activities		$ 106,246

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

Statement of Net Position
Proprietary Funds
June 30, 2017
(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	$ 633,445	$ 68,849	$ 618,464	$ 4,346	$ 302,383	$ 1,627,487
Cash and cash equivalents - restricted				46,395		46,395
Investments	355,243	47,852	5,022		57,942	466,059
Receivables:						
Accounts receivable, net	252,885	8,484	76,192	12,037	3,077	352,675
Loans & notes receivable, net	7,443				624	8,067
Interest	245	168	12		917	1,342
Due from other funds	15,645	669	1,061		8	17,383
Due from other governments	28,225		1,702			29,927
Other current receivables	14,412					14,412
Advances to other funds	688				1,178	1,866
Inventories	38,244					38,244
Prepaid items	24,043	68		190		24,301
Deposits with bond trustee	15,277					15,277
Other current assets	2,209					2,209
Total current assets	1,388,004	126,090	702,453	62,968	366,129	2,645,644
Noncurrent assets:						
Cash and cash equivalents - restricted	164,479			20,158		184,637
Deposits with Multi-State Lottery Association				1,948		1,948
Investments:						
Endowment	88,755					88,755
Restricted	128,025				77,437	205,462
Unrestricted	129,870					129,870
Receivables:						
Loans & notes receivable, net	43,590					43,590
Due from other governments	193					193
Other noncurrent receivables	3,991					3,991
Capital assets:						
Land	165,010	580				165,590
Infrastructure	602,920					602,920
Buildings	5,206,981	2,272	4,000			5,213,253
Equipment	835,789	642	15	949	94	837,489
Easements	2,675					2,675
Improvements other than building	32,964					32,964
Leasehold improvements				493		493
Construction in progress - intangible	2,673					2,673
Construction in progress	150,940				593	151,533
Other depreciable assets	466,682	558			2,178	469,418
Less accumulated depreciation	(3,494,413)	(2,941)	(1,487)	(1,057)	(1,208)	(3,501,106)
Advances to other funds	2,908				6,257	9,165
Loans receivable - restricted					402,491	402,491
Deposits with bond trustee	153,596					153,596
Financial assurance instruments		11,202				11,202
Other noncurrent assets	3,103					3,103
Total noncurrent assets	4,690,731	12,313	2,528	22,491	487,842	5,215,905
Total assets	6,078,735	138,403	704,981	85,459	853,971	7,861,549
Deferred Outflows of Resources						
Deferred outflows related to pensions	78,120	2,686		1,717		82,523
Deferred outflows related to debt refunding	38,775					38,775
Total deferred outflows of resources	116,895	2,686		1,717		121,298
Total assets and deferred outflows of resources	$ 6,195,630	$ 141,089	$ 704,981	$ 87,176	$ 853,971	$ 7,982,847

Statement of Net Position
Proprietary Funds
June 30, 2017
(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	$ 73,532	$ 5	$ 26,052	$ 126	$ 5,655	$ 105,370
Prizes payable				19,084		19,084
Accrued interest	17,086				100	17,186
Accrued and other current liabilities	116,444	234		1,941	75	118,694
Advances from other funds	2,397	53				2,450
Due to other funds	1,933	6	79	45,915	583	48,516
Due to other governments	782		1,712			2,494
Funds held in trust for others	9,788					9,788
Workers' compensation benefits payable		14,714				14,714
Bonds, notes and leases payable	105,580				4,110	109,690
Claims, judgments and compensated absences	59,212	102		50	26,994	86,358
Unearned revenue	68,192	428	166	323	17	69,126
Pollution remediation - current	2,372					2,372
Total current liabilities	457,318	15,542	28,009	67,439	37,534	605,842
Noncurrent liabilities:						
Workers' compensation benefits payable		212,414				212,414
Advances from other funds	9,625	331				9,956
Bonds, notes and leases payable	2,046,332				44,390	2,090,722
Net postemployment benefits payable	106,388	4,184		2,183		112,755
Net pension liability	214,467	7,622		4,732		226,821
Claims, judgments and compensated absences	101,686	604		298	106	102,694
Unearned revenue	1,295					1,295
Other noncurrent liabilities	34,330	11,202				45,532
Total noncurrent liabilities	2,514,123	236,357		7,213	44,496	2,802,189
Total liabilities	2,971,441	251,899	28,009	74,652	82,030	3,408,031
Deferred Inflows of Resources						
Deferred inflows related to pensions	17,949	535		703		19,187
Total deferred inflows of resources	17,949	535		703		19,187
Total liabilities and deferred inflows of resources	2,989,390	252,434	28,009	75,355	82,030	3,427,218
Net Position						
Net investment in capital assets	1,987,192	1,111	2,528	385	1,657	1,992,873
Restricted for:						
Expendable						
Debt service	15,350					15,350
Capital projects	173,772					173,772
Program requirements	67,260			21,000	643,312	731,572
Other	107,148			2,480		109,628
Nonexpendable - endowments	101,941					101,941
Unrestricted (deficit)	753,577	(112,456)	674,444	(12,044)	126,972	1,430,493
Total net position	3,206,240	(111,345)	676,972	11,821	771,941	4,555,629
Total liabilities, deferred inflows of resources and net position	$ 6,195,630	$ 141,089	$ 704,981	$ 87,176	$ 853,971	$ 7,982,847

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, 2017
(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	$ 2,182,941	$	$	$	$ 307,726	$ 2,490,667
Lottery collections				449,141		449,141
Licenses, permits and fees				770	2,589	3,359
Grants and contributions	317,878					317,878
Insurance taxes	51,649	19,905				71,554
Unemployment taxes			242,692			242,692
Other operating revenues	90,681	53	8,825	5		99,564
Total operating revenues	2,643,149	19,958	251,517	449,916	310,315	3,674,855
Operating expenses:						
Cost of sales and services				44,405	942	45,347
Lottery prize payments				306,429		306,429
Compensation and benefits	2,230,995	6,777		5,025	364	2,243,161
Supplies and services	1,078,731	880		6,444	26,266	1,112,321
General and administrative expenses	161,763	434		3,800	931	166,928
Federal financial assistance					3,838	3,838
Scholarships and fellowships	147,510					147,510
Benefit and aid payments		3,919	146,923		243,751	394,593
Depreciation and amortization	265,459	105	138	97	1,053	266,852
Total operating expenses	3,884,458	12,115	147,061	366,200	277,145	4,686,979
Operating income (loss)	(1,241,309)	7,843	104,456	83,716	33,170	(1,012,124)
Nonoperating revenues (expenses):						
Investment earnings	44,631	1,639	11,993	489	10,368	69,120
Net increase (decrease) fair value investments					(484)	(484)
Taxes	32,397					32,397
Grants and contributions	433,857		11,057		21,724	466,638
Interest and amortization expense	(73,365)				(1,482)	(74,847)
Loss on sale of capital assets	(3,812)	1	(154)			(3,965)
Pollution and contamination remediation	(9,648)					(9,648)
Other nonoperating revenue (expense)	(1,636)					(1,636)
Total nonoperating revenues (expenses)	422,424	1,640	22,896	489	30,126	477,575
Income (loss) before transfers and contributions	(818,885)	9,483	127,352	84,205	63,296	(534,549)
Transfers in	957,228			91	2,501	959,820
Transfers out	(83,370)		(7,965)	(85,247)	(16,563)	(193,145)
Capital grants and contributions	44,353					44,353
Donated assets	903					903
Other	1,226					1,226
Loss from discontinued operations	(664)					(664)
Change in net position	100,791	9,483	119,387	(951)	49,234	277,944
Total net position - beginning	3,105,449	(120,828)	557,585	12,772	722,707	4,277,685
Total net position - ending	$ 3,206,240	$ (111,345)	$ 676,972	$ 11,821	$ 771,941	$ 4,555,629

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, 2017
(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	$ 1,822,393	$	$	$ 448,873	$ 308,390	$ 2,579,656
Cash received from other government agencies	315,187					315,187
Auxiliary enterprise charges	322,781					322,781
Payments to employees	(1,881,040)	(7,077)		(4,749)	(971)	(1,893,837)
Payments of benefits	(491,681)	(15,432)	(152,575)		(248,762)	(908,450)
Payments to suppliers	(1,068,264)	(1,351)		(50,047)	(27,993)	(1,147,655)
Insurance taxes		19,345				19,345
Unemployment taxes			260,902			260,902
Payments for lottery prizes				(305,141)		(305,141)
Interest received (paid)	1,048					1,048
Loan administration received (paid)	(1,511)				1,032	(479)
Federal grant funds expended					(10)	(10)
Other operating receipts (payments)	33,254	330	8,825	(5,646)	1,009	37,772
Net cash provided by (used in) operating activities	(947,833)	(4,185)	117,152	83,290	32,695	(718,881)
Cash flows from noncapital financing activities:						
Direct lending receipts	552,852					552,852
Direct lending payments	(555,533)				(4,715)	(560,248)
Direct lending interest					(2,308)	(2,308)
Taxes	30,397					30,397
Grants and contributions	424,977		11,057		21,328	457,362
Other noncapital financing receipts (payments)	4,648					4,648
Transfers in	957,228			542	2,501	960,271
Transfers out	(83,370)		(7,965)	(71,000)	(4,559)	(166,894)
Net cash provided by (used in) noncapital financing activities	1,331,199		3,092	(70,458)	12,247	1,276,080
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(106,425)					(106,425)
Interest paid on capital debts and leases	(78,616)				(25)	(78,641)
Acquisition and construction of capital assets	(233,887)	(7)		(105)	(250)	(234,249)
Proceeds from long-term borrowings	69,498					69,498
Proceeds from sale of capital assets	232					232
Other capital and related financing receipts (payments) (1)	47,633					47,633
Net cash used in capital and related financing activities	(301,565)	(7)		(105)	(275)	(301,952)
Cash flows from investing activities:						
Purchase of investments	(309,837)	(25,298)	(5,022)		(67,455)	(407,612)
Proceeds from sale and maturities of investments	89,518				101,133	190,651
Interest and dividends on investments	5,878	1,610	11,987	489	3,515	23,479
Loan disbursements					(37,025)	(37,025)
Principal repayments on loans					38,329	38,329
Interest received on loans					7,227	7,227
Federal grant funds expended					(3,830)	(3,830)
Net cash provided by (used in) investing activities	(214,441)	(23,688)	6,965	489	41,894	(188,781)
Net increase (decrease) in cash and cash equivalents	(132,640)	(27,880)	127,209	13,216	86,561	66,466
Cash and cash equivalents - beginning	930,564	96,729	491,255	57,683	215,822	1,792,053
Cash and cash equivalents - ending	$ 797,924	$ 68,849	$ 618,464	$ 70,899	$ 302,383	$ 1,858,519

(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, 2017
(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)	$ (1,241,309)	$ 7,843	$ 104,456	$ 83,716	$ 33,170	$ (1,012,124)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	265,459	105	138	97	1,053	266,852
Federal grants expended					3,830	3,830
Other operating activities	(4,176)					(4,176)
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(8,319)	(571)	18,210	(926)	687	9,081
Loans receivable	(2,024)					(2,024)
Inventory	(1,018)				5	(1,013)
Prepaid items	(3,547)	(40)		(157)		(3,744)
Deposits with Multi-State Lottery Assoc				(100)		(100)
Other current assets	(355)					(355)
Current liabilities	18,838					18,838
Accounts payable and other accrued liabilities	15,876	(11,240)	(5,652)	528	(5,461)	(5,949)
Net other postemployment benefits	5,326	(571)		202	(231)	4,726
Net pension liability	4,230	1,506		588	(358)	5,966
Deferred outflows related to pensions		(946)		(586)	103	(1,429)
Deferred inflows related to pension		(271)		9	(41)	(303)
Compensated absences	5,505			34	(62)	5,477
Unearned revenue	(2,319)			(115)		(2,434)
Net cash provided by (used in) operating activities	$ (947,833)	$ (4,185)	$ 117,152	$ 83,290	$ 32,695	$ (718,881)
Non-cash investing, capital and financing activities:						
Donated capital assets/gifts	$ 10,941					$ 10,941
Assets acquired by capital lease	13,263					13,263
Payment of bond issuance cost and other fees from bond proceeds and reserves	1,074					1,074
Deposit of bond proceeds with trustee, including accrued interest and reserves	204,181					204,181
Payment of debt service directly from trustee	3,666					3,666
Earnings on investments with trustee	532					532
Amortization of cost associated with debt issuance and refundings	(31)					(31)
Capital assets purchased with bond proceeds held by trustee	(1,282)					(1,282)
Net increase/decrease in the fair value of investments	1,639					1,639
Net gain/loss on the disposal of assets	2,972					2,972
Valuation adjustment to capital assets	(1,147)					(1,147)
Amortization of bond premium	157					157
Amortization of bond discount	(66)					(66)
GASB pension adjustment	(229)					(229)
Trade-in allowance for equipment	258					258
Donated scholarships from the foundation	219					219
Unearned revenue from skybox purchase	85					85
Value of assets received from vendors for sponsorship agreements	3,389					3,389
Proceeds of loan issues	553					553
Transfer of capital assets to governmental activities					$ (11,817)	(11,817)

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2017
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 552,216	$ 143,291
Receivables:		
Employee	9,749	
Employer	36,485	
Investment principal	94,112	
Interest and dividends	33,581	16
Other	9,906	5
Due from other funds	2,965	
Total receivables	186,798	21
Investments at fair value:		
Certificates of deposit		23,258
U.S. government securities	419,989	
Bonds, notes, mortgages and preferred stock	749,943	2,258
Common stock	6,621,041	
Real estate	992,431	
International investments	8,719,556	
Mutual funds	4,245	
Pooled investment funds	2,665,896	
Corporate obligations	707,952	
Asset and mortgage-backed securities	147,139	
State recycling tax credits	224,000	
Other	4,366,780	
Total investments	25,618,972	25,516
Other assets		
Securities lending collateral	1,193,097	
Financial assurance instruments		234,630
Capital assets	19,815	
Other assets	111	
Total other assets	1,213,023	234,630
Total assets	27,571,009	403,458
Liabilities		
Accounts payable and other liabilities	23,842	6,650
Investment principal payable	137,930	
Obligations under securities lending	1,194,647	
Postemployment benefit liability	6,912	
Due to other governments		138,402
Due to other funds	46	
Due to third parties		258,406
Total liabilities	1,363,377	403,458
Net Position		
Net position restricted for pensions	26,207,632	
Total net position	$ 26,207,632	$

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, 2017
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	201,858
Employers		704,893
Supplemental contributions		12,312
Title fees		4,668
Court fees		1,561
Reinstatement fees		1,165
Total contributions		926,457
Investment income:		
Net increase in fair value of investments		3,123,764
Interest, dividends and other		286,351
Other investment income		8,014
Securities lending income		9,800
Total investment income		3,427,929
Less investment expense		82,780
Net investment income		3,345,149
Miscellaneous		6,232
Total additions		4,277,838
Deductions:		
Benefits paid to participants or beneficiaries		1,747,969
Refunds of employee/employer contributions		26,738
Administrative expenses		18,041
Total deductions		1,792,748
Change in net position held in trust for employees' pension benefits		2,485,090
Net position - beginning		23,722,542
Net position - ending	$	26,207,632

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, 2017

(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 state and local 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 (DFA) 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 ADFA are governed by a board of directors composed of the State Treasurer, Director of the DFA 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 72201 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) Measurement Focus and Basis of Accounting

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services or producing and delivering goods. All other revenues and expenses are reported as non-operating revenues and expenses.

For the pension trust funds, employee contributions are recognized in the period in which contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Contributions from employees and employers for service through June 30 are accrued. These contributions are considered to be fully collectible and, accordingly, no allowance for uncollectible receivables is reflected in the financial statements. Benefits and refunds are recognized when due and payable in accordance with provisions set forth in the Arkansas Code.

(e) Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all non-fiduciary activities of the primary government and its component units. Primary government activities are identified as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by outstanding balances for bonds, notes and other debt that are attributed to the acquisition, construction or improvement of those assets, and adjusted for any deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction or improvement of those assets or related debt.

- Restricted net position results when constraints placed on asset use are either externally imposed by creditors, grantors, contributors or the like or imposed by law through constitutional provision or enabling legislation. The amount of restricted assets is reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position does not meet the definition of the two preceding categories and is generally available for government purposes.

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

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

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

(f) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the General Fund), proprietary funds and fiduciary funds even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e., the Higher Education Fund, Workers’ Compensation Commission, Department of Workforce Services and the 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 are not accounted for in other funds.

The focus of Governmental Fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses and balances of financial resources) rather than upon net income.

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net 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 accounts for 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.

Department of Finance and Administration - 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 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.

The War Memorial Stadium Commission is responsible for the operation of the War Memorial Stadium, a facility available for use to all schools, colleges and universities in the State. In February 2017, the War Memorial Stadium Commission retired all bonds related to the fund. In that same month, the Commission was merged into the Department of Parks and Tourism. As of March 1, 2017, the Commission is being reported as part of the General Fund. Activity before that date is reported in the non-major enterprise fund column.

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 Employees 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.

(g) Assets, Liabilities, Deferred Outflows of Resources, Deferred Inflows of Resources and Net Position or Fund Balance

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less and all short-term instruments with maturities at purchase of 90 days or less. 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. Securities 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 have 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 its operation and oversight. Participation in the Pool is voluntary. At June 30, 2017, six campuses and six foundations participated in the Pool. The foundations hold approximately $1.9 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

Activities 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:

Assets		Capitalization Threshold	Useful Life
Software – Purchased	$	500,000	5 years
Software – Internally developed		1,000,000	10 years
Easements		250,000	15 years
Land use rights		250,000	15 years
Trademarks and Copyrights		250,000	15 years
Patents		250,000	20 years

Items not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures such as: statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings, 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, 2017, is $33.8 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	Useful Life
Equipment	5 to 20 years
Buildings and building improvements	20 to 50 years
Infrastructure	10 to 40 years
Land improvements	10 to 100 years
Intangibles	4 to 95 years
Art/Historical treasures/Library holdings	10 to 15 years

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, 2017, is related to projected refund estimates attributable to fiscal year 2017 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.

(h) Use of Estimates

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

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

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, addresses accounting and financial reporting by state and local governments that provide postemployment benefits other than pensions (OPEB) to their employees 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 Pension Plans,* and Statement No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans.* This Statement requires state and local 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. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (i.e., fiscal year 2018).

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*, 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).

GASB Statement No. 83, *Certain Asset Retirement Obligations,* provides guidance for accounting and financial reporting for asset retirement obligations (ARO). An ARO is a legally enforceable liability related to the retirement of a tangible capital asset. A government having legal obligations to perform future asset retirement activities related to a tangible capital asset should recognize a liability and a corresponding deferred outflow of resources using the guidance in this Statement. If all or some of an ARO is not recognized because the liability is not reasonably estimable, the government is required to disclose that fact and reasons that an estimate cannot be made. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (i.e., fiscal year 2019).

GASB Statement No. 84, *Fiduciary Activities,* provides criteria for identifying fiduciary activities of state and local governments and addresses accounting and financial reporting requirements for those fiduciary activities. Activities meeting the criteria are required to be reported in the fiduciary fund financial statements. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The Statement defines the four fiduciary funds that should be reported. A significant change is changing the name of agency funds to custodial funds. Custodial funds will report fiduciary activities not required to be reported in one of the other fiduciary fund types. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (i.e., fiscal year 2020).

GASB Statement No. 85, *Omnibus 2017,* provides guidance on practice issues identified during implementation and application of certain GASB Statements. The Statement addresses various topics related to blending component units, goodwill, fair value measurement and application, and pension and other postemployment benefits (OPEB). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (i.e., fiscal year 2018).

GASB Statement No. 86, *Certain Debt Extinguishment Issues,* provides guidance for transactions in which cash and other monetary assets acquired with only existing resources are placed in an irrevocable trust for the sole purpose of extinguishing debt. The Statement also provides guidance on accounting and financial reporting for prepaid insurance on extinguished debt and note disclosures for debt defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017 (i.e., fiscal year 2018).

GASB Statement No. 87, *Leases,* provides accounting and financial reporting requirements for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The Statement establishes a single model for lease accounting based on the principle that leases are financing arrangements of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (i.e., fiscal year 2021).

(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. (A.C.A.) §19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher education, 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 A.C.A. §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% 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, 2017, the reported bank balances of the general fund were $1,043,048,692. Of this amount, $3,488,093 was uninsured and uncollateralized and $20,836,877 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2017, the reported bank balances of the enterprise funds were $1,058,380,888. Of this amount, $306,468 was uninsured and uncollateralized, $6,740,943 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 $16,684,123 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2017, the reported bank balances of the fiduciary funds were $551,792,190. Of this amount, $2,139,379 was uninsured and uncollateralized and $578,116 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2017, the reported bank balances of the component units were $9,015,942. Of this amount, $1,271,000 was uninsured and uncollateralized.

(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. The length of the term of a debt investment determines how sensitive the fair market price is to a change in interest rates.

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 SBF 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 SBF 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, 2017, 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	$ 4,502	$ 1,150	$ 2,214	$ 252	$ 886
Money market mutual funds	183,419	183,419			
Mortgage-backed securities	2,099,354	709	18,266	12,457	2,067,922
Negotiable certificates of deposit	19,085	19,085			
Commercial paper	850,246	850,246			
U.S. government agencies	1,057			63	994
U.S. treasuries	15,577	10,851	4,726		
Subtotal	3,173,240	1,065,460	25,206	12,772	2,069,802
Enterprise funds					
Corporate bonds	28,628	6,370	19,414	2,272	572
Mortgage backed securities	81,194	71	4,336	460	76,327
Money market mutual fund	114,854	114,854			
Non participating contract	406	406			
External investment pool	3,788	3,788			
Negotiable certificates of deposit	3,879	1,872	2,007		
Municipal bonds	151	42	78		31
Commercial paper	149,735	149,735			
Commingled funds	39,159	39,159			
Foreign bond	138		138		
Other	569	569			
Government securities	133,108	54,189	77,698	1,107	114
U.S. government agencies	72,736	31,700	31,750	3,846	5,440
U.S. treasuries	120,334	55,478	54,460	6,256	4,140
Subtotal	748,679	458,233	189,881	13,941	86,624

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Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10
Fiduciary funds					
Corporate bonds and notes	$ 2,368,300	$ 184,967	$ 796,908	$ 982,552	$ 403,873
Mortgage backed securities	310,146	96,551	109,002	3,341	101,252
Short-term investments	267,719	267,719			
External investment pool	431,216	427,138		4,078	
Global corporate fixed income	20,816			20,816	
High yield income fund	31,065		31,065		
Infrastructure income fund	4,245		4,245		
Municipal bonds	14,515	1,374	3,685	5,125	4,331
Commercial paper and loans	81,542	30,994	10,640	39,908	
Commingled funds	1,983,024	304,874	35,689	1,642,461	
U.S. government agencies	160,892	24,964	32,238	11,086	92,604
U.S. treasuries	256,657	21,900	108,417	72,998	53,342
Subtotal	5,930,137	1,360,481	1,131,889	2,782,365	655,402
Component units					
Corporate bonds	3,852	506	2,082	706	558
Guaranteed investment contracts	5,859	1,221			4,638
Money market mutual funds	116,617	116,617			
Mortgage-backed securities	271,552		1,914	13,305	256,333
Negotiable certificates of deposit	2,890	980	1,910		
Mutual bond funds	972	972			
Commingled funds	4,154	4,154			
U.S. government agencies	34,901	3,637	29,693	318	1,253
U.S. treasuries	3,184	33	1,962	630	559
Subtotal	443,981	128,120	37,561	14,959	263,341
Total	$ 10,296,037	$ 3,012,294	$ 1,384,537	$ 2,824,037	$ 3,075,169

Corporate Bonds

As of June 30, 2017, 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 $739,179,208, $253,515,455, $172,741,741 and $4,597,881, respectively. Corporate bonds are debt instruments that are issued by 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, 2017, only the bonds held by ASHERS were considered highly sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2017, APERS and ATRS held convertible bonds with fair values of $199,638,197 and $388,593,500, 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, 2017, 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.

The SBF policy is that bankers' acceptances and commercial paper carry an investment rating of P-1 or better by Moody's Investor's Service (MIS) and a rating of A-1 or better by Standard and Poor's (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 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, 2017, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
General fund			
AAA	$ 198,900	Aaa	$ 185,405
AA	2,339	Aa	15,509
A	2,431	A	125
BBB	51	Baa	26
A-1	142,326	Ba	25
A-2	707,920	P-1	279,514
		P-2	570,732
Unrated	2,119,336	Unrated	2,121,967
Subtotal	3,173,303		3,173,303
Enterprise funds			
AAA	219,463	Aaa	248,345
AA	148,771	Aa	1,095
A	433	A	1,463
BBB	598	Baa or lower	546
A-1	8,081	P-1	26,364
A-2	60,120	P-2	41,837
Unrated	155,763	Unrated	273,579
Subtotal	593,229		593,229
Fiduciary funds			
AAA	158,805	Aaa	630,133
AA	677,610	Aa	253,556
A	696,435	A	825,380
BBB	598,939	Baa	450,336
BB	205,841	Ba	147,665
B	127,650	B	117,865
CCC or lower	32,283	Caa or lower	40,167
A-1	5,157	MIG-1	2,372
A-2	25,837	P-1	12,339
		P-2	20,769
Unrated	3,327,005	Unrated	3,354,980
Subtotal	5,855,562		5,855,562

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Standard and Poor's		Moody's Investor's Service	
Rating	**Fair Value**	**Rating**	**Fair Value**
Component units			
AAA	$ 117,800	Aaa	$ 425,157
AA	308,400	Aa	1,073
A	6,368	A	3,948
BBB or lower	2,710	Baa or lower	2,593
Unrated	8,703	Unrated	11,210
Subtotal	443,981		443,981
Total	$ 10,066,075		$ 10,066,075

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 SBF 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, 2017, the reported amount of the enterprise funds' investments was $1,201,156,772. Of this amount, $1,731,964 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5% or more of total investments.

The State Treasury's concentration of credit risk policy is that the investments, exclusive of funds managed by a securities lending agent, will not exceed the following percentages of the total portfolio: 30% in Total Debt of Corporations, including Bonds and Commercial Paper; and 10% 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% of total investments of the general fund included Federal Home Loan Mortgage Corporation (FHLMC) securities of $1,224,765,235 and Federal National Mortgage Association (FNMA) securities of $846,618,442 or 38.59% and 26.67%, respectively. The State's investments representing greater than 5% of total investments of the component units included FNMA securities of $31,193,310 or 6.48%. The State's investments representing greater than 5% of total investments of the enterprise funds included FNMA securities of $79,154,815 and FHLMC securities of $101,549,671 or 6.59% and 8.45%, respectively.

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, 2017, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Investment Principal - Receivable	Investment Principal - Payable	Accrued Income	Cash
Argentine Peso	$ 3,446	$ 3,446	$	$	$	$	$	$
Australian Dollar	49,364		49,303	(228)	228		61	
Brazilian Real	19,946	361	19,578	213		(213)	7	
British Pound Sterling	538,689		536,708	675			1,223	83
Canadian Dollar	49,672		50,291	(602)		(306)	143	146
Chinese Yuan	(15,903)			(15,903)				
Columbian Peso	3,625	3,625						
Danish Krone	49,787		49,017	(94)	94		770	
Euro	537,265	328	535,950	(243)			1,050	180
Hong Kong Dollar	72,973		72,873					100
Indian Rupee	4,248	3,745						503
Indonesian Rupiah	12,438		12,438					
Israeli Shekel	8,971		8,971			(77)		77
Japanese Yen	310,594		319,670	(10,422)	983	(1,158)	986	535
Malaysian Ringgit	2,615		2,673			(58)		
Mexico Nuevo Peso	20,743	9,235	13,731	(2,223)				
New Taiwan Dollar	15,259		15,098					161
New Zealand Dollar	12,647		12,589	58				
Norwegian Krone	23,949	3,621	20,297				31	
Philippine Peso	4,230		4,230					
Polish Zloty	38						38	
Singapore Dollar	15,031		14,921	128		(129)	111	
South African Rand	50,957		46,825	4,102			30	
South Korean Won	68,466		68,465				1	
Swedish Krona	103,977		101,348	425	2,151		1	52
Swiss Franc	193,006		199,398	(8,465)			2,073	
Thailand Baht	110		110					
Turkish Lira	5,243	4,086	1,157					
Total Fair Value	$ 2,161,386	$ 28,447	$ 2,155,641	$ (32,579)	$ 3,456	$ (1,941)	$ 6,525	$ 1,837

(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, 2017, ASHERS had $22,187,880 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, 2017 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 4,502	$ 4,502	$	$
Commercial paper	850,246	850,246		
Domestic equities	688	688		
Mutual funds	62	62		
Mortgage-backed securities	2,099,354	2,099,354		
Negotiable certificates of deposit	19,086	19,086		
U.S. government agencies	1,057	1,057		
U.S. treasuries	15,577	15,577		
Total investments at fair value	$ 2,990,572	$ 2,990,572	$	$

Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Cash and cash equivalents	$ 16,184	$ 16,148	$ 36	$
Certificates of deposit	13,507	12,256	1,251	
Commercial paper	68,201	68,201		
Commingled funds	55,084	13,550	41,534	
Corporate bonds	2,434	2,434		
Domestic equities	6,366	5,963	403	
Exchange traded funds	6,915	6,840	75	
External investment pools	3,658	3,658		
Foreign bond with a call option	138		138	
International equities	57		57	
Marketable alternatives	4	4		
Mortgage-backed securities	81,194	81,194		
Municipal bonds	151	151		
Mutual bonds	975	975		
Mutual funds	10,888	10,888		
Negotiable certificates of deposit	3,879	3,162	717	
Non-marketable alternatives	3			3
Other	1,399			1,399
Other debt securities	133,546	6,744	97,047	29,755
U.S. government agencies	311,247	14,169	293,893	3,185
U.S. treasuries	877	877		
Total investments at fair value	716,707	$ 247,214	$ 435,151	$ 34,342

Investments measured at net asset value (NAV)	
External investment pools - UA	392,267
External investment pools - NACC	728
Total investments at NAV	392,995
Total investments	$ 1,109,702

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Fiduciary funds

Investments measured at fair value		Total		Level 1		Level 2		Level 3
Asset- and mortgage-backed securities	$	225,298	$	75,719	$	149,579	$	
Commercial loans		50,548						50,548
Commerical paper		30,994		30,994				
Common stock		2,444,285		2,444,285				
Convertible bonds		199,638				199,638		
Convertible preferred stock		53,746		34,266		19,480		
Corporate bonds		1,098,096		54,319		1,043,777		
Domestic equities		3,329,365		3,329,365				
International equities		2,151,580		2,147,083				4,497
International obligations		121,504		39,394		82,110		
Investment derivatives		(821)		(106)		(715)		
Limited partnerships		70,178						70,178
Municipal bonds		14,515		14,515				
Mutual and exhange traded funds		120,372		120,372				
Preferred stock		2,271		2,271				
Real estate		59,096						59,096
State recycling tax credits		224,000				224,000		
U.S. government agencies		100,100		2,549		97,551		
U.S. treasuries		317,449		254,399		63,050		
Total investments at fair value		10,612,214	$	8,549,425	$	1,878,470	$	184,319
Investments measured at net asset value (NAV)								
Pooled Investments:								
Commingled domestic equities		1,544,307						
Commingled international equities		5,506,391						
Commingled domestic fixed income		1,437,501						
Commingled international fixed income		1,003,988						
Private equiy funds		1,702,695						
Real estate funds		2,065,080						
Diversified investment funds		225,928						
Fund of funds		165,045						
Timberland funds		392,673						
Farmland funds		172,480						
Infrastructure funds		119,193						
Re-Insurance funds		175,438						
Hedge funds		466,882						
Opportunistic funds		23,639						
Partnership funds		112,377						
Total investments at NAV		15,113,617						
Total investments	$	25,725,831						
Securities lending collateral measured at fair value								
Asset- and mortgage-backed securities	$	193,795	$		$	193,795	$	
Repurchase agreements		193,032				193,032		
Floating rate notes		375,056				375,056		
Total securities lending collateral at fair value		761,883	$		$	761,883	$	
Securities lending collateral measured at net asset value (NAV)								
Quality D short term investment pool		431,216						
Total securities lending collateral at NAV		431,216						
Total securities lending collateral	$	1,193,099						

Component units

Investments measured at fair value		Total		Level 1		Level 2		Level 3
Commingled funds	$	4,154	$		$	4,154	$	
Corporate bonds		3,852				3,852		
Equities		36,948		36,948				
Money market mutual fund		5,221		5,221				
Mortgage-backed securities		271,552				271,552		
Mutual bond funds		972				972		
Negotiable certificates of deposit		2,890				2,890		
U.S. agencies obligations		34,901				34,901		
U.S. treasury obligations		3,184				3,184		
Total investments at fair value	$	363,674	$	42,169	$	321,505	$	

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, 2017 (expressed in thousands):

Component Unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate	$ 1,539	$	$	$ 1,539

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.

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 as of June 30, 2017 (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 - UA	$ 392,267		Daily	0-30 days written notice required if withdrawals exceed $25.0 M within any 30-day period
External investment pools - NACC	728		Weekly	5 day
Total investments at NAV	$ 392,995			

Fiduciary Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments:				
Commingled domestic equities	$ 1,544,307	$	Daily-Monthly	T+1 to 5 days
Commingled international equities	5,506,391		Daily-Quarterly	T+1 to 65 days
Commingled domestic fixed income	1,437,501		Daily	T+2, T+3
Commingled international fixed income	1,003,988		Daily-Monthly	3-10 days, T+1, T+3
Private equity funds	1,702,695	941,939	N/A	N/A
Real estate funds	2,065,080	324,425	Quarterly - 7-year lock up	T+45 to 90 days
Diversified investment funds	225,928		Daily, Weekly and Monthly	T+2, T+3
Fund of funds	165,045		Last day of each Quarter	1yr;2yr;3yrs; >3yrs;55% liquidity; then 20% then 15% then 10%
Timberland funds	392,673	24,892	N/A	N/A
Farmland funds	172,480	33,981	Daily - Quarterly	30-60 days
Infrastructure funds	119,193	175,304	N/A	N/A
Re-Insurance funds	175,438		Semiannually - Annually	60-90 days
Hedge funds	466,882		Monthly-Annually	3-90 days
Opportunistic funds	23,639		Quarterly	60 days
Partnership funds	112,377	45,812	Quarterly - Annually	65-90 days
Total investments at NAV	$ 15,113,617	$ 1,546,353		

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 - UA

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, 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.

External investment pools - North Arkansas Community College

This type includes investments in a Commingled Fund which includes allocations to Income Research & Management, Sit Investment Associates, and Logan Circle. Income Research & Management has an emphasis on spread sectors, in particular putable corporate bonds and commercial mortgage-backed securities. Sit Investment Associates is a dedicated agency mortgage portfolio providing liquidity and diversification. Logan Circle uses a top-down approach with focus on sector allocation and yield curve positioning. A five day advance notice is required and can be redeemed weekly on Wednesdays or the last business day of each month. There are no other restrictions.

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 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 can be redeemed 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.

Private equity funds

Private equity includes 40 buyout funds, 3 distressed funds, 2 growth equity funds, 9 hard asset funds, 9 mezzanine funds, 5 multi-strategy funds, 5 turnaround funds, 11 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 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. 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 6 core funds, 18 value added funds, and 18 opportunistic funds that invest primarily in the United States, Europe and Asia. Fund investments can be made in the debt, equity, or a combination of both in real estate property ventures. 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 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 in the real estate funds is 2 to 10 years.

Diversified investment funds

This investment type includes a 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. Other funds use global strategies that incorporate valuations of both equities and bonds in a variety of global sectors to determine the best investment weightings by product and region.

Fund of funds

This investment type is made up of a combination of hedge funds. It diversifies by allocating the portfolio to selected strategies and 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 that involve 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

The State has 2 farmland funds. One fund is an open-ended fund comprised of units that represent the State's ownership of underlying agricultural related assets. This fund may be redeemed quarterly with proper notification to the fund manager. The other fund holds the State's direct investments in farmland and related assets. These investments cannot be easily redeemed. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the System's ownership interest in partners' capital. 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 annually. 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, two credit funds that invest opportunistically across investment classes on a long and short basis and one fund that uses options designed to enhance the returns of the underlying global benchmarks. 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 1-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

The State has three Partnership funds that acquire enough shares of a company to gain a controlling interest in order to make corrections to potentially increase a stock's value. The values 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 can be redeemed every year subject to redemption lockup restrictions and 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.

Securities lending collateral

Cash collateral received from borrowers in the securities lending program are invested in a Quality D short-term investment fund that consists of a liquidating account with a liquidity pool and a duration pool. The value of this fund has been determined by the fund administrator using the NAV per share (or its equivalent).

(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, 2017, governmental activities, business-type activities, fiduciary funds and component units held mortgage-backed securities with market values of $2.1 billion, $81.2 million, $210.2 million and $271.6 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, 2017, no mortgage-backed securities were considered highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2017, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $289.0 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, 2017, 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, 2017, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $6.502 million, collectively. Market values of these outstanding contracts were $6.488 million resulting in an unrealized loss of $14 thousand. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $38.237 million at June 30, 2017. Market values of these contracts were $38.937 million resulting in an unrealized loss of approximately $700 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, 2017, 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, 2017	
Type	Classification	Amount	Classification	Amount
Foreign currency forwards	Net appreciation (depreciation) in fair value of investments	$ (91,453)	Investment derivatives	$ (714,484)
Futures	Net appreciation (depreciation) in fair value of investments	1,645,340	Investment derivatives	(106,442)
TBA securities	Net appreciation (depreciation) in fair value of investments	(20,905,695)	U.S. government and agency securities	10,015,762

Foreign Currency Forward	Fair Value		Notional Amount	
Canadian Dollar	$ 289	CAD	$	901,146
Swiss Franc	(293,538)	CHF		7,803,526
Chinese Yuan Renminbi	(378,949)	CNY		(108,789,408)
Euro	2,502	EUR		800,204
British Pound Sterling	(5)	GBP		30,047
Japanese Yen	(26,964)	JPY		(622,286,851)
Mexican Peso	(3,234)	MXN		40,232,194
Swedish Krona	(423)	SEK		617,873
United States Dollar	(14,162)	USD		6,502,292
Total foreign currency forwards	$ (714,484)		$	(674,188,977)
Futures contract	$ (106,442)	USD	$	(24,432,624)
Mortgage-backed TBA	$ 10,015,762	USD	$	9,640,000

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs, as authorized by Arkansas Code Annotated § 24-3-412 and the Board of Trustees policies, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents, letters of credit, securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the fair value of the securities loaned for ATRS and equal to at least 102% of domestic loans and 105% of international loans for APERS. At all times during the term of each loan, the total value of the collateral is not to be less than the fair value of all securities on loan. The programs are administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The types of securities on loan at June 30, 2017, 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, 2017, the carrying value and fair value of the underlying securities was $1.2 billion. At June 30, 2017, 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 or the custodian's indemnification eliminated the credit risk.

(5) Receivables

Receivables at June 30, 2017, 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	$ 233,331 (3)	$ 768,057	$	$ 234,728	$ 586	$ 327,576	$ 12,641	$ 42,207	$ (511,842)	$ 1,107,284
Higher Education Fund	262,647					54,367	245	18,403	(13,096)	322,566
Workers' Compensation Commission	8,484 (3)						168			8,652
Department of Workforce Services	155,514						12	1,702	(79,322)	77,906
Office of the Arkansas Lottery	12,037									12,037
Non-major enterprise funds	3,275					403,115	917		(198)	407,109
Pension trust			46,234				127,693	9,906		183,833
Agency							16	48	(43)	21
Total	$ 675,288	$ 768,057	$ 46,234	$ 234,728	$ 586	$ 785,058	$ 141,692	$ 72,266	$ (604,501)	$ 2,119,408

(1) Receivable balances of $3,028 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $45 and $1 Interfund receivables due to the General Fund and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Other Receivables	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Student Loan Authority	$	$ 212,657	$	$ 3,983	$	$ 8	$ (564)	$ 216,084
Arkansas Development Finance Authority	784	407,085	110,473	1,873		751 (1)	(77,776)	443,190
University of Arkansas Foundation				2,481	26,410		(776)	28,115
Total	$ 784	$ 619,742	$ 110,473	$ 8,337	$ 26,410	$ 759	$ (79,116)	$ 687,389

(1) The financial statements for ADFA for the year ending June 30, 2017, incorporate the financial statements of the Venture Capital Investment Trust Fund, a component unit of ADFA, for the fiscal year ending December 31, 2016. ADFA reports receivables of $26.0 million in loans made to the component unit that were made after December 31, 2016. As a result, the receivables are not matched by corresponding payables of the component unit.

(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	$	$ 1,556	$ 6	$ 20	$ 45,910	$ 583	$ 45 (1)	$ 48,120
Higher Education Fund	15,586			59				15,645
Workers' Compensation Commission	290	377			1		1 (1)	669
Department of Workforce Services	1,061							1,061
Non-major Enterprise Funds	8							8
Pension trust	2,961 (2)				4 (2)			2,965
Total	$ 19,906	$ 1,933	$ 6	$ 79	$ 45,915	$ 583	$ 46	$ 68,468

(1) $45 and $1 Interfund receivables due to the General Fund and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

(2) $2,961 and $4 Interfund payables due from the General Fund and Office of the Lottery, respectively, to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Position.

Interfund receivables and payables include: (1) $15.6 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) $3.0 million due from the General Fund to the Pension Trust for employers' contributions; (4) $1.6 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) $45.9 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	Non-Major Enterprise Funds	Total
General Fund	$	$ 3,596	$ 487	$ 4,083
Higher Education Fund	5,074		6,948	12,022
Worker's Compensation Commission	384			384
Total	$ 5,458	$ 3,596	$ 7,435	$ 16,489

Advances include: (1) an outstanding balance of $5.1 million loaned from the General Fund (i.e. Department of Finance & Administration – Division of Building Authority) to Higher Education for the Sustainable Building Design Program used to pay for energy improvements; (2) an outstanding balance of $6.9 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 $3.6 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.

Transfers (expressed in thousands):

	Transfers In				
Transfers Out	**General Fund**	**Higher Education Fund**	**Office of Arkansas Lottery**	**Non-Major Enterprise Funds**	**Total**
General Fund	$	$ 957,228	$ 91	$ 2,501	$ 959,820
Higher Education Fund	83,370				83,370
Department of Workforce Services	7,965				7,965
Office of the Arkansas Lottery	85,247				85,247
Non-major enterprise funds	4,237				4,237
Total	$ 180,819	$ 957,228	$ 91	$ 2,501	$ 1,140,639

Transfers include: (1) $83.4 million transferred from the Higher Education Fund, which includes $78.0 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) $957.2 million transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (3) $8.0 million transferred from Department of Workforce Services to the General Fund, which includes $3.0 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; (4) $85.2 million transferred from the Office of the Arkansas Lottery to the General Fund for 2016/2017 academic school year; and (5) $1.7 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, 2017, was as follows (expressed in thousands):

	Balance June 30, 2016	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2017
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 903,901	$ 98	$ 59,542	$ (423)	$ 963,118
Construction in progress	1,838,832	(771,145)	987,001	(39)	2,054,649
Construction in progress - intangibles	19,057	(19,057)	418		418
Other non-depreciable/amortizable assets	22,242	11	103	(6)	22,350
Total capital assets, not being depreciated/amortized	2,784,032	(790,093)	1,047,064	(468)	3,040,535
Capital assets, being depreciated/amortized:					
Land improvements	172,706	8,679	8,429	(14)	189,800
Infrastructure	14,406,333	813,929	2,612	(46,342)	15,176,532
Buildings	1,657,137	61,385	16,542	(1,163)	1,733,901
Equipment	759,288	2,699	52,878	(35,796)	779,069
Intangibles	125,312	18,297	5,556	(4,573)	144,592
Other depreciable/amortizable assets	9,457		18	(17)	9,458
Total capital assets, being depreciated/amortized	17,130,233	904,989	86,035	(87,905)	18,033,352
Subtotal	19,914,265	114,896	1,133,099	(88,373)	21,073,887
Less accumulated depreciation/amortization for:					
Land improvements	(107,095)	(337)	(6,106)	14	(113,524)
Infrastructure	(7,082,326)	(5,191)	(454,265)	46,342	(7,495,440)
Buildings	(649,281)	(11,177)	(32,023)	785	(691,696)
Equipment	(536,547)	(1,389)	(46,946)	32,286	(552,596)
Intangibles	(106,306)	(73)	(7,026)	2,997	(110,408)
Other depreciable/amortizable assets	(6,473)		(450)	10	(6,913)
Total accumulated depreciation/amortization	(8,488,028)	(18,167)	(546,816)	82,434	(8,970,577)
Governmental activities capital assets, net	$ 11,426,237	$ 96,729	$ 586,283	$ (5,939)	$ 12,103,310

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

	Balance June 30, 2016	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2017
Business-type activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 162,293	$ 51	$ 3,246	$	$ 165,590
Construction in progress	178,594	(174,072)	154,337	(7,326)	151,533
Construction in progress - intangibles	1,474		1,199		2,673
Easements	2,675				2,675
Total capital assets, not being depreciated/amortized	345,036	(174,021)	158,782	(7,326)	322,471
Capital assets, being depreciated/amortized:					
Improvements other than building	38,817	(5,971)	118		32,964
Buildings	5,122,013	67,587	41,210	(17,064)	5,213,746
Equipment	802,170	3,944	53,135	(21,760)	837,489
Infrastructure	515,975	79,252	9,145	(1,452)	602,920
Intangibles	184,952	7,473	251	(2,395)	190,281
Art/historic treasures	1,022	(49)		(3)	970
Library holdings	219,113		10,680	(4,007)	225,786
Other depreciable assets	55,988	(5,050)	1,661	(218)	52,381
Total capital assets, being depreciated/amortized	6,940,050	147,186	116,200	(46,899)	7,156,537
Subtotal	7,285,086	(26,835)	274,982	(54,225)	7,479,008
Less accumulated depreciation/amortization for:					
Improvements other than building	(14,737)	390	(1,573)		(15,920)
Buildings	(2,110,776)	11,821	(165,244)	13,113	(2,251,086)
Equipment	(632,458)	(4,586)	(53,832)	21,529	(669,347)
Infrastructure	(213,948)	(46)	(23,341)	2,596	(234,739)
Intangibles	(112,903)	79	(10,426)	188	(123,062)
Art/historic treasures	(20)				(20)
Library holdings	(180,118)	(10)	(7,502)	4,002	(183,628)
Other depreciable/amortizable assets	(23,863)	5,493	(4,934)		(23,304)
Total accumulated depreciation/amortization	(3,288,823)	13,141	(266,852)	41,428	(3,501,106)
Business-type activities capital assets, net	$ 3,996,263	$ (13,694)	$ 8,130	$ (12,797)	$ 3,977,902

(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, 2017, was as follows (expressed in thousands):

	Balance June 30, 2016	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2017
ADFA:					
Capital assets being depreciated:					
Equipment	$ 555	$	$	$ (26)	$ 529
Less accumulated depreciation for:					
Equipment	(462)		(20)	24	(458)
ADFA capital assets, net	$ 93	$	$ (20)	$ (2)	$ 71

(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, 2017, was as follows (expressed in thousands):

	Balance June 30, 2016	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2017
ASLA:					
Capital assets not being depreciated:					
Land	$ 670	$	$	$	$ 670
Capital assets being depreciated/amortized:					
Building	2,032				2,032
Equipment	1,093		3	(12)	1,084
Intangible assets	10,629				10,629
Total capital assets, being depreciated/amortized	13,754		3	(12)	13,745
Subtotal	14,424		3	(12)	14,415
Less accumulated depreciation/amortization for:					
Building and equipment	(1,119)		(85)	13	(1,191)
Intangible assets	(10,570)		(42)		(10,612)
Total accumulated depreciation/amortization	(11,689)		(127)	13	(11,803)
ASLA capital assets, net	$ 2,735	$	$ (124)	$ 1	$ 2,612

(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, 2017, was as follows (expressed in thousands):

	Balance June 30, 2016	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2017
U of A Foundation Inc.:					
Capital assets not being depreciated:					
Land	$ 668	$	$	$ (116)	$ 552
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	$ 668	$	$	$ (116)	$ 552

(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	$	3,070
Health and human services		10,038
Transportation		466,511
Law, justice and public safety		28,785
Recreation and resources development		21,455
General government		15,881
Regulation of business and professionals		1,076
Total depreciation expense – governmental activities	$	546,816
Business-type Activities:		
Enterprise funds	$	266,852
Total depreciation expense – business-type activities	$	266,852

Component Units

Component Units:		
ADFA	$	20
ASLA		127
Total depreciation expense – component units	$	147

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2017, are summarized as follows (expressed in thousands):

	Balance June 30, 2016	Additions	Accretion On Capital Appreciation Bonds	Reductions	Balance June 30, 2017	Due within One Year	Due Greater Than One Year
Governmental Activities:							
Bonds payable:							
General obligation	$ 1,518,148	$ 151,840	$ (6,705)	$ 215,913 (1)	$ 1,447,370	$ 89,105	$ 1,358,265
Add (deduct):							
Issuance premium (discount):							
General obligation	109,373	10,150		13,766	105,757	12,934	92,823
Debt to component unit	3,032	(304)		443	2,285	427	1,858
Total bonds payable	1,630,553	161,686	(6,705)	230,122	1,555,412	102,466	1,452,946
Notes payable to component unit	68,915	2,200		10,601	60,514	8,924	51,590
Capital leases	2,202	95		406	1,891	444	1,447
Capital leases with component unit	114,926	2,711		8,144	109,493	8,544	100,949
Total notes and leases payable	186,043	5,006		19,151	171,898	17,912	153,986
Total bonds, notes and leases payable	1,816,596	166,692	(6,705)	249,273	1,727,310	120,378	1,606,932
Recycling tax obligation		187,598		9,903	177,695	10,225	167,470
Claims, judgments and arbitrage	121,852 (3)	275,635		279,322	118,165	114,646	3,519
Compensated absences (4)	139,991	105,908		105,962	139,937	20,064	119,873
Total claims, judgments, arbitrage and compensated absences	261,843	381,543		385,284	258,102	134,710	123,392
Pollution remediation	29,472			1,139	28,333	17,604	10,729
Net OPEB obligation	1,161,554	112,847			1,274,401		1,274,401
Net pension liability (2)	1,573,005	1,314,436			2,887,441		2,887,441
Governmental activities total (2)	$ 4,842,470	$ 2,163,116	$ (6,705)	$ 645,599	$ 6,353,282	$ 282,917	$ 6,070,365

(1) Reductions for principal payments of $83,246 plus defeasement of $132,667.
(2) June 30, 2016, balance adjusted to include $1.6 billion net pension liability.
(3) June 30, 2016, balance adjusted to exclude $113.9 million Create Rebate program.
(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, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 27,890	$	$ 2,405	$ 25,485	$ 2,345	$ 23,140
Safe Drinking Water Revolving Loan Fund	20,995		1,810	19,185	1,765	17,420
War Memorial Bond Payable	500		500			
College and University Revenue Bonds	1,836,895 (1)	198,865	137,434	1,898,326	74,030	1,824,296
Add:						
Issuance premiums	115,742	11,798	7,798	119,742	7,224	112,518
Total bonds payable	2,002,022	210,663	149,947	2,062,738	85,364	1,977,374
Notes payable	83,988	4,174	21,217	66,945	15,594	51,351
Notes payable with component unit	10,137 (1)		216	9,921	455	9,466
Total notes payable	94,125	4,174	21,433	76,866	16,049	60,817
Capital leases	46,802	23,919	9,913	60,808	8,277	52,531
Total bonds, notes and leases payable	2,142,949	238,756	181,293	2,200,412	109,690	2,090,722
Claims and judgments	289,019	406,736	424,941	270,814	58,294	212,520
Compensated absences	111,742	88,652	83,162	117,232	14,646	102,586
Total claims, judgments and compensated absences	400,761	495,388	508,103	388,046	72,940	315,106
Net OPEB obligation	107,066	5,689		112,755		112,755
Net pension liability (2)	172,354	54,467		226,821		226,821
Business-type activities total (2)	$ 2,823,130	$ 794,300	$ 689,396	$ 2,928,034	$ 182,630	$ 2,745,404

(1) Reduced June 30, 2016, balance for Bonds Payable by $10,136,926 and moved to Notes Payable with Component Units. HSU inadvertently misclassified a Qualified Environmental Conservation Bond in FY16.

(2) June 30, 2016, balance adjusted to include net pension liability.

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable	$ 194,968	$	$ 32,523	$ 162,445	$ 31,334	$ 131,111
Less: issuance discount	(1,146)		(100)	(1,046)	(101)	(945)
Total bonds payable	193,822		32,423	161,399	31,233	130,166
Notes payable	14,496	4,836	4,158	15,174	3,960	11,214
Total bonds and notes payable ASLA	208,318	4,836	36,581	176,573	35,193	141,380
Net OPEB obligation	165	17		182		182
Net pension liability (1)	355	109		464		464
Arkansas Development Finance Authority:						
Bonds payable	519,117	37,412	93,231	463,298	26,979	436,319
Notes payable	52,410	15,142	70	67,482	15,070	52,412
Add: issuance premiums	104		104			
Total bonds and notes payable ADFA	571,631	52,554	93,405	530,780	42,049	488,731
Net OPEB obligation	2,047	209		2,256		2,256
Net pension liability (1)	3,575	921		4,496		4,496
U of A Foundation						
Annuity obligations	14,065	2,139	2,135	14,069	1,252	12,817
Component units total (1)	$ 800,156	$ 60,785	$ 132,121	$ 728,820	$ 78,494	$ 650,326

(1) June 30, 2016, balance adjusted to include net pension liability.

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, 2017, 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	$ 156,260
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	140,255
2014 Series Federal Highway G.O.Bonds	2027	5.00	171,285
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00	459,895
Arkansas Economic Development Commission Bonds:			
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11	65,955
2014 Series Capital Improvement G.O. Bonds - B	2035	4.16	50,000
Arkansas Natural Resources Commission Bonds:			
2010A Series Water, Waste and Pollution	2021	2.00 - 4.50	1,810
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	12,515
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	3,090
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	22,215
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	39,145
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30	20,485
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	8,835
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	21,410
2016A Series Water, Waste and Pollution	2034	3.00 - 5.00	29,370
2017A Series Water, Waste and Pollution	2028	2.00 - 2.80	20,000
2017B Series Water, Waste and Pollution	2040	2.13 - 5.00	17,745
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00 - 4.25	125,880
2016 Series, G.O. Bonds	2022	2.00 - 3.00	81,220
Total			$ 1,447,370

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 89,105	$ 56,869	$ 145,974
2019	92,030	53,415	145,445
2020	126,670	49,888	176,558
2021	225,525	44,715	270,240
2022	233,340	34,181	267,521
2023-2027	533,845	73,381	607,226
2028-2032	93,600	18,898	112,498
2033-2037	33,145	6,218	39,363
2038-2042	11,320	2,851	14,171
2043-2047	7,190	955	8,145
2048-2052	1,600	32	1,632
Total	$ 1,447,370	$ 341,403	$ 1,788,773

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
2013	$ 16,344	$ 98,100	2018	$ 16,500	$ 102,945
2014	16,206	94,972	2019	16,500	105,004
2015	16,315	91,161	2020	16,500	107,104
2016	16,730	99,311	2021	16,500	109,246
2017	17,683	100,927	2022	16,500	111,431

No bonds were issued under this act in the 2017 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 2017 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

Year ending June 30:	Sales Tax Collections
2014	$ 151,253
2015	165,449
2016	171,611
2017	175,419

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 2017 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. Refunding Series 2016A for 2007A, 2008A and 2009A; Series 2017A; and Refunding Series 2017B for 2010A partial refund bonds were issued under this act in the 2017 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 2017 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. Refunding Series 2016 for 2007A bonds were issued under this act in the 2017 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, 2017, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $28.2 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, 2017, the equity interest in vacant industrial facilities totaled approximately $2.5 million. No bonds are outstanding in the 2017 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, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 8,924	$ 2,651	$ 11,575
2019	7,223	1,977	9,200
2020	5,426	1,300	6,726
2021	4,215	1,177	5,392
2022	4,330	1,054	5,384
2023-2027	11,745	3,815	15,560
2028-2032	8,701	2,258	10,959
2033-2037	6,987	1,096	8,083
2038-2042	2,963	133	3,096
Total	$ 60,514	$ 15,461	$ 75,975

Recycling Tax Obligation – The Waste Reduction and Recycling Equipment Credit is authorized under ACA § 26-51-506. Act 748 of 1991, as amended by Act 654 of 1993, authorizes an income tax credit equal to 30% of the cost of waste reduction, reuse, or recycling equipment, including the cost of installation of such machinery and equipment. The credit used for a taxable year may not exceed the individual or corporation income tax due. Any unused credit may be carried over for a maximum of three consecutive years, unless the business is a qualified steel mill that has invested more than $200.0 million and then the carry forward period is fourteen years. In fiscal year 2017, Arkansas Teacher Retirement System (ATRS), an investor in Big River Steel, negotiated an agreement between the State, Big River Steel and ATRS. This agreement allowed ATRS to purchase the tax credits totaling $300.0 million from Big River Steel for $161.8 million and sell them back to the State at the rate of $20.0 million of tax credits per year at a discounted price of $16.0 million. As a result of this agreement, which was incorporated into state law, the State considers this a structured payout and has used a discount rate of 3.25% to record an obligation of $187.6 million to ATRS as of the agreement date.

Future amounts required to pay principal and interest on the recycling tax obligation at June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 10,225	$ 5,775	$ 16,000
2019	10,557	5,443	16,000
2020	10,900	5,100	16,000
2021	11,255	4,745	16,000
2022	11,620	4,380	16,000
2023-2027	64,018	15,982	80,000
2028-2032	59,120	4,880	64,000
Total	$ 177,695	$ 46,305	$ 224,000

Business-Type Activities

Special Obligation Bonds **-** Special Obligation Bonds outstanding at June 30, 2017, 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	$ 25,485
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	19,185
Total			$ 44,670

Details of the Special Obligation Bonds outstanding are as follows:

Construction Assistance Revolving Loan Fund (the CA Fund) – ADFA issues special obligation bonds on behalf of the CA Fund. The CA Fund uses the proceeds to support operations. The CA 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 CA 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 SDW Fund) – ADFA issues special obligation bonds on behalf of the SDW Fund. The SDW Fund uses the proceeds to support operations. The SDW 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 SDW 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 $2.2 million for the CA fund and $1.6 million for the SDW Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
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	4,425	1,164	5,589
2023-2027	19,825	2,586	22,411
2028-2032	1,750	61	1,811
Total	$ 44,670	$ 10,830	$ 55,500

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.

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $115.9 million. At June 30, 2017, business-type activity revenue bonds outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University-System			
Arkansas State University – Beebe	2039	1.00-4.00	$ 31,100
Arkansas State University – Jonesboro	2044	0.70-5.78	137,100
Arkansas State University – Midsouth	2042	1.00-4.70	20,555
Arkansas State University – Mountain Home	2033	0.67-4.25	6,205
Arkansas State University – Newport	2033	0.66-3.82	4,265

(1) Fiscal year

	Final Maturity Date (1)	Interest Rates %	Balance
University of Arkansas-System			
Cossatot Community College of the University of Arkansas	2035	1.00-3.63	$ 3,455
Phillips Community College of the University of Arkansas	2039	2.00-4.00	10,620
University of Arkansas – Fayetteville	2047	0.87-5.00	694,760
University of Arkansas – Fort Smith	2039	2.00-5.00	69,825
University of Arkansas – Little Rock	2037	0.53-5.00	107,000
University of Arkansas – Monticello	2042	1.00-5.00	28,760
University of Arkansas – Pine Bluff	2036	1.88-5.00	15,665
University of Arkansas – Pulaski Technical College	2041	2.00-5.00	86,125
University of Arkansas Community College – Batesville	2019	1.00-3.25	560
University of Arkansas Community College – Hope	2039	1.00-4.00	3,815
University of Arkansas Community College – Morrilton	2046	2.00-5.00	11,120
University of Arkansas Community College – Rich Mountain	2042	1.00-4.15	6,025
University of Arkansas for Medical Sciences	2036	2.15-5.00	230,345
Other Institutions			
Arkansas Northeastern College	2031	2.00-4.13	3,380
Arkansas Tech University	2044	1.00-5.00	80,205
Black River Technical College	2044	2.00-4.00	10,016
East Arkansas Community College	2040	2.00-3.63	3,260
Henderson State University	2040	1.00-4.00	53,770
National Park College	2033	3.00-4.70	9,435
North Arkansas College	2037	1.00-3.88	6,955
Northwest Arkansas Community College	2035	2.00-7.00	30,150
Ozarka College	2043	1.00-3.95	5,700
South Arkansas Community College	2039	2.00-4.00	3,200
Southern Arkansas University – Magnolia	2047	1.00-5.00	64,865
Southern Arkansas University Tech – Camden	2043	1.00-5.25	5,460
University of Central Arkansas	2045	1.00-6.13	154,630
Total			$ 1,898,326

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 74,030	$ 78,603	$ 152,633
2019	79,901	75,905	155,806
2020	83,752	72,994	156,746
2021	85,299	69,736	155,035
2022	84,646	66,331	150,977
2023-2027	423,606	279,417	703,023
2028-2032	445,642	187,173	632,815
2033-2037	400,173	94,136	494,309
2038-2042	184,519	27,347	211,866
2043-2047	36,758	2,742	39,500
Total	$ 1,898,326	$ 954,384	$ 2,852,710

Business-type activity notes payable outstanding at June 30, 2017 were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University-System			
Arkansas State University – Jonesboro	2024	2.97	$ 6,641
Arkansas State University – Newport	2028	3.75	1,113
University of Arkansas-System			
University of Arkansas – Fayetteville	2024	1.95-5.50	23,747
University of Arkansas for Medical Sciences	2022	0.14-2.62	25,909
Other Institutions			
Arkansas Tech University	2019	2.70	1
Henderson State University	2037	2.75-5.74	15,056
North Arkansas College	2032	2.63	1,646
Southern Arkansas University – Magnolia	2027	3.55	553
University of Central Arkansas	2028	3.94	2,200
Total			$ 76,866

(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 notes payable as of June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 16,049	$ 1,810	$ 17,859
2019	16,362	1,515	17,877
2020	8,843	1,242	10,085
2021	7,090	1,069	8,159
2022	6,686	901	7,587
2023-2027	12,638	2,880	15,518
2028-2032	6,448	1,273	7,721
2033-2037	2,750	300	3,050
Total	$ 76,866	$ 10,990	$ 87,856

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, 2017, 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)	(2)	2044	Variable	$ 100,304
Student Loan Asset-Backed Notes, Series 2012-1 (LIBOR Floating Rate Notes)		2029	Variable	61,096
Student Loan Asset-Backed Notes, Series 2014-1 (LIBOR Floating Rate Notes)		2021	Variable	11,010
Student Loan Asset-Backed Notes, Series 2016-1 (LIBOR Floating Rate Notes)		2021	Variable	4,163
Total				$ 176,573

(1) Fiscal year

(2) Provisions in the official statement allow for accelerated principal payments. ASLA has exercised this provision and the expected maturity date under the accelerated payment schedule is 2030.

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 $1.0 million. Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2017, based on prior quarters/years in the normal course of business, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 35,294	$ 2,260	$ 37,554
2019	28,820	2,072	30,892
2020	23,365	1,904	25,269
2021	15,682	1,628	17,310
2022	9,519	1,310	10,829
2023-2027	38,075	5,242	43,317
2028-2032	26,864	1,969	28,833
Total	$ 177,619	$ 16,385	$ 194,004

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, 2017, the bonds outstanding issued under these programs aggregated $716.3 million.

Bonds and notes payable at June 30, 2017, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single family bonds payable	2043	2.35-5.50	$ 135,436
Federal housing note payable	2045	1.00	2,482
Bond guaranty program	2040	1.20-6.00	51,678
State facilities bonds and note payable	2040	1.55-6.30	246,645
General fund note payable	2018	1.20	15,000
Tobacco bonds payable	2046	4.77-5.25	79,539
Total			$ 530,780

The principal amount shown below differs from the amount on the balance sheet due to accreted interest of $68.8 million. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2017, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 44,129	$ 16,569	$ 60,698
2019	28,223	15,467	43,690
2020	26,588	14,597	41,185
2021	22,387	13,773	36,160
2022	30,312	12,982	43,294
2023-2027	133,081	52,620	185,701
2028-2032	116,278	32,897	149,175
2033-2037	96,415	14,963	111,378
2038-2042	50,169	6,057	56,226
2043-2047	51,998	907	52,905
Total	$ 599,580	$ 180,832	$ 780,412

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, 2017, were $433 thousand including interest ranging from 3.00% to 11.00%.

Aggregate annual maturities of annuity obligations at June 30, 2017, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2018	$ 1,252
2019	1,166
2020	1,143
2021	1,070
2022	891
2023-2027	3,648
2028-2032	2,685
2033-2037	1,456
2038-2042	673
2043-2047	84
2048-2052	1
Total	$ 14,069

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 $24.9 million were considered defeased at June 30, 2017.

Higher Education

On April 5, 2016, the University of Arkansas-Fayetteville (U of A Fayetteville) issued $93.6 million in Various Facility Revenue Bonds, Refunding and Improvement Series 2016A and $15.3 million in Various Facility Revenue Bonds, 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 was 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 August 1, 2008, 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 $5.8 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. U of A Fayetteville 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, 2017, was $88.5 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, 2017, was $37.2 million for Series 2007, $34.7 million for Series 2008A, and $13.0 million for Series 2008B.

On February 24, 2016, the University of Arkansas at Little Rock (UALR) 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 premium 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. UALR 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, 2017, was $24.4 million, and the remaining balance of the defeased bonds was $22.3 million.

On April 6, 2016, the University of Arkansas at Little Rock (UALR) 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 premium 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. UALR 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, 2017, was $26.8 million, and the remaining balance of the defeased bonds was $23.6 million.

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. The balance in the escrow account at June 30, 2017, was $1.7 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. The balance in the escrow account at June 30, 2017, was $13.5 million and the remaining balance of the defeased bonds was $13.3 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 Series A ADFA Correctional Facilities Revenue Bond with a total outstanding amount of approximately $24.9 million was considered defeased at June 30, 2017.

Current Refundings

Primary Government

Governmental Activities

During fiscal year 2017, the State issued $30.9 million of current refunding 2016A bonds to redeem the 2007 Series A, 2008 Series A and 2009 Series A bonds of the Arkansas Natural Resource Commission. The bonds bear interest rates ranging from 3.00% to 5.00% and mature in fiscal year 2034. The refunding provided an economic gain of $8.5 million and a reduction of future debt service payments of $21.0 million. Also during fiscal year 2017, the State issued $17.7 million of current refunding 2017 Series B bonds to partially redeem the 2010 Series A bonds of the Arkansas Natural Resource Commission. The bonds bear interest rates ranging from 2.13% to 5.00% and mature in fiscal year 2040. The refunding provided an economic gain of $2.0 million and a reduction of future debt service payments of $5.4 million. Also, during fiscal year 2017, the State issued $83.2 million of current refunding bonds to redeem the 2007 Series A bonds of the Arkansas Department of Higher Education. The bonds bear interest rates at rates ranging from 2.00% to 3.00% and mature in fiscal year 2022. The refunding provided an economic gain of $7.2 million and a reduction of future debt service payments of $7.8 million.

Higher Education

On November 17, 2016, the Arkansas State University-Jonesboro (ASU Jonesboro) issued $13.9 million in tax exempt refunding bonds with interest rates of 3.00% to 4.00% to advance refund $13.8 million of outstanding bonds dated June 1, 2007, with interest rates of 3.65% to 5.00%. Net proceeds of $14.4 million, after payment of $157 thousand for bond issuance costs and a premium of $698 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $14.4 million, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $576 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2037 using the straight-line method. ASU Jonesboro advance refunded the bonds to reduce its total debt service payments by $2.3 million over the next twenty years and to obtain an economic gain of $1.7 million. ASU Jonesboro received an additional $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On November 17, 2016, Arkansas State University-Jonesboro (ASU Jonesboro) issued $23.2 million in tax exempt refunding bonds with interest rates of 2.00% to 4.00% to advance refund $23.6 million of outstanding bonds dated June 1, 2007, with interest rates of 3.65% to 5.00%. Net proceeds of $24.6 million, after payment of $245 thousand for bond issuance costs and a premium of $1.7 million were remitted to an escrow agent to provide for all future payments of the defeased bonds. U.S. Treasury obligations of $24.6 million, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2007 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2017. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.0 million. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2037 using the straight-line method. ASU Jonesboro advance refunded the bonds to reduce its total debt service payments by $3.9 million over the next twenty years and to obtain an economic gain of $3.0 million. ASU Jonesboro received an additional $4 thousand from the bond issue to apply toward the debt payments of the new issue.

On October 20, 2016, the University of Arkansas-Fort Smith (U of A Fort Smith) issued refunding bonds of $19.5 million with interest rates of 2.00% to 5.00% to advance refund $21.4 million of outstanding bonds dated May 1, 2009, with interest rates of 2.00% to 5.00%. Bond proceeds of $22.0 million and debt service reserve funds of $858 thousand and deposit with trustee funds of $781 thousand were deposited in the advance refunding fund to retire the 2009 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.2 million. The difference, reported in the accompanying financial statements as a deferred outflow, sources will be amortized through the fiscal year 2035 using the straight-line method. U of A Fort Smith completed the refunding to reduce its total debt service payments over the next eighteen years by $1.9 million and to obtain an economic gain (difference between the present values of the old debt and new debt service payments) of $1.7 million. The bonds will be fully paid by June 1, 2019. The escrow balance at June 30, 2017, was $22.1 million, and the remaining balance of the defeased bonds was $20.7 million.

On November 30, 2016, Southern Arkansas University issued Student Fee Secured Refunding Bonds, Series 2016, in the amount of $6.5 million with interest rates of 1.50% to 3.63% to refund $6.2 million of the Series 2011 Student Fee Secured Capital Improvement Bonds, with interest rates of 2.65% to 5.00%. Bond proceeds of $6.3 million and refunded bonds reserve funds of $216 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 December 30, 2016. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $119 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 $1.2 million over the next twenty-five years and to obtain an economic gain of $863 thousand.

(9) Pledged Revenues

Primary Government

Governmental Activities

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

The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2017 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
License plate fees	Construction of prision facilities	2039	$ 36,000	35.74%	$ 4,578	$ 1,645
Court filing fees	Construction of building	2030	7,444	57.84%	990	792
Rental income	Purchase of building	2030	18,110	74.55%	1,869	1,392
Vital records fees	Construction of health lab facilities	2022	5,445	43.13%	2,525	2,460
State park revenue	Construction of state park facilities	2024	16,782	49.51%	4,842	2,582
Permit fees	Construction of building	2041	25,897	9.30%	11,606	1,081
Drivers license revenue	Wireless network/ construction of building	2018	3,597	56.61%	6,353	4,693
Drivers license revenue	Construction of building	2035	3,636	3.15%	6,422	82

(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, 2017 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2047	$ 848,276	7.10%	$ 398,332	$ 43,195
	Athletic fees	Construction of facilities and refunding of prior issues	2037	223,022	11.73%	95,046	11,094
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	93,885	11.20%	38,088	6,896
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2031	77,439	7.30%	75,732	5,410
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2037	68,137	18.35%	18,571	3,983
University of Arkansas at Monticello	Student fee & auxiliary revenue	Construction of facilities and refunding of prior issues	2042	44,742	6.47%	27,655	1,436
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	326,649	2.09%	821,359	16,180
	Parking fees	Construction of facilities and refunding of prior issues	2035	13,007	17.75%	4,071	1,601
University of Arkansas at Pine Bluff	Various facilities revenue	Refunding of prior issues and capital improvements	2036	22,343	3.57%	32,896	1,415
Cossatot Community College of the University of Arkansas	Student fee revenue	Purchase of property	2035	4,767	6.90%	3,836	263
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	14,985	22.96%	2,967	685
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	577	9.03%	3,194	291
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	4,913	7.56%	2,955	692
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	18,701	9.73%	6,630	823
University of Arkansas - Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	144,712	24.05%	25,067	5,815
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	6,825	63.93%	427	271
	Student tuition & fee revenue	Capital improvements	2042	2,629	4.97%	2,118	106
Arkansas State University-Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	54,342	2.29%	87,880	2,513
	Housing fees	Construction of facilities and refunding of prior issues	2042	118,381	38.90%	12,173	6,678
	Student union fees	Refunding of prior issues	2025	8,714	42.50%	2,563	1,200
	Parking fees	Refunding of prior issues	2025	2,969	26.17%	1,418	409
	Recreation center fees	Construction of facilities	2037	18,972	52.88%	1,794	952
Arkansas State University-Beebe	Student tuition and fee revenue	Construction, renovation and refunding of prior issues	2036	31,967	16.16%	10,411	1,864
	Housing fees	Construction of facilities and refunding of prior issues	2039	10,765	61.70%	793	491

(1) Fiscal year

Continued on the following page

Continued from the previous page

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	$ 32,662	51.34%	$ 2,545	$ 1,300
Arkansas State University-Mountain Home	Millage revenue	Construction of facilities and refunding of prior issues	2018	450	32.42%	1,388	451
	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	7,558	11.00%	4,293	517
Arkansas State University-Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	5,236	4.41%	7,420	428
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	52,089	22.61%	9,599	2,682
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	51,603	2.91%	65,723	2,794
	Athletic/food service/ bookstore revenues	Construction of facilities	2043	16,436	4.83%	13,083	1,744
Henderson State University	Auxiliary revenue	Refunding of prior issues	2040	64,247	21.95%	12,725	3,358
	Student recreation center revenue	Construction of student recreation center	2032	7,957	68.18%	778	244
	Housing fees	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2027	4,030	3.30%	12,205	1,009
Southern Arkansas University-Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2046	49,262	7.47%	22,752	1,933
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2047	49,611	20.00%	8,269	1,762
Southern Arkansas University-Tech Branch	Student tuition & fee revenue	Capital improvements	2043	8,780	7.69%	2,059	341
University of Central Arkansas	Student fees and auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2044	96,946	3.26%	110,116	5,754
	Housing fees	Construction of facilities and refunding of prior issues	2045	135,906	54.23%	8,950	5,877
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	4,749	64.73%	319	68
National Park Community College	Student tuition & fee revenue	Construction and renovation of facilities	2033	4,332	6.98%	3,881	272
	Millage revenue	Capital improvements and refunding of prior issue	2031	8,602	42.94%	1,431	621
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2031	4,440	40.87%	776	318
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2037	9,715	57.62%	843	491
South Arkansas Community College	Millage revenue	Construction of facilities	2039	4,737	56.51%	381	213
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	49,764	31.08%	8,895	2,377
	Student tuition	Land purchase	2035	2,963	1.00%	16,385	172
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	14,489	25.43%	2,110	660
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	8,240	20.99%	1,510	372

(1) Fiscal year

Component Units

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for four outstanding bond issues. The purpose of the debt was to redeem auction rate bonds. ASLA has also pledged revenue as security for a conduit debt note payable. All debt obligations are being paid from student loan revenue sources. 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, 2017 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
Student loan principal & interest revenue	Securitize student loans	2027	$ 22,559	12.94%	$ 17,429	$ 17,168
Student loan principal & interest revenue	Refinance Straight-A Funding, LLC and securitize student loans	2024	21,282	16.63%	18,284	17,714
Student loan principal & interest revenue	Securitize student loans	2022	4,525	22.54%	4,015	3,379
Student loan principal & interest revenue	Securitize student loans	2021	899	26.92%	835	709

(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, institutions of higher education and component units 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, 2017.

Future amounts to be received as of June 30, 2017, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2018	$ 90	$ 7	$ 97
2019	91	6	97
2020	92	4	96
2021	94	3	97
2022	95	2	97
2023-2027	124		124
Total	$ 586	$ 22	$ 608

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, 2017, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / infrastructure	$	$ 869
Construction in progress		10,458
Buildings	192,216	26,303
Machinery and equipment	142	53,694
Other		10,025
Less: Accumulated depreciation	(36,039)	(39,107)
Total	$ 156,319	$ 62,242

Future minimum commitments under operating and capital leases by fund type as of June 30, 2017, were as follows (expressed in thousands):

	Capital Leases	
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2018	$ 500	$ 9,819
2019	488	9,913
2020	501	6,573
2021	498	5,322
2022	39	4,386
2023-2027		15,174
2029-2032		13,443
2033-2037		9,426
Total minimum lease payments	2,026	74,056
Less: Interest	(135)	(13,248)
Present value of future minimum lease payments	$ 1,891	$ 60,808

Capital Leases with Component Unit

	Governmental Activities
Year ending June 30:	
2018	$ 11,926
2019	11,691
2020	11,486
2021	9,692
2022	9,682
2023-2027	43,157
2028-2032	25,810
2033-2037	12,945
2038-2042	4,594
Total minimum lease payments	140,983
Less: Interest	(31,490)
Present value of future minimum lease payments	$ 109,493

Operating Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2018	$ 25,077	$ 12,308
2019	15,576	7,832
2020	8,973	5,154
2021	7,053	2,951
2022	8,392	1,360
2023-2027	10,577	4,446
2028-2032	225	150
2033-2037		58
Total minimum lease payments	$ 75,873	$ 34,259
Total rental expenditure/ expense (2017)	$ 31,268	$ 20,593

(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):

	2017	2016
Balance, beginning of year	$ 29,472	$ 41,088
Incurred claims		805
Payments	(694)	(1,321)
Adjustments [(1)]	(445)	(11,100)
Balance, end of year	$ 28,333	$ 29,472
Current portion	$ 17,604	$ 9,338
Noncurrent portion	10,729	20,134
	$ 28,333	$ 29,472

(1) The large adjustment in FY16 was 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.

Of the above-mentioned obligations, $10.1 million is covered by the Hazardous Substance Remedial Action Trust Fund (HSRATF), which was established by A.C.A. § 19-5-930 pursuant to the Arkansas Remedial Action Trust Fund Act, (RATFA), A.C.A. § 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 HSRATF had a cash and cash equivalent balance of $7.9 million at June 30, 2017.

Of the above mentioned obligations, $18.2 million is covered by the Landfill Post Closure Trust Fund (LPCTF), which was established by A.C.A. § 19-5-979. Funding for LPCTF is generated mostly by landfill disposal fees. The LPCTF had a cash and cash equivalent balance of $16.9 million at June 30, 2017. Two major projects, Nabors and DAMCO, are nearing completion as of June 30, 2017. Consequently, most of this liability is now considered current.

Business-Type Activities

The University of Arkansas at Fayetteville reported a $2.4 million pollution remediation obligation subsequent to the execution of a contract on November 7, 2016. The University is to provide technical services on a voluntary basis for deconstruction and green fielding of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. To date, The University has received total funds for remediation costs of $10.5 million from the United States Department of Energy (DOE).

Changes in the liability for pollution remediation obligations are as follows (expressed in thousands):

		2017
Balance, beginning of year	$	
Incurred claims		9,648
Payments		(7,276)
Balance, end of year	$	2,372
Current portion	$	2,372
Noncurrent portion		
	$	2,372

The University expects to continue remediation of the SEFOR site as funding becomes available. An additional $5.5 million was authorized in July 2017 by the DOE to continue remediation of the SEFOR site. Of this award, $3.5 million has been obligated.

(13) Fund Balance/Net Position

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) Restricted Purposes, which includes 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 includes balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; and (3) Assigned Purposes, which include 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, 2017, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 565	$ 12,336	$ 117,686
Debt service	277,829		
Program requirements	439,980	533,306	
Lottery funds	50,283		
Tobacco settlement	5,226	81,444	
Transportation programs	714,216	453,906	
Disaster Assistance		1,782	
State Employee Insurance		113,106	
Other		641,339	35,204
Total	$ 1,488,099	$ 1,837,219	$ 152,890

The State's fund balance includes: (1) $440.0 million in federal program revenue, private grants and revenue restricted by enabling legislation for specific programs, of which 40.21% is held by the health and human services function of the State, 31.00% is held by the general government function of the State to be used for administrative costs that are federally funded and 14.16% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management; (2) $714.2 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of constitutional amendment 97; (3) $533.3 million in revenue committed by the Arkansas General Assembly through legislation for state programs (i.e. Arkansas long-term reserve, health and human services, higher education, operations of the Oil and Gas Commission, Arkansas natural and cultural resources, landfill post closures, and sustainable building design) as specified in the Arkansas Code; (4) $453.9 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) $641.3 million committed for various reasons as specified in the Arkansas code including education assistance, Medicaid reserve and risk financing activities.

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, 2017, the government-wide statement of net position reported $2.3 billion in restricted net position for governmental activities, of which $0.9 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $70.1 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 A.C.A. outline the restrictions placed on the endowment fund and the net appreciation. First, A.C.A. §28-69-603 restricts the expenditure of endowment funds that the governing body determines to be prudent under the standards established by A.C.A. §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, A.C.A. §28-69-604 rule of construction states the restriction on the expenditures may not be implied for endowment funds. Third, A.C.A. §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 $111.3 million deficit in net position as of June 30, 2017. 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 remained static at $75 thousand from 1982 to 2008, although the state maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, is the primary contributor to the deficit. A major step towards reducing the deficit was taken during the 2007 legislative session with the passage of Act 1599, which sets the threshold to 325 times the maximum total disability rate, or $215 thousand for 2017. 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 A.C.A. §11-9-502, the current tax rate of 3% will change to 1.5%.

(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/publications
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%.

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%.

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% 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%.

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 3.2% of the salary of the last judicial office held multiplied by the number of years of actual service but cannot exceed 80% 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%.

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% 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%.

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%.

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 (2017)	**ASPRS (2017)**	**ASHERS (2016)**
Inactive employees or beneficiaries currently receiving benefits	147	709	3,301
Inactive employees entitled to but not yet receiving benefits	5	80	206
Active employees	140	469	3,770
Total	292	1,258	7,277

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, 2016, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 26.5%. Contributions to APERS from the State were $170.8 million for the year ended June 30, 2017.

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, 2016, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the State were $15.6 million for the year ended June 30, 2017.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 6% 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% 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 2017 was $5.2 million.

Employee contribution rates are 6% of the annual salary for Tier One contributory members and 5% 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% 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. The State's supplemental contribution for fiscal year 2017 was $6.7 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 12.9% 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 One DROP. Employer contributions are 6.9% on the pay of employees in Tier Two DROP.

Covered employees not in Tier One DROP are required to contribute 6% of their compensation.

Net Pension Liability

At June 30, 2017, the State reported the following liabilities and assets for the various plans (expressed in thousands):

Primary Government

	Measurement Date	Net Pension Liability
APERS	June 30, 2016	$ 1,596,332
ATRS	June 30, 2016	174,692
AJRS	June 30, 2017	29,562
ASPRS	June 30, 2017	138,345
ASHERS	June 30, 2016	1,175,331
Total		$ 3,114,262

Component Units - APERS

	Measurement Date	Net Pension Liability
Arkansas Development Finance Authority	June 30, 2016	$ 4,496
Arkansas Student Loan Authority	June 30, 2016	464
Total		$ 4,960

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 2016 fiscal year of all participating employers. At June 30, 2016, the State's proportion was 66.75% for APERS and 3.94% for ATRS, a decrease of 0.52% and 0.20%, 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, 2016	June 30, 2016	June 30, 2015	June 30, 2016	June 30, 2016
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 males 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, 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%	

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, 2016, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	50.0%	5.0%
Fixed income	20.0%	0.8%
Alternatives	5.0%	4.4%
Real assets	15.0%	3.4%
Private equity	10.0%	6.3%
Cash equivalents	0.0%	-0.2%
Total	100.0%	

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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017 to 2026 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 current asset allocation as of June 30, 2017, 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%	6.05%
International equity	15.00%	6.71%
Real estate	8.00%	4.65%
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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017 to 2026 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 current asset allocation as of June 30, 2017, 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%	5.97%
International equity	24.00%	6.54%
Real assets	16.00%	4.59%
Absolute return	5.00%	3.15%
Domestic fixed	18.00%	0.83%
Total	100.00%	

ASHERS

The plan operates with an asset allocation of 20% to 75% equity and 20% to 75% fixed income. Because the asset classes are not set in a specific target range, the actuary used the expected return rate of 8%.

Discount rate

The discount rate for each plan was determined as follows:

APERS

A single discount rate of 7.5% 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 7.5%. 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% 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%. 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% 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 5.75% 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 5.75%. 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 7.15% 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 7.15%. 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 4.52% 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% and the municipal bond rate of 2.85% based on the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the projected future contribution rates assuming that the ERF annually earns 8% on its market value of assets and that the number of active members remains constant in the future. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2040. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2040, and the municipal bond rate was applied to all benefit payments after that date.

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, 2016	$ 413,882,894	$ 272,920,012	$ 140,962,882
Changes for the year:			
Service cost	5,473,626		5,473,626
Interest	30,322,786		30,322,786
Differences between expected and actual experience	(3,052,763)		(3,052,763)
Changes in assumptions	15,875,267		15,875,267
Contributions – employer		19,961,066	(19,961,066)
Net investment income		31,484,250	(31,484,250)
Benefit payments, including refunds of employee contributions	(24,631,787)	(24,631,787)	
Administrative expense		(208,424)	208,424
Net changes	23,987,129	26,605,105	(2,617,976)
Balances, June 30, 2017	$ 437,870,023	$ 299,525,117	$ 138,344,906

AJRS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2016	$ 260,522,178	$ 215,785,569	$ 44,736,609
Changes for the year:			
Service cost	7,221,153		7,221,153
Interest	16,121,127		16,121,127
Differences between expected and actual experience	(3,462,751)		(3,462,751)
Changes in assumptions	2,369,244		2,369,244
Contributions – employer		8,485,361	(8,485,361)
Contributions – employee		1,016,646	(1,016,646)
Net investment income		28,044,374	(28,044,374)
Benefit payments, including refunds of employee contributions	(12,389,433)	(12,389,433)	
Administrative expense		(168,701)	168,701
Other changes		45,832	(45,832)
Net changes	9,859,340	25,034,079	(15,174,739)
Balances, June 30, 2017	$ 270,381,518	$ 240,819,648	$ 29,561,870

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ASHERS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
	Increase (Decrease)		
Balances, June 30, 2015	$ 1,629,276,087	$ 1,443,476,293	$ 185,799,794
Changes for the year:			
Service cost	18,935,319		18,935,319
Interest	126,829,266		126,829,266
Changes in assumptions	790,989,712		790,989,712
Contributions – employer		19,231,804	(19,231,804)
Contributions – employee		9,379,784	(9,379,784)
Differences between expected and actual experience	20,925,790		20,925,790
Net investment income		(60,344,122)	60,344,122
Benefit payments, including refunds of employee contributions	(106,755,840)	(106,755,840)	
Administrative expense		(118,199)	118,199
Net changes	850,924,247	(138,606,573)	989,530,820
Balances, June 30, 2016	$ 2,480,200,334	$ 1,304,869,720	$ 1,175,330,614

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):

Primary Government

	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%	$ 2,416,448	7.50%	$ 1,596,332	8.50%	$ 913,800
ATRS	7.00%	262,476	8.00%	174,962	9.00%	101,094
AJRS	4.75%	62,942	5.75%	29,562	6.75%	1,377
ASPRS	6.15%	189,591	7.15%	138,345	8.15%	95,445
ASHERS	3.52%	1,526,515	4.52%	1,175,331	5.52%	890,506

Component Units - APERS

	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
Arkansas Development Finance Authority	6.50%	$ 6,806,013	7.50%	$ 4,496,128	8.50%	$ 2,573,749
Arkansas Student Loan Authority	6.50%	702,411	7.50%	464,021	8.50%	256,622

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, 2017, the State recognized pension expense of $674.2 million and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

APERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,507	$ 57,263
Changes of assumptions	122,329	
Net differences between projected and actual earnings on pension plan investments	278,707	
Changes in proportion and differences between State contributions and proportionate share of contribution	31,179	45,379
State contributions subsequent to the measurement date	170,844	
Total	$ 604,566	$ 102,642

ATRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 3,169	$ 2,422
Changes of assumptions		
Net differences between projected and actual earnings on pension plan investments	26,772	
Changes in proportion and differences between State contributions and proportionate share of contribution	3,330	12,379
State contributions subsequent to the measurement date	15,619	
Total	$ 48,890	$ 14,801

AJRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,869	$ 4,691
Changes of assumptions	5,156	
Net differences between projected and actual earnings on pension plan investments		158
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	$ 7,025	$ 4,849

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ASPRS		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	1,048	$	3,572
Changes of assumptions		15,791		
Net differences between projected and actual earnings on pension plan investments		9,689		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	26,528	$	3,572

ASHERS		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	28,557	$	
Changes of assumptions		677,072		
Net differences between projected and actual earnings on pension plan investments		140,584		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date		19,175		
Total	$	865,388	$	

Total		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	36,150	$	67,948
Changes of assumptions		820,348		
Net differences between projected and actual earnings on pension plan investments		455,752		158
Changes in proportion and differences between State contributions and proportionate share of contribution		34,509		57,758
State contributions subsequent to the measurement date		205,638		
Total	$	1,552,397	$	125,864

Component Units – APERS

Arkansas Development Finance Authority		Deferred Outflows of Resources		Deferred Inflows of Resources
Differences between expected and actual experience	$	4	$	161
Changes of assumptions		345		
Net differences between projected and actual earnings on pension plan investments		785		
Changes in proportion and differences between State contributions and proportionate share of contribution		45		87
State contributions subsequent to the measurement date		471		
Total	$	1,650	$	248

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Arkansas Student Loan Authority	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$	$ 17
Changes of assumptions	35	
Net differences between projected and actual earnings on pension plan investments	81	
Changes in proportion and differences between State contributions and proportionate share of contribution	2	
State contributions subsequent to the measurement date	49	
Total	$ 167	$ 17

Total	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 4	$ 178
Changes of assumptions	380	
Net differences between projected and actual earnings on pension plan investments	866	
Changes in proportion and differences between State contributions and proportionate share of contribution	47	87
State contributions subsequent to the measurement date	520	
Total	$ 1,817	$ 265

$205.6 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, 2018. 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):

Primary Government

Year ended June 30:	APERS	ATRS	AJRS	ASPRS	ASHERS	Total
2018	$ 68,496	$ 44	$ 4,883	$ 9,207	$ 221,954	$ 304,584
2019	57,280	44	157	8,960	221,954	288,395
2020	131,171	11,448	67	4,979	242,438	390,103
2021	74,133	7,703	(2,931)	(190)	159,867	238,582
2022		(769)				(769)

Component Units - APERS

Year ended June 30:	Arkansas Development Finance Authority	Arkansas Student Loan Authority	Total
2018	$ 198	$ 22	$ 220
2019	166	18	184
2020	366	40	406
2021	201	21	222

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 $726.9 million at June 30, 2017.

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% to 14% to a VALIC, TIAA-CREF, Fidelity Fund or other retirement account. These amounts are allocated between the funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 2017, total employer contributions to VALIC, TIAA-CREF and Fidelity were $125.5 million, while contributions to other plans were $1.0 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $128.5 million, while contributions to other plans were $757 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 Plan (ASE) (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 Plan (ASE)
  - Arkansas Code § 21-5-401 to § 21-5-414

Participants were as follows:

- ASP: 678 active employees and 463 retirees and beneficiaries
- ASE: 31,964 active employees, 8,389 terminated employees with accumulated benefits and 14,931 retirees and beneficiaries

(b) Funding Policies, Annual Other Post-Employment Benefits (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 2017, the State contributed $4.1 million to ASP and $59.2 million to ASE. Plan members receiving benefits contributed $1.5 million to ASP and $38.3 million to ASE. The contribution requirements of plan members receiving benefits are as follows:

	ASP	ASE
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	ASE
Number of participating employers/contributing entities	1	1
Contribution rates for the fiscal year ended June 30, 2017 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	27.18%	45.00%
Annual required contribution (ARC)	$ 11,388	$ 190,064
Interest on net OPEB obligation	1,326	36,831
Adjustment to ARC	(2,031)	(60,250)
Annual OPEB cost	10,683	166,645
Contribution made	(4,053)	(59,221)
Increase in net OPEB obligation	6,630	107,424
Net decrease NPCC obligation (1)		(264)
Net OPEB obligation - beginning of year	33,158	1,151,910
Net OPEB obligation - end of year	$ 39,788	$ 1,259,070

(1) National Park College (NPCC) is withdrawing from the ASE plan no later than June 30, 2019. A separate actuarial study was done for NPCC to determine their remaining obligation under the ASE 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	2015	$ 9,019	35.6%	$ 27,542
	2016	10,465	46.3%	33,158
	2017	10,683	37.9%	39,788
ASE	2015	$ 151,729	30.4%	$ 1,039,499
	2016	161,483	31.0%	1,151,910
	2017	166,645	35.5%	1,259,070

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2017, was as follows (expressed in thousands):

	ASP	ASE
Actuarial accrued liability	$ 123,065	$ 2,040,881
Actuarial value of plan assets		
Unfunded actuarial accrued liability (funding excess)	$ 123,065	$ 2,040,881
Funded ratio	0.00%	0.00%
Covered payroll	$ 43,409	$ 1,343,312
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	283.50%	151.93%

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	ASE
Actuarial valuation date	July 1, 2015 (1)	July 1, 2016
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar closed	Level dollar open
Remaining amortization period	27 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

(1) an actuarial roll-forward to 6/30/17 was calculated

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

Governmental	$	1,274,401
Business-type		112,755
Component units		2,438
Pensions		6,912
Total net OPEB obligation	$	1,396,506

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) - As of February 1, 2017, the University of Arkansas Pulaski Technical College (PTC) and, as of April 1, 2017, the University of Arkansas Community College at Rich Mountain (RMCC) joined University of Arkansas System Self-funded Plan. Both of these entities maintain their own dental plans.
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 25,073 active employees and 2,515 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)
- South Arkansas Community College Postemployment Benefits (SACC)

Participants in these plans included 1,393 active employees and 143 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 $1,540 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, 2017 (% 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%	0.00%	0.00%
Annual required contribution (ARC)	$ 66	$ 2,267	$ 1,116	$ 170
Interest on net OPEB obligation	46	378	229	25
Adjustment to ARC	(61)	(643)	(331)	(33)
Annual OPEB cost	51	2,002	1,014	162
Contribution made	(98)	(558)	(788)	(26)
Increase (decrease) in net OPEB obligation	(47)	1,444	226	136
Net OPEB obligation - beginning of year	64	12,611	5,719	527
Net OPEB obligation - end of year	$ 17	$ 14,055	$ 5,945	$ 663

	EACC	HSU	NAC	NPCC
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2017 (% 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%	13.00%	100.00%	0.00% to 100.00%
Annual required contribution (ARC)	$ 47	$ 622	$ 20	$ 65
Interest on net OPEB obligation	11	55	7	20
Adjustment to ARC	(14)	(93)	(8)	(27)
Annual OPEB cost	44	584	19	58
Contribution made	(14)	(374)	(18)	(20)
Increase (decrease) in net OPEB obligation	30	210	1	38
Net OPEB obligation - beginning of year	244	1,840	150	448
Net OPEB obligation - end of year	$ 274	$ 2,050	$ 151	$ 486

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	NWACC	OC	PTC	RMCC
Number of participating employers/contributing entities	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2017 (% 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)	100.00%	14.00%	100.00%	10.00% to 20.00%
Annual required contribution (ARC)	$ 58	$ 53	$ 150	$ 115
Interest on net OPEB obligation	19	12	46	26
Adjustment to ARC	(26)	(16)	(47)	(35)
Annual OPEB cost	51	49	149	106
Contribution made	(1)	(22)	(86)	(46)
Increase (decrease) in net OPEB obligation	50	27	63	60
Net OPEB obligation - beginning of year	429	278 (1)	1,312	570 (1)
Net OPEB obligation - end of year	$ 479	$ 305	$ 1,375	$ 630

	SACC	SAUT	SAU	U of A
Number of participating employers/contributing entities	1	1	1	13
Contribution rates for the fiscal year ended June 30, 2017 (% 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%	50.00%	0.00%	100.00%
Annual required contribution (ARC)	$ 47	$ 156	$ 125	$ 5,538
Interest on net OPEB obligation	9	32	53	2,511
Adjustment to ARC	(13)	(45)	(90)	(2,176)
Annual OPEB cost	43	143	88	5,873
Contribution made	(15)	(38)	(107)	(1,977)
Increase (decrease) in net OPEB obligation	28	105	(19)	3,896
Net OPEB obligation - beginning of year	220	672	1,766	62,780
Net OPEB obligation - end of year	$ 248	$ 777	$ 1,747	$ 66,676

	UCA
Number of participating employers/contributing entities	1
Contribution rates for the fiscal year ended June 30, 2017 (% of covered payroll):	Pay-as-you-go
State plan members - retirees, (% of premium)	44.00%
Annual required contribution (ARC)	$ 326
Interest on net OPEB obligation	46
Adjustment to ARC	(79)
Annual OPEB cost	293
Contribution made	(68)
Increase (decrease) in net OPEB obligation	225
Net OPEB obligation - beginning of year	1,544
Net OPEB obligation - end of year	$ 1,769

(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	2015	$ 55	104%	$ 95
	2016	61	151%	64
	2017	51	192%	17
ASU(2)	2015	2,140	11%	11,262
	2016	1,932	30%	12,611
	2017	2,002	28%	14,055
ATU	2015	1,261	41%	5,151
	2016	1,287	44%	5,719
	2017	1,014	78%	5,945
BRTC	2015	141	52%	446
	2016	125	22%	527
	2017	162	16%	663
EACC	2015	57	42%	223
	2016	44	50%	244
	2017	44	32%	274
HSU	2015	312	37%	1,717
	2016	261	53%	1,840
	2017	584	64%	2,050
NAC	2015	28	96%	124
	2016	18	33%	150
	2017	19	95%	151
NPCC	2015	50	14%	398
	2016	59	12%	448
	2017	58	34%	486
NWACC	2015	53	6%	379
	2016	51	2%	429
	2017	51	2%	479
OC	2015	53	8%	245
	2016	53	0%	298
	2017	49	45%	305
PTC(1)	2015	176	26%	1,109
	2016	264	22%	1,312
	2017	149	58%	1,375
RMCC(1)	2015	101	47%	476
	2016	100	27%	549
	2017	106	43%	630

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Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
SACC	2015	$ 45	20%	$ 184
	2016	44	18%	220
	2017	43	35%	248
SAUT	2015	121	21%	617
	2016	105	34%	672
	2017	143	27%	777
SAU	2015	85	164%	1,750
	2016	79	80%	1,766
	2017	88	122%	1,747
U of A (1)	2015	8,203	26%	56,030
	2016	9,079	26%	62,780
	2017	5,873	34%	66,676
UCA	2015	291	35%	1,328
	2016	298	30%	1,544
	2017	293	23%	1,769

(1) PTC and RMCC moved into the U of A system in fiscal year 2017, but are still separately stated in this exhibit.
(2) In fiscal year 2017, the plan of ASU Mid-South, formerly known as Mid-South Community College, was merged into the ASU Plan.

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2017, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 693	$ 18,938	$ 10,247	$ 982	$ 370
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 693	$ 18,938	$ 10,247	$ 982	$ 370
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 8,228	$ 106,010	$ 44,455	$ 7,710	$ 5,424
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	8.42%	17.86%	23.05%	12.74%	6.82%

	HSU	NAC	NPCC	NWACC	OC
Actuarial accrued liability	$ 4,803	$ 133	$ 371	$ 314	$ 338
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 4,803	$ 133	$ 371	$ 314	$ 338
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 19,788	$ 7,326	$ 10,769	$ 25,682	$ 4,117
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	24.27%	1.82%	3.45%	1.22%	8.21%

	PTC	RMCC	SACC	SAUT	SAU
Actuarial accrued liability	$ 1,266	$ 750	$ 291	$ 1,066	$ 2,065
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 1,266	$ 750	$ 291	$ 1,066	$ 2,065
Funded ratio	0.00%	0.00%	0.00%	0.00%	0.00%
Covered payroll	$ 18,124	$ 3,934	$ 8,154	$ 6,194	$ 22,611
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	6.99%	19.06%	3.57%	17.21%	9.13%

	U of A	UCA
Actuarial accrued liability	$ 57,432	$ 2,724
Actuarial value of plan assets		
Unfunded actuarial accrued liability (funding excess)	$ 57,432	$ 2,724
Funded ratio	0.00%	0.00%
Covered payroll	$ 1,298,871	$ 74,800
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	4.42%	3.64%

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:

	EACC, NAC, NPCC, NWACC, OC	HSU	UCA	ANC, BRTC	SAUT
Actuarial valuation date	July 1, 2015	June 30, 2017	June 30, 2017	July 1, 2016	July 1, 2016
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, Open	Level dollar, Open	Level dollar, Open	Level dollar, Open	Level dollar, Open
Remaining amortization period	30 years	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A	N/A
Actuarial assumptions:					
Discount rate	4.50%	3.00%	3.00%	4.75%	4.75%
Projected salary increases	N/A	N/A	N/A	N/A	N/A
Healthcare inflation rate	10.00% initial 5.00% ultimate	8.00% initial 4.00% ultimate	(1) (1)	10.00% initial 5.00% ultimate	10.00% initial 5.00% ultimate
Inflation Rate	N/A	2.50%	2.50%	N/A	4.00%

	ASU	ATU	PTC	SACC	SAU	U of A
Actuarial valuation date	June 30, 2017	July 1, 2016	June 30, 2017	July 1, 2015	June 30, 2017	July 1, 2016
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 (2)	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%	3.50%	4.00%	3.00%	4.00%
Projected salary increases	1.00% until 2018 2.50% after 2018	N/A	3.00%	N/A	N/A	4.00%
Healthcare inflation rate	7.00% initial 5.00% ultimate	8.00% initial 5.00% ultimate	6.60% initial 4.10% ultimate	10.00% initial 5.00% ultimate	7.00% initial 4.00% ultimate	6.75% initial 4.25% ultimate
Inflation Rate	2.50%	3.00%	N/A	N/A	2.50%	2.20%

	RMCC
Actuarial valuation date	July 1, 2016
Actuarial cost method	Projected unit credit
Amortization method	Level dollar, Open
Remaining amortization period	30 years
Asset valuation method	N/A
Actuarial assumptions:	
Discount rate	4.50%
Projected salary increases	N/A
Healthcare inflation rate	10.00% initial 5.00% ultimate
Inflation Rate	N/A

(1) Trend rates are not used after 2008 for UCA because the agency has frozen employer contributions to the plan at fiscal 2007 levels.

(2) For the 2012 plan changes, a straight line, 10-year closed amortization is used.

(16) Additional Information - Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments Federal Law: 100-4) to the 1972 “Clean Water Act” (Federal Law: 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 1996 Amendments (Federal Law: 104-182) to the 1974 “Safe Drinking Water Act” (Federal Law: 93-523) 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	$ 123,900	$ 66,799
Noncurrent assets	284,929	195,486
Total assets	408,829	262,285
Liabilities		
Current liabilities	$ 2,654	$ 2,560
Noncurrent liabilities	25,325	19,065
Total liabilities	27,979	21,625
Net position		
Restricted	380,850	240,660
Total net position	380,850	240,660
Total liabilities and net position	$ 408,829	$ 262,285

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	$ 1,375	$ 1,214
Other operating expense	(1,464)	(2,798)
Operating (loss)	(89)	(1,584)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	4,804	3,574
Grants and contributions	9,131	12,360
Amortization of bond discounts and premiums	(837)	(630)
Nonoperating revenue	13,098	15,304
Transfers in (out), net	1,613	(3,693)
Change in net position	14,622	10,027
Total net position, beginning of year	366,228	230,633
Total net position, end of year	$ 380,850	$ 240,660

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Net cash provided by:		
Operating activities	$ 1,154	$ 1,038
Noncapital financing activities	6,918	5,761
Investing activities	26,045	18,810
Net increase	34,117	25,609
Cash and cash equivalents, beginning	58,968	15,988
Cash and cash equivalents, end	$ 93,085	$ 41,597

(17) Risk Management Programs

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

Primary Government

Governmental Activities

(a) Health and Life Plans

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.

A 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 are as follows (expressed in thousands):

	2017	2016
Claim liability, beginning of year	$ 29,700	$ 26,500
Incurred claims:		
Provision for insured events of current year	240,830	266,040
Total incurred claims and claim adjustment expense	240,830	266,040
Payments:		
Claims payments attributed to insured events of current year	228,447	233,687
Claims payments attributed to insured events of prior years	14,383	29,153
Total payments	242,830	262,840
Claim liability, end of year	$ 27,700	$ 29,700

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, 2016, 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 standalone 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, 2017, are as follows (expressed in thousands):

	2017	2016
Claim liability, beginning of year	$ 1,074	$ 849
Incurred claims:		
Provision for insured events of current year	14,270	14,092
Increase (decrease) in provision for insured events of prior years	596	(32)
Total incurred claims and claim adjustment expense	14,866	14,060
Payments:		
Claims payments attributed to insured events of current year	13,595	13,017
Claims payments attributed to insured evens of prior years	1,670	818
Total payments	15,265	13,835
Claim liability, end of year	$ 675	$ 1,074

(b) 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, 2017, is $97 thousand. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

(c) 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 based on past claims experience. This amount is determined by the Department of Finance and Administration.

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

	2017	2016
Claim liability, beginning of year	$ 78,865	$ 76,961
Incurred claims:		
Provision for insured events of current year	15,555	16,192
Decrease in provision for insured events of prior years	(1,960)	(1,046)
Total incurred claims and claim adjustment expense	13,595	15,146
Payments:		
Claims payments attributed to insured events of current year	4,424	4,620
Claims payments attributed to insured events of prior years	8,352	8,622
Total payments	12,776	13,242
Claim liability, end of year	$ 79,684	$ 78,865

(d) 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 an $8 thousand deductible as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with an $8 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 $8 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):

	2017	2016
Claim liability, beginning of year	$ 10,988	$ 11,605
Incurred claims:		
Provision for insured events of current year	5,672	5,663
Total incurred claims and claim adjustment expense	5,672	5,663
Payments:		
Claims payments attributed to insured events of current year	6,772	6,280
Total payments	6,772	6,280
Claim liability, end of year	$ 9,888	$ 10,988

(e) 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 million in earthquake zones 2 and 3 and $200 million for zones 4 and 5. The State has secured domestic and foreign terrorism insurance coverage. Certain State agencies have chosen not to purchase commercial insurance on certain buildings and, as such, losses for these buildings are recorded as expenditures in the General Fund when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30 million in a high hazard zone with a $1 million deductible to $100 million in Zone X with a $100 thousand 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 million per occurrence out-of-state. Twelve higher education institutions and nine State agencies have elected to purchase $1 million liability coverage in-state. 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.

Business-Type Activities

(a) Health and Life Plans

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, UACCH, UAPTC and UACCRM, 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):

	2017	2016
Claim liability, beginning of year	$ 19,279	$ 21,726
Incurred Claims:		
Provision for insured events of current year	165,247	161,328
Decrease in provision for insured events of prior years	(4,297)	(5,711)
Total incurred claims and claim adjustment expense	160,950	155,617
Payments:		
Claims payments attributed to insured events of current year	148,664	142,059
Claims payments attributed to insured events of prior years	14,978	16,005
Total Payments	163,642	158,064
Claim liability, end of year	$ 16,587	$ 19,279

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 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 EBD, respectively. Premiums for certain retirees and COBRA participants were collected by EBD, 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 $156. 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, 2017, Arkansas Code §6-17-1117 authorizes the Department of Education to pay an additional matching amount of $55 million per fiscal year to EBD. Effective July 1, 2009, Act 1421 of 2009 authorizes the Department of Education to pay an additional matching amount of $15 million per fiscal year, for a total of $70 million, to EBD.

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 are as follows (expressed in thousands):

	2017	2016
Claim liability, beginning of year	$ 31,100	$ 29,400
Incurred claims:		
Provision for insured events of current year	241,903	253,985
Total incurred claims and claim adjustment expense	241,903	253,985
Payments:		
Claims payments attributed to insured events of current year	229,447	223,095
Claims payments attributed to insured events of prior years	16,456	29,190
Total payments	245,903	252,285
Claim liability, end of year	$ 27,100	$ 31,100

(b) 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 $215 thousand for 2017. 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% 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% will change to 1.5%.

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):

	2017	2016
Claim liability, beginning of year	$ 238,333	$ 242,541
Incurred claims:		
Provision for insured events of current year	7,334	6,865
Decrease in provision for insured events of prior years	(14,974)	(8,281)
Increase due to decrease in discount period	11,532	11,763
Total incurred claims and claim adjustment expense	3,892	10,347
Payments:		
Claims payments attributed to insured events of prior years	15,386	14,555
Total payments	15,386	14,555
Claim liability, end of year	$ 226,839	$ 238,333

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% 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):

	2017	2016
Claim liability, beginning of year	$ 307	$ 28
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	(25)	303
Increase due to decrease in discount period	15	1
Total incurred claims and claim adjustments expense	(10)	304
Payments:		
Claims payments attributed to insured events of prior years	9	25
Total payments	9	25
Claim liability, end of year	$ 288	$ 307

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.

(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 $218 thousand 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 $1.3 million.

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

	2017	2016
Litigation, beginning of year	$ 1,226	$ 1,012
Incurred litigation	671	1,403
Litigation payments/dismissals	(1,679)	(1,189)
Litigation, end of year	$ 218	$ 1,226

(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, 2017, 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

A settlement was reached during fiscal year 2014, ordering all prior agreements under the Little Rock School District desegregation case settlement agreement of 1989 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, 2017, the State has commitments of approximately $1.1 billion for construction and other contracts and approximately $139.3 million for professional service contracts. The Arkansas Natural Resource Commission has approved $16.2 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2017.

(e) Bond Guarantees

The Arkansas Economic Development Commission (AEDC) Bond Reserve Guarantee Fund is used to guarantee principal and interest on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2017, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $28.2 million. During fiscal year 2017, $5.6 million of these were in default.

(f) Tobacco Settlement

In November 1998, Arkansas joined 46 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 25 years and continues in perpetuity. 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 (ADFA) issued $36.8 million in Tobacco Settlement Revenue Bonds. ADFA 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 ADFA, 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, 2017, the University would have incurred a liability of $63.2 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 2017. In fiscal year 2017, the State recorded a total of $50.5 million, with $5.0 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

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, 2017, there were no accrued liabilities involving litigation 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 that there is no liability at June 30, 2017.

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

	2017	2016
Litigation, beginning of year	$ 0	$ 8
Incurred litigation	0	0
Litigation payments/dismissals	0	(8)
Litigation, end of year	$ 0	$ 0

(b) Construction and Other Commitments

Higher Education

At June 30, 2017, the State has commitments in its business-type activities of approximately $277.3 million for construction and other contracts and approximately $8.9 million 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, 2017, was $19.0 million.

OAL has 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 are $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 2017, $65 thousand travel costs and $1.8 million incentive compensation costs were paid by OAL.

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

ADFA has $33.1 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, 2017.

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, 2017, was $24.1 million. There were eleven approved investments as of June 30, 2017, totaling $37.2 million, of which $6.0 million has yet to be funded, that are anticipated to become part of the AIF.

Outstanding commitments to various funds/companies were $10.2 million for the year ending June 30, 2017.

(19) Business Incentives

(a) Create Rebate Program

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 $114.6 million for the Create Rebate Business Incentive.

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

	2017	2016
Create Rebate business incentives, beginning of year	$ 113,866	$ 110,191
Incurred Create Rebate business incentives, net of allowance	8,054	35,512
Create Rebate business incentives payments/dismissals	(7,345)	(31,837)
Create Rebate business incentives, end of year	$ 114,575	$ 113,866
Current Create Rebate business incentives	$ 11,361	$ 12,085
Noncurrent Create Rebate business incentives	103,214	101,781

(b) Tax Back Program

The Tax Back Program is authorized under Arkansas Code Annotated (ACA) § 15-4-2706(d). The program provides sales and use tax refunds on the purchase of building materials, machinery and equipment to qualifying businesses that create new jobs as a result of construction, expansion or facility modernization projects in Arkansas. All claims for refunds must be filed with the Department of Finance and Administration Revenue Division within three years from the date of purchase. The State has accrued liabilities in the approximate amount of $4.3 million for the Tax Back Business Incentive. For more information on the Tax Back program, refer to Note 20.

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

	2017	2016
Tax Back business incentives, beginning of year	$ 5,974	$ 2,037
Incurred Tax Back business incentives, net of allowance	1,329	6,772
Tax Back business incentives payments/dismissals	(2,987)	(2,835)
Tax Back business incentives, end of year	$ 4,316	$ 5,974
Current Tax Back business incentives	$ 3,117	$ 3,139
Noncurrent Tax Back business incentives	1,199	2,835

(20) Tax Abatements

As of June 30, 2017, the State provides tax abatements through 13 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development and other programs.

(a) Advantage Arkansas Program

The Advantage Arkansas Program provides income tax abatements to encourage economic development through job creation. The program is established under Arkansas Code Annotated (ACA) 15-4-2705. The abatements are provided through an income tax credit equal to a percentage of the payroll of new full-time permanent employees of the business, which is based on the county in which the new employees are located. The income tax credits are obtained through application by the business to the Arkansas Economic Development Commission (AEDC) prior to commencement of activities that will lead to job creation. The proposed average hourly wage shall be equal to or greater than the lowest county average hourly wage as calculated by AEDC based on the most recent calendar year data published by the Department of Workforce Services (DWS). After receiving an approved financial incentive agreement from AEDC, the business shall certify the payroll at the end of each tax year during the agreement to the Revenue Division of the Department of Finance and Administration (Revenue Division). Upon verification of the reported payroll amounts, the Revenue Division shall authorize the appropriate income tax credit. The tax credits authorized may offset 50% of the business's tax liability in any one year. Any unused credits may be carried forward up to nine years after year first earned or until exhausted, whichever occurs first. If the business fails to meet the payroll threshold within two years after signing the financial incentive agreement, unless an extension is granted, the business must repay all benefits previously received under this program. No other commitments were made by the State as part of the agreements.

(b) ArkPlus Program

The ArkPlus Program provides income tax and sales and use tax abatements to encourage economic development through job creation and capital investments. The program is established under ACA 15-4-2706(b). The tax abatements are provided through income tax credits and sales and use tax credits. A business must apply for the tax credits though the AEDC prior to starting the project.

- A business other than a technology-based entity is eligible for a tax abatement through an income tax credit equal to 10% of the total investment in land, buildings, equipment and costs related to licensing and protection of intellectual property. Eligibility for the income tax credit is based upon a minimum investment and minimum annual payroll. The investment thresholds must be reached within four years of the date the financial incentive agreement is signed, except for certain lease payments. The eligible business shall certify eligible project costs annually at the end of each tax year to the Revenue Division. Upon verification of eligible costs, the Revenue Division shall authorize the income tax credit. The amount of income tax credit taken each tax year cannot exceed 50% of the business's income tax liability resulting from the project or facility. Unused credits may be carried forward up to nine years after the year earned.
- A technology-based entity may receive a tax abatement by electing to receive either an income tax credit or a sales and use tax credit equal to a percentage of the investment based upon the amount to be invested. The entity must elect either the income tax credit or sales and use tax credit at time of application. To be eligible, the entity must create a new payroll that meets minimums in amount and average hourly wage. The tax credit is a percentage of the project cost, ranging from 2% to 8% based upon the project cost estimate at the time the financial incentive agreement is signed. All investments must be made within four years of the date of the signed agreement. After receiving an approved financial incentive agreement from AEDC, the business shall certify eligible project costs at the end of each tax year during the agreement to the Revenue Division. The tax credits authorized may offset a percentage the entity's tax liability based on the average hourly wage paid. Any unused credits may be carried forward up to nine years after the year first earned.

No other commitments were made by the State as part of these agreements. Because taxes are abated after eligible costs are incurred and verified, there are no recapture provisions.

(c) InvestArk Program

The InvestArk Program provides for abatement of sales and use taxes to encourage economic development through retention of current Arkansas businesses. The program is authorized under ACA 15-4-2706(c). To be eligible, a business must have been in continuous operation in the State for at least two years, hold a direct-pay sales and use tax permit from the Revenue Division prior to submitting an application, and propose an investment of at least $5.0 million. An eligible business must apply for this program prior to the start of eligible activities and file the endorsements with the application. Upon approval, the AEDC shall certify the project to the Revenue Division. At the end of each calendar year, the business shall certify the amount of project expenditures to the Revenue Division. The amount of the sales and use tax credit is five-tenths of one percent (0.5%) above the State sales and use tax rate at the time the financial incentive agreement is signed with the AEDC. Credits taken cannot exceed 50% of the direct pay sales and use tax liability for taxable purchases. Any unused credits can be carried forward up to five years after first earned. No other commitments are made by the State under this program. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided.

(d) Tax Back Program

The Tax Back Program provides for abatement of sales and use taxes to encourage economic development through job creation. The program is authorized under ACA 15-4-2706(d). To be eligible, a business must be endorsed by the governing authority of the municipality or county, or both, in whose jurisdiction the business will be located, propose a minimum investment of $100 thousand, and sign a job creation financial incentive agreement under ACA 15-4-2705 or ACA 15-4-2707. An eligible business must apply for this program prior to the start of eligible activities. A refund of sales and use taxes paid on eligible purchases shall be authorized by the DFA after verification. All claims for refunds must be filed with the Revenue Division within three years from the date of purchase. No refunds are made for sales and use taxes dedicated to the Educational Adequacy Fund and The Conservation Tax Fund. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(e) Biotechnology Training and Development Program

The Biotechnology Training and Development Program provides tax abatements to encourage investments in biotechnology. The program was established under ACA 2-8-101 (repealed by Act 716 of 2009) and ACA 15-4-2701. All agreements under this program must have been signed prior to March 2, 2003. The tax abatement is provided through an income tax credit equal to 5% of the cost of a biotechnology facility, 30% of the cost of training employees and 20% of the cost of qualified research. The income tax credits may be applied to the first $50 thousand of income tax liability for the tax year and 50% of any remaining income tax liability for that year. Any unused credits may be carried forward up to 14 years after the year the credit originated. If a taxpayer is determined to have failed to comply with conditions in ACA 2-8-101, the taxpayer is liable for payment of such additional taxes as may be due after the income tax credits are disallowed, plus penalty and interest. No other commitments were made by the State as part of these agreements.

(f) In-House Research and Development Program

The In-House Research and Development Program provides for abatement of income taxes to encourage economic development through research activities. The program is authorized under ACA 15-4-2708(b). Eligible businesses must apply with the AEDC prior to the start of research activities. The income tax credit is equal to 20% of qualified expenditures and may be used to offset 100% of an eligible business's annual income tax liability. Unused credits may be carried forward up to nine years. A financial incentive agreement under this program may not exceed five years. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(g) Targeted Research Program

The Targeted Research Program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The program is authorized under ACA 15-4-2708(c) and 15-4-2708(d). Targeted businesses must be in one of six business sectors as determined by the AEDC. Areas of strategic value are fields having long-term economic or commercial value to the State and identified in the research and development plan approved by the Executive Director of the AEDC. Eligible businesses must apply with the AEDC prior to the start of research activities. The income tax credit is equal to 33% of qualified expenditures and may be used to offset 100% of an eligible business's annual income tax liability. Targeted businesses may sell unused credits as authorized by ACA 15-4-2709. Unused credits provided for research in areas of strategic value may be carried forward up to nine years. The maximum amount of credits awarded to an eligible business for research in areas of strategic value is $50 thousand. A financial incentive agreement under this program may not exceed five years. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(h) Targeted Business Payroll Program

The Targeted Business Payroll Program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the state average hourly wage, if less. The program is authorized under ACA 15-4-2709. To be eligible, a business must be identified by the AEDC as being in a business sector targeted for growth under ACA 15-4-2703(43). An eligible business must apply for this program prior to the start of eligible activities. The eligible business must meet annual payroll requirements as well as average hourly wage requirements. The term of the financial incentive agreement cannot exceed five years. An income tax credit is earned equal to 10% of the targeted business's annual payroll but not to exceed $100 thousand in any one year. Any unused credits may be carried forward up to nine years after the year the credit is earned. The targeted business may apply to the AEDC for permission to sell unused credits. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(i) Tourism Development Program

The Tourism Development Program provides for abatement of income taxes and sales and use taxes to encourage the development of tourism attractions within the State. The program is authorized by ACA 15-11-501 et seq. To be eligible, the business must agree to make a minimum investment in a tourism attraction project and have a marketing plan that targets at least 25% of its visitors from out-of-state. The business must apply for the program with the AEDC prior to the start of eligible activities. The eligible project must be completed within two years, unless an extension is granted. The term of the financial incentive agreement shall not exceed ten years. Tax abatements are made as follows:

- To receive a sales and use tax credit, the company must certify to the Director of DFA that the minimum investment has been made in the project. The sales tax credit approved by the DFA shall be 15% or 25% of the approved costs, depending on the location of the project. Additional sales and use tax credits may be awarded as additional approved costs are incurred. However, no credits shall be awarded for costs incurred more than two years after the financial incentive agreement is signed, unless an extension is granted. The credits may be used to offset 100% of the increased state sales tax liability in the first year approved. Unused credits may be carried forward up to nine years or the end of the financial incentive agreement, whichever occurs first.
- To receive an income tax credit, the tourism attraction project must meet the eligibility requirements in ACA 15-11-503(13)(A). The approved company shall certify its payroll to the Revenue Division. The DFA can then authorize an income tax credit equal to 4% of the certified payroll of new full-time permanent employees of the approved tourism attraction.

Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(j) Water Resource Conservation and Development Program

The Water Resource Conservation and Development Program provides for abatement of income taxes to encourage investment in projects that increase the use of surface water and reduce agricultural irrigation water use. The program is authorized under ACA 26-51-1001 et seq. To be eligible, an entity must agree to undertake a project that meets standards established by the Arkansas Natural Resource Commission (ANRC). An eligible entity must apply for this program prior to the start of eligible activities. The project is required to be completed within three years and be maintained for ten years after completion. Taxes are abated using an income tax credit equal to a percentage of the estimated cost of the project, up to a set maximum, based on the type of project. The percentage and maximum depend on the type of project proposed. The income tax credits can begin to be taken in the year the project is started. Credits taken are limited to the entity's income tax liability for the tax year, or a maximum amount, depending on the type of project, whichever is less. Any unused credits may be carried forward up to a set number of years, depending on the type of project. If the project is not completed within three years, all income tax credits used shall be repaid. If the project is not maintained for 10 years after completion, a pro rata share of the income tax credits used shall be recaptured, based on the number of years since completion. The total amount of tax credits that can be taken by all entities awarded them cannot cumulatively exceed $10.0 million. In the calendar year when the cumulative amount of credits taken reaches $10.0 million, any remaining unused credits shall expire as of December 31 of that year. No other commitments are made by the State under this program.

(k) Wetland and Riparian Zone Program

The Wetland and Riparian Zone Program provides for abatement of income taxes to encourage landowners to restore and enhance existing wetlands and riparian zones or create new wetlands and riparian zones. The program is authorized under ACA 26-51-1501 et seq. To be eligible, the landowner must agree to undertake a project that meets standards established by the ANRC. An eligible entity must apply for this program prior to the start of eligible activities. The project is required to be completed within three years and be maintained for 10 years after completion. Taxes are abated using an income tax credit equal to project costs up to a maximum of $50 thousand. If the project is not completed within three years, all income tax credits used shall be repaid. If the project is not maintained for 10 years after completion, a pro rata share of the income tax credits used shall be recaptured, based on the number of years since completion. In the calendar year when the cumulative amount of credits taken by all landowners awarded credits under this program reaches $500 thousand, any remaining unused credits shall expire as of December 31 of that year. No other commitments are made by the State under this program.

(l) Low Income Housing Program

The Low Income Housing Program provides for abatement of income taxes to encourage the development of housing for individuals and families with low income. The program is authorized under ACA 26-51-1701 et seq. To be eligible, the taxpayer must own an interest in a qualified project in Arkansas, be eligible for the federal low income housing tax credit and be approved by the Arkansas Development Finance Authority (ADFA). An eligible entity must apply for this program prior to the start of eligible activities. Taxes are abated using an income tax credit equal to 20% of the federal low income housing tax credit approved. The amount of credit taken in any one tax year cannot exceed the state income taxes due from the taxpayer. Any unused credits may be carried forward up to five years. If a portion of the federal income tax credit is required to be recaptured, the taxpayer must repay a portion of the related state income tax credit. The maximum amount of state income tax credits that can be awarded under this program each year cannot exceed $250 thousand. No other commitments are made by the State under this program.

(m) Major Maintenance and Improvement Program

The Major Maintenance and Improvement Program provides for abatement of sales and use taxes to assist manufacturing and processing facilities in remaining competitive and preserving jobs. The program is authorized under ACA 15-4-3501. To be eligible, a business enters into a financial incentive agreement with the AEDC. An eligible business must agree to invest at least $3.0 million into the project. A refund of 100% of sales and use taxes paid on eligible purchases and expenditures shall be authorized by the DFA after verification. All claims for refunds must be filed with the Revenue Division before July 1, 2022. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

Tax Abatement Program		**Amount of Taxes Abated for FY2017** (Expressed in thousands)
Income Tax Abatements		
ArkPlus Income Tax Credit	$	4,472
In-House Research Income Tax Credit		3,981
Advantage Arkansas Income Tax Credit		3,478
In-House Research by Targeted Business Income Tax Credit		1,109
Water Resource Conservation and Development Incentives		708
Low Income Housing Credit		650
Wetland/Riparian Zone Creation and Restoration Incentive		181
Targeted Business Payroll Income Tax Credit		15
Sales and Use Tax Abatements		
InvestArk Program		38,207
Tourism Development Sales Tax Credit		4,168
Targeted Business Tax Back Sales and Use Tax Refund		874
Major Maintenance and Improvement		251
Biotechnology Program		53

(21) 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, 2017, 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 prize reserve funds for Powerball® and Mega Millions®, which are maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prizes payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave the MUSL. As of June 30, 2017, the OAL had reserve fund deposits with MUSL of $1.9 million. MUSL does not maintain prize reserve funds for Lucky for Life®. Instead, each participating lottery is responsible for maintaining its own prize reserve funds for potential Lucky for Life® prize 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, 2017, is summarized below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 32,755	$ 15,032
Mega Millions®	14,313	6,882
Lucky for Life®	2,890	1,936

(22) Disposal of Operations

The Arkansas Department of Health (ADH) decided to sell its In Home services to the private sector, after a competitive selection process, due to the declining number of patients, employees and revenue. On August 1, 2016, ADH transferred the operations to KAH Development 4, LLC (KAH), doing business as Kindred at Home for the sales price of $39.0 million.

From the sales proceeds, an escrow account of $3.9 million was established to settle any subsequent claims made against ADH by KAH for a "Contribution Adjustment Event" as defined by § 1.8(a)(i) and (ii) of the acquisition agreement dated June 17, 2016. Within five days following the 12 month anniversary of the sale, an amount equal to 50% of the escrowed balance less any actual or projected "Contribution Adjustment Events" will be distributed to ADH with the remainder less any projected "Contribution Adjustment Events" being distributed 24 months after the date of the sale. As of June 30, 2017, the balance in escrow was $3.9 million and there were no actual and projected "Contribution Adjustment Events."

After deduction of the escrow amount, sales proceeds were deposited in the general fund and used to pay the following expenses related to the disposal of operations:

- $1.6 million - Contract Aide Payouts
- $1.9 million - Employee payroll and bonuses
- $5.0 million - ADH loan repayments
- $1.0 million - Miscellaneous vendor-related expenses
- $1.0 million - Marketing/transition consultant fees

For fiscal year 2016, In Home Service revenue was $41.3 million and expenses were $46.8 million.

(23) Subsequent Events

Primary Government

Governmental Activities

Arkansas Department of Corrections

On September 19, 2017, Arkansas Development Finance Authority (ADFA) issued $17.9 million in State Agency Energy Conservation Bonds, Series 2017A. The purpose of the bonds is to acquire, construct and equip the Energy Savings Project, which consists primarily of energy conservation measures for prison facilities.

Arkansas Community Correction

In September 2017 ADFA issued $9.8 million in State Agencies Energy Conservation Bonds, Series 2017B. The purpose of the bonds is to acquire, construct and equip the Energy Savings Project, which consists primarily of energy conservation measures for prison facilities.

Arkansas Department of Finance and Administration – Division of Building Authority

On July 12, 2017, ADFA issued $10.8 million in State Agency Facilities Crossover Refunding Bonds, Series 2017. The purpose of the bonds is for a crossover refunding of Series 2010A bonds, which were originally issued to finance the acquisition of land and facilities located at 900 West Capitol Avenue, Little Rock, Arkansas, and the acquisition of certain furnishings and equipment to be owned by the Division of Building Authority. At June 30, 2017, the outstanding balance for Series 2010A was $13.7 million. The refundings will have a cash flow savings of $458 thousand, with a net present value savings of $382 thousand.

Arkansas Economic Development Commission

The Arkansas Economic Development Commission (AEDC) and ADFA (a component unit of the State) provided a bond guarantee of $10.0 million for a Pine Bluff rice mill that closed on July 17, 2017. The Pine Bluff rice mill defaulted on the loans guaranteed by the State. The bond guaranty exposure is $4.0 million each, before liquidation of the collateral. The rice mill is currently operating under a receivership. It is anticipated that semi-annual bond payments will be made until the mill has either returned to profitability, been sold or the collateral is liquidated.

Business-Type Activities

Henderson State University

In August 2017 the Board of Trustees of Henderson State University authorized the issuance of $10.3 million in Auxiliary Enterprises Revenue Secured Refunding Bonds, Series 2017A and Series 2017B. The purpose of these bonds is to refund the Series 2012A and Series 2012B Bonds. On June 30, 2017, the combined outstanding balance for Series 2012A and Series 2012B was $10.9 million, which were originally issued to refund Auxiliary Enterprise Revenue Secured Capital Improvement Bonds, Series 2005 and 2006, and to fund a debt service reserve. The refundings will have a combined cash flow savings of $1.2 million, with a net present value savings of $505 thousand.

Arkansas State University – Beebe and Newport Campuses

On June 8, 2017, the Arkansas State University Board of Trustees approved a guaranteed energy cost savings capital project and related financing to begin in the Fall of 2017 for the Beebe and Newport campuses. The project at these campuses has an estimated total cost of $9.2 million and will be financed from the Higher Education Revolving Loan Fund and a tax-exempt capital lease. The loan will be repaid over a 15 year period with an interest rate of 1.3% per annum. The tax-exempt capital lease has an estimated maximum interest rate of 3.3% for a term not to exceed twenty years.

University of Arkansas – Little Rock Campus

On September 19, 2017, the University of Arkansas Board of Trustees closed on $6.5 million Student Fee Revenue Bonds, Series 2017. The purpose of the bonds is for the acquisition, construction, renovation, equipping and furnishing of campus facilities.

University of Arkansas – Fayetteville Campus

On August 1, 2017, the University of Arkansas Board of Trustees closed on $95.8 million Various Facility Revenue Bonds, Series 2017. The purpose of the bonds is for the acquisition, construction, renovation, equipping and furnishing of campus facilities.

On September 6, 2017, the University received a $120.0 million gift from the Walton Family Charitable Support Foundation to establish the School of Art. The school will be housed within the J. William Fulbright College of Arts and Sciences.

University of Arkansas - School for Mathematics, Sciences and the Arts Campus

On November 9, 2017, the Board of Trustees of the University of Arkansas approved the forgiveness of indebtedness of Delta Student Housing, Inc. (Delta), the termination of the sublease and ground lease with Delta and acceptance of the facilities and facility equipment from Delta. At June 30, 2017, the indebtedness totaled $11.0 million and the depreciated value of the facilities and facility equipment totaled $12.0 million.

University of Central Arkansas

On August 31, 2017, the University of Central Arkansas Board of Trustees approved the issuance of $27.5 million in Student Housing System Revenue Bonds, Series 2017A. The purpose of the bonds is for the refunding of the 2006F and 2007C Bonds, and for the renovation, construction, improvement, equipping and furnishing of campus facilities. The combined outstanding balance for Series 2006F and Series 2007C is $20.4 million. The net present value cash flow savings from the refundings is $2.3 million.

On August 31, 2017, the University of Central Arkansas Board of Trustees approved the issuance of $3.8 million in Auxiliary Revenue Refunding Bonds, Series 2017B. The purpose of the bonds is for the partial refunding of Series 2012A Bonds, which were issued to provide funds for the cost of constructing and equipping the addition to the campus health, physical education and recreation center. The net present value cash flow savings from the refundings is $520 thousand.

East Arkansas Community College

On August 1, 2017, the Board of Trustees of East Arkansas Community College assumed full operational control over Crowley's Ridge Technical Institute (CRTI). This mandated transfer was the result of Arkansas Legislative Act 636 of 2017, which included the transfer of all assets, obligations, programs and personnel associated with CRTI. Primary revenues for CRTI totaled approximately $4.9 million for the fiscal year ending June 30, 2017. Expenditures for the same period were approximately $4.1 million. Estimated assets of CRTI include capital net assets of $1.1 million and cash reserves in excess of $1.0 million.

Arkansas Department of Finance and Administration – Office of Arkansas Lottery

On October 6, 2017, at the request of the Department of Higher Education (ADHE), a payment of $35.0 million was made from the Education Trust Account to ADHE, with an additional supplemental payment of $3.5 million made on November 21, 2017, for the payment of scholarships.

Component Units

Arkansas Development Finance Authority

On July 1, 2017, Arkansas Student Loan Authority (ASLA) merged with ADFA per Act 824 of 2017. ASLA's Board of Directors was dissolved and governance responsibilities were moved to ADFA's Board of Directors. ASLA continues to operate as a division of ADFA.

In August 2017 ADFA received full payment on a loan related to the Amendment 82 program in the amount of $50.0 million plus accrued interest. ADFA paid the corresponding note payable to Arkansas Economic Development Commission.

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)

	2017	2016	2015	2014-2008
Total Pension Liability				
Service Cost	$ 7,221	$ 7,230	$ 5,342	N/A
Interest	16,121	15,770	14,883	
Differences between expected and actual experience	(3,463)	(5,184)	12,970	
Changes of assumptions	2,369		24,290	
Benefit payments	(12,310)	(12,007)	(10,763)	
Refunds	(78)	(1)	(14)	
Net changes in total pension liability	9,860	5,808	46,708	
Total pension liability - beginning	260,522	254,714	208,006	
Total pension liability - ending (a)	$ 270,382	$ 260,522	$ 254,714	
Plan Fiduciary Net Position				
Employer contributions	$ 8,486	$ 5,561	$ 5,690	
Employee contributions	1,062	1,011	946	
Net investment income	28,044	(1,744)	9,972	
Benefit payments	(12,310)	(12,007)	(10,763)	
Refunds	(79)	(1)	(14)	
Administrative expense	(169)	(159)	(138)	
Other				
Net change in plan fiduciary net position	25,034	(7,339)	5,693	
Plan fiduciary net position - beginning	215,786	223,124	217,431	
Plan fiduciary net position - ending (b)	$ 240,820	$ 215,785	$ 223,124	
State's net pension liability - ending (a-b)	$ 29,562	$ 44,737	$ 31,590	
Plan fiduciary net position as a percentage of total pension liability	89.07%	82.83%	87.60%	
Covered payroll	$ 22,918	$ 22,308	$ 22,308	
Net pension liability as percentage of covered-employee payroll	128.99%	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)

	2017	2016	2015	2014 to 2008
Total Pension Liability				
Service Cost	$ 5,474	$ 5,488	$ 6,102	N/A
Interest	30,323	29,470	29,219	
Differences between expected and actual experience	(3,053)	1,757	(3,107)	
Changes of assumptions	15,875		8,703	
Benefit payments	(24,632)	(26,035)	(23,359)	
Net changes in total pension liability	23,987	10,680	17,558	
Total pension liability - beginning	413,883	403,203	385,645	
Total pension liability - ending (a)	$ 437,870	$ 413,883	$ 403,203	
Plan Fiduciary Net Position				
Employer contributions	$ 19,961	$ 19,713	$ 19,784	
Employee contributions			95	
Net investment income	31,484	(210)	6,132	
Benefit payments	(24,632)	(26,035)	(23,359)	
Administrative expense	(208)	(206)	(196)	
Net change in plan fiduciary net position	26,605	(6,738)	2,456	
Plan fiduciary net position - beginning	272,920	279,658	277,202	
Plan fiduciary net position - ending (b)	$ 299,525	$ 272,920	$ 279,658	
State's net pension liability - ending (a-b)	$ 138,345	$ 140,963	$ 123,545	
Plan fiduciary net position as a percentage of total pension liability	68.41%	65.94%	69.36%	
Covered payroll (1)	$ 29,077	$ 29,449	$ 29,929	
Net pension liability as a percentage of covered-employee payroll	475.79%	478.67%	412.79%	

Notes to Schedule

(1) In 2017, actual DROP participant pays were used. In 2015 and 2016, an estimate of average annual payroll for DROP participants of $75 thousand and $67 thousand, respectively, was used.

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)

	2017	2016	2015	2014 to 2008
Total Pension Liability				
Service cost	$ 18,935	$ 18,413	$ 16,863	N/A
Interest	126,829	115,441	112,962	
Differences between expected and actual experience	20,926	20,791		
Changes of assumptions	790,990	91,941		
Benefit payments, including refunds of employee contributions	(106,756)	(102,246)	(95,455)	
Net changes in total pension liability	850,924	144,340	34,370	
Total pension liability - beginning	1,629,276	1,484,936	1,450,566	
Total pension liability - ending (a)	$ 2,480,200	$ 1,629,276	$ 1,484,936	
Plan Fiduciary Net Position				
Employer contributions	$ 19,232	$ 19,059	$ 18,615	
Employee contributions	9,379	9,138	8,884	
Net investment income	(60,344)	25,384	234,209	
Benefit payments, including refunds of employee contributions	(106,756)	(102,246)	(95,455)	
Administrative expense	(118)	(91)	(43)	
Net change in plan fiduciary net position	(138,607)	(48,756)	166,210	
Plan fiduciary net position - beginning	1,443,476	1,492,232	1,326,022	
Plan fiduciary net position - ending (b)	$ 1,304,869	$ 1,443,476	$ 1,492,232	
State's net pension liability - ending (a-b)	$ 1,175,331	$ 185,800	$ (7,296)	
Plan fiduciary net position as a percentage of total pension liability	52.61%	88.60%	100.49%	
Covered payroll (2)	$ 141,906	$ 140,544	$ 137,262	
Net pension liability as a percentage of covered-employee payroll	828.24%	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 2016 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 this schedule was not available prior to this fiscal year.

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

	2017	2016	2015
Actuarially determined contribution	$ 8,485	$ 5,561	$ 5,690
Contributions in relation to the actuarially determined contribution	8,485	5,561	5,690
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 22,918	$ 22,308	$ 22,308
Contributions as a percentage of covered payroll	37.02%	24.93%	25.51%

Notes to Schedule

Valuation date:

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 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
Mortality	RP-2000 mortality tables projected to 2020 using projection scale BB

Other information:

There were no benefit changes reflected in the June 30, 2015, valuation. The investment return assumption was reduced from 7.25% to 6.25% for the June 30, 2015, valuation. In addition, the wage inflation was reduced from 3.50% to 3.25%.

	2014	2013	2012	2011	2010	2009	2008
	$ 6,117	$ 5,672	$ 5,465	$ 5,221	$ 4,668	$ 4,467	$ 5,145
	6,117	5,672	5,465	5,221	4,668	4,467	5,145
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 19,782	$ 19,586	$ 19,202	$ 19,338	$ 18,630	$ 18,875	$ 18,074
	30.92%	28.96%	28.46%	27.00%	25.06%	23.67%	28.47%

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

	2017	2016	2015
Actuarially determined contribution	$ 14,100	$ 14,300	$ 14,200
Contributions in relation to the actuarially determined contribution	20,000	19,700	19,800
Contribution deficiency (excess)	$ (5,900)	$ (5,400)	$ (5,600)
Covered payroll (1)	$ 29,100	$ 29,400	$ 29,900
Contributions as a percentage of covered payroll	68.73%	67.01%	66.22%

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:

Actuarially determined contribution rates are calculated as of June 30, one year prior to the end of the fiscal year in which contributions are reported.

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.

	2014	2013	2012	2011	2010	2009	2008
	$ 14,000	$ 13,600	$ 14,100	$ 12,600	$ 12,700	$ 10,500	$ 10,000
	19,500	19,500	19,700	14,100	20,500	12,100	11,700
	$ (5,500)	$ (5,900)	$ (5,600)	$ (1,500)	$ (7,800)	$ (1,600)	$ (1,700)
	$ 29,100	$ 28,100	$ 29,500	$ 28,200	$ 28,500	$ 27,600	$ 26,400
	67.01%	69.40%	66.78%	50.00%	71.93%	43.84%	44.32%

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

	2017	2016	2015	2014	2013 to 2008
Statutorily determined contribution	$ 19,175	$ 19,232	$ 19,059	$ 18,615	N/A
Contributions in relation to the statutorily determined contribution	19,175	19,232	19,059	18,615	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	
Covered payroll	$ 141,155	$ 141,906	$ 140,544	$ 137,262	
Contributions as a percentage of covered payroll	13.58%	13.55%	13.56%	13.56%	

Notes to Schedule

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

	2017	2016	2015	2014 to 2008
State's proportion of the net pension liability (asset)	66.75%	67.27%	67.64%	N/A
State's proportionate share of the net pension liability (asset)	$ 1,596,332	$ 1,238,862	$ 959,763	
State's covered payroll	$ 1,101,265	$ 1,125,557	$ 1,112,250	
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	144.95%	110.07%	86.29%	
Plan fiduciary net position as a percentage of the total pension liability	75.50%	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 this 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)

	2017	2016	2015	2014 to 2008
State's proportion of the net pension liability (asset)	3.96%	4.14%	4.29%	N/A
State's proportionate share of the net pension liability (asset)	$ 174,692	$ 134,997	$ 112,517	
State's covered payroll	$ 111,173	$ 115,753 (2)	$ 119,107	
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	157.14%	116.63%	94.47%	
Plan fiduciary net position as a percentage of the total pension liability	76.75%	82.20%	84.98%	

Notes to Schedule

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

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

	2017	2016	2015	2014	2013 to 2008
Statutorily determined contribution	$ 170,844	$ 174,479	$ 175,750	$ 177,950	N/A
Contributions in relation to the statutorily determined contribution	170,844	174,479	175,750	177,950	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	
Covered payroll	$ 1,101,265	$ 1,125,557 (1)	$ 1,112,250 (1)	$ 1,105,688	
Contributions as a percentage of covered payroll	15.51%	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 fiscal year 2014.

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

	2017	2016	2015	2014	2013 to 2007
Statutorily determined contribution	$ 15,619	$ 16,337	$ 17,118	$ 17,352	N/A
Contributions in relation to the statutorily determined contribution	15,619	16,337	17,118	17,352	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	
Covered payroll	$ 111,173	$ 115,753 (1)	$ 119,107 (1)	$ 121,357	
Contributions as a percentage of covered payroll	14.05%	14.11%	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, 2017
(Expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures (1)				
Current:				
General government	$ 6,037,902	$ 6,108,645	$ 1,906,305	$ 4,202,340
Education	4,283,408	4,400,812	3,761,206	639,606
Health and human services	9,619,617	9,012,723	8,577,309	435,414
Law, justice and public safety	1,012,117	1,034,951	803,325	231,626
Recreation and resource development	489,407	531,199	300,841	230,358
Regulation of business and professionals	197,766	199,364	127,273	72,091
Transportation	580,726	823,369	458,924	364,445
Debt service	161,559	196,544	166,905	29,639
Capital outlay	1,793,908	1,545,121	1,098,404	446,717
Total expenditures	$ 24,176,410	$ 23,852,728	$ 17,200,492	$ 6,652,236

(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, 2017

(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% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by the DFA and 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and the DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

General revenues are transferred into funds established and maintained by the Treasurer for major programs and agencies of the State in accordance with the General Revenue Allotment Account funding priorities established by the General Assembly.

Pursuant to the Stabilization Law, the General Assembly 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	$	17,290,490
Less non-cash expenditures		(605,909)
Less non-appropriated expenditures		(7,414,549)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		7,412,511
Plus refunds treated as reduction of revenue for financial statements purposes		507,891
Less basis of accounting differences		10,058
Total statutory basis expenditures General Fund	$	17,200,492

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

	2017	2016	2015	2014
Premium and investment revenues:				
Premium income	$ 305,452,670	$ 301,501,278	$ 301,894,264	$ 274,117,377
Investment interest income	1,167,240	292,270	181,804	95,121
Totals	$ 306,619,910	$ 301,793,548	$ 302,076,068	$ 274,212,498
Unallocated expenses:				
Operating costs	$ 9,037,550	$ 10,579,867	$ 11,658,122	$ 8,533,361
Reinsurance premium expense	0	0	0	0
Totals	$ 9,037,550	$ 10,579,867	$ 11,658,122	$ 8,533,361
Estimated incurred claims and expenses, end of fiscal year	$ 241,903,000	$ 253,985,000	$ 234,202,000	$ 256,961,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	214,935,703	223,050,692	205,092,655	227,823,740
One year later		253,882,147	234,066,260	256,700,395
Two years later			234,171,258	256,930,541
Re-estimated incurred claims and expenses (2):				
End of fiscal year	241,903,000	253,985,000	234,202,000	256,961,000
One year later		253,985,000	234,202,000	256,961,000
Two years later			234,202,000	256,961,000
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	59,388	58,181	57,879	58,253

(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.

2013	2012	2011	2010	2009	2008
$ 276,235,566	$ 273,702,538	$ 271,802,235	$ 265,671,434	$ 252,028,277	$ 239,686,872
94,975	180,027	302,462	442,355	1,322,380	2,482,253
$ 276,330,541	$ 273,882,565	$ 272,104,697	$ 266,113,789	$ 253,350,657	$ 242,169,125
$ 6,977,013	$ 6,374,870	$ 3,423,965	$ 3,788,158	$ 5,569,196	$ 4,288,268
0	0	0	0	0	0
$ 6,977,013	$ 6,374,870	$ 3,423,965	$ 3,788,158	$ 5,569,196	$ 4,288,268
$ 280,127,000	$ 259,784,000	$ 251,536,000	$ 237,226,000	$ 235,781,000	$ 208,506,000
250,689,890	232,820,863	224,266,659	209,386,000	211,281,000	185,756,000
279,891,538	259,449,420	251,226,738	236,679,328	235,244,450	207,975,925
280,097,026	259,757,662	251,508,249	237,198,903	235,757,056	208,449,125
280,127,000	259,784,000	251,536,000	237,226,000	235,781,000	208,506,000
280,127,000	259,784,000	251,536,000	237,226,000	235,781,000	208,506,000
280,127,000	259,784,000	251,536,000	237,226,000	235,781,000	208,506,000
0	0	0	0	0	0
0	0	0	0	0	0
57,087	54,866	53,347	52,094	50,277	50,370

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

	2017	2016	2015	2014
Premium and investment revenues:				
Premium income	$ 10,074,701	$ 9,519,983	$ 8,642,283	$ 5,588,765
Investment interest income	1,395,741	718,453	515,618	573,589
Totals	$ 11,470,442	$ 10,238,436	$ 9,157,901	$ 6,162,354
Unallocated expenses:				
Operating costs (2)	$ 277,340	$ 220,142	$ 227,326	$ 247,135
Estimated incurred claims and expenses, end of fiscal year	$ 7,334,041	$ 6,864,888	$ 6,706,673	$ 7,593,766
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	1,242,119	2,754,013	2,600,334	1,416,083
One year later		4,978,108	4,457,931	3,051,235
Two years later			4,575,545	4,304,721
Three years later				5,263,245
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	(6,091,922)	(1,886,780)	(2,131,128)	(2,330,521)
Number of fund participants receiving benefits at end of year	1,333	1,369	1,403	1,442

(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.

2013	2012	2011	2010	2009	2008
$ 8,867,656	$ 10,462,123	$ 7,390,622	$ 8,226,832	$ 9,075,784	$ 9,016,067
731,425	970,017	1,701,541	2,315,616	3,590,255	6,325,923
$ 9,599,081	$ 11,432,140	$ 9,092,163	$ 10,542,448	$ 12,666,039	$ 15,341,990
$ 248,942	$ 274,375	$ 257,079	$ 285,513	$ 271,386	$ 120,693
$ 7,037,748	$ 7,645,295	$ 6,413,633	$ 5,640,789	$ 6,619,914	$ 10,896,034
0	0	0	0	0	0
0	0	0	0	20,000	23,750
0	0	0	0	20,000	53,750
0	50,000	20,000	0	20,000	188,555
0	50,000	0	0	20,000	493,486
	50,000	0	3,268	20,000	896,344
		70,500	111,825	35,164	1,415,712
			457,019	192,006	2,113,422
				418,679	2,943,433
					3,971,935
1,268,529	3,312,740	3,904,725	2,546,952	2,675,997	3,135,931
3,500,691	4,740,760	7,110,289	6,118,056	4,215,186	7,448,896
4,863,077	5,986,391	8,706,668	6,897,305	5,837,915	9,810,061
4,913,891	5,202,993	8,585,328	7,219,746	5,718,497	11,188,480
4,138,525	6,372,372	9,497,819	8,159,307	5,673,165	14,777,103
	5,485,430	9,237,490	8,192,191	2,800,589	6,920,424
		8,023,104	8,129,987	3,129,967	11,379,566
			8,723,859	5,253,531	15,499,572
				6,158,256	17,906,506
					18,981,002
(2,899,223)	(2,159,865)	1,609,471	3,083,070	(461,658)	8,084,968
1,474	1,481	1,501	1,454	1,349	1,356

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

	2017	2016	2015	2014
Premium and investment revenues:				
Premium taxes	$ 0	$ 0	$ 0	$ 0
Interest income	13,028	6,783	3,600	3,311
Totals	$ 13,028	$ 6,783	$ 3,600	$ 3,311
Unallocated expenses:				
Operating costs (2)	$ 256,492	$ 333,837	$ 343,313	$ 361,793
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount	$ 0	$ 0	$ 0	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Number of fund participants receiving benefits at end of year	1	1	0	0

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation Death and Permanent Total Disability Fund and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

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

2013	2012	2011	2010	2009	2008
$ 0	$ 0	$ 0	$ 659,098	$ 1,082,496	$ 1,327,517
4,315	5,512	9,679	18,800	35,500	91,863
$ 4,315	$ 5,512	$ 9,679	$ 677,898	$ 1,117,996	$ 1,419,380
$ 396,593	$ 483,246	$ 526,189	$ 531,955	$ 582,490	$ 642,794
$ 0	$ 0	$ 0	$ 0	$ 0	$ 2,078,337
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	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	(2,078,337)
3	3	3	2	109	112

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	7/1/2013	$ 0	$ 480	$ 480	0.0%	$ 6,604	7%
	7/1/2015	0	604	604	0.0%	6,264	10%
	7/1/2016	0	693	693	0.0%	8,228	8%
Arkansas State University	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%
	6/30/2017	0	18,938	18,938	0.0%	106,010	18%
Arkansas Tech University	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%
	7/1/2016	0	10,247	10,247	0.0%	44,455	23%
Black River Technical College	7/1/2010	0	572	572	0.0%	5,608	10%
	7/1/2013	0	819	819	0.0%	7,284	11%
	7/1/2016	0	982	982	0.0%	7,710	13%
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	7/1/2013	0	2,765	2,765	0.0%	21,019	13%
	7/1/2015	0	2,763	2,763	0.0%	24,466	11%
	6/30/2017	0	4,803	4,803	0.0%	19,788	24%
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	7/1/2011	0	279	279	0.0%	4,363	6%
	7/1/2013	0	336	336	0.0%	4,778	7%
	7/1/2015	0	338	338	0.0%	4,117	8%
Pulaski Technical College	7/1/2013	0	883	883	0.0%	20,784	4%
	7/1/2015	0	1,759	1,759	0.0%	18,055	10%
	6/30/2017	0	1,266	1,266	0.0%	18,124	7%
Rich Mountain Community College	7/1/2010	0	661	661	0.0%	3,956	17%
	7/1/2013	0	688	688	0.0%	3,934	17%
	7/1/2016	0	750	750	0.0%	3,934	19%
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	7/1/2010	0	612	612	0.0%	6,619	9%
	7/1/2013	0	688	688	0.0%	7,095	10%
	7/1/2016	0	1,066	1,066	0.0%	6,194	17%
Southern Arkansas University	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%
	6/30/2017	0	2,065	2,065	0.0%	22,611	9%
University of Arkansas System Self-Funded Plan (1)	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%
	7/1/2016	0	57,432	57,432	0.0%	1,298,871	4%
University of Central Arkansas	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%
	6/30/2017	0	2,724	2,724	0.0%	74,800	4%
Arkansas State Police	6/30/2014	0	108,659	108,659	0.0%	42,846	254%
	7/1/2015	0	119,384	119,384	0.0%	44,477	268%
	6/30/2017	0	123,065	123,065	0.0%	43,409	284%
Arkansas Employee Benefits Plan	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%	1,343,312	152%

(1) In FY 2017, University of Arkansas Pulaski Technical College and University of Arkansas Community College at Rich Mountain joined the University of Arkansas System Self-Funded Plan.

(2) In FY 2017, the plan of ASU Mid-South, formerly known as Mid-South Community College, was merged into the ASU Plan.

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 – Act 269 of the 2017 Regular Session transferred the War Memorial Stadium Commission to the Department of Parks and Tourism upon approval by the Governor. The Act was approved and became effective February 22, 2017. The Department of Parks and Tourism was given 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. The following statements for the War Memorial Stadium Commission reflect financial activity through February 22, 2017, and report a zero net position as of June 30, 2017 resulting from its transfer to the Department of Parks and Tourism.

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, 2017
(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	$	$ 93,085	$ 153,489	$ 55,809	$ 302,383
Investments		30,150	3,803	23,989	57,942
Receivables:					
Accounts		227	2,018	832	3,077
Loans				624	624
Interest		438	67	412	917
Due from other funds			8		8
Advances to other funds				1,178	1,178
Total current assets		123,900	159,385	82,844	366,129
Noncurrent assets:					
Investments - restricted		43,306		34,131	77,437
Capital assets:					
Equipment			94		94
Other depreciable/amortizable assets			2,178		2,178
Assets under construction			593		593
Less accumulated depreciation/amortization			(1,208)		(1,208)
Advances to other funds		487		5,770	6,257
Loans receivable, restricted		241,136		161,355	402,491
Total noncurrent assets		284,929	1,657	201,256	487,842
Total assets	$	$ 408,829	$ 161,042	$ 284,100	$ 853,971

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2017
(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	$	$ 209	$ 5,296	$ 150	$ 5,655
Accrued interest		100			100
Accrued and other current liabilities				75	75
Due to other funds				583	583
Loans and bonds payable		2,345		1,765	4,110
Claims, judgments and compensated absences			26,994		26,994
Unearned revenue			17		17
Total current liabilities		2,654	32,307	2,573	37,534
Noncurrent liabilities:					
Loans and bonds payable		25,325		19,065	44,390
Claims, judgments and compensated absences			106		106
Total noncurrent liabilities		25,325	106	19,065	44,496
Total liabilities		27,979	32,413	21,638	82,030
Net Position					
Net investment in capital assets			1,657		1,657
Restricted for:					
Program requirements		380,850		262,462	643,312
Unrestricted			126,972		126,972
Total net position		380,850	128,629	262,462	771,941
Total liabilities and net position	$	$ 408,829	$ 161,042	$ 284,100	$ 853,971

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2017
(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	$ 1,639	$	$ 306,087	$	$ 307,726
Licenses, permits and fees		1,375		1,214	2,589
Total operating revenues	1,639	1,375	306,087	1,214	310,315
Operating expenses:					
Cost of sales and services	942				942
Compensation and benefits	364				364
Supplies and services	423		25,843		26,266
General and administrative expenses	349	254	139	189	931
Benefits and aid payments			243,751		243,751
Federal financial assistance		1,210		2,628	3,838
Depreciation and amortization	552		501		1,053
Total operating expenses	2,630	1,464	270,234	2,817	277,145
Operating income (loss)	(991)	(89)	35,853	(1,603)	33,170
Nonoperating revenues (expenses):					
Investment earnings	1	4,804	1,367	4,196	10,368
Grants and contributions	233	9,131		12,360	21,724
Interest and amortization expense	(15)	(837)		(630)	(1,482)
Net increase in fair value of investments				(484)	(484)
Total nonoperating revenues (expenses)	219	13,098	1,367	15,442	30,126
Income (loss) before transfers and contributions	(772)	13,009	37,220	13,839	63,296
Transfers in	888	1,613			2,501
Transfers out	(12,470)		(400)	(3,693)	(16,563)
Change in net position	(12,354)	14,622	36,820	10,146	49,234
Total net position - beginning	12,354	366,228	91,809	252,316	722,707
Total net position - ending	$	$ 380,850	$ 128,629	$ 262,462	$ 771,941

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2017
(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	$ 1,639	$	$ 306,751	$	$ 308,390
Payments to employees	(971)				(971)
Payments of benefits			(248,762)		(248,762)
Payments to suppliers	(1,774)		(26,219)		(27,993)
Loan administration received				1,032	1,032
Federal grant funds expended				(10)	(10)
Other operating receipts (payments)		1,154	(139)	(6)	1,009
Net cash provided by (used in) operating activities	(1,106)	1,154	31,631	1,016	32,695
Cash flows from noncapital financing activities:					
Direct lending payments	(500)	(2,405)		(1,810)	(4,715)
Direct lending interest		(1,317)		(991)	(2,308)
Grants and contributions	233	9,027		12,068	21,328
Transfers in	888	1,613			2,501
Transfers out	(653)		(400)	(3,506)	(4,559)
Net cash provided by (used in) noncapital financing activities	(32)	6,918	(400)	5,761	12,247
Cash flows from capital and related financing activities:					
Interest paid on capital debts and leases	(25)				(25)
Acquisition and construction of capital assets			(250)		(250)
Net cash used in capital and related financing activities	(25)		(250)		(275)
Cash flows from investing activities:					
Purchase of investments		(41,456)	(3,644)	(22,355)	(67,455)
Proceeds from sale and maturities of investments	183	69,948		31,002	101,133
Interest and dividends on investments	1	1,236	1,337	941	3,515
Loan disbursements		(29,511)		(7,514)	(37,025)
Principal repayments on loans		22,981		15,348	38,329
Interest received on loans		4,057		3,170	7,227
Federal grant funds expended		(1,210)		(2,620)	(3,830)
Net cash provided by (used in) investing activities	184	26,045	(2,307)	17,972	41,894
Net increase (decrease) in cash and cash equivalents	(979)	34,117	28,674	24,749	86,561
Cash and cash equivalents - beginning	979	58,968	124,815	31,060	215,822
Cash and cash equivalents -ending	$	$ 93,085	$ 153,489	$ 55,809	$ 302,383
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (991)	$ (89)	$ 35,853	$ (1,603)	$ 33,170
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	552		501		1,053
Federal grants expended		1,210		2,620	3,830
Net changes in assets, liabilities and deferred outflows/inflows:					
Accounts receivable		19	664	4	687
Inventory	5				5
Accounts payable and other accrued liabilities	(83)	14	(5,387)	(5)	(5,461)
Net OPEB	(231)				(231)
Net pension liability	(358)				(358)
Deferred outflows related to pensions	103				103
Deferred inflows related to pensions	(41)				(41)
Compensated absences	(62)				(62)
Net cash provided by (used in) operating activities	$ (1,106)	$ 1,154	$ 31,631	$ 1,016	$ 32,695
Non-cash investing, capital and financing activities:					
Transfer of capital assets to governmental activities	$ (11,817)				$ (11,817)

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, 2017
(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	$ 187,453	$ 13,650	$ 2,922	$ 273,337	$ 74,854	$ 552,216
Receivables:						
Employee	660		56	8,829	204	9,749
Employer	10,108	1	98	24,950	1,328	36,485
Investment principal	44,309	1,622	895	47,286		94,112
Interest and dividends	18,531	678	807	11,987	1,578	33,581
Other	1,067	142		203	8,494	9,906
Due from other funds	4			2,961		2,965
Total receivables	74,679	2,443	1,856	96,216	11,604	186,798
Investments at fair value:						
U.S. government securities	286,226	10,476	24,968	17,497	80,822	419,989
Bonds, notes, mortgages and preferred stock	95,570	3,498	5,226	458,540	187,109	749,943
Common stock	3,150,617	115,317	95,689	2,272,578	986,840	6,621,041
Real estate	880,114	32,213	21,008	59,096		992,431
International investments	1,848,093	67,643	41,159	6,723,267	39,394	8,719,556
Mutual funds	4,095	150				4,245
Pooled investment funds	1,008,740	36,921	14,228	1,606,007		2,665,896
Corporate obligations	431,236	15,784	35,864	225,068		707,952
Asset and mortgage-backed securities	104,069	3,809	1,070	38,191		147,139
State recycling tax credit				224,000		224,000
Other	(496)	(18)	(7)	4,367,301		4,366,780
Total investments	7,808,264	285,793	239,205	15,991,545	1,294,165	25,618,972
Other assets						
Securities lending collateral	734,981	26,901		431,215		1,193,097
Capital assets	19,602			213		19,815
Other assets	46			65		111
Total Other Assets	754,629	26,901		431,493		1,213,023
Total assets	8,825,025	328,787	243,983	16,792,591	1,380,623	27,571,009
Liabilities						
Accounts payable and other liabilities	8,245	521	313	14,496	267	23,842
Investment principal payable	48,734	1,784	2,850	58,527	26,035	137,930
Obligations under securities lending	736,500	26,957		431,190		1,194,647
Postemployment benefit liability	3,347			3,565		6,912
Due to other funds	41			5		46
Total liabilities	796,867	29,262	3,163	507,783	26,302	1,363,377
Net position						
Net position restricted for pensions	$ 8,028,158	$ 299,525	$ 240,820	$ 16,284,808	$ 1,354,321	$ 26,207,632

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2017
(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	$ 58,500	$ 43	$ 1,062	$ 133,110	$ 9,143	$ 201,858
Employers	261,657	6,417	2,688	414,955	19,176	704,893
Supplemental contributions	407	6,694	5,211			12,312
Title fees		4,668				4,668
Court fees		974	587			1,561
Reinstatement fees		1,165				1,165
Total contributions	320,564	19,961	9,548	548,065	28,319	926,457
Investment income:						
Net increase in fair value of investments	736,793	26,874	24,335	2,219,149	116,613	3,123,764
Interest, dividends and other	152,324	5,563	4,825	99,068	24,571	286,351
Other investment income	473	25		7,516		8,014
Securities lending income, net of expenses	4,998	182		4,620		9,800
Total investment income	894,588	32,644	29,160	2,330,353	141,184	3,427,929
Less investment expense	31,763	1,160	1,116	40,659	8,082	82,780
Net investment income	862,825	31,484	28,044	2,289,694	133,102	3,345,149
Miscellaneous	6,108			124		6,232
Total additions	1,189,497	51,445	37,592	2,837,883	161,421	4,277,838
Deductions:						
Benefits paid to participants or beneficiaries	508,200	24,632	12,310	1,092,952	109,875	1,747,969
Refunds of employee/employer contributions	13,755		79	10,874	2,030	26,738
Administrative expenses	9,708	208	169	7,826	130	18,041
Total deductions	531,663	24,840	12,558	1,111,652	112,035	1,792,748
Change in net position held in trust for employees' pension benefits	657,834	26,605	25,034	1,726,231	49,386	2,485,090
Net position - beginning	7,370,324	272,920	215,786	14,558,577	1,304,935	23,722,542
Net position - ending	$ 8,028,158	$ 299,525	$ 240,820	$ 16,284,808	$ 1,354,321	$ 26,207,632

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2017
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 4,978	$ 138,313	$ 143,291
Receivables:			
Interest and dividends	1	15	16
Other		5	5
Total receivables	1	20	21
Investments at fair value:			
Certificates of deposit	620	22,638	23,258
Bonds, government securities, notes and mortgages		2,258	2,258
Total investments	620	24,896	25,516
Financial assurance instruments	233,218	1,412	234,630
Total assets	$ 238,817	$ 164,641	$ 403,458
Liabilities			
Accounts payable and other liabilities	$	$ 6,650	$ 6,650
Due to other governments		138,402	138,402
Due to third parties	238,817	19,589	258,406
Total liabilities	$ 238,817	$ 164,641	$ 403,458

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Assets				
Cash and cash equivalents	$ 4,940	$ 86	$ 48	$ 4,978
Receivables:				
Interest and dividends		1		1
Investments at fair value:				
Certificates of deposit	620			620
Financial assurance instruments	250,738		17,520	233,218
Total assets	$ 256,298	$ 87	$ 17,568	$ 238,817
Liabilities				
Due to third parties	$ 256,298	$ 87	$ 17,568	$ 238,817
Total liabilities	$ 256,298	$ 87	$ 17,568	$ 238,817

	Other Agencies			
	Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
Assets				
Cash and cash equivalents	$ 140,162	$ 2,442,242	$ 2,444,091	$ 138,313
Receivables:				
Interest and dividends	13	15	13	15
Other	105	68	168	5
Investments at fair value:				
Certificates of deposit	22,662	1	25	22,638
Bonds, government securities, notes, mortgages and preferred stock	1,418	2,258	1,418	2,258
Financial assurance instruments	1,671	144	403	1,412
Total assets	$ 166,031	$ 2,444,728	$ 2,446,118	$ 164,641
Liabilities				
Accounts payable and other liabilities	$ 6,703	$ 17,386	$ 17,439	$ 6,650
Due to other governments	139,939	138,402	139,939	138,402
Due to third parties	19,389	105,511	105,311	19,589
Total liabilities	$ 166,031	$ 261,299	$ 262,689	$ 164,641

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2017
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2016	**Additions**	**Reductions**	**Balance June 30, 2017**
Assets				
Cash and cash equivalents	$ 145,102	$ 2,442,328	$ 2,444,139	$ 143,291
Receivables:				
Interest and dividends	13	16	13	16
Other	105	68	168	5
Investments at fair value:				
Certificates of deposit	23,282	1	25	23,258
Bonds, government securities, notes, mortgages and preferred stock	1,418	2,258	1,418	2,258
Financial assurance instruments	252,409	144	17,923	234,630
Total assets	$ 422,329	$ 2,444,815	$ 2,463,686	$ 403,458
Liabilities				
Accounts payable and other liabilities	$ 6,703	$ 17,386	$ 17,439	$ 6,650
Due to other governments	139,939	138,402	139,939	138,402
Due to third parties	275,687	105,598	122,879	258,406
Total liabilities	$ 422,329	$ 261,386	$ 280,257	$ 403,458


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
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. Prior year data may include revisions based on the latest available official release.

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)

	2017	2016	2015 (1)	2014
Primary government				
Governmental activities				
Net investment in capital assets	$ 11,116,044	$ 10,573,154	$ 10,418,250	$ 9,441,544
Restricted	2,318,037	2,142,787	1,627,433	2,098,642
Unrestricted	(2,160,882)	(1,548,988)	(1,406,667)	(1,402,681)
Total governmental activities net position	11,273,199	11,166,953	10,639,016	10,137,505
Business-type activities				
Net investment in capital assets	1,992,873	1,997,666	1,995,542	1,966,036
Restricted	1,132,263	1,046,934	1,049,397	1,008,203
Unrestricted	1,430,493	1,233,085	1,019,309	829,571
Total business-type activities net position	4,555,629	4,277,685	4,064,248	3,803,810
Total primary government				
Net investment in capital assets	13,108,917	12,570,820	12,413,792	11,407,580
Restricted	3,450,300	3,189,721	2,676,830	3,106,845
Unrestricted	(730,389)	(315,903)	(387,358)	(573,110)
Total primary government activities net position	$ 15,828,828	$ 15,444,638	$ 14,703,264	$ 13,941,315

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

2013	2012	2011	2010	2009	2008
$ 9,714,929	$ 9,632,774	$ 9,296,899	$ 8,886,979	$ 8,766,290	$ 8,210,615
1,319,560	1,256,134	1,175,983	1,253,570	734,837	863,721
449,360	589,166	1,024,091	1,251,501	1,922,388	2,349,314
11,483,849	11,478,074	11,496,973	11,392,050	11,423,515	11,423,650
1,929,075	1,889,473	1,805,096	1,757,523	1,690,161	1,500,418
928,743	892,101	849,209	760,352	726,800	954,661
747,820	556,124	429,293	311,584	325,596	459,677
3,605,638	3,337,698	3,083,598	2,829,459	2,742,557	2,914,756
11,644,004	11,522,247	11,101,995	10,644,502	10,456,451	9,711,033
2,248,303	2,148,235	2,025,192	2,013,922	1,461,637	1,818,382
1,197,180	1,145,290	1,453,384	1,563,085	2,247,984	2,808,991
$ 15,089,487	$ 14,815,772	$ 14,580,571	$ 14,221,509	$ 14,166,072	$ 14,338,406

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

	2017	2016	2015 (1)	2014
Governmental expenses				
General government	$ 1,607,462	$ 1,553,087	$ 1,581,265	$ 1,676,440
Education	3,751,603	3,718,585	3,677,244	3,595,660
Health and human services	8,949,631	8,461,524	8,119,737	7,195,051
Transportation	1,290,944	954,670	909,171	867,095
Law, justice and public safety	820,043	829,280	789,477	797,423
Recreation and resources development	277,979	275,987	283,446	284,506
Regulation of business and professionals	126,905	134,567	132,211	148,008
Interest on long-term debt	60,318	61,920	61,106	52,805
Total expenses	16,884,885	15,989,620	15,553,657	14,616,988
Program revenues				
Charges for services				
General government	433,652	415,138	431,891	392,937
Education	5,632	5,092	2,111	3,413
Health and human services	414,670	413,515	471,443	453,436
Transportation	122,438	120,004	121,225	114,417
Law, justice and public safety	67,948	95,585	88,904	73,989
Recreation and resources development	101,985	97,925	119,160	85,792
Regulation of business and professionals	116,413	116,206	106,167	100,084
Operating grants	7,691,132	7,333,883	7,043,670	6,010,077
Capital grants and contributions	781,522	572,654	520,477	590,791
Total program revenues	9,735,392	9,170,002	8,905,048	7,824,936
Net (expense) revenue	(7,149,493)	(6,819,618)	(6,648,609)	(6,792,052)
General revenues, special items and transfers				
Taxes				
Personal and corporate income	3,163,104	3,222,351	3,209,528	3,000,440
Consumer sales and use	3,114,497	3,028,285	2,932,562	2,877,342
Gas and motor carrier	468,822	463,126	443,413	431,725
Other	1,023,700	989,901	1,006,692	995,644
Investment earnings	60,201	84,100	40,471	70,578
Miscellaneous income	346,077	335,198	380,547	304,621
Special items				
Disposal of operations	33,611			
Issuance of tax credits	(187,598)			
Transfers - internal activities	(766,675)	(775,406)	(768,742)	(921,211)
Restatement			(94,351)	(1,313,431)
Total general revenues, special items and transfers	7,255,739	7,347,555	7,150,120	5,445,708
Total governmental activities change in net position	$ 106,246	$ 527,937	$ 501,511	$ (1,346,344)

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

2013	2012	2011	2010	2009	2008
$ 1,538,578	$ 1,559,775	$ 1,477,309	$ 1,356,657	$ 1,310,341	$ 1,296,232
3,587,503	3,648,068	3,769,004	3,605,065	3,338,002	3,291,054
6,769,015	6,709,730	6,411,416	6,144,706	5,457,305	5,195,317
823,616	766,297	759,872	731,317	699,737	668,305
747,845	794,165	748,590	779,374	820,960	631,793
258,084	265,156	350,530	277,402	243,419	244,959
124,065	118,934	120,320	105,968	107,347	105,620
41,036	39,852	44,824	52,145	55,193	57,923
13,889,742	13,901,977	13,681,865	13,052,634	12,032,304	11,491,203
349,146	348,130	336,193	325,072	276,112	291,216
5,537	6,372	6,675	6,469	18,637	16,638
427,284	427,079	385,693	362,532	303,174	244,706
110,722	113,081	110,831	107,818	147,267	146,463
83,600	79,734	75,051	73,601	70,262	72,066
83,163	81,637	81,076	79,780	106,988	79,438
86,797	97,271	87,526	80,079	76,695	81,585
5,642,584	5,756,464	6,092,989	5,868,623	4,943,264	4,410,782
609,062	644,621	551,523	493,064	455,765	413,055
7,397,895	7,554,389	7,727,557	7,397,038	6,398,164	5,755,949
(6,491,847)	(6,347,588)	(5,954,308)	(5,655,596)	(5,634,140)	(5,735,254)
3,013,345	2,794,097	2,688,093	2,468,798	2,507,368	2,655,399
2,570,848	2,543,873	2,483,908	2,376,891	2,487,944	2,544,356
437,310	442,658	444,555	449,274	444,496	456,223
955,369	945,773	927,922	903,113	815,206	790,010
(1,911)	40,374	43,232	52,809	82,681	172,081
313,003	367,531	343,874	330,397	286,173	274,730
(784,945)	(805,617)	(844,028)	(885,711)	(955,484)	(947,339)
(5,397)		(28,325)	(71,440)	(34,379)	(6,580)
6,497,622	6,328,689	6,059,231	5,624,131	5,634,005	5,938,880
$ 5,775	$ (18,899)	$ 104,923	$ (31,465)	$ (135)	$ 203,626

Continued on the following page

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

Continued from the previous page

	2017	2016	2015	2014
Business-type				
Expenses				
Higher education	$ 3,971,283	$ 3,806,452	$ 3,676,886	$ 3,607,528
Workers' Compensation Commission	12,115	19,905	17,922	19,806
Department of Workforce Services	147,061	216,398	256,048	360,753
Office of the Arkansas Lottery (2)	366,200	368,085	337,072	331,471
War Memorial Stadium Commission	2,630	3,419	2,828	3,103
Public School Employee Health and Life Benefit Plan	270,234	284,984	266,650	287,165
Revolving loans	4,281	4,848	9,934	9,745
Total expenses	4,773,804	4,704,091	4,567,340	4,619,571
Program revenues				
Charges for services				
Higher education	2,234,590	2,039,020	1,825,742	1,655,419
Workers' Compensation Commission	19,905	17,864	16,240	20,209
Department of Workforce Services	242,692	301,567	327,907	421,348
Office of the Arkansas Lottery (2)	449,911	456,317	409,214	410,627
War Memorial Stadium Commission	1,639	2,279	2,056	1,785
Public School Employee Health and Life Benefit Plan	306,087	302,445	303,474	275,969
Revolving loans	2,589	4,024	4,269	4,241
Operating grants	784,516	826,300	856,669	975,632
Capital grants and contributions	46,482	31,627	71,050	31,609
Total program revenues	4,088,411	3,981,443	3,816,621	3,796,839
Net (expense) revenue	(685,393)	(722,648)	(750,719)	(822,732)
Business-type revenues, special items and transfers				
Taxes				
Other	32,397	31,935	31,148	30,650
Investment earnings	68,636	21,217	30,869	62,242
Miscellaneous income	96,293	107,527	180,398	180,502
Special items:				
Disposal of operations	(664)			
Transfers - internal activities	766,675	775,406	768,742	921,211
Restatement				(173,701)
Total business-type revenues, special items and transfers	963,337	936,085	1,011,157	1,020,904
Total business-type activities change in net position	277,944	213,437	260,438	198,172
Total primary government change in net position	$ 384,190	$ 741,374	$ 761,949	$ (1,148,172)

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

2013	2012	2011	2010	2009	2008
$ 3,499,550	$ 3,472,444	$ 3,362,705	$ 3,191,697	$ 3,021,439	$ 2,851,140
18,368	45,243	29,768	15,918	29,349	53,967
521,449	618,522	776,734	1,211,812	901,064	432,661
352,063	379,139	371,716	302,579	16	
3,242	3,425	3,545	3,439	2,585	3,990
306,798	286,331	275,743	260,194	259,385	232,252
10,267	5,168	12,940	18,675	3,941	4,203
4,711,737	4,810,272	4,833,151	5,004,314	4,217,779	3,578,213
1,572,301	1,524,943	1,471,639	1,529,344	1,424,219	1,345,783
17,372					
454,253					
440,105	473,624	465,075	384,565		
2,337	2,394	2,760	1,852	1,803	1,860
277,390	275,639	274,073	268,312	252,927	241,839
4,273	4,155	4,001	3,732	3,485	3,335
1,129,853	1,218,671	1,325,685	1,498,215	928,570	626,798
31,602	66,419	44,313	33,052	52,438	72,677
3,929,486	3,565,845	3,587,546	3,719,072	2,663,442	2,292,292
(782,251)	(1,244,427)	(1,245,605)	(1,285,242)	(1,554,337)	(1,285,921)
30,402	491,994	449,146	377,460	320,271	310,728
37,655	28,051	52,979	54,846	(8,628)	57,064
210,293	172,865	153,592	82,176	108,788	136,156
784,945	805,617	844,027	885,711	955,484	947,339
(13,104)			(28,049)	6,223	
1,050,191	1,498,527	1,499,744	1,372,144	1,382,138	1,451,287
267,940	254,100	254,139	86,902	(172,199)	165,366
$ 273,715	$ 235,201	$ 359,062	$ 55,437	$ (172,334)	$ 368,992

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

	2017	2016	2015	2014
General fund				
Nonspendable	$ 106,448	$ 100,632	$ 124,784	$ 322,476
Restricted	1,488,099	1,507,742	1,409,242	1,189,822
Committed	1,837,219	1,489,615	1,449,480	1,223,617
Assigned	152,890	337,504	267,283	387,191
Unassigned	547,275	788,136	811,336	581,395
Total General Fund	4,131,931	4,223,629	4,062,125	3,704,501
Total fund balances, governmental funds	$ 4,131,931	$ 4,223,629	$ 4,062,125	$ 3,704,501

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.

2013	2012	2011(1)	2010	2009	2008
$ 320,289	$ 288,814	$ 306,275			
555,555	494,217	553,509			
1,286,331	1,505,457	1,555,139			
205,204	252,590	382,308			
952,630	714,519	685,463			
3,320,009	3,255,597	3,482,694			
$ 3,320,009	$ 3,255,597	$ 3,482,694			
			$ 1,838,326	$ 1,276,214	$ 1,257,856
			1,836,912	2,256,642	2,309,421
			3,675,238	3,532,856	3,567,277
			$ 3,675,238	$ 3,532,856	$ 3,567,277

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

	2017	2016	2015	2014
Revenues:				
Taxes:				
Personal and corporate income	$ 3,165,911	$ 3,219,066	$ 3,207,038	$ 3,002,722
Consumer sales and use	3,113,922	3,031,524	2,929,426	2,880,146
Gas and motor carrier	469,542	462,761	443,058	433,108
Other	1,023,060	989,962	1,005,951	997,563
Intergovernmental	8,443,611	7,888,337	7,564,360	6,584,513
Licenses, permits and fees	1,291,699	1,327,225	1,368,678	1,253,365
Investment earnings	60,201	84,100	40,471	70,578
Disposal of operations	31,661			
Miscellaneous	347,449	330,258	334,145	308,919
Total revenues	17,947,056	17,333,233	16,893,127	15,530,914
Expenditures:				
Current:				
General government	1,446,481	1,468,346	1,535,963	1,537,466
Education	3,748,403	3,715,057	3,676,561	3,588,822
Health and human services	8,930,024	8,458,304	8,162,633	7,195,414
Transportation	680,353	521,237	508,716	455,070
Law, justice and public safety	789,376	796,987	768,521	766,498
Recreation and resources development	257,494	255,074	264,169	265,133
Regulation of business and professionals	125,232	131,865	128,769	145,026
Debt service:				
Principal retirement	102,397	99,689	165,416	124,425
Interest expense	77,568	76,631	71,526	63,393
Bond issuance costs	63	63	1,062	33
Capital outlay	1,133,099	875,513	899,502	817,693
Total expenditures	17,290,490	16,398,766	16,182,838	14,958,973
Excess of revenues over expenditures	656,566	934,467	710,289	571,941
Other financing sources (uses):				
Issuance of debt	22,199	892	374,709	717,036
Issuance of refunding debt	131,840	28,495	135,155	
Bond discounts/premiums	9,846	1,665	51,338	55,260
Payment to refunding escrow agent	(140,877)	(43,636)	(150,513)	(46,908)
Lease proceeds	2,807	11,323	1,478	4,757
Installment sales				
Sale of capital assets	4,922	3,707	3,880	3,617
Transfers in	180,819	174,908	179,278	183,161
Transfers out	(959,820)	(950,317)	(947,990)	(1,104,372)
Restatement				
Total other financing uses	(748,264)	(772,963)	(352,665)	(187,449)
Net change in fund balances	(91,698)	161,504	357,624	384,492
Fund balances-beginning	4,223,629	4,062,125	3,704,501	3,320,009
Fund balances-ending	$ 4,131,931	$ 4,223,629	$ 4,062,125	$ 3,704,501
Debt service as a percentage of noncapital expenditures:	1.11%	1.14%	1.55%	1.33%

2013	2012	2011	2010	2009	2008
$ 3,011,514	$ 2,798,083	$ 2,697,352	$ 2,471,420	$ 2,549,965	$ 2,644,852
2,571,964	2,552,282	2,491,772	2,390,819	2,502,403	2,551,222
436,390	442,772	444,232	449,754	444,573	456,216
956,482	944,406	927,452	903,618	813,733	790,122
6,232,982	6,402,940	6,642,135	6,364,695	5,394,538	4,832,649
1,182,989	1,186,346	1,109,258	1,055,693	1,031,568	957,424
(1,911)	40,374	43,232	52,809	82,681	172,081
324,745	352,317	344,241	336,775	278,046	275,646
14,715,155	14,719,520	14,699,674	14,025,583	13,097,507	12,680,212
1,410,902	1,426,718	1,367,985	1,237,895	1,190,436	1,190,857
3,583,254	3,644,195	3,764,814	3,600,560	3,333,875	3,286,143
6,761,841	6,696,046	6,401,101	6,129,257	5,441,822	5,184,858
422,153	379,278	391,019	365,980	348,665	338,062
718,798	763,725	719,401	747,379	794,793	606,633
238,143	246,158	330,301	258,322	225,461	228,663
120,715	117,450	119,058	108,748	105,752	109,818
125,590	83,111	204,701	95,924	101,054	107,070
46,206	44,865	52,665	53,303	55,766	59,671
1,231	1,365		1,675	406	345
725,445	744,000	683,872	614,241	561,354	628,536
14,154,278	14,146,911	14,034,917	13,213,284	12,159,384	11,740,656
560,877	572,609	664,757	812,299	938,123	939,556
264,159	85,170	11,391	324,745	18,721	35,417
	39,565				
33,742	1,588		21,045	(618)	(306)
(19,368)	(127,300)		(174,165)		(4,523)
6,325	3,869		19,520	3,892	32,047
					13,210
3,596	3,011	4,083	2,476	2,924	2,943
304,538	216,443	188,947	160,402	72,467	82,277
(1,089,457)	(1,022,052)	(1,032,902)	(1,046,121)	(1,027,604)	(1,033,300)
		(28,820)	22,181	(42,326)	
(496,465)	(799,706)	(857,301)	(669,917)	(972,544)	(872,235)
64,412	(227,097)	(192,544)	142,382	(34,421)	67,321
3,255,597	3,482,694	3,675,238	3,532,856	3,567,277	3,499,956
$ 3,320,009	$ 3,255,597	$ 3,482,694	$ 3,675,238	$ 3,532,856	$ 3,567,277
1.28%	0.95%	1.93%	1.18%	1.35%	1.50%

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

	2017		2016		2015		2014	
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	$ 92,103	0.19%	$ 97,579	0.21%	$ 96,945	0.21%	$ 91,716	0.21%
Mining	127,753	0.26%	174,093	0.37%	213,038	0.45%	250,153	0.56%
Utilities	4,761,393	9.82%	4,690,082	10.02%	4,459,479	9.51%	4,759,648	10.59%
Construction	868,432	1.79%	811,057	1.73%	703,596	1.50%	660,847	1.47%
Manufacturing	3,960,281	8.17%	4,038,757	8.63%	3,966,593	8.46%	3,663,359	8.15%
Wholesale trade	3,882,947	8.01%	3,835,197	8.19%	4,465,509	9.53%	4,249,892	9.46%
Retail trade	22,165,564	45.71%	21,332,067	45.58%	21,183,817	45.18%	20,915,302	46.54%
Transportation and warehousing	286,595	0.59%	252,137	0.54%	287,545	0.61%	299,491	0.67%
Information	2,930,387	6.04%	2,632,096	5.62%	3,006,826	6.41%	2,200,618	4.90%
Finance and insurance	108,919	0.22%	94,030	0.20%	83,532	0.18%	69,464	0.16%
Real estate, rental and leasing	1,218,863	2.51%	1,123,616	2.40%	989,814	2.11%	882,398	1.96%
Professional, scientific and technical services	211,277	0.44%	213,535	0.46%	194,865	0.42%	158,906	0.35%
Management of companies and enterprises	715	0.00%	2,156	0.00%	4,691	0.01%	675	0.00%
Administrative, support, waste management and remediation services	960,065	1.98%	884,244	1.89%	852,431	1.82%	799,814	1.78%
Educational services	71,001	0.15%	64,333	0.14%	57,180	0.12%	40,810	0.09%
Health care and social services	71,528	0.15%	52,051	0.11%	85,280	0.18%	22,360	0.05%
Arts, entertainment and recreation	251,958	0.52%	289,079	0.62%	271,720	0.58%	264,002	0.59%
Accommodation and food services	4,629,764	9.55%	4,457,348	9.52%	4,293,021	9.16%	4,008,663	8.92%
Other services (except public administration)	1,762,280	3.64%	1,711,584	3.66%	1,631,985	3.48%	1,556,550	3.46%
Public administration	124,613	0.26%	50,447	0.11%	35,182	0.08%	42,316	0.09%
Total (1)	$ 48,486,438	100.0%	$ 46,805,488	100.0%	$ 46,883,049	100.0%	$ 44,936,984	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) .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)	

(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

2013		2012		2011		2010		2009		2008	
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
$ 115,784	0.27%	$ 92,128	0.21%	$ 97,379	0.24%	$ 97,655	0.23%	$ 112,929	0.23%	$ 105,304	0.25%
258,330	0.59%	181,088	0.42%	163,822	0.40%	251,689	0.60%	311,266	0.62%	246,908	0.60%
4,698,734	10.76%	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%
656,891	1.50%	688,112	1.59%	589,146	1.43%	564,684	1.34%	612,122	1.23%	529,727	1.28%
3,460,971	7.93%	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%
4,218,855	9.66%	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%
20,157,488	46.16%	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%
224,173	0.51%	233,875	0.54%	277,598	0.67%	283,412	0.67%	417,326	0.84%	362,152	0.88%
2,279,914	5.22%	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%
57,604	0.13%	56,659	0.13%	55,309	0.13%	62,647	0.15%	67,089	0.13%	57,703	0.14%
835,438	1.91%	828,549	1.92%	877,160	2.13%	827,440	1.96%	957,993	1.92%	832,469	2.02%
122,357	0.28%	145,274	0.34%	144,678	0.35%	119,903	0.28%	143,516	0.29%	112,101	0.27%
61	0.00%	65	0.00%	483	0.00%	167	0.00%	56,835	0.11%	120	0.00%
758,810	1.74%	759,235	1.76%	689,466	1.67%	671,947	1.59%	653,184	1.31%	585,095	1.42%
43,528	0.10%	46,640	0.11%	44,236	0.11%	49,553	0.12%	36,476	0.07%	41,684	0.10%
86,618	0.20%	85,379	0.20%	56,141	0.13%	92,069	0.22%	72,416	0.14%	64,206	0.16%
231,319	0.53%	186,121	0.43%	167,512	0.41%	162,494	0.38%	177,186	0.35%	159,423	0.39%
3,900,648	8.93%	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%
1,519,925	3.48%	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%
41,735	0.10%	65,628	0.15%	75,043	0.18%	74,704	0.18%	74,436	0.15%	72,240	0.17%
$ 43,669,183	100.0%	$ 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%
6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)		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)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2008
(Expressed in thousands, except number of taxpayers)

	2017				2008	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 5,861	0.21%	542	0.84%	$ 6,298	0.27%
Mining	8,062	0.29%	182	0.28%	14,710	0.62%
Utilities	288,781	10.25%	717	1.11%	282,002	11.93%
Construction	56,433	2.00%	2,664	4.11%	31,774	1.34%
Manufacturing	223,603	7.94%	4,799	7.41%	212,679	9.00%
Wholesale	242,995	8.62%	5,423	8.37%	252,135	10.66%
Retail trade	1,173,723	41.66%	23,621	36.47%	1,002,299	42.39%
Transportation and warehousing	18,523	0.66%	893	1.38%	21,720	0.92%
Information	190,465	6.76%	982	1.52%	163,229	6.90%
Finance and insurance	7,080	0.25%	394	0.61%	3,462	0.15%
Real estate, rental and leasing	79,134	2.81%	1,613	2.49%	49,918	2.11%
Professional, scientific and technical services	13,716	0.49%	2,037	3.14%	6,725	0.28%
Management of companies and enterprises	46	0.00%	14	0.02%	7	0.00%
Administrative, support, waste management and remediation services	62,400	2.21%	3,826	5.91%	35,099	1.49%
Educational services	4,603	0.16%	317	0.49%	2,500	0.11%
Health care and social services	4,555	0.16%	1,117	1.72%	3,848	0.16%
Arts, entertainment and recreation	16,278	0.58%	1,318	2.03%	9,548	0.40%
Accommodation and food services	299,369	10.62%	6,986	10.78%	191,344	8.09%
Other services (except public administration)	114,343	4.06%	7,269	11.22%	70,889	3.00%
Public administration	7,529	0.27%	62	0.10%	4,127	0.18%
Total	$ 2,817,499	100.00%	64,776	100.00%	$ 2,364,313	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)

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
Governmental										
General obligation bonds	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295
Special obligations										
Revenue bond guaranty fund			300	590	3,775	2,545	1,385		2,575	5,703
Add (deduct):										
Unamortized bond refunding loss (1)					(18,043)	(21,072)	(16,849)	(20,593)	(11,852)	(13,140)
Issuance premiums	108,042	112,405	123,199	84,980	43,406	17,438	21,287	28,002	12,614	15,786
Other debt instruments										
Notes payable to component unit	60,514	68,915	79,163	85,694	92,051	98,883	100,674	100,788	109,893	117,390
Notes payable to pension trust fund							2,685	5,172	7,474	9,606
Revolving loan fund							155			
Capital leases	1,891	2,202	2,581	2,947	3,245	3,576		692	1,874	4,586
Capital leases with component unit	109,493	114,926	123,076	129,017	129,855	128,540	131,468	137,949	123,800	131,792
Installment sale with component unit				10,340	10,870	11,380	11,870	12,340	12,795	13,210
Total governmental activities debt	1,727,310	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
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	25,485	27,890	35,295	40,220	52,020	63,340	41,995	57,910	65,120	72,965
Safe Drinking Water Revolving Loan Fund	19,185	20,995	22,800	24,065	24,375	24,375				
College & university revenue bonds	1,898,326	1,836,895	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226	1,402,967	1,314,295	1,246,075
Add: issuance premiums	119,742	115,742	97,062	77,148	55,914	27,663	15,635	9,214	8,364	9,307
Notes payable	66,945	83,988	92,045	98,305	118,465	66,170	56,988	45,092	47,285	32,016
Notes payable with component unit	9,921	10,137	134	561	1,083	1,509	2,046	2,550	3,042	3,518
Capital leases	60,808	46,802	39,327	38,308	52,110	43,537	46,178	40,408	45,002	42,002
Capital leases with component unit						358	420	620	810	995
Total business-type activities debt	2,200,412	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
Total Primary Government Debt	3,927,722	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
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	3.24%	3.37%	3.60%	3.43%	3.00%	2.63%	2.79%	2.98%	2.86%	2.82%
Per capita (3)	$ 1,307	$ 1,325	$ 1,376	$ 1,290	$ 1,078	$ 950	$ 942	$ 947	$ 897	$ 906
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295
Less: debt service funds	(277,829)	(262,729)	(284,330)	(140,020)	(146,234)	(146,247)	(136,092)	(243,153)	(183,325)	(255,139)
Net bonded debt	$ 1,169,541	$ 1,255,419	$ 1,318,480	$ 1,233,534	$ 665,979	$ 535,451	$ 619,776	$ 699,569	$ 672,274	$ 657,156
Per capita (3)	$ 389	$ 420	$ 443	$ 416	$ 225	$ 181	$ 211	$ 239	$ 232	$ 229
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	$ 162,445	$ 194,968	$ 231,562	$ 282,792	$ 332,463	$ 213,547	$ 241,281	$ 521,450	$ 612,400	$ 691,150
Less: unamortized bond issuance cost	(1,046)	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)				
Notes payable	15,174	14,496	18,421	23,113		183,866	217,373	252,700		
Arkansas Development Finance Authority:										
Bonds payable	463,298	519,117	578,430	782,091	767,035	822,034	954,340	1,153,676	1,080,671	1,084,940
Notes payable	67,482	52,410	52,000	1,469	1,223	39,527	13,634	4,236		205,723
Add: issuance premiums		104	315	642	555	854	1,318	1,756	2,232	2,951
U of A Foundation annuity obligations	14,069	14,065	15,068	16,259	15,204	14,804	15,967	16,669	15,443	18,362
Total Component Unit Debt	721,422	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
Total Debt	$ 4,649,144	$ 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
Debt Ratios										
Ratio of total debt to personal income (2)	3.84%	4.04%	4.38%	4.42%	4.04%	3.82%	4.24%	5.08%	4.74%	4.99%
Per capita (3)	$ 1,547	$ 1,591	$ 1,677	$ 1,662	$ 1,454	$ 1,380	$ 1,433	$ 1,615	$ 1,488	$ 1,603

(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					
2017	$ 1,154,332	$ 21,709	$ 22,991	$ 44,700	25.82
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
Housing Bonds					
2017	$ 72,549	$ 9,264	$ 9,816	$ 19,080	3.80
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
Facilities Bonds					
2017	$ 757,397	$ 38,645	$ 41,486	$ 80,131	9.45
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
General Revenue and Other Bonds					
2017	$ 17,005	$ 3,035	$ 3,075	$ 6,110	2.78
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

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

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 (2)	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Coverage
2017	$ 43,841	$ 8,127	$ 35,714	$ 32,523	$ 2,359	$ 34,882	1.02
2016	49,117	6,822	42,295	36,593	2,415	39,008	1.08
2015	67,807	6,959	60,848	55,923	2,825	58,748	1.04
2014	54,029	3,467	50,562	49,671	2,571	52,242	0.97
2013	55,955	4,174	51,781	41,784	3,279	45,063	1.15
2012	88,453	5,306	83,147	27,733	3,047	30,780	2.70
2011	77,732	4,610	73,122	26,219	5,023	31,242	2.34
2010	76,356	6,271	70,085	90,950	4,204	95,154	0.74
2009	94,811	6,144	88,667	78,750	14,967	93,717	0.95
2008	122,316	5,986	116,330	62,630	36,842	99,472	1.17

(2) 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
2017 (1)	3,005	$ 121,204	$ 40,336	4.1%
2016	2,988	117,572	39,345	4.0%
2015	2,978	113,924	38,257	5.1%
2014	2,967	111,501	37,581	6.1%
2013	2,959	106,466	35,985	7.3%
2012	2,951	106,665	36,149	7.6%
2011	2,939	99,297	33,780	8.3%
2010	2,922	92,914	31,798	8.2%
2009	2,897	90,880	31,372	7.8%
2008	2,875	92,391	32,141	5.5%

(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 2008

2017	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	60,520	4.90%
2	Wal-Mart Stores, Inc.	53,310	4.30%
3	Tyson Foods, Inc.	22,900	1.80%
4	U.S. Federal Government	20,400	1.60%
5	Baptist Health	9,168	0.70%
6	Mercy	4,850	0.40%
7	CHI St Vincent	4,721	0.40%
8	Kroger Company	4,487	0.40%
9	Arkansas Children's Hospital	4,257	0.30%
10	Simmons Food, Inc.	3,785	0.30%
		188,398	15.10%

2008	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	52,938	4.40%
2	Wal-Mart Stores, Inc.	46,815	3.90%
3	Tyson Foods, Inc.	22,739	1.90%
4	U.S. Federal Government	20,700	1.70%
5	Baptist Health	7,750	0.60%
6	J.B. Hunt Transportation Services, Inc.	7,500	0.60%
7	Community Health Systems, Inc.	5,533	0.50%
8	Sisters of Mercy Health System	4,910	0.40%
9	Pilgrim's Pride Corp.	4,088	0.30%
10	Kroger Company	3,750	0.30%
		176,723	14.60%

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

	2017	2016	2015	2014
General Government				
Department of Finance and Administration - Revenue	1,354	1,338	1,385	1,389
Department of Workforce Services	878	893	941	1,023
All other	2,594	2,622	2,705	2,757
Education				
Department of Career Education	548	549	561	598
Department of Education	383	374	401	394
All other	712	698	723	730
Health and Human Services				
Department of Human Services	8,039	7,772	7,852	7,878
Department of Health	2,117	2,362	2,633	2,657
All other	671	656	650	675
Transportation				
Department of Highway and Transportation	3,671	3,715	3,634	3,531
Law, Justice and Public Safety				
Department of Correction	4,072	4,143	4,102	4,011
Arkansas State Police	958	997	995	971
All other	3,246	3,508	3,185	2,857
Recreation and Resources Development				
Department of Parks and Tourism	1,385	1,371	1,393	1,339
Arkansas Game and Fish Commission	677	694	671	711
All other	937	948	961	842
Regulation of Business and Professionals				
Department of Insurance	166	173	190	201
All other	907	936	938	1,070
Proprietary Funds				
Colleges and Universities (2)	27,050	26,893	22,861	23,107
Workers' Compensation Commission	89	96	101	104
Office of the Arkansas Lottery (1)	66	65	64	81
War Memorial Stadium Commission		13	10	18
State Total	60,520	60,816	56,956	56,944

(1) Commenced operations in 2010
(2) Commencing in 2016, the educational institutions included part-time faculty and graduate assistants in their employee counts.

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

2013	2012	2011	2010	2009	2008
1,415	1,425	1,426	1,423	1,473	1,443
1,066	1,115	1,178	1,221	1,102	976
2,755	2,781	2,816	2,868	2,913	2,816
589	608	629	608	603	613
399	381	372	387	384	371
742	734	775	797	801	859
7,923	7,948	7,891	8,011	7,755	7,617
2,724	2,725	2,863	2,867	2,926	2,907
566	664	674	669	548	473
3,511	3,567	3,587	3,558	3,587	3,576
4,169	4,158	4,056	3,950	3,890	3,750
958	956	963	971	972	985
2,801	2,758	2,731	2,727	2,784	2,786
1,339	1,344	1,308	1,323	1,321	1,291
702	636	627	621	679	647
841	837	868	887	890	1,010
199	189	194	190	192	189
1,076	1,077	1,064	1,061	1,057	941
23,442	22,593	22,491	22,727	21,846	19,529
107	108	113	119	123	127
80	85	83	84	N/A	N/A
17	16	42	40	25	32
57,421	56,705	56,751	57,109	55,871	52,938

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

	2017	2016	2015	2014
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	932,555	912,820	893,069	930,474
Registered vehicles	4,334,774	4,252,854	4,149,491	4,082,014
Income Tax Administration				
Total electronic tax filers	1,152,797	1,137,497	1,106,280	1,059,101
EFT estimate payments by corporations	6,619	6,123	5,616	5,200
EFT withholding payments	613,249	577,097	539,549	435,403
Education				
Department of Education				
All school districts				
Average daily membership	459,774	459,858	460,693	461,597
Number of certified personnel (1)	N/A	36,028	36,260	36,380
Average salary of K-12 classroom full-time employees (1)	N/A	$ 48,976	$ 48,575	$ 48,060
Per pupil expenditures (1)	N/A	$ 9,701	$ 9,365	$ 9,457
Foundation aid per student	$ 6,646	$ 6,584	$ 6,521	$ 6,393
Assessed valuation (in millions)	$ 47,605	$ 46,135	$ 45,163	$ 44,335
Higher Education				
Public institutions				
Net enrollment	149,464	150,046	151,350	153,804
Undergraduate degrees awarded	32,839	33,079	32,914	31,966
Graduate degrees awarded	7,246	6,334	5,855	5,685
Private institutions				
Fall net enrollment	16,524	16,619	16,497	16,104
Undergraduate degrees awarded	2,757	2,675	2,845	2,709
Graduate degrees awarded	637	600	582	605
Health and Human Services				
Department of Human Services				
Foster care recipients	9,032	8,555	7,686	7,513
Percent of population	0.28%	0.27%	0.25%	0.25%
Food stamp recipients	537,536	642,571	659,887	685,812
Percent of population	16.92%	20.46%	21.24%	22.54%
Medicaid recipients (3)	1,164,197	1,085,787	933,033	902,378
Percent of population	36.65%	34.57%	30.03%	29.66%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)	141,694	148,441	149,536	152,902
Percent of population	4.46%	4.73%	4.81%	5.03%
Doses of vaccine administered (2)	554,079	663,689	665,550	630,304
In-home patients served (4)	1,998	9,146	14,919	19,411

(1) Fiscal year 2017 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) In-home patients served decreased because the Department of Health sold its in-home services segment to a privation entity, effective August 1, 2016.

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

2013	2012	2011	2010	2009	2008
789,172	799,564	778,521	852,998	820,155	728,893
3,990,259	3,904,307	3,818,476	3,700,308	3,619,926	3,363,504
991,465	971,603	878,471	791,646	777,486	762,741
4,399	3,475	2,342	1,961	1,769	1,697
460,028	411,925	211,129	231,209	161,404	170,071
460,019	457,737	457,717	458,172	457,566	459,460
36,436	36,290	35,637	36,050	36,201	36,194
$ 47,316	$ 46,946	$ 46,663	$ 46,601	$ 45,862	$ 45,393
$ 9,324	$ 9,379	$ 9,315	$ 9,112	$ 8,308	$ 8,256
$ 6,267	$ 6,144	$ 6,023	$ 5,905	$ 5,789	$ 5,719
$ 43,027	$ 41,877	$ 40,484	$ 39,567	$ 38,667	$ 35,970
157,132	158,606	155,881	149,312	140,393	135,521
29,714	28,984	30,715	26,294	23,523	21,180
6,049	5,976	5,412	4,811	4,141	3,873
16,605	17,351	16,500	15,507	14,952	14,496
2,613	2,621	2,425	2,425	2,295	2,284
568	560	501	522	532	520
7,701	7,739	7,959	7,491	7,446	6,974
0.26%	0.26%	0.27%	0.26%	0.26%	0.24%
696,343	693,564	678,358	643,420	577,329	556,735
23.13%	23.55%	23.22%	22.27%	20.09%	19.54%
777,922	776,050	770,792	755,607	747,851	744,269
25.83%	26.35%	26.38%	26.16%	26.03%	26.13%
160,723	165,795	169,732	169,789	187,880	163,766
5.34%	5.63%	5.81%	5.88%	6.54%	5.75%
580,498	534,759	688,116	1,144,245	888,011	503,185
20,722	23,907	26,683	24,391	24,140	26,393

Continued on the following page

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

Continued from previous page

	2017	2016	2015	2014
Transportation				
Highway and Transportation Department				
Miles of state highway maintained (5)	N/A	16,431	16,424	16,418
Law, Justice and Public Safety				
Department of Correction				
Custody population count	15,885	16,050	15,410	14,558
Inmate cost per day	$ 60	$ 60	$ 63	$ 64
Operating capacity	14,900	14,821	14,397	13,794
Inmate care/custody operating expenses (in thousands)	$ 346,549	$ 338,441	$ 336,640	$ 324,189
Arkansas State Police				
Commissioned officers	526	559	553	528
Number of homicides investigated (6)	73	200	246	198
Total citations issued	212,053	215,698	230,655	227,756
Total motorist assists	27,064	26,872	26,552	30,374
Total number of traffic accidents	19,862	18,962	17,853	20,983
Total criminal investigations	1,712	1,820	1,870	2,614
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,602	54,602	54,466	54,372
Game and Fish Commission				
Fishing licenses sold	647,888	681,493	653,598	689,698
Hunting licenses sold	506,497	505,058	515,307	502,568
Lifetime licenses sold	30,826	28,997	28,643	28,922
Other licenses sold (7)	21,349	36,873	36,347	36,291
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	130,144	123,313	119,066	110,192
Total consumer complaints received	2,409	2,437	2,417	2,376
Total consumer complaints closed	2,386	2,218	2,310	2,209
Total dollars recovered for consumers (in thousands)	$ 3,200	$ 3,557	$ 3,173	$ 3,578

(5) Fiscal year 2017 figures not available as of print date

(6) In FY2017, State Police started using a new reporting system which identifies cause of death by type (homicides, suicides, accidental deaths and natural deaths) as determined by the State Medical Examiners Office.

(7) In FY2016 and prior years, the quantity of reprinted license sales were reported as other licenses. In FY2017, a new process was implemented and there is no longer a charge for reprinted licenses. As a result, the quantity of other licenses sold 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

2013	2012	2011	2010	2009	2008
16,411	16,398	16,414	16,416	16,443	16,428
14,061	14,151	14,129	13,908	13,237	13,293
$ 63	$ 60	$ 62	$ 60	$ 60	$ 57
13,467	13,919	13,496	13,133	12,723	12,723
$ 318,689	$ 316,659	$ 304,658	$ 288,609	$ 277,491	$ 272,844
524	535	536	546	542	550
239	219	211	227	214	199
232,158	207,651	246,417	266,764	269,080	271,125
30,447	24,002	28,838	26,660	22,708	21,380
16,050	14,813	14,977	16,320	16,306	16,759
2,818	4,017	4,152	3,038	3,367	3,251
54,358	54,374	54,343	54,161	54,166	54,623
667,536	722,041	663,426	701,805	698,071	680,770
488,217	467,167	454,794	448,625	462,164	417,560
29,380	27,721	25,379	26,360	27,734	23,241
35,776	39,193	34,243	32,989	28,879	21,774
101,089	88,910	85,865	83,231	82,123	77,310
2,100	2,387	2,352	3,008	2,881	2,976
1,923	2,221	2,167	3,111	3,021	3,068
$ 4,174	$ 3,982	$ 4,678	$ 10,608	$ 11,632	$ 8,768

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

	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008
General Government										
Department of Finance and Administration - Revenue										
Vehicles	183	170	191	179	172	174	180	182	181	177
Education										
Department of Education										
Vehicles (1)	7	7	5	5	216	217	202	216	219	207
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	448	444	442	446	448	444	442	446	449
Vehicles	635	617	606	572	595	582	560	516	516	496
Department of Health										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	136	140	139	137	142	138	135	131	154	134
Transportation										
Highway and Transportation Department										
Passenger vehicles	1,841	1,845	1,761	1,738	1,729	1,743	1,808	1,761	1,777	1,801
Law, Justice and Public Safety										
Department of Correction										
Correctional units	21	21	21	19	19	19	20	20	20	20
Vehicles	414	421	422	429	417	428	411	419	430	384
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	875	868	921	943	829	820	809	877	855	885
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	406	393	400	385	396	372	353	356	355	342
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	962	948	961	945	918	890	895	1,038	979	960
Boats	569	581	569	569	585	599	589	580	576	572
Regulation of Business and Professionals										
Vehicles	115	118	120	121	120	129	118	120	119	105

(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's 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-tailed 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
State Dinosaur — Arkansaurus Fridayi – Adopted by the General Assembly of 2017
State Book — The Bible – Adopted by the General Assembly of 2017

Source: Arkansas Secretary of State and Arkansas General Assembly

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE