ARKANSAS

The Natural State

Comprehensive Annual Financial Report
Fiscal Year Ended
June 30, 2019

ARKANSAS

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2019

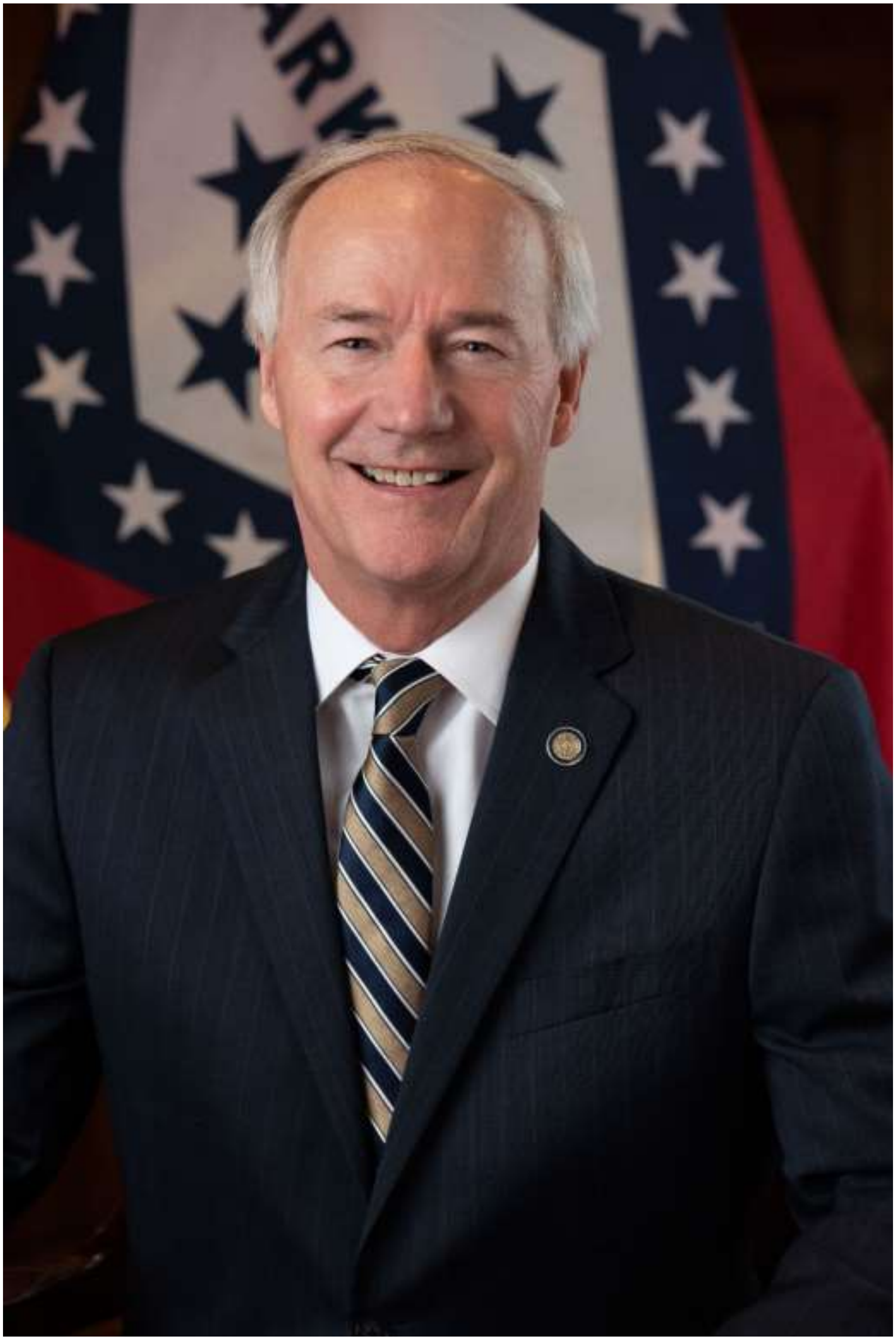
Asa Hutchinson
Governor

Larry W. Walther
Secretary
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 https://www.dfa.arkansas.gov/accounting-office/CAFR.

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



Governor Asa Hutchinson

STATE OF ARKANSAS

ASA HUTCHINSON

GOVERNOR

December 23, 2019

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

I am pleased to submit the Fiscal Year 2019 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 2019 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 2018 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award twenty-one 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 2019 report for your review.

Sincerely,

Asa Hutchinson

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Acknowledgments

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

ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2019

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INTRODUCTORY SECTION

STATE OF ARKANSAS
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December 23, 2019

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 (Ark. Code Ann.) § 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, 2019.

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 support 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 are 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, 2019. 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: 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 six Fortune 500 companies that got their start and are headquartered here: Wal-Mart (ranked #1), Tyson Foods, Murphy USA, J.B. Hunt Transport Services, Dillard's, and Windstream Holdings. In addition, ArcBest and Murphy Oil are included in the top 1,000. This year, the State has continued to attract new businesses and grow current businesses. During fiscal year 2019, the Arkansas Economic Development Commission (AEDC) signed incentive agreements with 32 existing businesses that proposed the investment of $570 million and the creation of 1,779 new jobs. The top five projects among existing industries included LM Wind Power, Nucor-Yamato Steel Company, Nucor Arkansas, Simmons Bank and Aerojet Rocketdyne. AEDC also signed incentive agreements for 17 new projects that proposed investment of $192 million and the creation of 978 new jobs. Major new projects include First Orion, Silgan Plastic Food Containers, Hefei Risever Machine Company, CAE USA, Inc., and Supply Pike.

Targeted business incentives provide start-up companies a 33% 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 2018 Tax Year, nine companies received a total of $1.4 million in Research and Development Tax Credits. To date, 44 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $22.1 million.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy continued a positive trend in fiscal year 2019. Personal income, wage disbursements, and employment all increased in fiscal year 2019 as compared to fiscal year 2018.

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 $132.8 billion in fiscal year 2019. This represented an increase of $5.6 billion, or 4.4%, over fiscal year 2018. Fiscal year 2020 is estimated at $138.8 billion (current dollars), an increase of $6.0 billion, or 4.5%, over fiscal year 2019.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $58.9 billion in fiscal year 2019, an increase of $2.2 billion, or 3.8%, from fiscal year 2018. Fiscal year 2020 is estimated at $61.9 billion, an increase of $3.0 billion, or 5.0%, from fiscal year 2019.

Employment: In fiscal year 2019, revised payroll employment in Arkansas averaged 1.27 million jobs. This represented an increase of approximately 12,725 jobs, or 1.0%, compared to fiscal year 2018. In fiscal year 2020, payroll employment is expected to average 1.28 million jobs. This represents a projected increase of approximately 12,370 jobs, or 1.0%, from fiscal year 2019.

Fiscal Year 2019 Net Available General Revenues: Actual net available general revenues collected totaled $5.9 billion, $295.4 million above forecast. The net available collected was $426.5 million, or 7.8%, above the net available in fiscal year 2018. Fiscal year 2020 net available general revenue collections are estimated at $5.7 billion, an increase of $46.9 million, or 0.8%, above fiscal year 2019 and equal to net available distribution.

Selected Special Revenues: 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 2019, $516.3 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2020 net tax collections estimated to be $532.7 million. Effective July 1, 2019, Act 822 of 2019 requires remote sellers and marketplace facilitators who have aggregate sales exceeding established thresholds to collect and remit Arkansas sales and use taxes. Effective October 1, 2019, Act 822 of 2019 requires the collection and remittance of state and local sales taxes and tourism taxes on accommodations furnished by accommodation intermediaries to transient guests.

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 60 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 12 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 **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) welcomed the opportunity to streamline operations, improve collaboration, and enhance efficiency with the transformation plan of Governor Asa Hutchinson. The Division of Elementary and Secondary Education (DESE) is primarily focused on providing leadership, support, and service to schools, districts, and communities. In the last legislative session, the minimum teacher salary was increased to $36,000. This increase makes Arkansas more competitive with surrounding states.

The Reading Initiative for Student Excellence Arkansas campaign (R.I.S.E) continues to expand. More than 6,000 K-6 teachers have been trained through R.I.S.E. academies and more than 350 schools have been named R.I.S.E schools. Enrollment in the Computer Science Initiative increased 22% in 2019-2020 school year. Since the 2014-2015 school year, enrollment has increased 788%. Both the Computer Science Initiative and R.I.S.E. Arkansas continue to gain national attention. DESE launched the Growth, Understanding, Interaction, Decisions, Empathy for Life program (G.U.I.D.E) which identifies five guiding principles and a plan to help students develop critical life skills.

Highway and Transportation: The Arkansas Department of Transportation's (ARDOT) mission is to provide safe and efficient transportation solutions to support Arkansas's economy and enhance the quality of life for generations to come. Efficient and orderly movement of goods and people is essential for a thriving population. With this aim in mind, ARDOT completed numerous construction projects across the State in fiscal year 2019. The Connecting Arkansas Program completed 13 projects totaling 70 miles of improvements while the Interstate Rehabilitation Program completed 46 projects totaling 288 miles of improvements. Construction crews completed the U.S. Highway 278 Monticello bypass. The 8.2 miles will eventually be a part of Interstate 69 in Arkansas. The final two miles of the State Highway 265 corridor in northwest Arkansas was substantially completed in June. The corridor provides a widened State Highway 265 from State Highway 16 in Fayetteville to State Highway 94 in Rogers. Two new interchanges were opened in 2019. In Cabot, a new interchange on U.S. Highway 67 on the north side of town was completed and a third interchange connects Maumelle to Interstate 40.

State Parks: Arkansas's 52 State Parks, encompassing 54,769 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 historic structures, exhibit buildings, campsites, picnic sites, lodges, fully equipped cabins, group lodging facilities, gift shops and/or park stores, playgrounds, boat launches, fishing piers, swimming beaches, marinas, swimming pools, restaurants, golf courses, tennis courts, a 54,000-seat stadium and an assortment of hiking, mountain bike, backpack, equestrian, and multi-use trails covering 439 miles. Over seven million visitors came to the State Parks, with visitors participating in educational/recreational programs and special events throughout the park system, in fiscal year 2019.

Nineteen construction projects and over 300 major renovation projects totaling $18.4 million were completed during fiscal year 2019, including the renovation of Campground D at Bull Shoals State Park; construction of the Arkansas City Trailhead Facility at the Delta Heritage Trail; construction of a new visitor center at Jacksonport State Park; turf replacement at War Memorial Stadium; and Lake Bennett emergency watershed protection at Woolly Hollow State Park.

Tourism: The tourism and hospitality industry is one of the largest sectors of the Arkansas economy. The State hosted more than 32 million visitors in 2018, spending $7.37 billion with collections of $408 million in state taxes and $131 million in local taxes. Nearly 68,000 jobs in the State are directly related to the travel industry.

Innovative means of developing and promoting the State's tourism attractions continue to be developed. The Arkansas.com website received multiple national awards for its redesign and is recognized as a highly effective information source. Ark Tank, a competition for start-up tourism business, debuted during the 2019 Governor's Conference on Tourism. Arkansas representatives attended the Travel South International Sales Mission in China, meeting over 200 tour operators from China and other representatives from travel trade and social media channels and holding interviews with eight media outlets.

Other projects pursued include participation in the U.S. Civil Rights Trail. Little Rock Mayor Frank Scott, Jr. led Arkansas's participation in this event by participating in a satellite media tour broadcast to promote the Central High School National Historic Site and other Arkansas civil rights sites as well as other tourist attractions. A new partnership began with the AEDC to produce a high-quality print publication that targets potential audiences for relocation to the State. Tourism collaborated with the University of Arkansas to launch AR Got Soul, an experiential learning experience for high school students, particularly focused on underserved minorities, that is designed to encourage careers in destination marketing, journalism or communications.

Heritage: The Department of Arkansas Heritage (DAH) is dedicated to identifying, protecting, and promoting Arkansas's natural, cultural and historic resources. The DAH is composed of four heritage resource divisions: the Arkansas Arts Council, the Arkansas Historic Preservation Program, the Arkansas Natural Heritage Commission, and the Arkansas State Archives. It operates four 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 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 Trapnall Hall. Over 250,000 visited the museums and historic sites. Three public research rooms are maintained that contain more than 20,000 square feet of historical records. The museums have five collections with over 85,000 artifacts. The DAH has 75 natural areas over 49 counties that protect nearly 70,000 acres of important habitat including two natural areas established in fiscal year 2019 as well as the acquisition of 2,233 acres. The DAH 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. The Arkansas Women's Suffrage Centennial Commission is telling the story of the 100th anniversary of women gaining the right to vote. The "Authentic Arkansas" heritage tourism initiative attracts visitors by highlighting the historic, cultural, and natural resources that make Arkansas interesting, unique, and worth visiting. The Mosaic Templars State Temple in Little Rock has been renovated and updated to house the Martin Luther King Commission and the Arkansas Health Services Permit Agency. A new state historic marker program has had a good beginning with ten markers placed around the State.

Human Services: The Arkansas Department of Human Services (DHS) has approximately 7,500 employees who served more than 1.4 million Arkansans last year. DHS leadership is focused on creating a strategic plan that will continue to ensure DHS is an agency of innovation and commitment to customer service. The goals and strategies are ambitious and reinforce the commitment to the people of Arkansas to make DHS the best agency it can be. That commitment is recognized in the adoption of a new agency motto that embodies its goals moving forward: "We care. We act. We change lives."

DHS moved forward with changes with its Division of Youth Services (DYS) by closing two juvenile treatment centers and making capital improvements at other centers. DYS was reorganized to better meet the needs of clients. The Division of Child Care and Early Childhood Education announced a $3.5 million grant to provide better service to children birth to five years old who experience trauma and train those who teach and care for them. The Division of Children and Family Services made major strides increasing the percentage of children in foster care being placed with relatives which decreased the number coming into care and reduced the average caseloads for staff. The Division of Developmental Disabilities Services (DDS) and Division of Medical Services moved to phase two of a new organized care service model for DHS beneficiaries with developmental/intellectual disabilities and behavioral health needs known as the Provider-led Arkansas Shared Savings Entity (PASSE) model. In this phase, the PASSE organizations began providing all health care for this population. The Division of County Operations and the DHS Office of Information Technology started planning and development of a new eligibility system that will be used to process applications for Medicaid, the Supplemental Nutritional Assistance Program (SNAP) and the Transitional Employment Assistance (TEA) program. In November 2019, DHS announced a plan to reorganize county office locations to align with client needs and volume while expanding and adding processing centers to streamline the processing of applications for benefits.

Information Technology: On July 1, 2019, the Department of Information Services was merged into the newly created Department of Transformation and Shared Services and renamed the Division of Information Services (DIS). DIS is the information technology products and telecommunications services provider for the State and public entities. DIS provides over $80.0 million in IT products and solutions to approximately 1,500 governmental sites throughout the State including State agencies, boards and commissions, K-12 public schools, business and administrative departments of higher education, cities and counties, and public safety organizations. 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.

A priority for DIS is to use the State's buying power to generate cost savings and efficiencies and to strengthen security. It is home to the State Cybersecurity Office that safeguards citizen and government data flowing across the network by ensuring the data are kept secure, private, and confidential and are inaccessible to hackers. DIS hosts some of the State's most critical applications, including the State's web portal, Arkansas.gov. Some of the initiatives led by DIS include optimizing the State's data center assets to establish a shared information technology infrastructure to eliminate disparate data centers and mitigate security risks; consolidating Microsoft licenses into a single enterprise agreement to reduce costs; adding a chief data officer, chief privacy officer, and a Data and Transparency Panel to achieve a common vision of data strategies; and implementing a unified communications platform anchored by voice over internet protocol (VoIP) which will eliminate expensive and antiquated telephone systems.

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 are used to fund scholarships for Arkansas students to in-state two-year and four-year higher education institutions. The Office of the Arkansas Lottery (OAL) under the Administrative Services division of DFA oversees the operation and regulates the State lotteries.

For the fiscal year 2019, OAL had operating revenues of $516.2 million, paid gaming prizes of $349.9 million, paid selling and cashing commissions to Arkansas retailers of $29.1 million, and provided $98.6 million in scholarship funds, after payment of other lottery expenses.

Health: The Arkansas Department of Health (ADH) coordinates statewide efforts to increase opportunities for Arkansans to live long and healthy lives. The ADH collaborates with a wide variety of partners in the public and private sectors to improve the health of individual Arkansans, protect the public from epidemics, and provide preventive health services in Arkansas communities. Earlier this year, the ADH responded to the flooding of the Arkansas River by providing vaccinations, communicating health and safety information, and supporting state, local, and federal partners.

ADH's strategic plan has six focus areas: childhood obesity, hypertension, immunizations, mental and community wellness, teen pregnancy, and tobacco use. ADH works with community partners to address childhood obesity factors, to promote breastfeeding by expanding training opportunities, to increase the number of Certified Lactation Consultants, and to promote worksite breastfeeding spaces. To address mental and community wellness, the Arkansas Lifeline Call Center received a five-year accreditation from Contact USA. The Call Center operates 24 hours a day and answers an average of 950 calls per month. ADH has already surpassed the objectives set to reduce the rate of teen births and is working with partners to identify new priorities and strategies. Be Well Arkansas was started in November 2018. The program is a wellness counseling service that will connect Arkansans to resources based on their insurance, workplace and location to help them quit tobacco, control high blood pressure, and manage diabetes. In its first year, Be Well Arkansas had over 7,000 unique callers. More than 2,600 of these callers enrolled in tobacco cessation counseling. According to four-month follow-up data, the quit rate was 34.6%. The reported quit rate in the previous program was 28.8%.

The ADH works to improve services to clients through its 91 Local Health Units (LHUs). Be Well Arkansas services are available in person at the LHUs. As of December 2018, all LHUs can issue birth and death certificates which provides Arkansans an easier option to obtain these important documents. Arkansas's Women, Infants and Children Program (WIC) started issuing new Electronic Benefits Transfer (EBT) cards. The EBT cards fulfill a U.S. Department of Agriculture mandate that all states be EBT-functioning by 2020. Arkansas operated a pilot EBT card program in Little River and Miller Counties before becoming the first state in the nation to roll out the new system to all of its WIC participants at one time.

Transformation: On April 11, 2019, the Governor signed into law the Transformation and Efficiencies Act of 2019 (Act 910), the largest reorganization of state government in nearly 50 years. Effective July 1, 2019, Act 910 authorizes the reduction of the number of cabinet-level agencies from 42 to 15 and assigns more than 200 boards and commissions to larger departments. A transformation team was formed to assist with the implementation of Act 910. The plan to reorganize numerous state agencies, boards, and commissions into 15 cabinet-level departments is expected to improve delivery of services and management control, creating savings for the state and taxpayers.

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, 2018. This was the twenty-first 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 one 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

Larry W. Walther
Secretary

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

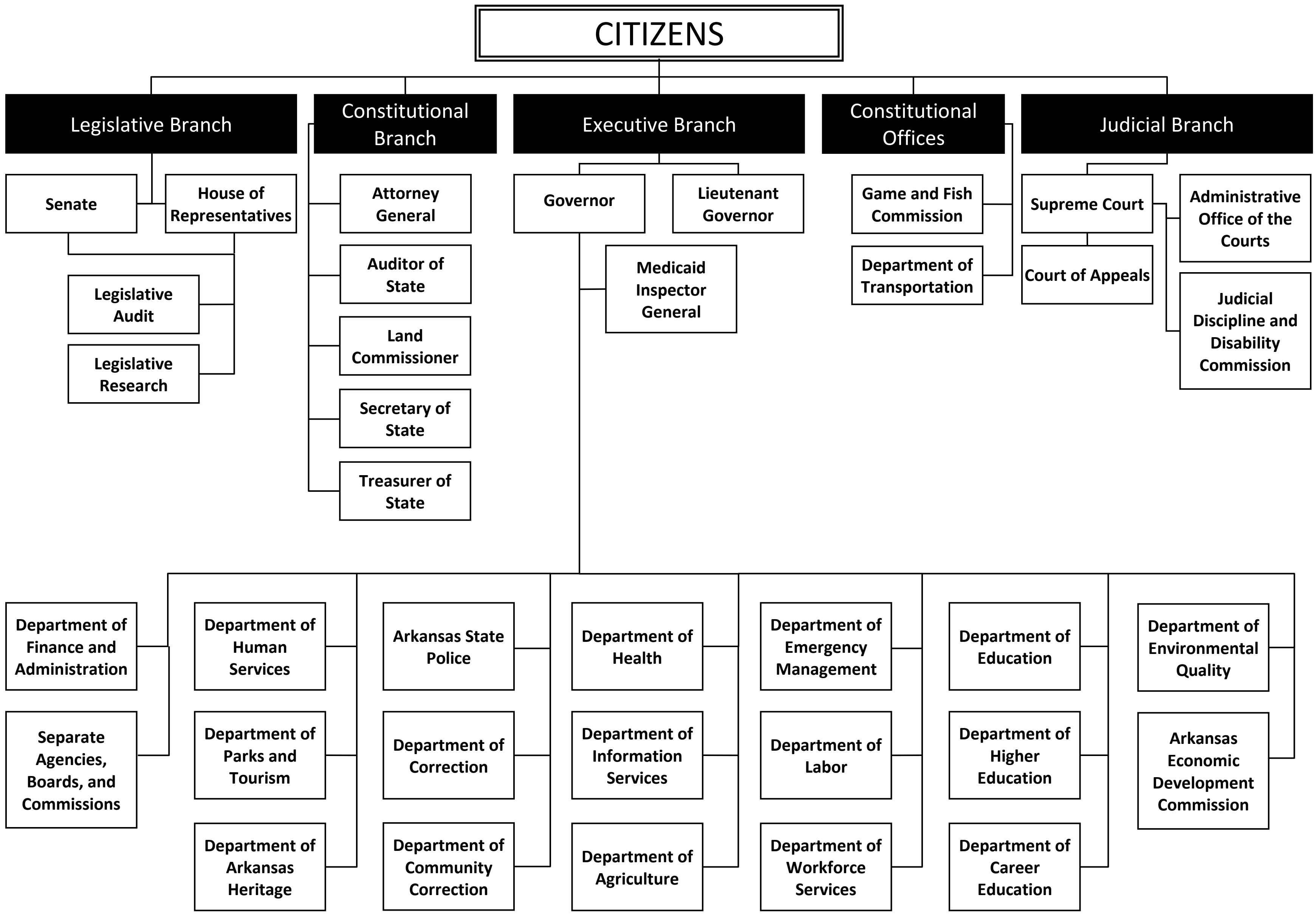
State of Arkansas

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended

June 30, 2018

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
Tommy Land

Secretary of State
John Thurston

Treasurer of State
Dennis Milligan

Legislative Branch

President Pro Tempore
Senator Jim Hendren

Speaker of the House
Representative Matthew Shepherd

Supreme Court

Chief Justice
John Dan Kemp

Associate Justice
Robin F. Wynne

Associate Justice
Courtney Rae Hudson

Associate Justice
Josephine L. Hart

Associate Justice
Shawn A. Womack

Associate Justice
Karen R. Baker

Associate Justice
Rhonda K. Wood

ARKANSAS STATE GOVERNMENT

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FINANCIAL SECTION

ARKANSAS STATE GOVERNMENT

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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

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, 2019, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 15% of the assets and 36% of the revenues of the business-type activities opinion unit and 20% of the assets and 50% of the revenues of the Higher Education major enterprise fund opinion unit.
- The Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds), which, on a combined basis, represent 8% 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.

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Those 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, 2019, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State of Arkansas's basic financial statements. The combining financial statements, introductory section, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America by us and other auditors. In our opinion, based on our audit, the procedures performed as described above, and the reports of the other auditors, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section and statistical section have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 23, 2019, 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.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
December 23, 2019
CAFR00119

ARKANSAS STATE GOVERNMENT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

ARKANSAS STATE GOVERNMENT

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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, 2019. The State's June 30, 2019, financial statements received an unmodified opinion (see Independent Auditors' Report for more information). We believe that the State is making great strides in building a reporting structure that will produce more timely and accurate financial statements in the future. Management 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, 2019, by $16.7 billion (presented as "Total net position"). The net position of the State increased by $975.1 million during the year. The governmental activities net position increased by $686.3 million, and the business-type activities increased by $288.8 million. Of the total net position, $13.9 billion (83.65%) 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, $4.0 billion (24.21%), 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 $1.3 billion. This is primarily due to the State's total other postemployment benefits liability that was recorded in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Long-term debt payable for bonds, capital leases and notes as of June 30, 2019, was $3.8 billion. Additional debt totaling $192.0 million was entered into during the year. $70.6 million was attributable to the increase in notes payable, capital leases and leases payable for governmental activities; $92.9 million was attributable to increases in college and university revenue bonds; and $28.4 million was attributable to the increase in business-type notes payable and capital leases.

Fund Highlights

As of the close of business on June 30, 2019, the State's General Fund reported a fund balance of $4.8 billion. As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, $111.9 million (2.35%) of the total fund balance is nonspendable, $2.0 billion (41.64%) of the total fund balance is restricted, $2.0 billion (42.50%) of the total fund balance is committed, $71.7 million (1.50%) of the total fund balance is assigned and $572.3 million (12.01%) of the total fund balance is unassigned. The fund balance in the General Fund increased $593.1 million during the year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the detailed financial information contained within the State's CAFR. The State's basic financial statements include *Government-Wide Financial Statements, Fund Financial Statements*, *Notes to the Financial Statements* and *Required Supplementary Information*. 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, 2019. 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 inflows of resources, revenues and expenses associated with the year ended June 30, 2019, are accounted for, even if the cash involved was not received or paid by June 30, 2019. 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, deferred outflows of resources, liabilities and deferred inflows of resources; the difference between these items 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, 2019, 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.

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 Development Finance Authority (ADFA), University of Arkansas Foundation, Inc., and University of Arkansas Fayetteville Campus Foundation, Inc. Complete financial statements of 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 Arkansas State Police Retirement System and Judicial Retirement System; Teacher Retirement System; State Highway Employees Retirement System; the investment trust fund; 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	
	2019	2018	2019	2018	2019	2018
Current assets	$ 6,319,642	$ 5,638,224	$ 3,201,375	$ 2,959,461	$ 9,521,017	$ 8,597,685
Noncurrent assets	13,124,437	12,884,410	5,262,837	5,213,362	18,387,274	18,097,772
Total assets	19,444,079	18,522,634	8,464,212	8,172,823	27,908,291	26,695,457
Deferred outflows of resources	870,382	1,225,311	104,994	128,402	975,376	1,353,713
Current liabilities	1,674,890	1,611,130	606,158	600,909	2,281,048	2,212,039
Long-term liabilities	6,238,080	6,898,911	2,821,871	2,874,327	9,059,951	9,773,238
Total liabilities	7,912,970	8,510,041	3,428,029	3,475,236	11,340,999	11,985,277
Deferred inflows of resources	801,876	324,577	75,069	48,651	876,945	373,228
Net position						
Net investment in capital assets	11,879,274	11,602,289	2,062,077	2,015,796	13,941,351	13,618,085
Restricted	2,899,173	2,426,386	1,135,777	1,193,250	4,034,950	3,619,636
Unrestricted	(3,178,832)	(3,115,348)	1,868,254	1,568,292	(1,310,578)	(1,547,056)
Total net position	$ 11,599,615	$ 10,913,327	$ 5,066,108	$ 4,777,338	$ 16,665,723	$ 15,690,665

The net position of the governmental activities increased $686.3 million. This is predominantly due to a continued increase in sales, gas and motor fuel, property assessments and personal and corporate tax revenue as a result of continued economic growth. Additionally, there was an increase in the number of vendors participating in the Medicaid Drug Rebate Program, creating an increase in Medicaid Drug Rebate revenue.

The net position of the business-type activities increased $288.8 million. This change is primarily due to an increase in cash and investment balances at the Department of Workforce Services partially as the result of a continued decrease in unemployment, causing the reduction of weekly benefits paid to claimants. There was also an increase in tuition and other revenue received for higher education services.

The book value of capital assets as of June 30, 2019, was $12.9 billion for governmental activities and $4.2 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	
	2019	2018	2019	2018	2019	2018
Revenues:						
Program revenues:						
Charges for services	$ 1,279,492	$ 1,263,683	$ 3,371,765	$ 3,279,076	$ 4,651,257	$ 4,542,759
Grants and contributions	8,286,029	8,258,092	884,186	908,843	9,170,215	9,166,935
General revenues:						
Personal and corporate taxes	3,526,596	3,237,048			3,526,596	3,237,048
Sales and use taxes	3,284,531	3,216,406			3,284,531	3,216,406
Gas and motor carrier	476,675	475,227			476,675	475,227
Other taxes	1,058,412	1,043,766	36,829	34,966	1,095,241	1,078,732
Other revenues:						
Investment earnings	187,790	61,087	85,734	66,185	273,524	127,272
Miscellaneous income	439,952	457,515	193,550	174,725	633,502	632,240
Total revenues	18,539,477	18,012,824	4,572,064	4,463,795	23,111,541	22,476,619
Expenses:						
Governmental expenses:						
General government	1,662,161	1,695,822			1,662,161	1,695,822
Education	3,765,007	3,755,721			3,765,007	3,755,721
Health and human services	9,284,039	8,872,832			9,284,039	8,872,832
Transportation	1,013,447	1,070,420			1,013,447	1,070,420
Law, justice and public safety	899,186	847,513			899,186	847,513
Recreation and resources development	280,067	289,991			280,067	289,991
Regulation of business and professionals	126,535	122,444			126,535	122,444
Interest expense	52,584	56,192			52,584	56,192
Business-type expenses:						
Higher education			4,185,164	4,125,923	4,185,164	4,125,923
Workers' Compensation Commission			19,629	18,410	19,629	18,410
Department of Workforce Services			100,296	130,895	100,296	130,895
Office of the Arkansas Lottery			421,017	409,282	421,017	409,282
Public School Employee Health and Life Benefit Plan			315,396	297,257	315,396	297,257
Revolving loans			7,956	6,610	7,956	6,610
Total expenses	17,083,026	16,710,935	5,049,458	4,988,377	22,132,484	21,699,312
Increase (decrease) in net position before special items and transfers	1,456,451	1,301,889	(477,394)	(524,582)	979,057	777,307
Special items:						
Assisted Living Incentives			(3,999)		(3,999)	
Transfers - internal activities	(770,163)	(778,504)	770,163	778,504		
Restatements						
Total special items and transfers	(770,163)	(778,504)	766,164	778,504	(3,999)	
Increase (decrease) in net position	686,288	523,385	288,770	253,922	975,058	777,307
Net position - beginning (as restated)	10,913,327	10,389,942	4,777,338	4,523,416	15,690,665	14,913,358
Net position - ending	$ 11,599,615	$ 10,913,327	$ 5,066,108	$ 4,777,338	$ 16,665,723	$ 15,690,665

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $7.5 billion were funded by normal state taxing activities.

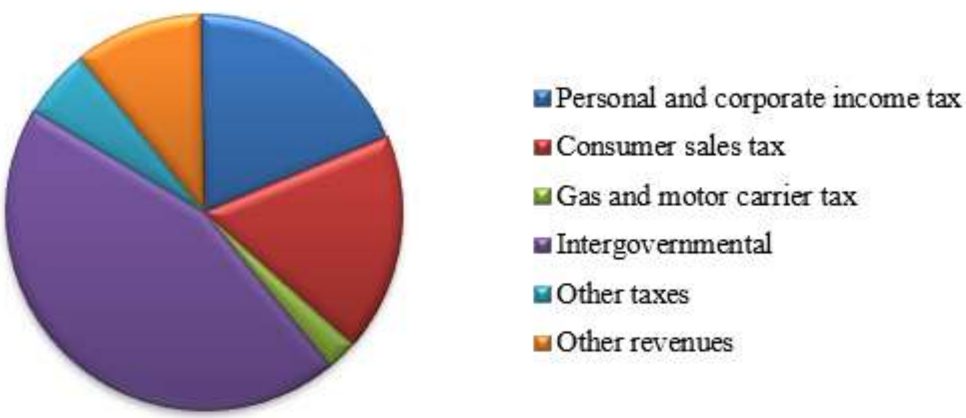
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenue in the General Fund are taxes and intergovernmental (i.e., 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, 2019 and 2018 (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)

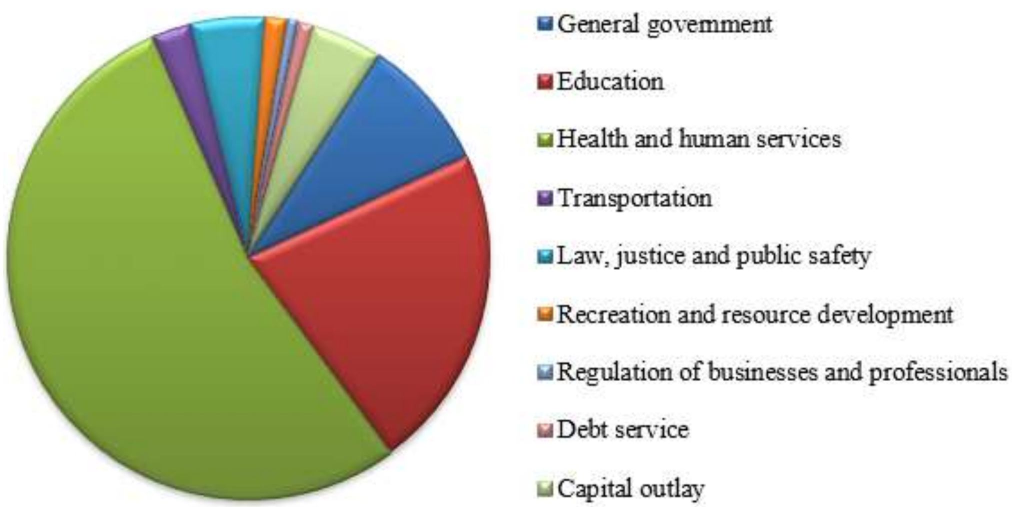
Revenues	2019	2018	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,532,123	$ 3,232,455	9.27%
Consumer sales tax	3,280,703	3,218,765	1.92%
Gas and motor carrier tax	476,683	475,225	0.31%
Intergovernmental	8,242,021	8,231,911	0.12%
Other taxes	1,057,303	1,044,078	1.27%
Other revenues	1,938,846	1,764,133	9.90%
Total	$ 18,527,679	$ 17,966,567	3.12%



Governmental revenues increased by 3.12%, personal and corporate income tax increased by $299.7 million and consumer sales tax revenue increased $61.9 million due to continued economic growth and market recovery. Other revenues increased by $174.7 million partially due to a shift in investment strategy and favorable market conditions which produced an overall gain in fair market value for the State investments. Additionally, increased vendor participation in the national Medicaid Drug Rebate Program resulted in higher rebate revenue for the State.

Expenditures by Function – General Fund (expressed in thousands)

Expenditures	2019	2018	Increase (Decrease) Percent
General government	$ 1,539,201	$ 1,536,902	0.15%
Education	3,762,150	3,752,555	0.26%
Health and human services	9,239,216	8,834,154	4.59%
Transportation	457,534	493,272	(7.25%)
Law, justice and public safety	852,412	814,586	4.64%
Recreation and resource development	259,939	265,003	(1.91%)
Regulation of businesses and professionals	124,385	119,428	4.15%
Debt service	180,602	223,402	(19.16%)
Capital outlay	823,005	1,136,524	(27.59%)
Total	$ 17,238,444	$ 17,175,826	0.36%



The State's expenditures increased for the year ended June 30, 2019, by 0.36%. Health and Human Services expenses increased by $405.1 million primarily due to start-up costs associated with the Arkansas Medicaid Provider-led Shared Savings Entity Program. Capital outlay expenditures decreased by $313.5 million primarily due to less infrastructure projects being bid out.

Changes in Fund Balance – General Fund

The focus of the State's General Fund is to provide information on short-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, 2019.

At June 30, 2019, the State's General Fund reported an ending fund balance of $4.8 billion, which is an increase of $593.1 million in comparison to June 30, 2018. The increase is predominately related to tax revenue and investments due to continued economic growth and the timely filing of Medicaid drug rebates.

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, $111.9 million or 2.35%
- Restricted, $2.0 billion or 41.64%
- Committed, $2.0 billion or 42.50%
- Assigned, $71.7 million or 1.50%
- Unassigned, $572.3 million or 12.01%

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 $31.1 billion and the accumulated depreciation was $14.0 billion at June 30, 2019. The net book value was $17.1 billion. Depreciation expense was $618.5 million for governmental activities and $276.1 million for business-type activities.

Major capital asset events during the current year ended June 30, 2019, included the following:

- Arkansas Game and Fish Commission expended $2.5 million on land purchases and improvements that included the Beryl Anthony Nature Conservancy Wilderness and others. Game and Fish also spent $6.7 million on vehicles, boats, mowers, other equipment and facilities.
- Arkansas Department of Transportation (ARDOT) constructed roads, bridges and interchanges for $666 million and purchased right-of-ways for $16.4 million. ARDOT also spent $25.4 million on various types of equipment.
- Arkansas Department of Parks and Tourism expended $8.0 million on improvements to various parks, $2.0 million on vehicles and other equipment and $10.0 million on the construction and improvements to various visitor centers and marinas and the Hampson Archeological State Park Museum Building.
- Arkansas State Police expended $11.9 million on construction for various troop headquarters and $2.1 million for a crime lab for Troop L. State Police also spent $2.4 million on various security systems, scanners and other equipment.

Major commitments concerning capital assets at June 30, 2019, included the following:

- ARDOT has $973.9 million committed to the construction of highways.

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.

The State is rated as AA by a nationally recognized statistical rating organization. The AA rating indicates very strong creditworthiness compared to similar issues.

Governmental Activities

The State's governmental activities had $1.5 billion in bonds, loans payable, notes payable and capital leases outstanding at June 30, 2019, compared to $1.6 billion at June 30, 2018. The net decrease is approximately $59.5 million.

For the year ended June 30, 2019, bonds payable had a net decrease of $71.8 million. Principal payments on these bonds totaled $89.9 million. Capital leases to outside entities had a net decrease of $460,000. Loans payable, notes payable and capital leases payable to component units had a net increase of $12.8 million during the year ended June 30, 2019.

New debt resulted primarily from loans, notes and capital leases with a component unit. The most significant increases are listed below:

- The Arkansas State Police received $13.0 million from a note payable to a component unit for the design, acquisition, construction and equipping of headquarter facilities.
- The Arkansas Natural Resources Commission issued $30.0 million in general obligation bonds, Taxable Series 2019 to finance capital improvements.
- The Arkansas Department of Correction and the Arkansas Department of Community Correction received a capital lease of $18.2 million with a component unit for energy conservation projects.
- The Arkansas Department of Information Services received a capital lease of $3.5 million with a component unit for capital improvements.
- The Arkansas Department of Community Correction received a capital lease of $4.5 million with a component unit for the design, acquisition, construction and equipping of headquarter facilities.

The State's governmental activities had approximately $128.3 million of claims and judgments outstanding at June 30, 2019, compared to $120.4 million at June 30, 2018. Other obligations include $149.6 million for accrued sick leave and vacation pay, $15.4 million for pollution remediation and $156.9 million for recycling tax obligations at June 30, 2019. The State's governmental activities also had $2.1 billion recorded for other postemployment benefits liability and $2.1 billion recorded for net pension liability at June 30, 2019.

Business-type Activities

The State's business-type activities had $2.3 billion in bonds, notes payable and capital leases outstanding at June 30, 2019, and $2.3 billion at June 30, 2018. The net decrease was approximately $22.5 million.

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

- University of Central Arkansas issued $33.6 million in tax-exempt student fee revenue bonds, Series 2019A, for capital improvements and $11.6 million in taxable student fee revenue bonds, Series 2019B, for capital improvements and $12.1 million in tax-exempt student housing system revenue bonds, Series 2019C, for capital improvements.

- University of Arkansas, Fayetteville issued $20.4 million in tax-exempt various facility revenue bonds, Series 2018A, and $6.6 million in taxable various facility revenue bonds, Series 2018B, for capital improvements.

The colleges and universities also entered into capital leases totaling $11.9 million and notes payable totaling $16.6 million. The State's business-type activities reduced bonds, notes payable and capital leases by $143.8 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $303.4 million of claims and judgments outstanding at June 30, 2019, compared to $303.0 million at June 30, 2018. Other obligations included accrued sick leave and vacation pay of $118.5 million at June 30, 2019. The State's business-type activities also had $146.5 million recorded for other postemployment benefits liability and $181.1 million recorded for net pension liability at June 30, 2019.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Functions	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts
General government	$ 6,533,834	$ 5,953,535	$ 2,094,658
Education	4,280,647	4,293,315	3,754,311
Health and human services	8,915,503	9,602,642	8,783,248
Law, justice and public safety	931,116	965,710	822,319
Recreation and resources development	505,882	534,614	317,573
Regulation of business and professionals	193,149	224,850	121,983
Transportation	711,676	746,215	475,787
Debt service	161,558	195,606	148,896
Capital outlay	1,715,516	1,648,548	783,767
Total	$ 23,948,881	$ 24,165,035	$ 17,302,542

The amounts reported as budgeted reflect appropriations made by the General Assembly of the State. Appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs and agencies' funds maintained by the State Treasurer or the maximum appropriation by the General Assembly. The significant variances between budgeted amounts and actual amounts are due to the appropriations exceeding available funding sources or delays in timing of expenditures.

The final budget exceeded the original budget by $216.2 million. The decrease in general government is mainly due to the transfer of appropriation from a governmental fund to an enterprise fund. The increase in health and human services is due in part to the release of rainy day funds, which provided additional spending authority for grant payments of the Arkansas Medicaid Program. In addition, supplemental appropriation and carryover of fund balances, as provided by law for payment of carryover obligations of the State, added to the increase in final budget numbers. The increase in law, justice and public safety was primarily due to unanticipated federal grants received by the State after the original budget was established. The increases/decreases in recreation and resource development, regulation of businesses and professionals, transportation, debt service and capital outlay were primarily due to reallocation of appropriation for expenditures related to infrastructure, employee salaries and the parks and tourism conservation districts.

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.

BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2019
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Assets				
Current assets:				
Cash and cash equivalents	$ 2,952,022	$ 1,951,862	$ 4,903,884	$ 146,490
Cash and cash equivalents-restricted		94,077	94,077	
Investments	1,758,308	757,112	2,515,420	54
Receivables, net:				
Accounts	211,236	319,333	530,569	1,444
Taxes	479,113		479,113	
Medicaid	287,559		287,559	
Loans	13,932	6,919	20,851	1,375
Leases	98		98	
Interest	13,192	1,546	14,738	7,329
Other	34,356	8,959	43,315	
Internal balances	79,659	(79,659)		690
Due from other governments	370,738	46,296	417,034	
Prepaid items	28,579	16,142	44,721	
Inventories	75,905	37,857	113,762	
Deposits with trustee	14,945	7,344	22,289	
Other current assets		33,587	33,587	
Total current assets	6,319,642	3,201,375	9,521,017	157,382
Noncurrent assets:				
Cash and cash equivalents, restricted		204,646	204,646	
Deposits with component unit	20,712		20,712	
Deposits with bond trustee		119,295	119,295	
Deposits with Multi-State Lottery Association		2,580	2,580	
Investments		270,065	270,065	269,893
Receivables, net		25,132	25,132	
Loans and mortgages receivable	143,889	435,708	579,597	375,428
Loans and capital leases receivable from primary government				195,784
Capital leases receivable	319		319	
Due from other governments		1,914	1,914	
Irrevocable split-interest agreements		2,084	2,084	
Financial assurance instruments		8,050	8,050	
Other noncurrent assets	27,145	19,691	46,836	28,683
Capital assets:				
Non-Depreciable	3,042,409	368,690	3,411,099	670
Depreciable, Net	9,889,963	3,804,982	13,694,945	5,010
Total noncurrent assets	13,124,437	5,262,837	18,387,274	875,468
Total assets	19,444,079	8,464,212	27,908,291	1,032,850
Deferred Outflows of Resources				
Related to pensions	793,206	61,560	854,766	1,046
Related to other postemployment benefits	53,739	9,229	62,968	16
Related to debt refundings	23,437	34,205	57,642	2,739
Total deferred outflows of resources	870,382	104,994	975,376	3,801
Total assets and deferred outflows of resources	$ 20,314,461	$ 8,569,206	$ 28,883,667	$ 1,036,651

Statement of Net Position
June 30, 2019
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Liabilities				
Current liabilities:				
Accounts payable	$ 68,851	$ 144,927	$ 213,778	$ 1,258
Prizes payable		21,219	21,219	
Accrued interest	6,316	17,579	23,895	3,767
Accrued and other current liabilities	250,813	103,928	354,741	
Medicaid payable	316,243		316,243	
Income tax refunds payable	381,051		381,051	
Due to other governments	93,514	1,681	95,195	
Workers' compensation benefits payable		14,132	14,132	
Funds held in trust for others		11,834	11,834	
Bonds, notes and leases payable	154,409	120,060	274,469	22,696
Claims, judgments, arbitrage and compensated absences	139,522	98,397	237,919	
Internal balances				
Pollution remediation obligations	4,371		4,371	
Unearned gain on refinancing sale of asset				135
Rebate/refund incentives payable	14,636		14,636	
Recycling tax obligation payable	10,900		10,900	
Other postemployment benefits liability	65,276	5,141	70,417	97
Unearned revenue	168,988	67,260	236,248	
Total current liabilities	1,674,890	606,158	2,281,048	27,953
Long-term liabilities:				
Workers' compensation benefits payable		205,234	205,234	
Bonds, notes and leases payable	1,366,583	2,150,311	3,516,894	545,335
Claims, judgments, arbitrage and compensated absences	138,325	102,486	240,811	
Pollution remediation obligations	11,026		11,026	
Other postemployment benefits liability	2,038,833	141,378	2,180,211	2,896
Net pension liability	2,057,384	181,129	2,238,513	3,946
Deposits held on behalf of primary government				20,712
Other noncurrent liabilities	265,305	40,565	305,870	9,902
Unearned gain on refinancing sale of asset				131
Rebate/refund incentives payable	214,611		214,611	
Recycling tax obligation payable	146,013		146,013	
Unearned revenue		768	768	5,616
Total long-term liabilities	6,238,080	2,821,871	9,059,951	588,538
Total liabilities	7,912,970	3,428,029	11,340,999	616,491
Deferred Inflows of Resources				
Related to pensions	585,503	48,406	633,909	823
Related to other postemployment benefits	216,373	21,578	237,951	894
Related to irrevocable split-interest agreements		5,085	5,085	
Total deferred inflows of resources	801,876	75,069	876,945	1,717
Total liabilities and deferred inflows of resources	8,714,846	3,503,098	12,217,944	618,208
Net Position				
Net position:				
Net investment in capital assets	11,879,274	2,062,077	13,941,351	5,680
Restricted for:				
Expendable:				
Debt service	168,094	15,862	183,956	
Other capital projects	41,207	120,286	161,493	
Bond resolution and programs				284,380
Program requirements	1,613,284		1,613,284	
Lottery	97,761		97,761	
Tobacco settlement	137,348		137,348	
Transportation	841,479		841,479	
Scholarships and fellowships		55,337	55,337	
Research		52,337	52,337	
Public service		714,007	714,007	
Other		65,534	65,534	
Non-expendable - other		112,414	112,414	
Non-expendable - minority interest				(192)
Unrestricted	(3,178,832)	1,868,254	(1,310,578)	128,575
Total net position	11,599,615	5,066,108	16,665,723	418,443
Total liabilities, deferred inflows of resources and net position	$ 20,314,461	$ 8,569,206	$ 28,883,667	$ 1,036,651

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, 2019
(Expressed in thousands)

Assets		
Contributions receivable, net	$	43,657
Interest receivable		3,756
Cash value of life insurance		1,571
Land		31
Investments		1,329,835
Total assets	$	1,378,850
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	2,282
Annuity obligations		15,492
Total liabilities		17,774
Net assets:		
Without donor restrictions		117,893
With donor restrictions		1,243,183
Total net assets		1,361,076
Total liabilities and net assets	$	1,378,850

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, 2019
(Expressed in thousands)

Assets		
Contributions receivable, net	$	4,609
Investments		573,191
Total assets	$	577,800
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	2,557
Total liabilities		2,557
Net assets:		
With donor restrictions		575,243
Total net assets		575,243
Total liabilities and net assets	$	577,800

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

Statement of Activities
For the Year Ended June 30, 2019
(Expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,662,161	$ 446,659	$ 235,453	$ 573
Education	3,765,007	5,157	627,042	
Health and human services	9,284,039	384,045	6,718,646	2,712
Transportation	1,013,447	126,967	1,946	554,876
Law, justice and public safety	899,186	89,698	101,721	963
Recreation and resources development	280,067	95,372	31,758	6,973
Regulation of business and professionals	126,535	131,594	3,366	
Interest expense	52,584			
Total governmental activities	17,083,026	1,279,492	7,719,932	566,097
Business-type activities:				
Higher education	4,185,164	2,329,275	790,042	72,299
Workers' Compensation Commission	19,629	18,159		
Department of Workforce Services	100,296	185,418	3,672	
Office of the Arkansas Lottery	421,017	516,222		
Public School Employee Health and Life Benefit Plan	315,396	318,482		
Revolving loans	7,956	4,209	18,173	
Total business-type activities	5,049,458	3,371,765	811,887	72,299
Total primary government	$ 22,132,484	$ 4,651,257	$ 8,531,819	$ 638,396
Component unit:				
Arkansas Development Finance Authority	$ 40,402	$ 46,148	$ 10,025	

General revenues:
Taxes:
Personal and corporate income
Consumer sales and use
Gas and motor carrier
Other
Total taxes
Investment earnings (loss)
Miscellaneous income
Special item (1)
Transfers-internal activities
Total general revenues, special items and transfers

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

(1) In fiscal year 2019, the program and funds of the Assisted Living Incentive Fund were transferred to ADFA component unit.

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

Net Revenue (Expense)			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
$ (979,476)	$	$ (979,476)	
(3,132,808)		(3,132,808)	
(2,178,636)		(2,178,636)	
(329,658)		(329,658)	
(706,804)		(706,804)	
(145,964)		(145,964)	
8,425		8,425	
(52,584)		(52,584)	
(7,517,505)		(7,517,505)	
	(993,548)	(993,548)	
	(1,470)	(1,470)	
	88,794	88,794	
	95,205	95,205	
	3,086	3,086	
	14,426	14,426	
	(793,507)	(793,507)	
(7,517,505)	(793,507)	(8,311,012)	
			$ 15,771
3,526,596		3,526,596	
3,284,531		3,284,531	
476,675		476,675	
1,058,412	36,829	1,095,241	
8,346,214	36,829	8,383,043	
187,790	85,734	273,524	2,732
439,952	193,550	633,502	
	(3,999)	(3,999)	3,999
(770,163)	770,163		
8,203,793	1,082,277	9,286,070	6,731
686,288	288,770	975,058	22,502
10,913,327	4,777,338	15,690,665	395,941
$ 11,599,615	$ 5,066,108	$ 16,665,723	$ 418,443

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2019
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions	$ 23,934	$ 166,641	$ 190,575
Interest and dividends	5,677	7,824	13,501
Net realized and unrealized gains on investments	9,924	42,509	52,433
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	43,850	(43,850)	
Total revenues, gains and other support	83,385	173,124	256,509
Expenses and losses:			
Program services:			
University system support	68,000		68,000
Total program services	68,000		68,000
Supporting services:			
Management and general	1,729		1,729
Fundraising	1,895		1,895
Change in value of split-interest agreements	17	1,144	1,161
Provision for loss on uncollectible pledges	155	1,277	1,432
Total supporting services	3,796	2,421	6,217
Total expenses and losses	71,796	2,421	74,217
Change in net assets	11,589	170,703	182,292
Net assets - beginning	106,304	1,072,480	1,178,784
Net assets - ending	$ 117,893	$ 1,243,183	$ 1,361,076

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, 2019
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Amortization of pledge discount	$	$ 171	$ 171
Interest and dividends		3,975	3,975
Net realized and unrealized gains on investments		22,716	22,716
Net asset reclassifications, including release from restrictions - satisfaction of restrictions and change in donor restriction	23,618	(23,618)	
Total revenues, gains and other support	23,618	3,244	26,862
Expenses and losses:			
Program services:			
Fayetteville campus support	23,618		23,618
Total program services	23,618		23,618
Change in net assets		3,244	3,244
Net assets - beginning		571,999	571,999
Net assets - ending	$	$ 575,243	$ 575,243

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

Balance Sheet
Governmental Fund
June 30, 2019
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	2,952,022
Deposit with trustee		14,945
Investments		1,758,308
Receivable, net:		
Accounts		211,222
Taxes		479,113
Medicaid		287,559
Loans		157,821
Leases		417
Interest		13,192
Other		34,356
Due from other funds		99,580
Due from other governments		370,738
Advances to other funds		5,098
Prepaid items		28,470
Inventories		75,905
Deposits with component unit		20,712
Other assets		27,146
Total assets	$	6,536,604
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	65,644
Accrued and other current liabilities		262,414
Unearned income		168,988
Income tax refunds payable		381,051
Due to other governments		93,514
Due to other funds		25,493
Advances from other funds		2,719
Medicaid claims payable		316,243
Total liabilities		1,316,066
Deferred Inflows of Resources		
Related to revenues		455,467
Total liabilities and deferred inflows of resources		1,771,533
Fund balance:		
Nonspendable:		
Prepaid items		28,470
Inventories		75,906
Long-term loans		7,070
Long-term leases		417
Restricted		1,984,048
Committed		2,025,202
Assigned		71,693
Unassigned		572,265
Total fund balance		4,765,071
Total liabilities, deferred inflows of resources and fund balance	$	6,536,604

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, 2019
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 4,765,071
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:		
Non depreciable assets	$ 3,042,409	
Depreciable assets	9,889,963	
Total capital assets		12,932,372
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.		110
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.		455,467
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	$ (585,503)	
Total outflows	793,206	207,703
Deferred inflows and outflows of resources related to the State's OPEB 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	$ (216,373)	
Total outflows	53,739	(162,634)
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.		23,437
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	$ (1,438,306)	
Claims, judgments, arbitrage and compensated absences	(266,247)	
Other non-current liabilities	(265,305)	
Refund/Rebate incentives payable	(229,247)	
Recycling Tax Obligation	(156,913)	
Total OPEB liability	(2,104,109)	
Pollution remediation obligation	(15,397)	
Unamortized bond issue premiums	(83,157)	
Accrued interest on bonds, notes, installment sales payable and leases	(6,316)	
Unamortized bond issue discounts	470	
Net pension liabilities	(2,057,384)	
Total long-term liabilities		(6,621,911)
Net position of governmental activities		$ 11,599,615

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, 2019
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,532,123
Consumers sales and use		3,280,703
Gas and motor carrier		476,683
Other		1,057,303
Intergovernmental		8,242,021
Licenses, permits and fees		1,304,469
Investment earnings		187,790
Miscellaneous		446,587
Total revenues		18,527,679
Expenditures:		
Current:		
General government		1,539,201
Education		3,762,150
Health and human services		9,239,216
Transportation		457,534
Law, justice and public safety		852,412
Recreation and resources development		259,939
Regulation of business and professionals		124,385
Debt service:		
Principal retirement		116,756
Interest		63,846
Capital outlay		823,005
Total expenditures		17,238,444
Excess of revenues over expenditures		1,289,235
Other financing sources (uses):		
Issuance of debt		43,041
Bond discounts/premiums		1,342
Issuance of capital leases		26,225
Sale of capital assets		3,427
Transfers in		208,502
Transfers out		(978,665)
Total other financing sources and uses		(696,128)
Net change in fund balance		593,107
Fund balance - beginning		4,171,964
Fund balance - ending	$	4,765,071

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, 2019
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 593,107
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	$ 823,005	
Depreciation expense	(618,476)	
Excess of capital outlay over depreciation expense		204,529
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to increase net position.		73,853
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(43,041)
Bonds issued at a premium provide current financial resources to government funds, but increase the long term liabilities in the Statement of Net Position		(1,342)
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.		(26,225)
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		116,756
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.		41,232
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:		
Increase in claims, judgments, arbitrage and compensated absences	$ (76,735)	
Amortization of bond premiums and discounts	13,309	
Amortization of bond insurance costs	(9)	
Amortization of deferred outflows of resources related to debt refunding	(2,496)	
Decrease in pollution remediation obligations	1,343	
Loss on sale of capital assets	(21,617)	
Net change in pension related accounts	(131,864)	
Adoption subsidy	(14,699)	
Decrease in accrued interest	458	
Increase in other postemployment benefits obligations	(40,271)	
Total additional expenditures		(272,581)
Change in net position of governmental activities		$ 686,288

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

Statement of Fund Net Position
Proprietary Funds
June 30, 2019
(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	$ 692,537	$ 80,479	$ 831,016	$ 3,919	$ 343,911	$ 1,951,862
Cash and cash equivalents - restricted				94,077		94,077
Investments	609,211	34,485	5,001		108,415	757,112
Receivables:						
Accounts receivable, net	237,615	8,018	56,605	13,103	3,990	319,331
Loans and notes receivable, net	6,919					6,919
Interest	616	92	88		750	1,546
Other current receivables	8,959					8,959
Due from other funds	17,137	653	685	3,904	281	22,660
Due from other governments	45,134		1,162			46,296
Advances to other funds	683				1,178	1,861
Inventories	37,857					37,857
Prepaid items	16,044	72		26		16,142
Deposits with bond trustee	7,344					7,344
Other current assets	33,587					33,587
Total current assets	1,713,643	123,799	894,557	115,029	458,525	3,305,553
Noncurrent assets:						
Cash and cash equivalents - restricted	183,829			20,817		204,646
Deposits with Multi-State Lottery Association				2,580		2,580
Investments:						
Restricted endowments	87,437					87,437
Unrestricted endowments	90,837					90,837
Restricted investments	13,552					13,552
Unrestricted investments	78,239					78,239
Receivables:						
Loans and notes receivable, net	22,428					22,428
Other noncurrent receivables	2,704					2,704
Due from other governments	1,914					1,914
Advances to other funds	1,566				6,604	8,170
Loans receivable - restricted					435,708	435,708
Deposits with bond trustee	119,295					119,295
Irrevocable split interest agreements	2,084					2,084
Financial assurance instruments		8,050				8,050
Other noncurrent assets	19,691					19,691
Capital assets:						
Non-depreciable	366,046	580		786	1,278	368,690
Depreciable, net	3,801,854	373	2,261	463	31	3,804,982
Total noncurrent assets	4,791,476	9,003	2,261	24,646	443,621	5,271,007
Total assets	6,505,119	132,802	896,818	139,675	902,146	8,576,560
Deferred Outflows of Resources						
Deferred outflows related to pensions	58,794	1,646		1,120		61,560
Deferred outflows related to OPEB	9,176	35		18		9,229
Deferred outflows related to debt refunding	34,205					34,205
Total deferred outflows of resources	102,175	1,681		1,138		104,994
Total assets and deferred outflows of resources	$ 6,607,294	$ 134,483	$ 896,818	$ 140,813	$ 902,146	$ 8,681,554

Statement of Fund Net Position
Proprietary Funds
June 30, 2019
(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	$ 117,208	$ 25	$ 19,810	$ 564	$ 7,320	$ 144,927
Prizes payable				21,219		21,219
Accrued interest	17,501				78	17,579
Accrued and other current liabilities	101,506	253		2,111	58	103,928
Advances from other funds	2,452	53				2,505
Due to other funds	2,261	9	14	97,375	279	99,938
Due to other governments	475		1,206			1,681
Funds held in trust for others	11,834					11,834
Workers' compensation benefits payable		14,132				14,132
Bonds, notes and leases payable	115,250				4,810	120,060
Claims, judgments and compensated absences	70,250	116		59	27,972	98,397
Total other postemployment benefits liability	4,828	206		107		5,141
Unearned revenue	66,529	465		266		67,260
Total current liabilities	510,094	15,259	21,030	121,701	40,517	708,601
Noncurrent liabilities:						
Workers' compensation benefits payable		205,234				205,234
Advances from other funds	9,680	225				9,905
Bonds, notes and leases payable	2,117,276				33,035	2,150,311
Total other postemployment benefits liability	131,994	6,167		3,217		141,378
Net pension liability	170,566	6,262		4,301		181,129
Claims, judgments and compensated absences	101,561	596		301	28	102,486
Unearned revenue	768					768
Other noncurrent liabilities	32,515	8,050				40,565
Total noncurrent liabilities	2,564,360	226,534		7,819	33,063	2,831,776
Total liabilities	3,074,454	241,793	21,030	129,520	73,580	3,540,377
Deferred Inflows of Resources						
Deferred inflows related to pensions	46,640	1,107		659		48,406
Deferred inflows related to OPEB	20,421	760		397		21,578
Deferred inflows related to irrevocable split interest agreements	5,085					5,085
Total deferred inflows of resources	72,146	1,867		1,056		75,069
Total liabilities and deferred inflows of resources	3,146,600	243,660	21,030	130,576	73,580	3,615,446
Net Position						
Net investment in capital assets	2,056,305	953	2,261	1,249	1,309	2,062,077
Restricted for:						
Expendable						
Scholarships and fellowships	55,337					55,337
Debt service	15,862					15,862
Capital projects	120,286					120,286
Research	52,337					52,337
Public service	14,372			21,000	678,635	714,007
Other	62,037			3,497		65,534
Nonexpendable - other	112,414					112,414
Unrestricted (deficit)	971,744	(110,130)	873,527	(15,509)	148,622	1,868,254
Total net position	3,460,694	(109,177)	875,788	10,237	828,566	5,066,108
Total liabilities, deferred inflows of resources and net position	$ 6,607,294	$ 134,483	$ 896,818	$ 140,813	$ 902,146	$ 8,681,554

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, 2019
(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	$ 2,329,275	$	$	$	$ 318,482	$ 2,647,757
Lottery collections				515,494		515,494
Licenses, permits and fees				728	4,209	4,937
Grants and contributions	336,825					336,825
Insurance taxes		18,159				18,159
Unemployment taxes			185,418			185,418
Other operating revenues	187,369	55	7,743	14		195,181
Total operating revenues	2,853,469	18,214	193,161	516,236	322,691	3,903,771
Operating expenses:						
Cost of sales and services				52,754		52,754
Lottery prize payments				349,876		349,876
Compensation and benefits	2,324,836	7,337		4,830		2,337,003
Supplies and services	1,159,491	489		7,813	30,690	1,198,483
General and administrative expenses	189,590	351		5,621	1,869	197,431
Federal financial assistance					6,134	6,134
Scholarships and fellowships	146,902					146,902
Benefit and aid payments		11,363	100,163		284,190	395,716
Depreciation and amortization	275,334	89	133	123	469	276,148
Total operating expenses	4,096,153	19,629	100,296	421,017	323,352	4,960,447
Operating income (loss)	(1,242,684)	(1,415)	92,865	95,219	(661)	(1,056,676)
Nonoperating revenues (expenses):						
Investment earnings	43,799	4,076	17,901	2,570	16,746	85,092
Net increase (decrease) fair value investments					642	642
Taxes	36,829					36,829
Grants and contributions	453,217		3,672		18,173	475,062
Interest and amortization expense	(83,695)				(1,199)	(84,894)
Loss on sale of capital assets	(4,745)					(4,745)
Pollution and contamination remediation	(571)					(571)
Other nonoperating revenue (expenses)	(432)					(432)
Total nonoperating revenues (expenses)	444,402	4,076	21,573	2,570	34,362	506,983
Income (loss) before transfers and contributions	(798,282)	2,661	114,438	97,789	33,701	(549,693)
Special item (1)					(3,999)	(3,999)
Transfers in	971,406	2	10	3,904	3,342	978,664
Transfers out	(95,077)		(7,298)	(102,543)	(3,583)	(208,501)
Capital grants and contributions	69,775					69,775
Other	2,524					2,524
Change in net position	150,346	2,663	107,150	(850)	29,461	288,770
Total net position - beginning	3,310,348	(111,840)	768,638	11,087	799,105	4,777,338
Total net position - ending	$ 3,460,694	$ (109,177)	$ 875,788	$ 10,237	$ 828,566	$ 5,066,108

(1) In fiscal year 2019, the program and funds of the Assisted Living Incentive Fund were transferred to ADFA component unit.

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, 2019
(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	$ 1,987,060	$	$	$ 515,478	$ 316,993	$ 2,819,531
Cash received from other government agencies	327,504					327,504
Auxiliary enterprise charges	326,887					326,887
Compensation and benefits	(2,286,496)	(21,530)	(102,384)	(4,860)	(285,190)	(2,700,460)
Payments to suppliers	(1,157,490)	(861)		(59,388)	(30,498)	(1,248,237)
Insurance taxes		18,661				18,661
Unemployment taxes			187,805			187,805
Payments for lottery prizes				(347,546)		(347,546)
Principal and interest on loans received (paid)	9,529					9,529
Loan administration received (paid)					872	872
Loans issued to students	(3,685)					(3,685)
Federal grant funds expended					(16)	(16)
Scholarships and fellowships	(147,104)					(147,104)
Other operating receipts (payments)	32,068	1	7,751	(5,939)	1,514	35,395
Net cash provided by (used in) operating activities	(911,727)	(3,729)	93,172	97,745	3,675	(720,864)
Cash flows from noncapital financing activities:						
Direct lending receipts	470,794					470,794
Direct lending payments	(468,769)				(5,125)	(473,894)
Direct lending interest					(1,891)	(1,891)
Taxes	26,966					26,966
Grants and contributions	454,789		3,672		18,355	476,816
Other noncapital financing receipts (payments)	(4,767)					(4,767)
Transfers in	971,406	2	10	11,710		983,128
Transfers out	(95,077)		(7,298)	(76,000)	(3,700)	(182,075)
Net cash provided by (used in) noncapital financing activities	1,355,342	2	(3,616)	(64,290)	7,639	1,295,077
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(114,944)					(114,944)
Interest paid on capital debts and leases	(84,365)					(84,365)
Acquisition and construction of capital assets	(303,379)	(14)		(1,056)	(378)	(304,827)
Proceeds from long-term borrowings	116,169					116,169
Proceeds from sale of capital assets	837					837
Other capital and related financing receipts (payments) (1)	48,755					48,755
Net cash provided by (used in) capital and related financing activities	(336,927)	(14)		(1,056)	(378)	(338,375)
Cash flows from investing activities:						
Purchase of investments	(400,147)				(93,558)	(493,705)
Proceeds from sale and maturities of investments	335,436	9,030			55,574	400,040
Interest and dividends on investments	15,435	4,126	17,845	2,570	9,659	49,635
Loan disbursements					(50,885)	(50,885)
Principal repayments on loans					25,738	25,738
Interest received on loans					6,693	6,693
Federal grant funds expended					(6,133)	(6,133)
Net cash provided by (used in) investing activities	(49,276)	13,156	17,845	2,570	(52,912)	(68,617)
Net increase in cash and cash equivalents	57,412	9,415	107,401	34,969	(41,976)	167,221
Cash and cash equivalents - beginning	818,954	71,064	723,615	83,844	385,887	2,083,364
Cash and cash equivalents - ending	$ 876,366	$ 80,479	$ 831,016	$ 118,813	$ 343,911	$ 2,250,585

(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, 2019
(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)	$ (1,242,684)	$ (1,415)	$ 92,865	$ 95,219	$ (661)	$ (1,056,676)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	275,334	89	133	123	469	276,148
Pension expense				(65)		(65)
Other postemployment benefits expense				43		43
Federal grants expended					6,133	6,133
Other operating activities	(2,319)					(2,319)
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(3,138)	496	2,395	(785)	(1,511)	(2,543)
Loans receivable	289					289
Inventory	(1,279)					(1,279)
Prepaid items	1,063	(16)		201		1,248
Deposits with Multi-State Lottery Association				(413)		(413)
Other current assets	14,964					14,964
Current liabilities	957					957
Accounts payable and other accrued liabilities	48,071	(2,901)	(2,221)	3,386	(755)	45,580
Total other postemployment benefits liabilities	3,843	(362)				3,481
Net pension liability	(6,716)	(1,288)				(8,004)
Deferred outflows related to pensions	445	816				1,261
Deferred outflows related to OPEB		(35)				(35)
Deferred inflows related to pensions	963	396				1,359
Deferred inflows related to OPEB		478				478
Compensated absences	186	13		9		208
Unearned revenue	(1,706)			27		(1,679)
Net cash provided by (used in) operating activities	$ (911,727)	$ (3,729)	$ 93,172	$ 97,745	$ 3,675	$ (720,864)
Non-cash investing, capital and financing activities:						
Donated capital assets/gifts	$ 54,300					$ 54,300
Assets acquired by capital lease	11,536					11,536
Payment of bond issuance cost and other fees from bond proceeds and reserves	468					468
Deposit of bond proceeds with trustee, including accrued interest and reserves	89,084					89,084
Payment of debt service directly from trustee	613					613
Earnings on investments with trustee	2,491					2,491
Amortization of cost associated with debt issuance and refundings	118					118
Capital assets purchased with bond proceeds held by trustee	15,369					15,369
Net increase/decrease in the fair value of investments	701					701
Net gain/loss on the disposal of assets	4,707					4,707
Valuation adjustment to capital assets	(6)					(6)
Amortization of bond premium	247					247
Amortization of bond discount	(299)					(299)
Trade-in allowance for equipment	98					98
Donated scholarships from the foundation	147					147
Unearned revenue from skybox purchase	85					85
Value of assets received from vendors for sponsorship agreements	3,487					3,487

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2019
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	$ 605,560	$ 36,090	$ 152,425
Receivables:			
Employee	10,053		
Employer	32,275		
Investment principal	89,574		
Interest and dividends	41,498	86	88
Other	65,957		9
Due from other funds	3,207		
Total receivables	242,564	86	97
Investments at fair value:			
Certificates of deposit			20,832
U.S. government securities	540,215		
Bonds, notes, mortgages and preferred stock	822,994		1,898
Common stock	6,295,988		
Real estate	1,075,561		
International investments	8,341,181		
Mutual funds	51,307		
Pooled investment funds	3,903,716		
Corporate obligations	1,047,082	1,868	50
Asset and mortgage-backed securities	180,105		
State recycling tax credits	192,000		
Other	5,400,650		
Total investments	27,850,799	1,868	22,780
Other assets			
Securities lending collateral	1,516,636		
Financial assurance instruments			239,816
Capital assets	16,708		
Other assets	343		
Total other assets	1,533,687		239,816
Total assets	30,232,610	38,044	415,118
Deferred Outflows of Resources			
Deferred outflows related to OPEB	52		
Total assets and deferred outflows of resources	$ 30,232,662	$ 38,044	$ 415,118
Liabilities			
Accounts payable and other liabilities	$ 26,743	$ 2	$ 5,756
Investment principal payable	111,989		
Obligations under securities lending	1,517,717		
Total other postemployment benefits liability	9,642		
Due to other governments			145,609
Due to other funds	16		
Due to third parties			263,753
Total liabilities	1,666,107	2	415,118
Deferred Inflows of Resources			
Deferred inflows related to other post employment benefits	1,105		
Total liabilities and deferred inflows of resources	$ 1,667,212	$ 2	$ 415,118
Net Position			
Net position restricted for pensions	$ 28,565,450	$	$
Net position - amounts held in trust for pool participants		38,042	
Total net position	$ 28,565,450	$ 38,042	$

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, 2019
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds
Additions:		
Contributions:		
Members	$ 220,399	$
Employers	752,600	
Pool participants (deposits)		18,811
Supplemental contributions	13,607	
Title fees	4,599	
Court fees	1,362	
Reinstatement fees	1,015	
Total contributions	993,582	18,811
Investment income:		
Net increase in fair value of investments	1,169,295	72
Interest, dividends and other	285,278	761
Other investment income	9,361	
Securities lending income, net of expenses	8,706	
Total investment income	1,472,640	833
Less investment expense	87,962	
Net investment income	1,384,678	833
Miscellaneous	5,566	
Total additions	2,383,826	19,644
Deductions:		
Benefits paid to participants or beneficiaries	1,916,478	
Refunds of employee/employer contributions	27,465	
Administrative expenses	22,277	15
Total deductions	1,966,220	15
Change in net position held in trust for employees' pension benefits	417,606	
Change in net position held in trust for pool participants		19,629
Net position - beginning (as restated)	28,147,844	18,413
Net position - ending	$ 28,565,450	$ 38,042

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

Notes to the Financial Statements – Table of Contents

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for 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 have 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

A component unit is a legally separate organization for which the State's elected officials are financially accountable or an organization for which the nature and significance of the relationship with the State is such that exclusion would cause the State's financial statements to be misleading.

One component unit meets the criteria to be discretely presented in the financial statements. The financial information of the organization is presented in a separate column in the financial statements to emphasize that the organization is legally separate from the State.

The State is financially accountable for the Arkansas Development Finance Authority (ADFA) because the board members are appointed by the Governor or other elected officials and the State is able to impose its will on its operations.

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, affordable rental housing and educational loans. The affairs of ADFA are governed by a Board of Directors composed of the State Treasurer, the Director of DFA, 11 public members appointed by the Governor and the President of the Authority (non-voting). 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 https://adfa.arkansas.gov/financial-statements/

The Governmental Fund of the State has significant transactions with ADFA. During the 2019 fiscal year, the Governmental Fund paid $17.4 million to ADFA for loan payments and $2.3 million for interest on loans. Additional information on loans and notes payable to Component Unit can be found in Note 8. The Governmental Fund paid $9.0 million for lease payments and $5.2 million for interest on leases. Additional information on leases payable to Component Unit can be found in Note 11. The Governmental Fund paid $5.0 million to ADFA for the Tobacco Settlement Debt Service Account. Additional information on this transaction can be found in Note 18.

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 that 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 Nos. 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 22 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, Fayetteville.

Complete financial statements for each of the foundations can be obtained by contacting their administrative offices:

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

The foundations are private, nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the foundations' financial information for these differences.

(d) 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 unit. 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 as follows: (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.

Investment trust funds account for deposits belonging to entities outside of the State's financial reporting entity.

(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 unit. 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 and 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 that 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 income or loss 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 wastewater 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 that are responsible for the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation of water systems; for the financing of capitalizable educational and general projects for community and technical colleges; for the financing of energy efficiency and conservation projects for residential homes; for the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable assisted living housing in Arkansas and to strengthen the financial feasibility of such developments; to finance energy efficiency retrofits and green energy implementation for industries; and to hold equity investments made by the Risk Capital Matching Fund.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside of State government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. These funds include Pension Trust, Investment 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. The Investment Trust fund accounts for activities of the external investment pool of the State Treasury Money Management Trust (STMMT). Ark. Code Ann. § 19-3-601 authorizes other governmental entities to participate in the STMMT. 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 (UA) System and the UA Foundation have established an external investment pool (the Pool). The investments in the Pool are managed by the UA Foundation. The UA Board of Trustees and the UA 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, 2019, five 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 and prepaid items 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 that becomes an integral part of a building, exceeds $100,000. All other tangible assets, including equipment, are capitalized when the cost of an individual item exceeds $5,000 and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State's policy to capitalize intangible assets when the individual item's cost exceeds $1 million for internally generated software or $5,000 for all other intangible assets and the estimated useful life exceeds one year.

The costs of normal maintenance and repairs that do not significantly add to the value of assets or materially extend asset lives are not capitalized.

The State reported a significant portion of its 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, and (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, 2019, was $29.1 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
Other tangible and intangibles	5 to 20 years
Art/Historical treasures/Library holdings	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 and ADFA 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, 2019, is related to projected refund estimates attributable to fiscal year 2019 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.

Non-spendable fund balance

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. 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. 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).

GASB Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period,* established accounting requirements for interest cost incurred before the end of a construction period. The Statement requires such interest cost to be recognized as an expense in the period in which the cost is incurred in financial statements prepared using the economic resources measurement focus. Currently, GASB Statement No. 62, paragraphs 5-22, requires some interest costs to be included in the historical cost of a capital asset reported in an enterprise fund or business-type activity. When effective, this Statement will no longer require interest cost to be included in the historical cost. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (i.e., fiscal year 2021). The State elected to implement this statement in fiscal year 2019.

GASB Statement No. 90, *Majority Equity Interests,* clarifies accounting and financial reporting requirements for a government that holds a majority equity interest in an organization that remains legally separate. The Statement requires the majority equity interest to be reported as an investment if it meets the definition of an investment as provided in GASB Statement No. 72. If the majority equity interest does not meet the definition of an investment, the legally separate entity is to be reported as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018 (i.e., fiscal year 2020).

GASB Statement No. 91, *Conduit Debt Obligations*, establishes a single method of reporting conduit debt obligations by issuers. The single method is designed to reduce diversity in practice. The Statement defines a conduit debt obligation. A government issues a conduit debt obligation for the benefit of a third party that is not part of the government's financial reporting entity. The issuer should not recognize a liability for the obligation as the third party is primarily responsible for repaying the debt. However, if the issuer makes additional or voluntary commitments, it should recognize a liability for the commitments if certain criteria are met. The issuer must disclose general information about their conduit debt obligations and a description of each commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020 (i.e., fiscal year 2022).

(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 (FASB) standards and are not required to report under Governmental Accounting Standards Board (GASB) 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. § 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 Rule 2012-A, effective July 14, 2012, that details requirements for the management of State agencies' cash funds, including investment activities and the collateralization of these funds, and is 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 suggests 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 Ark. Code Ann. § 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, 2019, the reported bank balances of the general fund were $607,951,721. Of this amount, $1,096,761 was uninsured and uncollateralized.

At June 30, 2019, the reported bank balances of the enterprise funds were $1,096,546,184. Of this amount, $3,652 was uninsured and uncollateralized.

At June 30, 2019, the reported bank balances of the fiduciary funds were $577,089,071. Of this amount, $2,225,416 was uninsured and uncollateralized.

At June 30, 2019, the reported bank balances of the component unit were $8,500,000. Of this amount, $1,141,000 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 10 years and the expected maturity of any security will not exceed 10 years except for (1) securities used as collateral in repurchase agreements, Arkansas Capital Corporation Bonds, and SBF and State Building Services Certificates of Indebtedness and (2) U.S. Agency mortgage-backed securities, collateralized mortgage obligations and municipal bonds that return principal in scheduled payments prior to final maturity shall not have, at the time of purchase, an average life exceeding 10 years using average life assumptions while employing Prepayment Speed Assumption (PSA) and/or Conditional Prepayment Rate (CPR) analysis models. The average life at the time of purchase shall be used as opposed to maturity. The investment policy for funds managed by the State Treasurer for the State Treasury Money Management Trust (STMMT) states that the average maturity of the portfolio will not exceed 60 days, and the stated maturity of any security will not exceed 397 days, with the exception of (1) securities used as collateral in repurchase agreements and (2) U.S. Agency mortgage-backed securities, collateralized mortgage obligations and municipal bonds that return principal in scheduled payments prior to final maturity shall not have, at the time of purchase, an average life exceeding 397 days using average life assumptions while employing PSA and/or CPR analysis models. Securities for which average life at the time of purchase is used shall not have a stated final maturity beyond two years. The SBF requires that every effort 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, 2019, 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	$ 48,190	$ 18,885	$ 28,392	$ 269	$ 644
Commercial paper	2,683,255	2,683,255			
Domestic securities	75				75
Government securities	15,102	9,735	4,561	76	730
Money market mutual funds	10,841	10,841			
Mortgage-backed securities	1,573,369				1,573,369
Negotiable certificates of deposit	17,553	14,083	3,470		
Subtotal	4,348,385	2,736,799	36,423	345	1,574,818
Enterprise funds					
Bonds	65,599	32,528	30,966	1,876	229
Commercial paper	258,480	258,480			
External investment pools	5,455	5,455			
Government securities	101,886	101,886			
Money market mutual funds	108,433	108,433			
Mortgage-backed securities	46,550				46,550
Negotiable certificates of deposit	5,428	3,786	1,642		
Other	118,815	118,678	137		
U.S. government agencies	44,391	26,557	11,699	3,135	3,000
U.S. treasuries	226,102	156,852	61,246	8,004	
Subtotal	981,139	812,655	105,690	13,015	49,779
Fiduciary funds					
Bond funds	674,951		578,482	44,766	51,703
Commercial paper and loans	287,570	137,828	145,946	3,796	
Corporate bonds and notes	2,141,078	261,422	1,018,105	518,800	342,751
External investment pools	2,153,748		1,099,400	1,054,348	
Mortgage-backed securities	350,540	81,234	199,159	3,553	66,594
Municipal bonds	13,494	105	7,222	4,622	1,545
Short-term investments	842,494	841,461		1,033	
State recycling tax credits	192,000	16,000	64,000	80,000	32,000
U.S. government agencies	240,507	6,532	4,695		229,280
U.S. treasuries	299,364	30,021	102,552	77,113	89,678
Subtotal	7,195,746	1,374,603	3,219,561	1,788,031	813,551
Component unit					
Commingled funds	36,279	36,279			
Guaranteed investment contracts	4,418				4,418
Money market mutual funds	104,810	104,810			
Mortgage-backed securities	209,934	14	3,245	20,561	186,114
Mutual bond funds	6,784			6,784	
U.S. government agencies	4,056	40	4,016		
U.S. treasuries	11,807	11,769	38		
Subtotal	378,088	152,912	7,299	27,345	190,532
Total	$ 12,903,358	$ 5,076,969	$ 3,368,973	$ 1,828,736	$ 2,628,680

Corporate Bonds

As of June 30, 2019, the Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS) and Arkansas State Highway Employees Retirement System (ASHERS) all held corporate bonds with fair values of $872,751,619, $273,149,739 and $134,079,475, respectively. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. As of June 30, 2019, only the bonds held by ASHERS were considered sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2019, APERS and ATRS held convertible bonds with fair values of $243,875,226 and $489,209,071, 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, 2019, none of the retirement systems held convertible securities that were considered highly sensitive to changes in interest rates.

Promissory Notes

As of June 30, 2019, ATRS held promissory notes with a fair value of $384,708,781. Promissory notes are a form of debt that companies use to raise money in exchange for payment of a fixed amount of periodic income at a specified date or on demand. Five unsecured promissory notes were issued to Big River Steel Holdings, LLC, and two secured notes were issued to Highland Pellets, LLC. As of June 30, 2019, none of the retirement systems held promissory notes 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 A-1 or better by Standard and Poor's Ratings Services (S&P) and P-1 by Moody's Investors Service (Moody's) for maturities exceeding 90 days but not exceeding 180 days. For maturities not exceeding 90 days, the ratings for commercial paper should be A-2 or better by S&P and P-2 or better by Moody's. The Board's policy for corporate bonds of maturity of one year or less is that they should have ratings of A- or A3 or better by at least two of the credit ratings agencies (S&P, Moody's or Fitch Ratings Inc. (Fitch)), and bonds of maturity over one year should have ratings of AA- or better by each of the credit ratings agencies (S&P, Moody's and Fitch). ASHERS has adopted a formal investment policy for credit risk with some of the guidelines being debt securities are to have an investment rating of BAA or better by Moody's or a rating of BBB or better by S&P and commercial paper in short-term investment funds are to be rated P-1 by Moody's or A-1 by S&P. APERS, ATRS and the institutions of higher education do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2019, is as follows (expressed in thousands):

Rating	Fair Value
General fund	
AAA	$ 25,757
AA	937
A	47,388
BBB	52
A-1	1,134,232
A-2	1,549,023
Unrated	1,591,152
Subtotal	4,348,541

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Rating	Fair Value
Fiduciary funds	
AAA	$ 428,873
AA	774,546
A	911,160
BBB	440,851
BB	188,295
B	108,079
CCC or below	49,365
A-1	35,637
A-2	46,428
Unrated	4,212,512
Subtotal	7,195,746
Enterprise funds	
AAA	128,366
AA	5,995
A	117,152
BBB	1,987
A-1	108,103
A-2	99,816
Unrated	280,556
Subtotal	741,975
Component unit	
AAA	107,819
AA	223,110
A	4,056
Unrated	43,103
Subtotal	378,088
Total ratings	$ 12,664,350

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. ATRS, ASHERS, APERS and the institutions of higher education do not have a formal custodial credit risk policy for investments.

At June 30, 2019, the reported amount of the enterprise funds' investments was $1,433,769,831. Of this amount, $1,491,295 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

At June 30, 2019, the reported amount of the fiduciary funds' investments was $29,588,971,672. Of this amount, $157,982 was exposed to custodial credit risk.

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 places no limit on the amount the State Treasury may invest in U.S. government agency securities. The SBF policy for corporate debt, including both commercial paper and bonded debt of an issuer, is that no investment with a maturity longer than eight days shall be made in any single issuer which, at the time of purchase, exceeds 5% of the total assets of the Treasury or STMMT. ASHERS has adopted a formal investment policy for concentration of credit risk with some of the guidelines being no more than 5% of total assets may be invested in the equities of any one company or affiliated group of companies or in the debt securities of any one issuer and no more than 3% of total asset may be invested in any one debt issue. ATRS places no limit on the amount it may invest in any one issuer. APERS does not have a formal investment policy for concentration of credit risk. The State's investments representing 5% or more of total investments of the general fund included Federal Home Loan Mortgage Corporation (FHLMC) securities of $1,072,979,302 (24.67%), China National Petroleum Corporation (CNPC) securities of $953,802,228 (21.93%), Federal National Mortgage Association (FNMA) securities of $492,615,753 (11.33%), Intesa Funding, LLC, securities of $442,669,904 (10.18%) and Romulus Funding Corporation securities of $362,831,634 (8.34%). The State's investments representing 5% or more of total investments of the enterprise funds included CNPC Finance investments of $98,864,695 (6.90%). The State's investments representing 5% or more of total investments of the component unit included FNMA securities of $25,198,000 (6.66%).

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, 2019, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contracts (1)	Investment Principal - Receivable	Investment Principal - Payable	Accrued Income	Cash
Argentine Peso	$ 2,704	$ 2,564	$	$	$	$	$	$ 140
Australian Dollar	39,313		39,290				23	
Brazilian Real	13,543		13,521				22	
British Pound Sterling	508,060		506,148	127	1,843	(1,082)	487	537
Canadian Dollar	69,321		69,362	153		(386)	192	
Chinese Yuan	(10,435)			(10,435)				
Danish Krone	38,151		36,611	893		(291)	938	
Euro	472,804		471,014	780	1,490	(1,905)	1,433	(8)
Hong Kong Dollar	115,204		115,202					2
Hungarian Forint	1,980	1,980						
Indian Rupee	471							471
Indonesian Rupiah	9,595		9,595					
Israeli Shekel	5,902		5,902					
Japanese Yen	250,443		252,861	(4,237)			1,349	470
Malaysian Ringgit	11,965	2,971	8,916	78				
Mexican Nuevo Peso	9,906	84	9,822					
New Taiwan Dollar	25,152		24,539					613
New Zealand Dollar	7,084		7,084					
Norwegian Krone	12,487	2,894	10,188	(503)		(136)	44	
Polish Zloty	1,990	1,990						
Singapore Dollar	19,085		19,085					
South African Rand	69,896		69,896					
South Korean Won	87,071		86,757	(94)	177		231	
Swedish Krona	107,442		108,993	(508)		(1,044)	1	
Swiss Franc	226,506		230,315	(7,572)	955	(808)	3,616	
Turkish Lira	2,366		2,366					
Total fair value	$ 2,098,006	$ 12,483	$ 2,097,467	$ (21,318)	$ 4,465	$ (5,652)	$ 8,336	$ 2,225

(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.

Depositary Receipts

A depositary receipt is a negotiable certificate issued by a bank to represent a foreign company's publicly traded securities. A custodian bank in the foreign country holds the actual shares, often in a form of an American Depository Receipt (ADR), which is listed and traded on exchanges based in the United States, or a Global Depository Receipt (GDR), which is traded in established non-U.S. markets. Indirectly, depository receipts are exposed to foreign currency risk since the non-U.S. company would be doing business in a foreign currency. At June 30, 2019, ASHERS had $30,396,187 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 Statement No. 72 provides reporting exceptions for specific investments including guaranteed investment contracts, money market mutual funds, certain state and local government agencies and U.S. Treasury obligations.

The following table represents the State of Arkansas's investments and securities lending collateral measured at fair value on a recurring basis by valuation hierarchy as of June 30, 2019 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 48,191	$ 422	$ 47,769	$
Domestic equities	671	671		
Government securities	15,101	15,101		
Mortgage-backed securities	1,573,369		1,573,369	
Mutual funds	84	84		
Negotiable certificates of deposit	17,553		17,553	
Total investments at fair value	1,654,969	$ 16,278	$ 1,638,691	$
Investments measured at net asset value (NAV)				
First American Funds - Treasury & Government Obligations	10,515			
Total investments at NAV	10,515			
Total investments	$ 1,665,484			

Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 4,527	$ 3,114	$ 1,413	$
Cash and cash equivalents	6,999	6,936	63	
Commingled funds	6,417	4,994	1,423	
Domestic equities	10,481	10,068	413	
Exchange traded funds	7,735	7,735		
External investment pools	5,455	4,961		494
International equities	153		153	
Marketable alternatives	383			383
Money Market Mutual Fund	499	499		
Mortgage-backed securities	46,550		46,550	
Mutual funds	3,701	3,701		
Negotiable certificates of deposit	36,224	34,729	1,495	
Non-marketable alternatives	3,460			3,460
Other	118,944		118,816	128
Other debt securities	295,955	8,523	287,432	
U.S. government agencies	95,551	50,145	45,406	
U.S. treasuries	107,106	5,220	99,245	2,641
Total investments at fair value	750,140	$ 140,625	$ 602,409	$ 7,106
Investments measured at net asset value (NAV)				
External investment pools - UA	164,981			
Co-mingled funds - UA	240,318			
External investment pools - NAC:				
Intermediate Term Fund	723			
Multi-Strategy Equity Fund	164			
Multi-Strategy Bond Fund	90			
Total investments at NAV	406,276			
Total investments	$ 1,156,416			

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Fiduciary funds

Investments measured at fair value		Total		Level 1		Level 2		Level 3
Asset- and mortgage-backed securities	$	231,533	$		$	231,533	$	
Corporate bonds and notes		1,584,198				1,376,161		208,037
Domestic equities		7,276,708		7,276,708				
International equities		1,182,748		1,182,748				
International obligations		120,335				120,335		
Investment derivatives		330		389		(59)		
Limited partnerships		163,421		91,299				72,122
Municipal bonds		13,494				13,494		
Mutual and exhange traded funds		334,609		334,609				
Preferred stock		81,445		56,731		24,714		
Real estate		54,114		1,759				52,355
State recycling tax credits		192,000				192,000		
U.S. government agencies		237,975				237,975		
U.S. treasuries		299,364		155,039		144,325		
Total investments at fair value		11,772,274	$	9,099,282	$	2,340,478	$	332,514

Investments measured at net asset value (NAV)		
Pooled investments:		
Commingled domestic equities		1,289,749
Commingled international equities		5,468,385
Commingled domestic fixed income		1,560,283
Commingled international fixed income		1,099,401
Diversified investment funds		266,381
Farmland funds		198,636
Fund of funds		186,772
Hedge funds		653,976
Infrastructure funds		301,724
Opportunistic funds		28,361
Partnership funds		143,659
Private equity funds		2,161,344
Real estate funds		2,180,324
Reinsurance funds		325,183
Timberland funds		356,343
Total investments at NAV		16,220,521
Total investments	$	27,992,795

Securities lending collateral measured at fair value		Total		Level 1		Level 2		Level 3
Asset-backed securities	$	260,677	$		$	260,677	$	
Floating rate notes		502,911				502,911		
Repurchase agreements		268,944				2,532		
Short-term investment pool		11,749		11,749				
U.S. government agencies		2,532				268,944		
Total securities lending collateral at fair value		1,046,813	$	11,749	$	1,035,064	$	

Securities lending collateral measured at net asset value (NAV)		
Quality D short-term investment pool		469,823
Total securities lending collateral at NAV		469,823
Total securities lending collateral	$	1,516,636

Component unit

Investments measured at fair value		Total		Level 1		Level 2		Level 3
Commingled funds	$	36,279	$		$	36,279	$	
Mortgage-backed securities		209,934				209,934		
Mutual bond funds		6,784				6,784		
U.S. agencies obligations		4,016				4,016		
U.S. treasury obligations		11,733				11,733		
Total investments at fair value	$	268,746	$		$	268,746	$	

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's investments measured at fair value on a nonrecurring basis by valuation hierarchy as of June 30, 2019 (expressed in thousands):

Component Unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate owned	$ 2,600	$	$	$ 2,600

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 Investment Partnership Program (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 outstanding 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, 2019 (expressed in thousands):

General Fund

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
First American Funds-Treasury & Govt Oblig	$ 10,515		Daily	N/A
Total investments at NAV	$ 10,515			

Enterprise Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
External investment pools - UA	$ 164,981		Daily	0-30 days written notice required if withdrawals exceed $25.0 M within any 30-day period
Co-mingled funds - UA	240,318			
External investment pools - NAC:				
Intermediate Term Fund	723		Weekly	5 day
Multi-Strategy Equity Fund	164		Monthly	5 day
Multi-Strategy Bond Fund	90		Monthly	5 day
Total investments at NAV	$ 406,276			

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Fiduciary Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
Pooled investments:				
Commingled domestic equities	$ 1,289,749	$	Daily - Monthly	T+1; T+3; 5 days
Commingled international equities	5,468,385		Daily - Quarterly	T+1; T+3; 1-65 days
Commingled domestic fixed income	1,560,283		Daily	T+3; 2 to 15 days
Commingled international fixed income	1,099,401		Daily-Monthly	1 to 10 days
Diversified investment funds	266,381		Daily-Monthly	T+2; T+3
Farmland funds	198,636	18,173	Daily-Quarterly	30 to 60 days
Fund of funds	186,772		Last day of each Quarter	1yr; 2yrs; 3yrs; >3yrs; 55% liquidity; then 20%; then 15%; then 10%
Hedge funds	653,976		Weekly-Annually	3 to 90 days
Infrastructure funds	301,724	65,177	Quarterly	90 days
Opportunistic funds	28,361		Quarterly	60 days
Partnership funds	143,659	25,671	Quarterly-Annually	65 to 90 days
Private equity funds	2,161,344	1,022,923	N/A	N/A
Real estate funds	2,180,324	635,995	Quarterly-7-year lock up	T+45; T+90; 45 to 90 days; N/A
Reinsurance funds	325,183		Semiannually-Annually	60 to 90 days
Timberland funds	356,343	24,892	N/A	N/A
Total investments at NAV	$ 16,220,521	$ 1,792,831		

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 – University of Arkansas (UA)

This type of investment includes two pools: One is broadly invested in global equities, hedge funds, bonds, natural resources and real estate, while the other pool invests in treasuries, government agency bonds, corporate bonds, commercial paper, negotiable certificates of deposit 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.

Intermediate Term Fund – North Arkansas College (NAC)

The strategy of this fund is that at least 50% of the net assets of a portfolio will be invested in securities issued or guaranteed by the U.S. government, federal agencies or U.S. government sponsored corporations, or in securities that are rated AAA or its equivalent by at least one of the nationally recognized rating agencies. The objective is to produce a total return in excess of its benchmark, the Merrill Lynch 1-3 Year Treasury Index, and to generate a higher current yield than short-term money market investments in a manner that mitigates the chances of a negative total return over any 12-month period.

Multi-Strategy Equity Fund – NAC

The strategy of this fund focuses on allocating assets across a wide spectrum of equity strategies, including investing in a portfolio of common stocks, and securities convertible into common stocks of U.S. companies. A multi-strategy equity allocation to the U.S. equity market includes exposure to companies in the S&P 500 index as well as companies not included in the index. The objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global equity markets.

Multi-Strategy Bond Fund – NAC

The strategy of this fund generally focuses on investments in a broad spectrum of fixed income sectors. Generally, assets are invested in dollar-denominated investment grade bonds and other fixed income securities in an attempt to outperform the U.S. bond market. The objective is to offer an actively managed, multi-manager investment program that will provide broad exposure to global debt markets.

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 has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Diversified investment funds

This investment type includes a fund that uses an unleveraged, actively managed, unconstrained, multi-asset strategy and a 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.

Farmland funds

The State has two 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 has been determined using the NAV per share (or its equivalent) of the State'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.

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 relying 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, changes in values of foreign currency and published market prices for certain securities.

Hedge funds

Hedge funds consist of three risk premia funds that target absolute returns through long-short positions across various factors and classes, two global macro funds that profit from broad market swings caused by political or economic events and two credit funds that invest primarily in debt instruments of other companies. 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 weekly to annually depending on the manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Infrastructure funds

Infrastructure funds include seven funds that primarily invest in physical, operational, systems and 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.

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 two 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 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 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.

Private equity funds

Private equity funds include 47 buyout funds, three distressed debt funds, two growth equity funds, 13 hard asset funds, four mezzanine funds, five multi-strategy funds, six turnaround funds, 12 venture capital funds and three structured capital funds that invest mostly in private companies across a variety of industries. The value of the investments in this type has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

Real estate funds

Real estate funds include seven core funds, 20 value added funds and 26 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.

Reinsurance funds

Reinsurance 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 six months to one year.

Timberland funds

Timberland funds include two funds that invest in acquiring, growing and disposing of timber, timberlands and forest products for commercial exploitation. 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 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.

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, 2019, governmental activities, business-type activities, fiduciary funds and component units held mortgage-backed securities with market values of $1.6 billion, $46.5 million, $362.9 million and $209.9 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, 2019, no mortgage-backed securities were considered highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2019, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $356.4 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, 2019, 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, 2019, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $8.153 million, collectively. Market values of these outstanding contracts were $8.343 million, resulting in an unrealized gain of $190,000. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $30.080 million at June 30, 2019. Market values of these contracts were $30.330 million, resulting in an unrealized loss of approximately $250,000.

Derivative Instruments

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, 2019, 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, 2019	
Type	**Classification**	**Amount**	**Classification**	**Amount**
Foreign currency forwards	Net increase (decrease) in fair value of investments	$ (1,767,159)	Investment derivatives	$ (59,058)
Futures	Net increase (decrease) in fair value of investments	689,758	Investment derivatives	389,164

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Foreign Currency Forward		Fair Value			Notional Amount
Swiss Franc	$	(129,476)	CHF	$	7,007,745
Chinese Yuan Renminbi		174,379	CNY		(71,790,795)
British Pound Sterling		(724)	GBP		166,279
Japanese Yen		(138,363)	JPY		(473,069,891)
Norwegian Krone		(281)	NOK		5,444,898
Swedish Krona		106	SEK		10,112,537
United States Dollar		164,799	USD		5,755,503
South African Rand		(129,498)	ZAR		54,385,000
Total foreign currency forwards	$	(59,058)		$	(461,988,724)
Futures	$	389,164	USD	$	23,600,000

(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 and the Boards 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% for domestic loans and 105% for international loans for APERS. The programs are administered by custodial agent banks. The types of securities on loan at June 30, 2019, 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, 2019, the carrying value and fair value of the underlying securities was $1.5 billion. At June 30, 2019, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers was less than the amounts the borrowers owed the pension systems or because the custodian's indemnification eliminated the credit risk.

(5) Receivables

Receivables at June 30, 2019, 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	$ 339,642 (3)	$ 857,176	$	$ 287,559	$ 417	$ 261,593	$ 13,192	$ 35,842	$ (611,741)	$ 1,183,680
Higher Education Fund	602,338					36,289	616	11,663	(371,665)	279,241
Workers' Compensation Commission	8,018 (3)						92			8,110
Department of Workforce Services	138,244						88		(81,639)	56,693
Office of the Arkansas Lottery	13,103									13,103
Non-major enterprise funds	4,181					435,708	750		(191)	440,448
Pension trust			42,328				131,072	65,957		239,357
Investment trust							86			86
Agency							88	33	(24)	97
Total	$ 1,105,526	$ 857,176	$ 42,328	$ 287,559	$ 417	$ 733,590	$ 145,984	$ 113,495	$ (1,065,260)	$ 2,220,815

(1) Receivable balances of $3,543 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $14 and $2 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	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Development Finance Authority	$ 1,444	$ 525,287 (1)	$ 127,789	$ 7,329	$	$ (79,799)	$ 582,050
University of Arkansas Foundation				3,756	44,643	(986)	47,413
University of Arkansas Fayetteville Campus Foundation					4,609		4,609
Total	$ 1,444	$ 525,287	$ 127,789	$ 11,085	$ 49,252	$ (80,785)	$ 634,072

(1) The financial statements for ADFA for the year ending June 30, 2019, incorporate the financial statements of the Venture Capital Investment Trust Fund, a component unit of ADFA, for the fiscal year ending December 31, 2018. ADFA reports receivables of $690,000 (net of loans payable) in loans made to the component unit that were made after December 31, 2018. These receivables are included in the balance of ADFA's loans.

(6) Interfund Activity

Interfund Receivables and Payables (expressed in thousands):

Due To	Due From: 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	$	$ 1,891	$ 9	$ 13	$ 97,374	$ 279	$ 14 (1)	$ 99,580
Higher Education Fund	17,136			1				17,137
Workers' Compensation Commission	280	370			1		2 (1)	653
Department of Workforce Services	685							685
Office of the Arkansas Lottery	3,904							3,904
Non-major Enterprise Funds	281							281
Pension trust	3,207 (2)							3,207
Total	$ 25,493	$ 2,261	$ 9	$ 14	$ 97,375	$ 279	$ 16	$ 125,447

(1) $14 and $2 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) $3,207 Interfund payables due from the General Fund to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Position.

Interfund receivables and payables include (1) $17.1 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $3.9 million due from the General Fund to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued; (3) $3.2 million due from the General Fund to the Pension Trust for employers' contributions; (4) $1.9 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) $97.4 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 To	Advances From: General Fund	Higher Education Fund	Non-Major Enterprise Funds	Total
General Fund	$	$ 2,249	$ 470	$ 2,719
Higher Education Fund	4,820		7,312	12,132
Workers' Compensation Commission	278			278
Total	$ 5,098	$ 2,249	$ 7,782	$ 15,129

Advances include (1) an outstanding balance of $4.8 million loaned from the General Fund (i.e., Department of Finance and 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 $2.2 million loaned from the University of Arkansas for Medical Sciences to the Department of Human Services used in the construction of the West Central Power Plant; and (3) an outstanding balance of $7.3 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.

Transfers (expressed in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Higher Education**	**Department of Workforce Services**	**Workers' Compensation Commission**	**Office of the Arkansas Lottery**	**Non-Major Enterprise Funds**	**Total**
General Fund	$	$ 971,406	$ 10	$ 2	$ 3,904	$ 3,342	$ 978,664
Higher Education	95,077						95,077
Department of Workforce Services	7,298						7,298
Office of the Arkansas Lottery	102,543						102,543
Non-major Enterprise Funds	3,583						3,583
Total	$ 208,501	$ 971,406	$ 10	$ 2	$ 3,904	$ 3,342	$ 1,187,165

Transfers include (1) $95.1 million transferred from the Higher Education Fund to the General Fund, which includes $88.8 million of State funding provided to the University of Arkansas for Medical Sciences transferred to the Department of Human Services for the Medicaid Program; (2) $7.3 million transferred from Department of Workforce Services to the General Fund, which includes $2.3 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; (3) $102.5 million transferred from the Office of the Arkansas Lottery to the General Fund for the 2019/2020 academic school year; (4) $3.6 million transferred to the General Fund from the Non-Major Enterprise Funds, which includes $3.2 million transferred from the Safe Drinking Water Revolving Loan Fund to the Arkansas Department of Health for administration of the program; (5) $971.4 million transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (6) $3.9 million transferred from the General Fund back to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued; and (7) $3.3 million transferred from the Arkansas Natural Resources Commission to the Non-Major Enterprise Funds for the administration of the Safe Drinking Water Revolving Loan Program.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2019, was as follows (expressed in thousands):

	Balance June 30, 2018	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2019
Governmental activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 1,000,167	$ 2,334	$ 26,636	$ (3,026)	$ 1,026,111
Construction in progress	2,198,704	(898,243)	698,670	(6,279)	1,992,852
Other non-depreciable/amortizable assets	22,556	870	27	(7)	23,446
Total capital assets, non-depreciable/amortizable	3,221,427	(895,039)	725,333	(9,312)	3,042,409
Capital assets, depreciable/amortizable:					
Improvements other than building	194,542	2,465	1,766	(1,583)	197,190
Buildings	1,767,090	32,884	22,709	(10,425)	1,812,258
Equipment	797,193	1,763	69,235	(35,736)	832,455
Infrastructure	15,736,575	920,208	2,189	(17,636)	16,641,336
Intangibles	377,803	11,032	1,518	(11,151)	379,202
Other depreciable/amortizable assets	9,466		255	(1)	9,720
Total capital assets, depreciable/amortizable	18,882,669	968,352	97,672	(76,532)	19,872,161
Less accumulated depreciation/amortization for:					
Improvements other than building	(120,713)	155	(6,527)	932	(126,153)
Buildings	(719,199)	(951)	(34,603)	2,894	(751,859)
Equipment	(556,418)	(279)	(52,663)	32,994	(576,366)
Infrastructure	(7,904,954)	(97)	(490,486)	17,139	(8,378,398)
Intangibles	(117,568)	(1)	(33,849)	9,662	(141,756)
Other depreciable/amortizable assets	(7,319)		(348)	1	(7,666)
Total accumulated depreciation/amortization	(9,426,171)	(1,173)	(618,476)	63,622	(9,982,198)
Total Capital assets, depreciable/amortizable, net	9,456,498	967,179	(520,804)	(12,910)	9,889,963
Governmental activities capital assets, net	$ 12,677,925	$ 72,140	$ 204,529	$ (22,222)	$ 12,932,372

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

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	Balance June 30, 2018	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2019
Business-type activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 171,703	$ (87)	$ 2,058	$ (111)	$ 173,563
Construction in progress	346,877	(402,572)	235,070	(991)	178,384
Construction in progress - intangibles	2,578	(830)	10,553		12,301
Easements	2,675				2,675
Art/historic treasures	970		30		1,000
Other non-depreciable/amortizable assets	477	236	174	(120)	767
Total capital assets, non-depreciable/amortizable	525,280	(403,253)	247,885	(1,222)	368,690
Capital assets, depreciable/amortizable:					
Improvements other than building	33,515	2,094	145	(126)	35,628
Buildings	5,316,455	359,226	43,363	(6,733)	5,712,311
Equipment	859,940	568	57,421	(27,188)	890,741
Infrastructure	623,626	31,763	7,062	(576)	661,875
Intangibles	230,098	2,078	2,804	(2,014)	232,966
Library holdings	227,552	(1)	6,054	(4,266)	229,339
Other depreciable/amortizable assets	16,483		72	(237)	16,318
Total capital assets, depreciable/amortizable	7,307,669	395,728	116,921	(41,140)	7,779,178
Less accumulated depreciation/amortization for:					
Improvements other than building	(16,480)	54	(1,569)		(17,995)
Buildings	(2,416,130)	1,912	(174,634)	3,718	(2,585,134)
Equipment	(692,640)	79	(50,650)	26,434	(716,777)
Infrastructure	(266,842)	2,444	(26,769)	211	(290,956)
Intangibles	(153,014)	(104)	(14,603)	1,386	(166,335)
Library holdings	(187,282)		(6,960)	4,182	(190,060)
Other depreciable/amortizable assets	(5,976)		(963)		(6,939)
Total accumulated depreciation/amortization	(3,738,364)	4,385	(276,148)	35,931	(3,974,196)
Total Capital assets, depreciable/amortizable, net	3,569,305	400,113	(159,227)	(5,209)	3,804,982
Business-type activities capital assets, net	$ 4,094,585	$ (3,140)	$ 88,658	$ (6,431)	$ 4,173,672

(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, 2019, was as follows (expressed in thousands):

	Balance June 30, 2018	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2019
ADFA:					
Capital assets, non-depreciable/amortizable:					
Land	$ 670	$	$	$	$ 670
Capital assets, depreciable/amortizable:					
Building	2,032				2,032
Equipment	1,619		3,594	(80)	5,133
Intangibles	10,629				10,629
Total capital assets, depreciable/amortizable	14,280		3,594	(80)	17,794
Less accumulated depreciation/amortization for:					
Building	(723)		(63)		(786)
Equipment	(1,029)		(396)	56	(1,369)
Intangibles	(10,629)				(10,629)
Total accumulated depreciated/amortization	(12,381)		(459)	56	(12,784)
Total Capital assets, depreciable/amortizable, net	1,899		3,135	(24)	5,010
ADFA capital assets, net	$ 2,569	$	$ 3,135	$ (24)	$ 5,680

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

Activity for U of A Foundation, Inc., for the year ended June 30, 2019, was as follows (expressed in thousands):

	Balance June 30, 2018	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2019
U of A Foundation Inc.:					
Capital assets, non-depreciable/amortizable:					
Land	$ 257	$	$	$ (226)	$ 31

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

Depreciation and Amortization

Depreciation and amortization expenses were charged to functions/programs of the primary government and component units as follows (expressed in thousands):

Primary Government

Governmental Activities:	
Education	$ 3,280
Health and human services	35,856
Transportation	506,746
Law, justice and public safety	30,178
Recreation and resources development	24,316
General government	17,187
Regulation of business and professionals	913
Total depreciation and amortization expense	$ 618,476
Business-type Activities:	
Enterprise funds	$ 276,148
Total depreciation and amortization expense	$ 276,148

Component Unit

ADFA	$ 459
Total depreciation and amortization expense	$ 459

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2019, are summarized as follows (expressed in thousands):

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due within One Year	Due Greater Than One Year
Governmental Activities:						
Bonds payable:						
General obligation	$ 1,310,345	$ 30,000	$ 89,865	$ 1,250,480	$ 125,040	$ 1,125,440
Add (deduct):						
Issuance premium (discount):						
General obligation	92,822		12,934	79,888	12,935	66,953
Debt to component unit	1,832	1,342	375	2,799	289	2,510
Total bonds payable	1,404,999	31,342	103,174	1,333,167	138,264	1,194,903
Loan payable to component unit	4,200		4,200			
Notes payable to component unit	59,567	13,041	13,209	59,399	5,293	54,106
Capital leases	1,499		460	1,039	488	551
Capital leases with component unit	110,185	26,225	9,023	127,387	10,364	117,023
Total loan, notes and leases payable	175,451	39,266	26,892	187,825	16,145	171,680
Total bonds, loan, notes and leases payable	1,580,450	70,608	130,066	1,520,992	154,409	1,366,583
Recycling tax obligation (1)	167,470		10,557	156,913	10,900	146,013
Claims, judgments and arbitrage (1)(2)	120,401	313,995	306,099	128,297	115,119	13,178
Compensated absences (1)	146,292	114,459	111,201	149,550	24,403	125,147
Total claims, judgments, arbitrage and compensated absences	266,693	428,454	417,300	277,847	139,522	138,325
Pollution remediation (1)	16,740	2,446	3,789	15,397	4,371	11,026
Total OPEB liability (1)	2,147,194		43,085	2,104,109	65,276	2,038,833
Net pension liability (1)	2,671,894		614,510	2,057,384		2,057,384
Governmental activities total	$ 6,850,441	$ 501,508	$ 1,219,307	$ 6,132,642	$ 374,478	$ 5,758,164

(1) The various long-term liabilities other than debt are all paid from the general fund.
(2) Beginning balance restated.

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	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance						
Revolving Loan Fund	$ 23,140	$	$ 2,920	$ 20,220	$ 2,745	$ 17,475
Safe Drinking Water						
Revolving Loan Fund	17,420		2,205	15,215	2,065	13,150
College and University						
Revenue bonds	1,965,250	85,260	98,635	1,951,875	86,469	1,865,406
Revenue bonds from direct placement	8,081	3,082	206	10,957	302	10,655
Add:						
Issuance premiums (discounts)	134,062	4,582	8,796	129,848	8,134	121,714
Total bonds payable	2,147,953	92,924	112,762	2,128,115	99,715	2,028,400
Notes payable from direct placement	69,155	16,559	19,676	66,038	12,062	53,976
Notes payable with						
component unit	9,466		468	8,998	481	8,517
Total notes payable	78,621	16,559	20,144	75,036	12,543	62,493
Capital leases	66,288	11,874	10,943	67,219	7,801	59,418
Total bonds, notes and leases payable	2,292,862	121,357	143,849	2,270,370	120,059	2,150,311
Claims and judgments	303,023	488,668	488,297	303,394	98,132	205,262
Compensated absences	118,556	84,192	84,218	118,530	16,072	102,458
Total claims, judgments and compensated absences	421,579	572,860	572,515	421,924	114,204	307,720
Total OPEB liability	142,557	3,962		146,519	5,141	141,378
Net pension liability	226,602		45,472	181,130		181,130
Business-type activities total	$ 3,083,600	$ 698,179	$ 761,836	$ 3,019,943	$ 239,404	$ 2,780,539
Component units:						
Arkansas Development						
Finance Authority:						
Bonds payable	$ 593,955	$ 27,775	$ 65,448	$ 556,282	$ 22,599	$ 533,683
Notes payable	29,441	60,000	77,801	11,640	97	11,543
Add: issuance premiums (discounts)	152		43	109	43	66
Total bonds and notes payable ADFA	623,548	87,775	143,292	568,031	22,739	545,292
Total OPEB liability	3,806		814	2,992	97	2,895
Net pension liability	5,157		1,209	3,948		3,948
U of A Foundation						
Annuity obligations	15,458	1,937	1,903	15,492	1,188	14,304
Component units total	$ 647,969	$ 89,712	$ 147,218	$ 590,463	$ 24,024	$ 566,439

Primary Government

Governmental Activities

General Obligation Bonds – The Constitution of the State does not limit the amount of general obligation bonds that 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, 2019, 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	$ 119,675
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	112,335
2014 Series Federal Highway G.O.Bonds	2027	5.00	141,580
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00	455,895
Arkansas Economic Development Commission Bonds:			
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11	59,765
Arkansas Natural Resources Commission Bonds:			
2010A Series Water, Waste and Pollution	2020	2.00 - 4.50	625
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	4,335
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	1,060
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	16,775
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	36,440
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30	13,970
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	8,035
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	15,655
2016A Series Water, Waste and Pollution	2034	3.00 - 5.00	25,740
2017A Series Water, Waste and Pollution	2028	2.00 - 2.80	16,335
2017B Series Water, Waste and Pollution	2040	2.13 - 5.00	17,540
2019 Series Water, Waste and Pollution	2050	2.09 - 3.35	30,000
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00 - 4.25	125,880
2016 Series, G.O. Bonds	2022	2.00 - 4.25	48,840
Total			$ 1,250,480

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 125,040	$ 48,923	$ 173,963
2021	223,850	43,801	267,651
2022	231,580	33,350	264,930
2023	236,855	25,261	262,116
2024	95,710	16,498	112,208
2025-2029	242,145	38,382	280,527
2030-2034	48,815	13,502	62,317
2035-2039	18,775	6,861	25,636
2040-2044	16,010	3,891	19,901
2045-2049	11,700	1,104	12,804
Total	$ 1,250,480	$ 231,573	$ 1,482,053

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. No bonds were issued under this act in the 2019 fiscal year. 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 four cents per gallon. Current and prior-year revenues and apportionments and projected revenues and apportionments for these bonds are 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
2015	$ 16,315	$ 97,303	2020	$ 17,000	$ 107,238
2016	16,730	99,311	2021	17,000	109,383
2017	17,534	100,927	2022	17,000	111,571
2018	18,039	103,074	2023	17,000	113,802
2019	18,399	105,135	2024	17,000	116,078

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 2019 fiscal year. The bonds are payable primarily from a 1/2 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
2015	$	165,449
2016		171,611
2017		175,419
2018		187,427
2019		194,138

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 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 2019 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. Water, Waste Disposal and Pollution abatement facilities general obligation bonds taxable series 2019 were issued under this act in the 2019 fiscal year.

Higher Education General Obligation Bonds – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act limited the total principal amount to approximately $250.0 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and the College Savings Bond Act of 1989 shall not have scheduled debt service payments on a combined basis in excess of $24.0 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for State institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2019 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, 2019, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $20.4 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, 2019, the equity interest in vacant industrial facilities totaled approximately $5.4 million. No bonds are outstanding in the 2019 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 unit at June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 5,293	$ 2,137	$ 7,430
2021	3,808	1,960	5,768
2022	3,923	1,837	5,760
2023	3,772	1,718	5,490
2024	4,344	1,599	5,943
2025-2029	19,107	5,475	24,582
2030-2034	11,873	1,716	13,589
2035-2039	7,279	667	7,946
Total	$ 59,399	$ 17,109	$ 76,508

Recycling Tax Obligation – The Waste Reduction and Recycling Equipment Credit is authorized under Ark. Code Ann. § 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 14 years. In fiscal year 2017, Arkansas Teacher Retirement System (ATRS), an investor in Big River Steel, negotiated an agreement with the State and Big River Steel. 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 in 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, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 10,900	$ 5,100	$ 16,000
2021	11,255	4,745	16,000
2022	11,620	4,380	16,000
2023	11,998	4,002	16,000
2024	12,388	3,612	16,000
2025-2029	68,247	11,753	80,000
2030-2034	30,505	1,495	32,000
Total	$ 156,913	$ 35,087	$ 192,000

Business-Type Activities

Special Obligation Bonds – Special Obligation Bonds outstanding at June 30, 2019, 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	$ 20,220
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	15,215
Total			$ 35,435

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 $1.4 million for the CA fund and $1.0 million for the SDW Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 4,810	$ 1,635	$ 6,445
2021	4,625	1,395	6,020
2022	4,425	1,164	5,589
2023	4,430	943	5,373
2024	4,425	721	5,146
2025-2028	12,720	983	13,703
Total	$ 35,435	$ 6,841	$ 42,276

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 $127.4 million. At June 30, 2019, 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	$ 28,415
Arkansas State University – Jonesboro	2044	0.70-5.78	124,250
Arkansas State University – Midsouth	2042	1.00-4.70	19,490
Arkansas State University – Mountain Home	2033	0.67-4.25	5,115
Arkansas State University – Newport	2033	0.66-3.82	3,665
University of Arkansas - System			
Cossatot Community College of the University of Arkansas	2035	1.00-3.65	3,185
Phillips Community College of the University of Arkansas	2039	2.00-4.00	9,945
University of Arkansas – Fayetteville	2049	.087-5.00	761,150
University of Arkansas – Fort Smith	2039	2.00-5.00	59,590
University of Arkansas – Little Rock	2038	0.53-5.00	102,245
University of Arkansas – Monticello	2042	1.94-5.00	26,865
University of Arkansas – Pine Bluff	2036	1.88-5.00	14,280
University of Arkansas – Pulaski Technical College	2041	2.00-5.00	82,035
University of Arkansas Community College – Hope-Texarkana	2039	1.00-4.00	2,655
University of Arkansas Community College – Morrilton	2046	3.5-5.00	10,370
University of Arkansas Community College – Rich Mountain	2042	1.00-4.15	5,695
University of Arkansas for Medical Sciences	2036	2.65-5.00	214,965

(1) Fiscal year

Continued on the following page

Continued from the previous page

Other Institutions	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas Northeastern College	2047	1.95-4.00	$ 7,140
Arkansas Tech University	2044	1.00-5.00	75,317
Black River Technical College	2044	2.00-4.00	9,325
East Arkansas Community College	2040	2.00-3.63	3,210
Henderson State University	2040	1.00-3.75	49,070
National Park College	2048	3.00-4.00	20,955
North Arkansas College	2037	1.00-3.88	6,415
Northwest Arkansas Community College	2035	2.00-4.55	27,680
Ozarka College	2043	2.00-3.95	5,315
South Arkansas Community College	2039	2.00-4.00	2,990
Southern Arkansas University – Magnolia	2048	1.50-4.25	68,060
Southern Arkansas University Tech – Camden	2043	1.70-4.50	5,040
University of Central Arkansas	2049	1.00-6.13	208,400
Total			$ 1,962,832

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 86,771	$ 82,602	$ 169,373
2021	88,407	78,811	167,218
2022	89,185	75,273	164,458
2023	89,057	71,615	160,672
2024	87,715	67,983	155,698
2025-2029	452,888	284,061	736,949
2030-2034	472,858	185,014	657,872
2035-2039	360,345	90,821	451,166
2040-2044	170,315	31,827	202,142
2045-2049	65,291	6,429	71,720
Total	$ 1,962,832	$ 974,436	$ 2,937,268

Business-type activity notes payable outstanding at June 30, 2019, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Jonesboro	2024	2.97	$ 4,744
Arkansas State University – Midsouth	2038	3.30	1,482
Arkansas State University – Newport	2028	3.75	927
University of Arkansas - System			
University of Arkansas – Fayetteville	2024	1.95-5.50	19,990
University of Arkansas for Medical Sciences	2022	1.13-3.20	18,462
University of Arkansas System Office	2029	3.00	10,035
University of Arkansas Community College – Rich Mountain	2023	2.00	825
Other Institutions			
Henderson State University (2)	2040	2.75-5.74	13,553
North Arkansas College	2031	2.63-3.74	1,471
Southern Arkansas University – Magnolia	2028	3.55-4.25	1,682
University of Central Arkansas	2028	3.94	1,865
Total			$ 75,036

(1) Fiscal year
(2) Includes note payable to component unit.

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 London Interbank Offered Rate. Other variable rates are calculated using the rate in effect at the financial statement date. Actual rates will vary.

Notes Payable from Direct Placement may contain provisions making them due on demand if the borrower is in default on other debt obligations.

Future amounts required to pay principal and interest on business-type activity notes payable as of June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 12,543	$ 2,070	$ 14,613
2021	11,747	1,854	13,601
2022	11,863	1,541	13,404
2023	10,562	1,231	11,793
2024	6,435	947	7,382
2025-2029	15,831	2,750	18,581
2030-2034	4,469	926	5,395
2035-2039	1,586	115	1,701
Total	$ 75,036	$ 11,434	$ 86,470

Component Units

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 and are excluded from the ADFA combined financial statements. At June 30, 2019, the bonds outstanding issued under these programs aggregated $1.3 billion.

For the Student Loan Program bonds, principal distributions were allocated to the bonds on each quarterly or monthly distribution date in an amount equal to the funds available to pay principal based upon the indenture trust agreement. The normal quarterly or monthly waterfall of available funds is as follows (in this order): payment of trustee fees, payment of loan servicing fees, payment of loan administration fees, payment of interest on notes and payment of principal on notes.

Notes Payable from Direct Placement may contain provisions making them due on demand if the borrower is in default on other debt obligations.

Bonds and notes payable at June 30, 2019, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %		Balance
Single family bonds payable	2044	2.49-5.50	$	95,548
Federal housing note payable	2046	1.00		2,631
Bond guaranty program	2040	1.875-6.00		49,630
State facilities bonds and note payable	2041	2.00-6.30		219,123
Tobacco bonds payable	2047	4.77-5.25		76,249
Student Loan Program bonds	2044	LIBOR + .45-.90		124,850
Total			$	568,031

The principal amount shown below differs from the amount on the balance sheet due to accreted interest of $62.3 million and unamortized premiums and discounts of $109,000. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2019, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 22,696	$ 21,544	$ 44,240
2021	27,449	19,955	47,404
2022	31,291	18,536	49,827
2023	26,678	17,144	43,822
2024	28,033	15,593	43,626
2025-2029	161,746	52,387	214,133
2030-2034	112,290	23,101	135,391
2035-2039	76,955	8,687	85,642
2040-2044	128,030	2,560	130,590
2045-2049	15,044	1	15,045
Total	$ 630,212	$ 179,508	$ 809,720

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, 2019, were $456,000 including interest ranging from 3.00% to 11.00%.

Aggregate annual maturities of annuity obligations at June 30, 2019, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2020	$ 1,188
2021	1,189
2022	1,114
2023	1,057
2024	949
2025-2029	8,501
2030-2034	632
2035-2039	452
2040-2044	250
2045-2049	86
2050-2054	74
Total	$ 15,492

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

Higher Education

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 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 19 years and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of $1.2 million. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2019, was $23.3 million, and the remaining balance of the defeased bonds was $21.8 million.

(9) Pledged Revenues

Primary Government

Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2019 (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 prison facilities	2039	$ 32,367	39.15%	$ 4,134	$ 1,653
Court filing fees	Construction of building	2030	5,767	52.96%	990	784
Rental income	Purchase of building	2030	14,846	68.73%	1,964	1,504
State park revenue	Construction of state park facilities	2024	11,616	51.02%	4,553	2,583
Permit fees	Construction of building	2041	20,703	4.51%	20,851	1,097
Drivers license revenue	Construction of building	2035	26,894	13.97%	12,034	3,974

(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, 2019 (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	2048	$ 988,588	7.87%	$ 433,277	$ 50,718
	Athletic fees	Construction of facilities and refunding of prior issues	2037	196,401	10.68%	102,179	14,482
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	78,552	9.56%	41,077	7,663
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2038	75,097	5.72%	69,114	7,038
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2037	60,164	21.46%	15,574	3,990
University of Arkansas at Monticello	Student fee & various facility revenue	Construction of facilities and refunding of prior issues	2042	30,812	5.09%	26,317	1,144
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2042	9,734	6.60%	6,410	904
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	317,180	1.98%	942,771	16,834
	Parking fees	Construction of facilities and refunding of prior issues	2035	9,768	15.61%	3,912	1,601
University of Arkansas at Pine Bluff	Various facilities revenue	Refunding of prior issues and capital improvements	2036	19,721	3.31%	35,055	1,173
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2035	4,237	7.00%	3,781	264
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	13,625	22.68%	3,004	682
University of Arkansas Community College at Hope-Texarkana	Student fees	Construction of facilities and refunding of prior issues	2039	3,533	5.44%	3,246	409
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	17,070	9.71%	6,511	814
University of Arkansas - Pulaski Technical College	Student fees	Construction and renovation of facilities and refunding of prior issues	2041	133,083	26.01%	23,258	5,821
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	6,280	61.91%	441	269
	Student tuition & fee revenue	Capital improvements	2042	2,420	4.49%	2,342	103
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	49,273	2.13%	92,505	2,514
	Housing fees	Construction of facilities and refunding of prior issues	2042	103,045	35.41%	12,651	6,302
	Student union/parking fees	Refunding of prior issues	2025	8,466	37.63%	3,750	1,608
	Recreation center fees	Construction of facilities	2037	17,074	57.21%	1,658	952
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	28,256	17.26%	9,632	1,852
	Housing fees	Construction of facilities and refunding of prior issues	2039	9,782	69.77%	701	489
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	30,046	44.51%	2,935	1,305
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	6,526	11.17%	4,175	516
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	4,384	3.84%	8,145	429
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	42,663	21.98%	8,823	2,446
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	49,057	2.80%	70,137	2,765
	Athletic/food service revenue	Construction of facilities	2043	14,561	4.50%	13,476	645
Henderson State University	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	57,629	19.89%	13,799	3,362
	Student recreation center revenue	Construction of student recreation center	2032	7,055	70.48%	770	538
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2027	2,212	4.88%	5,663	668
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2048	57,473	5.87%	33,765	1,720
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2048	49,566	12.75%	13,401	2,006

(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
Southern Arkansas University - Tech Branch	Student tuition & fee revenue	Capital improvements and refunding of prior issue	2043	$ 7,607	6.70%	$ 4,729	$ 325
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2043	133,703	6.35%	87,757	3,494
	Housing fees	Construction of facilities and refunding of prior issues	2048	157,634	27.66%	19,650	6,110
	Auxillary revenue	Construction of facilities and refunding of prior issues	2041	32,666	5.75%	25,843	2,224
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	4,501	71.44%	300	98
National Park College	Millage revenue	Capital improvements and refunding of prior issue	2048	35,236	81.33%	1,494	1,248
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2047	11,612	52.50%	790	415
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2037	8,739	54.00%	899	490
South Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2039	4,307	37.39%	576	214
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	37,911	45.79%	5,175	2,372
	Student tuition	Land purchase	2035	2,626	1.06%	15,468	167
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	13,174	10.15%	5,193	658
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	7,492	8.27%	3,774	375

(1) Fiscal year

(10) Arbitrage Rebate and Excess Earnings Liability

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

(11) Leases

Capital Lease Receivables

In February 2009, a capital lease receivable was entered into with the Arkansas Development Finance Authority (ADFA), a discretely presented component unit of the State, and the Arkansas Economic Development Commission (AEDC), a department of the State of Arkansas, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927,000, 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 $250,000, 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, 2019.

Future amounts to be received as of June 30, 2019, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2020	$ 98	$ 4	$ 102
2021	94	3	97
2022	95	2	97
2023	81		81
2024	49		49
Total	$ 417	$ 9	$ 426

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) that 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, 2019, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / infrastructure	$	$ 8,016
Construction in progress	9,316	2,808
Buildings	191,013	39,827
Machinery and equipment	3,684	73,169
Less: Accumulated depreciation	(46,500)	(51,617)
Total	$ 157,513	$ 72,203

Future minimum commitments under operating and capital leases by fund type as of June 30, 2019, were as follows (expressed in thousands):

Capital Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2020	$ 514	$ 9,809
2021	511	8,479
2022	51	7,233
2023		5,377
2024		4,684
2025-2029		22,937
2030-2034		17,649
2035-2039		6,611
Total minimum lease payments	1,076	82,779
Less: Interest	(37)	(15,560)
Present value of future minimum lease payments	$ 1,039	$ 67,219

Capital Leases with Component Unit

	Governmental Activities
Year ending June 30:	
2020	$ 14,838
2021	13,582
2022	13,605
2023	13,638
2024	13,302
2025-2029	48,343
2030-2034	32,712
2035-2039	13,356
2040-2044	1,580
Total minimum lease payments	164,956
Less: Interest	(37,569)
Present value of future minimum lease payments	$ 127,387

Operating Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2020	$ 29,230	$ 14,235
2021	17,646	9,488
2022	8,793	5,079
2023	6,935	3,565
2024	6,135	3,126
2025-2029	6,431	9,540
2030-2034	675	4,892
2035-2039	417	119
2040-2044		121
2045-2049		123
2050-2054		125
2055-2059		128
2060-2064		130
2065-2069		86
Total minimum lease payments	$ 76,262	$ 50,757
Total rental expenditure/ expense (2019)	$ 45,585	$ 16,140

(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 Statement No. 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):

	2019	2018
Balance, beginning of year	$ 16,740	$ 28,333
Incurred claims		
Payments	(3,789)	(12,191)
Adjustments	2,446	598
Balance, end of year	$ 15,397	$ 16,740
Current portion	$ 4,371	$ 5,029
Noncurrent portion	11,026	11,711
	$ 15,397	$ 16,740

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.

Of the above-mentioned obligations, $10.5 million is covered by the Hazardous Substance Remedial Action Trust Fund (HSRATF), which was established by Ark. Code Ann. § 19-5-930 pursuant to the Arkansas Remedial Action Trust Fund Act (RATFA), and Ark. Code Ann. § 8-7-501, which provides the State with the funds and authority to investigate, control, prevent, abate, treat or contain releases of hazardous substances for the protection of human health and the environment. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA, if required. The HSRATF had a cash and cash equivalent balance of $7.8 million at June 30, 2019.

Of the above mentioned obligations, $4.8 million is covered by the Landfill Post Closure Trust Fund (LPCTF), which was established by Ark. Code Ann. § 19-5-979. Funding for LPCTF is generated mostly by landfill disposal fees. The LPCTF had a cash and cash equivalent balance of $7.1 million at June 30, 2019. While the largest part of the Nabors project was completed, there will be ongoing expenses related to testing and ground water monitoring. Phase I of the DAMCO project was completed in fiscal year 2018, and the bid for Phase II was approved in January 2019 for $236,000. The estimated construction completion portion of this contract was June 2019. The completion of these milestones marks a significant decrease in the current liability.

In addition, the State entered into a legal agreement with C & H Hog Farms in June 2019 in which it has been named as the party responsible for the activities required (1) to terminate the concentrated animal feeding operation and liquid animal waste storage and land application operations and (2) to terminate the permits authorizing such activities in a manner protective of human health and the environment, including any necessary remediation of the waste storage ponds as consistent with the State's Waste Storage Pond Closure Guidelines. The pollution remediation liability does not include outlays for this site cleanup because those outlays were not yet reasonably estimable.

Business-Type Activities

The University of Arkansas at Fayetteville is to provide technical services on a voluntary basis for deconstruction and green fielding of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. The University expensed $7.5 million in pollution remediation obligation in fiscal year 2019. The University has received total funds for remediation costs of $24.0 million from the United States Department of Energy (DOE). The University expects to continue remediation of the SEFOR site as funding becomes available. An additional $5.6 million was authorized in August 2018 by the DOE to continue remediation of the SEFOR site. The project will be completed once Phase 3 is finalized.

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

	2019	2018
Balance, beginning of year	$ 7,937	$ 2,372
Incurred claims	374	13,595
Payments	(7,838)	(8,030)
Adjustments	473	
Balance, end of year	$ 946	$ 7,937
Current portion	$ 946	$ 7,937
Noncurrent portion		
	$ 946	$ 7,937

(13) Fund Balance/Net Position

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors and contributors; laws or regulations of other governments; by law through constitutional provisions or enabling legislation; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; and (3) Assigned Purposes, which 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, 2019, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 2,069	$ 21,452	$ 17,646
Debt service	220,936		
Program requirements	816,803	673,126	
Lottery funds	97,761		
Tobacco settlement	5,000	104,651	
Transportation programs	841,479	343,084	
Disaster Assistance		5,537	
State Employee Insurance		105,514	
Other		771,838	54,047
Total	$ 1,984,048	$ 2,025,202	$ 71,693

The State's fund balance includes (1) $816.8 million in federal program revenue, private grants, and revenue restricted by enabling legislation for specific programs, of which 42.86% is held by the general government function of the State to be used for administrative costs that are federally funded, 7.04% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management and 43.24% is held by the health and human services function of the State; (2) $841.5 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of Amendment 97; (3) $673.1 million in revenue committed by the Arkansas General Assembly through legislation for State programs (i.e., Arkansas long-term reserve, health and human services, improvement of State highways, education, operations of the Oil and Gas Commission, Arkansas natural and cultural resources and sustainable building design) as specified in Arkansas Code; (4) $343.1 million in revenue provided to the Arkansas Department of Transportation committed for maintenance, operation and improvement of State highways as specified in Arkansas Code; and (5) $771.8 million committed for various reasons as specified in Arkansas Code, including education assistance, Medicaid reserve, economic development 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, 2019, the government-wide statement of net position reported $2.9 billion in restricted net position for governmental activities, of which $1.1 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $53.6 million on investments that 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. Arkansas Code outlines the restrictions placed on the endowment fund and the net appreciation. Ark. Code Ann. § 28-69-804 states, "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

Deficit Net Position

The Workers' Compensation Commission (WCC) had a $109.2 million deficit in net position as of June 30, 2019. 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 $75,000 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 toward 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 $225,875 for 2019. 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 Ark. Code Ann. § 11-9-502, the current premium 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 the Governor, 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 the Arkansas State Highway Employees Retirement System Board of Trustees, provides pension benefits to all employees of the Arkansas Department of Transportation.

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	https://www.artrs.gov/publications
APERS AJRS ASPRS	124 West Capitol, Suite 400, Little Rock, AR 72201-3704	(501) 682-7800	https://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 actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual or reciprocal service who have not attained age 60 may receive an annuity reduced by .83% 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 10 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 10 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 five 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 redetermined amount shall be the amount of the benefit payable as of June 30 each year, increased by a percentage calculated using the Consumer Price Index for Urban Wage Earners & Clerical Workers for the one-year period ending December of the previous calendar year. The increase is capped at 3% and calculated benefits for the next year will not be less than the previous year.

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 (2019)	ASPRS (2019)	ASHERS (2018)
Inactive employees or beneficiaries currently receiving benefits	149	735	3,436
Inactive employees entitled to but not yet receiving benefits	8	102	211
Active employees	140	473	3,712
Total	297	1,310	7,359

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, 2018, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 26.75%. Contributions to APERS from the State were $191.7 million for the year ended June 30, 2019.

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, 2018, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the State were $14.9 million for the year ended June 30, 2019.

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 under contract for 181 or more days are required to be contributory. 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 for Tier One and Tier Two 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 2019 was $5.0 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, reduced by the driver's license reinstatement fees. The State's supplemental contribution for fiscal year 2019 was $8.0 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. In 2019, Act 295 was enacted increasing employee contribution to 7% over a 2-year period in 0.5% increments and increasing the State match to 14.9%.

Net Pension Liability

At June 30, 2019, 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, 2018	$ 1,451,086
ATRS	June 30, 2018	130,937
AJRS	June 30, 2019	17,209
ASPRS	June 30, 2019	120,395
ASHERS	June 30, 2018	518,886
Total		$ 2,238,513

Component Unit - APERS

	Measurement Date	Net Pension Liability
Arkansas Development Finance Authority	June 30, 2018	$ 3,946

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 2018 fiscal year of all participating employers. At June 30, 2018, the State's proportion was 65.78% for APERS and 3.59% for ATRS, an increase of .10% and a decrease of 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. If the actuarial valuation date is prior to the measurement date, the actuarial valuation was updated to the measurement date using roll forward procedures.

	APERS	ATRS	AJRS	ASPRS	ASHERS
Actuarial valuation date	June 30, 2018	June 30, 2018	June 30, 2019	June 30, 2019	June 30, 2018
Inflation rate	3.25% wages, 2.50% price	2.75% wages, 2.50% price	3.25% wages, 2.50% price	3.25% wages, 2.50% price	2.50%
Salary increases (1)	3.25%	2.75%	3.25%	3.25%	3.00%
Investment rate of return (1)	7.15%	7.50%	5.75% `	7.15%	8.00%
Mortality rates	RP-2014 Healthy Annuitant Benefit weights generational Mortality Tables for males and females.	RP-2014 Healthy Annuitant, Disabled Annuitant and Employee Mortality headcount weighted tables for males and females	RP-2014 Mortality Healthy Annuitant Tables for males and females, adjusted for mortality improvement back to observation period base year of 2006.	RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females.	Male: RP-2000 Combined Healthy for males and females with blue collar adjustments, scaled at 105% and 100% with no setback. Generational mortality improvements in accordance with Scale AA from the table's base year of 2000 (both before and after the measurement date).
Actuarial experience study dates	July 1, 2012 - June 30, 2017	July 1, 2010 - June 30, 2015	July 1, 2011 - June 30, 2016	July 1, 2012 - June 30, 2017	N/A

(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 current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 to 2027 were 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, 2018, 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%	6.07%
Real assets	16.00%	4.59%
Absolute return	5.00%	3.15%
Domestic fixed	18.00%	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, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	55.0%	4.9%
Fixed income	15.0%	1.2%
Alternatives	5.0%	4.3%
Real assets	15.0%	4.2%
Private equity	10.0%	6.0%
Cash equivalents	0.0%	0.3%
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 2019 to 2028 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, 2019, 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%	6.21%
International equity	15.00%	6.79%
Real estate	8.00%	5.02%
Domestic fixed	40.00%	1.56%
Cash equivalents	0.00%	0.25%
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 2019 to 2028 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, 2019, 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%	6.20%
International equity	24.00%	6.33%
Real assets	16.00%	3.32%
Absolute return	5.00%	3.56%
Domestic fixed	18.00%	1.54%
Total	100.00%	

ASHERS

The plan operates with an asset allocation of no more than 75%, with a plus 5% tolerance, of the System's portfolio may be invested in equities, and no more than 75%, with a plus 5% tolerance, may be invested in fixed income. The rate of return on pension plan investments, net of pension plan investment expenses was 0.32%.

Discount rate

The discount rate for each plan was determined as follows:

APERS

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 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 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 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 6.62% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows, based on the assumption made, found that the pension plan's net position was not projected to make all projected future benefit payments of current plan members. The Fidelity Municipal General Obligation Bond 20 Year AA Index was used to obtain the municipal bond rate. Therefore, the single discount rate of 6.62% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

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

ASPRS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2018	$ 446,878,220	$ 324,938,251	$ 121,939,969
Changes for the year:			
Service cost	6,691,528		6,691,528
Interest	31,299,758		31,299,758
Differences between expected and actual experience	(1,805,446)		(1,805,446)
Contributions – employer		21,254,010	(21,254,010)
Net investment income		17,031,467	(17,031,467)
Benefit payments, including refunds of employee contributions	(24,930,275)	(24,930,275)	
Administrative expense		(554,441)	554,441
Net changes	11,255,565	12,800,761	(1,545,196)
Balances, June 30, 2019	$ 458,133,785	$ 337,739,012	$ 120,394,773

AJRS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2018	$ 279,174,680	$ 256,508,130	$ 22,666,550
Changes for the year:			
Service cost	6,919,400		6,919,400
Interest	15,877,675		15,877,675
Differences between expected and actual experience	(4,481,503)		(4,481,503)
Contributions – employer		8,233,959	(8,233,959)
Contributions – employee		988,612	(988,612)
Net investment income		14,655,787	(14,655,787)
Benefit payments, including refunds of employee contributions	(13,001,793)	(13,001,793)	
Administrative expense		(147,062)	147,062
Other changes		41,854	(41,854)
Net changes	5,313,779	10,771,357	(5,457,578)
Balances, June 30, 2019	$ 284,488,459	$ 267,279,487	$ 17,208,972

ASHERS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2018	$ 2,251,671,098	$ 1,354,321,200	$ 897,349,898
Changes for the year:			
Service cost	23,601,075		23,601,075
Interest	113,808,845		113,808,845
Changes in assumptions	(331,139,733)		(331,139,733)
Contributions – employer		19,294,283	(19,294,283)
Contributions – employee		9,163,176	(9,163,176)
Differences between expected and actual experience	49,165,072		49,165,072
Net investment income		205,497,639	(205,497,639)
Benefit payments, including refunds of employee contributions	(115,747,730)	(115,747,730)	
Administrative expense		(55,703)	55,703
Net changes	(260,312,471)	118,151,665	(378,464,136)
Balances, June 30, 2019	$ 1,991,358,627	$ 1,472,472,865	$ 518,885,762

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 one percentage point lower or one 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 (Asset)
APERS	6.15%	$ 2,372,455	7.15%	$ 1,451,086	8.15%	$ 691,032
ATRS	6.50%	224,574	7.50%	130,937	8.50%	53,284
AJRS	4.75%	51,551	5.75%	17,209	6.75%	(11,880)
ASPRS	6.15%	175,526	7.15%	120,395	8.15%	74,572
ASHERS	5.62%	780,324	6.62%	518,886	7.62%	309,721

Component Unit - 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 (Asset)
Arkansas Development Finance Authority	6.15%	$ 6,455	7.15%	$ 3,946	8.15%	$ 1,880

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, 2019, the State recognized pension expense of ($4.0) million, $20.6 million, $107.8 million, $5.2 million and $22.8 million respectively for the ATRS, APERS, ASHERS, AJRS and ASPRS plans. At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
APERS		
Differences between expected and actual experience	$ 23,077	$ 15,233
Changes of assumptions	165,104	89,739
Net differences between projected and actual earnings on pension plan investments		36,719
Changes in proportion and differences between State contributions and proportionate share of contribution	44,047	58,632
State contributions subsequent to the measurement date	191,078	
Total	$ 423,306	$ 200,323

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		Deferred Outflows of Resources		Deferred Inflows of Resources
ATRS				
Differences between expected and actual experience	$	1,314	$	2,667
Changes of assumptions		31,363		
Net differences between projected and actual earnings on pension plan investments				22,414
Changes in proportion and differences between State contributions and proportionate share of contribution		3,602		17,694
State contributions subsequent to the measurement date		14,876		
Total	$	51,155	$	42,775
AJRS				
Differences between expected and actual experience	$		$	4,317
Changes of assumptions		230		
Net differences between projected and actual earnings on pension plan investments				6,022
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	230	$	10,339
ASPRS				
Differences between expected and actual experience	$	601	$	2,537
Changes of assumptions		5,872		2,551
Net differences between projected and actual earnings on pension plan investments		31		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	6,504	$	5,088
ASHERS				
Differences between expected and actual experience	$	50,305	$	18,296
Changes of assumptions		303,984		344,722
Net differences between projected and actual earnings on pension plan investments				12,366
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date		19,282		
Total	$	373,571	$	375,384
Total				
Differences between expected and actual experience	$	75,297	$	43,050
Changes of assumptions		506,553		437,012
Net differences between projected and actual earnings on pension plan investments		31		77,521
Changes in proportion and differences between State contributions and proportionate share of contribution		47,649		76,326
State contributions subsequent to the measurement date		225,236		
Total	$	854,766	$	633,909

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Component Unit - APERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
Arkansas Development Finance Authority		
Differences between expected and actual experience	$ 63	$ 41
Changes of assumptions	449	244
Net differences between projected and actual earnings on pension plan investments		100
Changes in proportion and differences between State contributions and proportionate share of contribution	11	438
State contributions subsequent to the measurement date	523	
Total	$ 1,046	$ 823

$225.2 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, 2020. 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
2020	$ 97,071	$ 3,578	$ (2,117)	$ 3,399	$ 124,097	$ 226,028
2021	40,900	204	(5,114)	(1,771)	41,527	75,746
2022	(74,071)	(7,390)	(2,183)	(1,207)	(110,194)	(195,045)
2023	(31,995)	(2,337)	(695)	995	(76,524)	(110,556)
2024		(551)				(551)

Component Unit - APERS

Year ended June 30:	Arkansas Development Finance Authority
2020	$ 135
2021	(22)
2022	(314)
2023	(100)

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 due to retirement, termination, death or an 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 Ark. Code Ann. § 23-96-101- 121, 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 $100,000 per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300,000 per participating employee.

The assets of the plan are held in trust by the custodian, 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 $843.4 million at June 30, 2019.

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 2019, total employer contributions to VALIC, TIAA-CREF and Fidelity were $136.5 million, while contributions to other plans were $529,000. Employee contributions to VALIC, TIAA-CREF and Fidelity were $146.0 million, while contributions to other plans were $518,000.

(15) Postemployment Benefits Other Than Pensions (OPEB)

Governmental Activities

(a) Plan Descriptions

The State contributes to the following single-employer defined benefit healthcare plans for eligible state employees:

- Arkansas State Police (ASP) Medical (administered by QualChoice) and Rx Plan (administered by CastiaRX)
- Arkansas State Employee Health Plan (ASE) Medical (administered by Department of Finance and Administration - Employee Benefits Division for active employees and retirees, Arkansas Public Employees Retirement System for deferred retirees) and Rx (administered by MedImpact)

State law grants the authority to establish and amend benefit terms and financing requirements for each plan as follows:

- Arkansas State Police Medical and Rx Plan (ASP)
    - Arkansas State Police Commission
    - Ark. Code Ann. § 12-8-210

- Arkansas State Employee Health Plan (ASE)
  - State and Public School Life and Health Insurance Board
  - Ark. Code Ann. § 21-5-401

No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for either plan.

Benefits Provided

Each plan provides medical and prescription drug benefits to plan members and beneficiaries. The ASP plan also provides dental and vision benefits.

ASP

The plan offers postemployment benefits to the Director and State Police Officers who retire under the Arkansas State Police Retirement System, make the required contributions and purchase Medicare Parts A and B. The retiree pays a premium based on eligibility for Medicare as well as dependents covered. Benefits are available when the retiree reaches 65 with five years of service, or at any age with 30 years of service. The plan has an open enrollment period for retirees who do not sign up when first eligible. The required plan contribution is based on the projected pay-as-you-go financing requirements.

ASE

The plan offers postemployment benefits to retirees who are covered under the plan on their last day of employment and are retirees of one of the following: the Arkansas Public Employees Retirement System, the Arkansas Teachers Retirement System, the Arkansas State Highway Employees Retirement System, the Arkansas Judicial Retirement System or an alternate retirement plan of a qualifying institution. The retiree's eligibility is based upon the plan in which the retiree participates and the corresponding age and years of service requirements associated with each plan. Retirees and their spouses are eligible to continue participation in ASE until the death of each covered individual. Retirees must contribute based upon the coverage plan they choose, the number of dependents covered and whether or not they are enrolled in Medicare. The required plan contribution is based on the projected pay-as-you-go financing requirements.

Employees Covered by Benefit Terms

At June 30, 2019, the following employees were covered by each plan:

	ASP	ASE
Inactive employees or beneficiaries currently receiving benefits	915	15,925
Inactive employees entitled to but not yet receiving benefits		10,077
Active employees	656	30,725
Total	1,571	56,727

(b) Total OPEB Liability

At June 30, 2019, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Primary Government

	Measurement Date		Total OPEB Liability
ASP	June 30, 2019	$	220,115
ASE	June 30, 2019		1,917,832
Total		$	2,137,947

Component Unit - ADFA

	Measurement Date		Total OPEB Liability
ASE	June 30, 2019	$	2,992

Actuarial Assumptions and Other Inputs

The total OPEB liabilities were determined based on an actuarial valuation dated on or before the measurement date. If the actuarial valuation is dated before the measurement date, update procedures were used to roll forward the actuarial valuation to the measurement date. The actuarial valuations used the following assumptions, applied to all periods included in the measurement:

	ASP		ASE	
Actuarial valuation date	June 30, 2019		June 30, 2019	
Inflation rate	3.25%			
Discount rate	2.79%	(1)	3.50%	(2)
Salary increase			3.00%	
Healthcare cost trend rates	8.0% initial 4.25% ultimate		5.50% initial 3.68% ultimate	
Mortality rate	Pub-2010 Public Retirement Plans Mortality Table for Public Safety, projected with Scale MP-2018 from 2010.		RP 2014 Healthy Annuitant benefits weighted generational mortality tables for males and females, adjusted for fully generational mortality improvements using Scale MP-2017	
Retirees' share of benefit-related costs	28.95%		40% - 64%	
Actuarial experience study dates	N/A		July 1, 2012 through June 30, 2017	(3)

(1) The discount rate was determined by using the S&P Municipal Bond 20 Year High Grade Bond Index.
(2) The discount rate was determined by using the Bond Buyer 20-Bond GO Index, a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average credit rating of AA/Aa or higher.
(3) Used actuarial experience study performed for APERS.

(c) Changes in the Total OPEB Liability

The following table provides the changes in the total OPEB liability for each plan (expressed in thousands):

Primary Government	Total OPEB Liability	
	ASP	ASE
Balance, June 30, 2018	$ 168,590	$ 2,015,733
Changes for the current fiscal year:		
Service cost	6,409	66,616
Interest	5,062	78,141
Changes of benefit terms		
Differences between expected and actual experience	35,377	12,982
Changes in assumptions or other inputs	8,488 (1)	(195,324) (2)
Benefit payments	(3,811)	(60,316)
Net changes	51,525	(97,901)
Balance, June 30, 2019	$ 220,115	$ 1,917,832

Component Unit - ADFA	Total OPEB Liability
	ASE
Balance, June 30, 2018	$ 3,806
Changes for the current fiscal year:	
Service cost	104
Interest	122
Changes of benefit terms	
Differences between expected and actual experience	20
Changes in assumptions or other inputs	(305) (2)
Changes in proportion	(661)
Benefit payments	(94)
Net changes	(814)
Balance, June 30, 2019	$ 2,992

(1) The discount rate used was 2.98% at June 30, 2018, and 2.79% at June 30, 2019.
(2) Changes resulting from updated health trend rates, discount rate, claims cost and participation assumptions

(d) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate for each plan (expressed in thousands):

Primary Government

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASP	1.79%	$ 269,392	2.79%	$ 220,115	3.79%	$ 184,810
ASE	2.50%	2,257,265	3.50%	1,917,832	4.50%	1,648,380

Component Unit – ADFA

	1% Decrease			Current Discount Rate			1% Increase		
	Rate		Total OPEB Liability	Rate		Total OPEB Liability	Rate		Total OPEB Liability
ASE	2.50%	$	3,522	3.50%	$	2,992	4.50%	$	2,572

(e) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the total OPEB liability of the State, as well as what the State's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates for each plan (expressed in thousands):

Primary Government

	Total OPEB Liability					
		1% Decrease		Current Health Care Cost Trend Rate (1)		1% Increase
ASP	$	178,425	$	220,115	$	281,335
ASE		1,621,990		1,917,832		2,299,439

Component Unit – ADFA

	Total OPEB Liability					
		1% Decrease		Current Health Care Cost Trend Rate (1)		1% Increase
ASE	$	2,531	$	2,992	$	3,588

(1) The current health care cost trend rate is listed in the actuarial assumptions table.

(f) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Primary Government

	Total OPEB Expense			
		Primary Government		Component Unit
ASP	$	17,284	$	
ASE		87,342		(96)
Total	$	104,626	$	(96)

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

Primary Government

	ASP		ASE		TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance, July 1, 2018	$	$	$	$	$	$
Difference between expected and actual experience	30,955		10,386	7,981	41,341	7,981
Changes of assumptions and other inputs	10,717			211,323	10,717	211,323
State payments subsequent to the measurement date						
Ending balance, June 30, 2019	$ 41,672	$	$ 10,386	$ 219,304	$ 52,058	$ 219,304

Component Unit – ADFA

	ASE	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance, July 1, 2018	$	$
Difference between expected and actual experience	16	12
Changes of assumptions and other inputs		882
State payments subsequent to the measurement date		
Ending balance, June 30, 2019	$ 16	$ 894

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

Primary Government

	Year ended June 30:						
	2020	2021	2022	2023	2024	Thereafter	Total
ASP	$ 5,812	$ 5,812	$ 5,812	$ 5,812	$ 5,812	$ 12,612	$ 41,672
ASE	(57,509)	(57,509)	(57,509)	(36,391)			(208,918)

Component Unit – ADFA

	Year ended June 30:						
	2020	2021	2022	2023	2024	Thereafter	Total
ASE	$ (228)	$ (228)	$ (228)	$ (194)	$	$	$ (878)

Business-Type Activities

Higher Education

(a) General Information

The State contributed to these single-employer defined benefit healthcare plans that provide postemployment healthcare benefits to eligible employees of the respective higher education institutions. Each plan is administered by the respective higher education institution unless otherwise noted:

- Arkansas State University System Other Postemployment Benefit Plan (ASU)
- Arkansas Tech University Retirement with Benefits Plan (ATU) (administered by Blue Cross and Blue Shield)
- Henderson State University Postemployment Benefit Plan (HSU) (administered by UMR United Healthcare)
- Northwest Arkansas Community College Healthcare Plan (NWACC)
- Southern Arkansas University – Technical Campus Blue Choice Plan (SAUT) (administered by Health Advantage)
- Southern Arkansas University Blue Advantage Health Plan (SAU) (administered by Blue Administrators of Arkansas)
- University of Arkansas System Medical Benefit Plan (U of A) (administered by UMR)
- University of Central Arkansas Retiree Benefits Plan (UCA) (administered by United Health Care, Blue Advantage and USAble Life)

The OPEB plans do not issue stand-alone financial reports, and there are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

The State contributed to the following defined postemployment benefit plans that provide postemployment healthcare benefits to eligible employees of the respective higher education institutions. The plans are affiliated with and administered by the Arkansas Higher Education Consortium (AHEC), a multiple 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 College Other Postemployment Benefits Policy (NPC)
- North Arkansas College Continued Health/Dental Insurance (NAC)
- Ozarka College Early Retirement Incentive Program (OC)
- South Arkansas Community College Postemployment Benefits (SACC)

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.

The OPEB plans do not issue stand-alone financial reports, and there are no assets accumulated in a trust that meet the criteria in paragraph 4 of GASB Statement No. 75.

Benefits provided to retirees by the plans and eligibility requirements are established by policy by the Board of Trustees of each higher education institution.

Benefits Provided

Each plan includes individual medical insurance and may include prescription drug programs, dental insurance, life insurance, and dependent coverage.

Arkansas State University (ASU)

The plan offers postemployment medical and life insurance benefits to employees of ASU System who retire after attaining the earlier of age 55 with at least 70 points (age plus continuous full-time service) or age 60 with at least 10 years of continuous full-time service. Certain employees who retire under a voluntary retirement window approved by the Board of Trustees of ASU are also eligible for benefits. The spouse of the retiree may continue coverage when the retiree dies or becomes eligible for Medicare but must pay 100% of the premium. Life insurance benefits are provided to the beneficiary of a retiree who dies prior to age 65 up to a maximum of $50,000. Employees hired on or after January 1, 2019, are not eligible to receive postretirement benefits.

Arkansas Tech University (ATU)

The plan offers postemployment health benefits for retirees reaching age 60 and completing 10 years of service. For employees who retired prior to July 1, 1998, ATU pays the medical premium of the employee for the employee's lifetime. For employees that retire on or after July 1, 1998, ATU will pay the medical premium of the employee until the employee is 65 or is eligible for Medicare. Surviving spouses of retirees or active employees are eligible for COBRA coverage upon the member's death. There is no University-explicit subsidy for spousal coverage. Life insurance benefits are available to retirees in the amount of $20,000.

Henderson State University (HSU)

The plan offers postemployment health care benefits and basic life insurance benefits to all employees who were hired before July 1, 2015, and who officially retire from HSU and meet certain age- and service-related criteria. Active employees are eligible to receive medical coverage upon retirement at age 55 with at least 70 points. Medical coverage ceases when the retiree reaches age 65. Life insurance benefits are provided to retirees up to a maximum of $20,000.

Northwest Arkansas Community College (NWACC)

The plan offers postemployment medical, dental, and life insurance coverage upon retirement if the retiree meets the "Rule of 70" (age plus years of service total at least 70) and has at least 10 years of service. Coverage continues until the retiree reaches age 65 or becomes eligible for Medicare. The retiree must pay the same premium as an active employee.

Southern Arkansas University – Tech (SAUT)* and *Southern Arkansas University (SAU)

The plan offers retirees from both campuses postemployment medical coverage if the retiree has at least 10 years of service and is at least age 55. Retirees are provided medical benefits through the same plan offered active employees as follows:

- An employee who retires from age 55 to 61 can receive health insurance until he or she reaches age 65 but must pay 100% of the active employee premium.
- An employee who retires from age 62 to 65 can receive health insurance, and SAUT/SAU will pay the same percentage of the premium as it pays for active employees.
- An employee whose age and service total at least 75, with minimum service of 15 years, can receive health insurance, and SAUT/SAU will pay the same percentage of the premium as it pays for active employees.

University of Arkansas (U of A)

The plan offers postemployment classic medical plan coverage, as well as prescription drug, dental and life insurance benefits. Eligible employees on campuses of the University of Arkansas System who participate in the plan can receive coverage if they meet one of the following eligibility requirements:

- Cossatot Community College (CCCUA) – As of July 1, 2018, employees were eligible for retirement benefits if they were at least age 60 and have five years of service under the plan. As of January 1, 2019, CCCUA follows the guidelines described in "All other campuses."
- Community College at Morrilton (UACCRM) – As of July 1, 2018, employees were eligible for retirement benefits if they were at least age 55 and their age plus years of service equaled 72 points. As of January 1, 2019, UACCRM follows the guidelines described in "All other campuses."
- All other campuses – Employees must have at least 10 consecutive years of service immediately prior to retirement and have at least 70 points.

University of Central Arkansas (UCA)

The plan offers active employees postemployment medical, dental and life insurance benefits upon retirement at any age with at least 28 years of service or at age 59 ½ with at least 10 years of service. Medical and dental coverage ends when the retiree reaches age 65. Life insurance ends when the retiree reaches age 80. Employer contributions towards the plan have been capped at various rates, depending upon the year that the employee retires.

Arkansas Northeastern College (ANC)

The plan offers postemployment medical, dental and life insurance coverage to active employees who retiree with at least 15 years of service and are at least age 60. Coverage ends when the retiree becomes eligible for Medicare. Retirees must pay the same premium as an active employee and the entire cost of dental and life insurance coverage.

Black River Technical College (BRTC)

The plan offers postemployment health insurance coverage to employees who retire directly from active employment, are at least age 60 and have at least 10 years of service or, are at least age 55 and meet the "Rule of 70" criteria. There are three health insurance plan options for retirees. The college will pay the health insurance premium for the Basic Plan until the retiree reaches the age of 65.

East Arkansas Community College (EACC)

The plan offers postemployment medical benefits to active employees who retire with at least 15 years of full-time service and are at least age 55. Coverage ends when the retiree becomes eligible for Medicare. The College pays a percentage of the individual premium based upon the retiree's age plus service when he or she retires.

National Park College (NPC)

The plan offers postemployment health and life insurance benefits to active employees who retire and are at least age 60 with 10 or more years of service or are at least age 55 and meet the "Rule of 70." NPC will pay the retiree's premium until the person reaches age 65. At age 65, the retiree can continue coverage but must pay the same premium as an active employee.

North Arkansas College (NAC)

The plan offers postemployment health and dental insurance benefits to employees who retire directly from active employment and have at least 10 years of service and 70 points. A retiree can receive coverage until age 65. The retiree must pay the same premium as an active employee. A retiree can also continue $20,000 of the basic life insurance and the group vision benefit at his or her own expense.

Ozarka College (OC)

The plan offers postemployment health insurance benefits to employees who retire directly from active employment, are at least age 55 and have 75 points. OC pays the retiree's premium in the same amount as for active employees until the retiree reaches age 65. At age 65, the retiree can continue coverage but must pay the premium.

South Arkansas Community College (SACC)

The plan offers postemployment medical, dental and life insurance benefits to employees who retire directly from active employment, who have at least 15 years of full-time service and are at least age 55. Coverage can continue until the retiree becomes eligible for Medicare. The College pays a percentage of the individual premium based upon the retiree's age plus service when he or she retires.

Employees Covered by Benefit Term

At June 30, 2019, the following employees were covered by benefit terms of each plan:

Plan	Inactive employees or beneficiaries currently receiving benefit payments	Active Employees	Total
ASU	92	484	576
ATU	54	929	983
HSU (1)	22	251	273
NWACC	1	347	348
SAUT	9	144	153
SAU	13	394	407
U of A	2,219	19,845	22,064
UCA	116	1,323	1,439
ANC	12	124	136
BRTC	13	140	153
EACC	4	118	122
NPC	2	75	77
NAC	3	171	174
OC	1	87	88
SACC	3	151	154
Total	2,564	24,583	27,147

(1) For this fiscal year, the actuarial valuation recognized the exclusion of employees hired on and after July 1, 2015, from plan benefits.

(b) Total OPEB Liability

At June 30, 2019, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Primary Government

	Measurement Date		Total OPEB Liability
ASU	June 30, 2019	$	25,398
ATU	June 30, 2018		8,330
HSU	June 30, 2019		4,271
NWACC	June 30, 2019		1,198
SAUT	June 30, 2019		1,492
SAU	June 30, 2019		2,549
U of A	June 30, 2018		70,183
UCA	June 30, 2019		3,163
ANC	June 30, 2019		558
BRTC	June 30, 2019		1,767
EACC	June 30, 2019		603
NPC	June 30, 2019		469
NAC	June 30, 2019		957
OC	June 30, 2019		742
SACC	June 30, 2019		643
Total		$	122,323

Actuarial Assumptions and Other Inputs

The total OPEB liabilities listed were determined based on an actuarial valuation dated on or before the measurement date. If the actuarial valuation is dated before the measurement date, update procedures were used to roll forward the actuarial valuation to the measurement date. The actuarial valuations used the following assumptions, applied to all periods included in the measurement:

	ASU		ATU		HSU		NWACC		SAUT	
Actuarial valuation date	July 1, 2017		June 30, 2018		June 30, 2019		June 30, 2017		June 30, 2018	
Inflation rate	2.20%		3.00%		2.50%		3.00%		3.00%	
Salary increases	2.50%		6.6% initial; .7% ultimate		N/A		N/A		N/A	
Discount rate	3.14%	(1)	3.87%	(2)	3.50%	(4)	2.79%	(3)	2.79%	(3)
Healthcare cost trend rates	7.00% initial 5.00% ultimate		7.50% initial 5.06% ultimate		8.0% initial 4.0% ultimate		10.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	50%		80% to 100%		23%		19% to 21%		95.92% to 99.00%	
Mortality rates	RPH 2006 Total Dataset Mortality Table, separately for males and females with a future generational projection for improvements using Scale MP-2018		SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017		RP-2014 Mortality Table with Improvement Scale MP-2018		RP 2014 Mortality Table		RP 2014 Mortality Table	
Actuarial experience study dates	June 30, 2016, based on census data from 2013 to 2016		N/A		N/A		N/A		N/A	

	SAU		U of A		UCA		ANC		BRTC	
Actuarial valuation date	June 30, 2019		June 30, 2018		June 30, 2019		June 30, 2018		June 30, 2018	
Inflation rate	2.50%		2.20%		2.50%		3.00%		3.00%	
Salary increases	N/A		4.00%		N/A		N/A		N/A	
Discount rate	3.50%	(4)	3.87%	(4)	3.50%	(4)	2.79%	(3)	2.79%	(3)
Healthcare cost trend rates	7.00% initial 4.00% ultimate		6.75% initial 4.00% ultimate		7.0% initial 4.0% ultimate		10.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	14%		10% to 100%		16% to 100%		9% to 21%		0% to 13%	
Mortality rates	RP-2014 Mortality Table with Improvement Scale MP-2018		RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014		RP-2014 Mortality Table with Improvement Scale MP-2018		RP-2014 Mortality Table		RP-2014 Mortality Table	
Actuarial experience study dates	N/A		N/A		N/A		N/A		N/A	

	EACC		NPC		NAC		OC		SACC	
Actuarial valuation date	June 30, 2018		July 1, 2019		June 30, 2019		June 30, 2019		June 30, 2019	
Inflation rate	3.00%		3.00%		3.00%		3.00%		3.00%	
Salary increases	N/A		N/A		N/A		N/A		N/A	
Discount rate	2.79%	(3)	2.79%	(3)	2.79%	(3)	2.79%	(3)	2.79%	(3)
Healthcare cost trend rates	10.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate		9.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	0% to 100%		25%		100%		15%		0% to 75%	
Mortality rates	RP-2014 Mortality Table		RP-2014 Mortality Table		RP-2014 Mortality Table		RP-2014 Mortality Table		RP-2014 Mortality Table	
Actuarial experience study dates	N/A		N/A		N/A		N/A		N/A	

(1) The discount rate was based upon an average of three 20-year municipal bond indices as of June 30, 2019: Bond Buyer 20-Bond GO Index, S&P Municipal Bond 20-Year High Grade Rate Index, and Fidelity GO AA-20 Year Index.
(2) The discount rate was based upon the 20-year bond buyer index rate as of June 28, 2018.
(3) The discount rate was based upon the S&P Municipal Bond 20-Year High Grade Rate Index.
(4) The discount rate was based upon market data using several bond indices, including the Bond Buyer 20-Bond GO Index.

(c) Changes in the Total OPEB Liability

The following table provides the changes in the total OPEB liability for each plan (expressed in thousands):

	ASU	ATU	HSU
Balance, June 30, 2018	$ 20,153	$ 9,001	$ 4,934
Changes for the current fiscal year:			
Service cost	1,522	691	409
Interest cost	743	333	143
Changes of benefit terms		(446)	(322)
Differences between expected and actual experience	3,152	(177)	(612)
Changes in assumptions or other inputs	595 (1)	(381) (2)	(136) (1)
Benefit payments	(767)	(691)	(145)
Net changes	5,245	(671)	(663)
Balance, June 30, 2019	$ 25,398	$ 8,330	$ 4,271

	NWACC	SAUT	SAU
Balance, June 30, 2018	$ 1,091	$ 1,368	$ 1,935
Changes for the current fiscal year:			
Service cost	53	108	156
Interest cost	33	42	56
Changes of benefit terms			
Differences between expected and actual experience	(152)		545
Changes in assumptions or other inputs	173 (3)	17 (3)	(113) (3)
Benefit payments		(43)	(30)
Net changes	107	124	614
Balance, June 30, 2019	$ 1,198	$ 1,492	$ 2,549

	U of A	UCA	ANC
Balance, June 30, 2018	$ 68,805	$ 3,007	$ 552
Changes for the current fiscal year:			
Service cost	3,953	204	29
Interest cost	2,569	86	16
Changes of benefit terms	832		
Differences between expected and actual experience	(3,266)	407	
Changes in assumptions or other inputs	(691) (2)	(491) (2)	7 (3)
Benefit payments	(2,019)	(50)	(46)
Net changes	1,378	156	6
Balance, June 30, 2019	$ 70,183	$ 3,163	$ 558

	BRTC	EACC	NPC
Balance, June 30, 2018	$ 1,675	$ 558	$ 659
Changes for the current fiscal year:			
Service cost	100	41	43
Interest cost	50	17	20
Changes of benefit terms			
Differences between expected and actual experience			(4)
Changes in assumptions or other inputs	19 (3)	8 (3)	(239) (3)
Benefit payments	(77)	(21)	(10)
Net changes	92	45	(190)
Balance, June 30, 2019	$ 1,767	$ 603	$ 469

	NAC	OC	SACC
Balance, June 30, 2018	$ 597	$ 691	$ 593
Changes for the current fiscal year:			
Service cost	22	36	54
Interest cost	18	21	18
Changes of benefit terms			
Differences between expected and actual experience	219	(30)	(21)
Changes in assumptions or other inputs	101 (3)	29 (3)	11 (3)
Benefit payments		(5)	(12)
Net changes	360	51	50
Balance, June 30, 2019	$ 957	$ 742	$ 643

(1) Reflects adjustment to discount rate and mortality rates.
(2) Reflects a change in discount rate and changes in claim curves and trends.
(3) Reflects a change in discount rate.

(d) Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following table presents the total OPEB liability of the State by plan, as well as what the State's total OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current discount rate for each plan (expressed in thousands):

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASU	2.14%	$ 27,568	3.14%	$ 25,398	4.14%	$ 23,427
ATU	2.87%	9,069	3.87%	8,330	4.87%	7,698
HSU	2.50%	4,548	3.50%	4,271	4.50%	4,016
NWACC	1.79%	1,320	2.79%	1,198	3.79%	1,088
SAUT	1.79%	1,590	2.79%	1,492	3.79%	1,399
SAU	2.50%	2,780	3.50%	2,549	4.50%	2,342
U of A	2.87%	79,065	3.87%	70,183	4.87%	62,809
UCA	2.50%	3,418	3.50%	3,163	4.50%	2,933
ANC	1.79%	594	2.79%	558	3.79%	525
BRTC	1.79%	1,880	2.79%	1,767	3.79%	1,661
EACC	1.79%	648	2.79%	603	3.79%	561
NPC	1.79%	504	2.79%	469	3.79%	437
NAC	1.79%	1,055	2.79%	957	3.79%	869
OC	1.79%	823	2.79%	742	3.79%	670
SACC	1.79%	700	2.79%	643	3.79%	590

(e) Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following table presents the total OPEB liability of the State by plan, as well as what the State's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates for each plan (expressed in thousands):

	Total OPEB Liability		
	1% Decrease	Current Healthcare Cost Trend Rate (1)	1% Increase
ASU	$ 21,627	$ 25,398	$ 30,121
ATU	7,751	8,330	9,006
HSU	3,959	4,271	4,628
NWACC	1,044	1,198	1,383
SAUT	1,329	1,492	1,689
SAU	2,285	2,549	2,865
U of A	65,067	70,183	76,131
UCA	2,884	3,163	3,489
ANC	505	558	622
BRTC	1,587	1,767	1,981
EACC	530	603	692
NPC	415	469	534
NAC	836	957	1,103
OC	637	742	869
SACC	551	643	757

(1) The current healthcare cost trend rate for each institution is listed in the actuarial assumptions table.

(f) OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2019, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

	Total OPEB Expense
ASU	$ 2,873
ATU	338
HSU	57
NWACC	89
SAUT	152
SAU	217
U of A	4,252
UCA	265
ANC	47
BRTC	153
EACC	59
NPC	37
NAC	67
OC	58
SACC	72
Total	$ 8,736

At June 30, 2019, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

	ASU		ATU		HSU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience	2,681			(389)		(966)
Changes of assumptions and other inputs	734			(2,005)		(116)
State benefit payments and administrative expenses subsequent to the measurement date			641			
Ending balance	$ 3,415	$	$ 641	$ (2,394)	$	$ (1,082)

	NWACC		SAUT		SAU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience		(138)			507	(311)
Changes of assumptions and other inputs	170		27			(104)
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 170	$ (138)	$ 27	$	$ 507	$ (415)

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	U of A		UCA		ANC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Difference between expected and actual experience	203	(2,914)	372	(156)		
Changes of assumptions and other inputs	325	(9,929)		(449)	10	
State benefit payments and administrative expenses subsequent to the measurement date	2,180					
Ending balance	$ 2,708	$ (12,843)	$ 372	$ (605)	$ 10	$

	BRTC		EACC		NPC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience						(4)
Changes of assumptions and other inputs	31		12		6	(212)
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 31	$	$ 12	$	$ 6	$ (216)

	NAC		OC		SACC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience	201			(27)		(19)
Changes of assumptions and other inputs	99		35		15	
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 300	$	$ 35	$ (27)	$ 15	$ (19)

	TOTAL	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Beginning balance	$	$
Difference between expected and actual experience	3,964	(4,924)
Changes of assumptions and other inputs	1,464	(12,815)
State benefit payments and administrative expenses subsequent to the measurement date	2,821	
Ending balance	$ 8,249	$ (17,739)

$2.8 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

	Fiscal Year-ended June 30:						
	2020	2021	2022	2023	2024	Thereafter	Total
ASU	$ 609	$ 609	$ 609	$ 609	$ 594	$ 385	$ 3,415
ATU	(239)	(239)	(239)	(239)	(239)	(1,199)	(2,394)
HSU	(173)	(173)	(173)	(173)	(173)	(217)	(1,082)
NWACC	3	3	3	3	3	17	32
SAUT	3	3	3	3	3	12	27
SAU	5	5	5	5	5	67	92
U of A	(3,102)	(3,102)	(3,056)	(2,187)	(507)	(361)	(12,315)
UCA	(25)	(25)	(25)	(25)	(25)	(108)	(233)
ANC	1	1	1	1	1	5	10
BRTC	3	3	3	3	3	16	31
EACC	1	1	1	1	1	7	12
NPC	(26)	(26)	(26)	(26)	(26)	(80)	(210)
NAC	27	27	27	27	27	165	300
OC	1	1	1	1	1	3	8
SACC		(1)		(1)		(2)	(4)

(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
Current assets	$ 143,280	$ 119,548
Noncurrent assets		
Advances to other funds	470	
Other noncurrent assets	278,739	156,969
Total assets	$ 422,489	$ 276,517
Current liabilities		
Due to other funds		$ 279
Other current liabilities	$ 3,107	2,342
Noncurrent liabilities	18,850	14,185
Total liabilities	21,957	16,806
Net position		
Restricted	400,532	259,711
Total net position	400,532	259,711
Total liabilities and net position	$ 422,489	$ 276,517

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

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Operating revenue/expenses:		
Licenses, permits and fees	$ 2,652	$ 1,557
Operating expenses	(1,809)	(6,138)
Operating income (loss)	843	(4,581)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	7,781	5,610
Grants and contributions	4,816	13,357
Interest Expense	(683)	(516)
Nonoperating revenue	11,914	18,451
Transfers in (out), net		184
Change in net position	12,757	14,054
Total net position, beginning of year	387,775	245,657
Total net position, end of year	$ 400,532	$ 259,711

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	$ 1,560	$ 880
Noncapital financing activities	877	10,600
Investing activities	(38,556)	(11,798)
Net decrease	(36,119)	(318)
Cash and cash equivalents, beginning	122,313	73,590
Cash and cash equivalents, ending	$ 86,194	$ 73,272

(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 Ark. Code Ann. § 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, the State offers 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 years are as follows (expressed in thousands):

	2019	2018
Claim liability, beginning of year	$ 27,100	$ 27,700
Incurred claims:		
Provision for insured events of current year	272,692	271,715
Payments:		
Claims payments attributed to insured events of current year	255,897	253,156
Claims payments attributed to insured events of prior years	17,695	19,159
Total payments	273,592	272,315
Claim liability, end of year	$ 26,200	$ 27,100

Arkansas State Police Health Insurance Plan

Pursuant to Ark. Code Ann. § 12-8-210, the Arkansas State Police (ASP) offers healthcare benefits to active uniformed members and retirees. The ASP 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 ASP 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 ASP with final approval by the ASP Commission. The ASP Commission is authorized by Ark. Code Ann. § 12-8-210 to direct the plan. The current monthly budgeted premium, set on July 1, 2018, is $905 per budgeted commissioned position.

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

Liabilities for claims incurred but not reported are included in the ASP 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, 2019, are as follows (expressed in thousands):

	2019	2018
Claim liability, beginning of year	$ 1,020	$ 675
Incurred claims:		
Provision for insured events of current year	12,882	13,328
Increase (decrease) in provision for insured events of prior years	334	176
Total incurred claims and claim adjustment expense	13,216	13,504
Payments:		
Claims payments attributed to insured events of current year	12,393	12,308
Claims payments attributed to insured evens of prior years	1,355	851
Total payments	13,748	13,159
Claim liability, end of year	$ 488	$ 1,020

(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 unit, 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 $15,000 without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $15,000 must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the government-wide financial statements. The amount of claims awarded/allowed and awaiting review and approval to be paid by the General Assembly at June 30, 2019, is $270,000. 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 unit 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, and 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. Due to legislation ending new claims to the Death and Permanent Total Disability Trust Fund at June 30, 2019, it is anticipated that there will be increases in the claim liability for the State. It is anticipated that the increases will be small initially, increase each year, and eventually result in a cost to the Program of approximately $1.2 million per year by the year 2034.

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

	2019	2018
Claim liability, beginning of year	$ 81,652	$ 79,684
Incurred claims:		
Provision for insured events of current year	17,674	18,270
Increase (decrease) in provision for insured events of prior years	(2,742)	(3,211)
Total incurred claims and claim adjustment expense	14,932	15,059
Payments:		
Claims payments attributed to insured events of current year	5,799	5,861
Claims payments attributed to insured events of prior years	8,391	7,230
Total payments	14,190	13,091
Claim liability, end of year	$ 82,394	$ 81,652

(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 a $7,500 deductible, as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with a $7,500 deductible. The Storage Tank Fund is funded by an environmental assurance fee, collected at the wholesale level, of three-tenths of a cent for each gallon of fuel. The first party claim liability is determined through the use of the responsible party's consulting estimates of the remaining corrective action for each site. The third-party claim liability for a release is estimated at one half the plan limits (less the $7,500 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):

	2019	2018	
Claim liability, beginning of year	$ 10,208	$ 9,888	
Incurred claims:			
Provision for insured events of current year	12,632	5,599	(1)
Payments:			
Claims payments attributed to insured events of current year	3,972	5,279	
Claim liability, end of year	$ 18,868	$ 10,208	

(1) Restated

(e) Risk Management Office

The State established the Risk Management Office (RISK), Act 272 of 1981, 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 losses. However, Ark Code Ann. § 25-35-104 does require mandatory participation for those State agencies that choose to procure property and causality insurance offered through the Arkansas Multi-Agency Insurance Trust Fund (AMAIT). The University of Arkansas System has its own program that the RISK does not oversee.

For those State buildings covered by commercial insurance through the AMAIT Plan, the building and contents are generally insured for replacement cost subject to a $2.5 million aggregate retention paid from the AMAIT, Act 1762 of 2003, with varying deductible amounts retained by the State agency entities from $2,500 up to $100,000 per occurrence. The total annual payout by AMAIT is capped at $2.5 million. Losses arising from earth movement are generally insured for the full amount of losses and subject to a deductible of 5% of the combined building and content total value at the location where the loss or damage occurs. Due to market conditions, limited availability, and excessive cost, total earth movement coverage is limited to $100 million aggregate limit in Insurance Services Office (ISO) 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. Aggregate limits vary from $30 million in a Special Flood Hazard Zone A, with a $1 million deductible per occurrence, per location, per agency, up to $100 million in Zone X, with a $100,000 deductible per occurrence, per agency. Both earthquake and flood coverage limits are annual aggregate total maximum limits for the State.

The State does not purchase commercial general 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. Act 1188 of 2015 amended the AMAIT to allow for cyber security insurance. Cyber liability insurance coverage for all participating State agencies became effective on August 14, 2018.

RISK provides staff for the Arkansas Governmental Bonding Board in the administration of the State of Arkansas Self-Insured Fidelity Bond Program. The Bond Program provides fidelity bond coverage for actual losses through fraudulent and dishonest acts caused by employees or officials of all participating governments: State, county, municipal and school district entities.

For those State vehicles covered by commercial business auto insurance, each participating agency determines which, if any, vehicles to insure for physical damage and is subject to a per occurrence deductible of $500 comprehensive and $1,000 collision coverage. Also, such commercial business auto insurance generally provides coverage against liability losses up to $250,000 per occurrence in-state and $5 million per occurrence out-of-state. The participating State agency does not have a per occurrence deductible on third liability claims. Twenty-two higher education institutions and State agencies have elected to purchase $1.0 million liability coverage in-state. Two State agencies (Arkansas Department of Transportation and Arkansas State Police) have elected not to purchase commercial business auto insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Auto 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 and dental plans. 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 participate in the health insurance programs, which are administered by Arkansas Blue Advantage 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 who are not Medicare eligible.

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

	2019	2018
Claim liability, beginning of year	$ 19,056	$ 16,587
Incurred Claims:		
Provision for insured events of current year	194,982	184,322
Increase (decrease) in provision for insured events of prior years	(2,682)	(331)
Total incurred claims and claim adjustment expense	192,300	183,991
Payments:		
Claims payments attributed to insured events of current year	175,052	165,266
Claims payments attributed to insured events of prior years	16,375	16,256
Total Payments	191,427	181,522
Claim liability, end of year	$ 19,929	$ 19,056

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $1.1 million and $275,000 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 $159 in plan year 2019. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Ark. Code Ann. § 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 Ark. Code Ann. § 6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1, 2017, Ark. Code Ann. § 6-17-1117 authorizes the Department of Education (DOE) to pay an additional matching amount of $55 million per fiscal year to EBD. Effective July 1, 2009, Act 1421 of 2009 authorizes the DOE 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 years are as follows (expressed in thousands):

	2019	2018
Claim liability, beginning of year	$ 29,000	$ 27,100
Incurred claims:		
Provision for insured events of current year	281,668	271,486
Payments:		
Claims payments attributed to insured events of current year	264,185	242,694
Claims payments attributed to insured events of prior years	18,483	26,892
Total payments	282,668	269,586
Claim liability, end of year	$ 28,000	$ 29,000

(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 and Permanent Total Disability Trust Fund (Disability Trust Fund). The second such plan was created by State law and is known as the Second Injury Trust Fund.

Death and Permanent Total Disability Trust Fund

Initiated Act 4 of 1948, as amended, established 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. Ark. Code Ann. § 11-9-502 provides for the first $75,000 of weekly benefits (the indemnity threshold) for death or permanent total disability to be paid by the employer or its insurance carrier. Act 1599 of 2007 amended Ark. Code Ann. § 11-9-502 to move the indemnity threshold up to 325 times the maximum total disability rate, or $226,000 for 2019. Accordingly, the Disability Trust Fund was established. The taxation rate is determined by the Workers' Compensation Commission in accordance with Ark. Code Ann. § 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. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. §11-9-502, the current maximum tax rate of 3% will change to 1.5%. 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. In effect, this act has eliminated the Death and Permanent Disability Trust Fund with regard to claims made after June 30, 2019.

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 current and prior fiscal years (expressed in thousands):

	2019	2018
Claim liability, beginning of year	$ 222,188	$ 226,839
Incurred claims:		
Provision for insured events of current year	6,937	7,334
Increase (decrease) in provision for insured events of prior years	(6,338)	(8,479)
Increase due to decrease in discount period	10,755	10,979
Total incurred claims and claim adjustment expense	11,354	9,834
Payments:		
Claims payments attributed to insured events of prior years	14,177	14,485
Claim liability, end of year	$ 219,365	$ 222,188

Total unpaid claims and claim adjustment expenses at the beginning of year do reflect the impact of Act 327 of 2009. Act 327, which became law in 2009, transferred 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. Ark. Code Ann. § 11-9-525 provides that an employer employing a disabled 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. The Second Injury Fund pays the injured worker the difference between the employer's liability and the balance of his or her disability or impairment that result from all disabilities or impairments combined. Accordingly, the Workers' Compensation Commission, in accordance with Ark. Code Ann. § 11-9-306, limits the tax rate to 3% of written manual premiums of workers' compensation insurance written on all risks within the State. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. § 11-9-502, the current maximum tax rate of 3% will change to 1.5%. 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 Ark. Code Ann. § 11-9-525 by prohibiting claims for second injuries being made under the provisions of Ark. Code Ann. § 11-9-525 after January 1,

2008. In effect, this act has eliminated the Second Injury Fund with regard to claims made after December 31, 2007.

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

	2019	2018
Claim liability, beginning of year	$ 28	$ 288
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	(2)	(274)
Increase due to decrease in discount period		14
Total incurred claims and claim adjustments expense	(2)	(260)
Payments:		
Claims payments attributed to insured events of prior years	25	0
Claim liability, end of year	$ 1	$ 28

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

(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 $347,000 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 $10 million.

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

	2019	2018
Litigation, beginning of year	$ 421	$ 218
Incurred litigation	524	12,557
Litigation payments/dismissals	(598)	(12,354)
Litigation, end of year	$ 347	$ 421

(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, 2019, the amount of expenditures that may be disallowed by the grantor resulting from financial and compliance audits was $374,000.

(c) Construction and Other Commitments

At June 30, 2019, the State had commitments of approximately $2.1 billion for construction and other contracts and approximately $578 million for professional service contracts. The Arkansas Natural Resources Commission has approved $14.8 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2019.

(d) Bond Guarantees

In accordance with the Venture Capital Investment Act of 2001, the State of Arkansas has guaranteed loans obtained by the Arkansas Institutional Fund (AIF) through the Bond Reserve Guarantee Fund and in the form of income tax credits to be issued by the Department of Finance and Administration. The tax credits can only be used to offset payment of reported state income tax liability and are not refundable. The guarantee extends through maturity of the loans with the last maturity date being March 2020. The Bond Reserve Guarantee Fund is subject to the first $10 million in loans and the balance is guaranteed by the pledge of tax credits. In the event AIF is unable to make the required payments on the loans, the State is required to issue tax credits to the creditor for any balances not covered by the Bond Reserve Guarantee Fund. The maximum amount of tax credits that can be issued is $60 million, not to exceed $10 million per fiscal year. As of June 30, 2019, the exposure is the outstanding line of credit of $22.5 million plus an additional $3.5 million in approved but not yet funded investments.

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, 2019, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $20.4 million. During fiscal year 2019, $5.2 million of these were in default.

(e) 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 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, 2019, the University would have incurred a liability of $69.7 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 2019. In fiscal year 2019, the State recorded a total of $55.4 million, with $5 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

Business-Type Activities

(a) Litigation

The State's business-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, 2019, 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, 2019.

(b) Settlements

Higher Education

The University of Arkansas for Medical Sciences (UAMS) has contractual agreements with governmental and other third-party payors that provide for reimbursements at amounts different from their established rates. At June 30, 2019, UAMS had an estimated net settlement payable of approximately $36.1 million. These settlements are initially paid out for cost-reimbursable items at a tentative rate, with the final settlement determined after submission of an annual cost report by the hospital and an external audit.

(c) Construction and Other Commitments

Higher Education

At June 30, 2019, the State had commitments in its business-type activities of approximately $134.0 million for construction and other contracts and approximately $2.3 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 two 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 multi-year contracts with both vendors that expire in fiscal year 2027. Total fees paid on these contracts for the fiscal year ended June 30, 2019, were $23.6 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 $345,000 per year, and reimbursable travel costs will not exceed $100,000 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 2019, $3.8 million incentive compensation costs and $8,000 travel costs were paid by OAL.

Component Unit Activities

Construction and Other Commitments

Arkansas Development Finance Authority

ADFA has $22.9 million 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, 2019.

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, 2019, was $22.5 million. There is an additional $3.5 million in approved but not yet funded investments that are anticipated to become part of the AIF.

Outstanding commitments to various funds/companies were $5.7 million for the year ending June 30, 2019.

In June 2019, the Bond Guaranty Fund guaranteed a letter of credit with a financial institution for up to $3.75 million in the event of non-performance by the borrower.

ADFA 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 ADFA, 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, ADFA has contracted with EdFinancial to perform a variety of administrative activities primarily related to marketing ADFA and certain other administrative functions on behalf of ADFA's student loan programs.

(19) Business Incentives

(a) Create Rebate Program

The Create Rebate Program is authorized by the Consolidated Incentives Act of 2003 (Ark. Code Ann. §§ 15-4-2701 – 2714). 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, 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 (DFA). 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 $226.2 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):

	2019	2018
Create Rebate business incentives, beginning of year	$ 150,208	$ 114,575
Incurred Create Rebate business incentives, net of allowance	87,474	48,231
Create Rebate business incentives payments/dismissals	(11,471)	(12,598)
Create Rebate business incentives, end of year	$ 226,211	$ 150,208
Current Create Rebate business incentives	$ 11,600	$ 11,716
Noncurrent Create Rebate business incentives	214,611	138,492

(b) Tax Back Program

The Tax Back Program is authorized under Ark. Code Ann. § 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 Revenue Division of DFA within three years from the date of purchase. The State has accrued liabilities in the approximate amount of $3.0 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):

	2019	2018
Tax Back business incentives, beginning of year	$ 5,356	$ 4,316
Incurred Tax Back business incentives, net of allowance	959	4,567
Tax Back business incentives payments/dismissals	(3,279)	(3,527)
Tax Back business incentives, end of year	$ 3,036	$ 5,356
Current Tax Back business incentives	$ 3,036	$ 3,169
Noncurrent Tax Back business incentives		2,187

(20) Tax Abatements

As of June 30, 2019, the State provides tax abatements through 12 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 Ark. Code Ann. § 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. 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' 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 Ark. Code Ann. § 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 of 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 Ark. Code Ann. § 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 Ark. Code Ann. § 15-4-2706(d). To be eligible, a business must be endorsed by the governing authority of the municipality, county, or both in whose jurisdiction the business will be located; propose a minimum investment of $100,000; and sign a job creation financial incentive agreement under Ark. Code Ann. § 15-4-2705 or Ark. Code Ann. § 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 Revenue Division 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) 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 Ark. Code Ann. § 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' 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.

(f) 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 Ark. Code Ann. § 15-4-2708(c) and (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' annual income tax liability. Targeted businesses may sell unused credits as authorized by Ark. Code Ann. § 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 $50,000. 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 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 Ark. Code Ann. § 15-4-2709. To be eligible, a business must be identified by the AEDC as being in a business sector targeted for growth under Ark. Code Ann. § 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' annual payroll but not to exceed $100,000 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. No income taxes were abated under this program for the fiscal year ended June 30, 2019.

(h) 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 Ark. Code Ann. §§ 15-11-501 – 15-11-511. 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 10 years. Tax abatements are made as follows:

- To receive a sales and use tax credit, the company must certify to the Director of the Department of Finance and Administration (DFA) that the minimum investment has been made in the project. The sales tax credit approved by 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 Ark. Code Ann. § 15-11-503(13)(A). The approved company shall certify its payroll to the Revenue Division. The Revenue Division 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.

(i) 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 Ark. Code Ann. §§ 26-51-1001 – 26-51-1014. To be eligible, an entity must agree to undertake a project that meets standards established by the Arkansas Natural Resources 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 10 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 awarded entities cannot cumulatively exceed $10 million. In the calendar year when the cumulative amount of credits taken reaches $10 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.

(j) 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 Ark. Code Ann. §§ 26-51-1501 – 26-51-1510. 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 $50,000. 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 $500,000, 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) 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 Ark. Code Ann. §§ 26-51-1701 – 26-51-1705. 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. 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 $250,000. No other commitments are made by the State under this program.

(l) 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 Ark. Code Ann. § 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 million into the project. A refund of 100% of sales and use taxes paid on eligible purchases and expenditures shall be authorized by 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.

A summary of the taxes abated by tax abatement program for fiscal year ended June 30, 2019, is as follows (expressed in thousands):

Tax Abatement Program		2019
Income Tax Abatements		
ArkPlus Program	$	5,049
In-House Research and Development Program		3,999
Advantage Arkansas Program		936
Water Resource Conservation and Development Program		541
Low Income Housing Program		305
Targeted Research Program		289
Wetland and Riparian Zone Program		269
Sales and Use Tax Abatements		
InvestArk Program		46,072
Tourism Development Program		1,880
Major Maintenance and Improvement Program		1,281
Tax Back Program		959

(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 (1) an ongoing financial interest or (2) an ongoing financial responsibility. During the fiscal year ended June 30, 2019, the Office of 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 the 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 by an independent auditor in its state. 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 MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions® which are maintained by MUSL. The MUSL prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prize 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 MUSL. As of June 30, 2019, the OAL had reserve fund deposits with MUSL of $2.6 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 MUSL, Attn: Bret Toyne, Executive Director or Gene Schaller, Director of Finance, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2019, is summarized in the table below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 34,162	$ 16,303
Mega Millions®	33,553	16,060
Lucky for Life®	3,212	1,633

(22) Subsequent Events

Primary Government

Governmental Activities

Reorganization of State Government

On April 11, 2019, the Transformation and Efficiencies Act was signed into law as Act 910 of 2019 effective July 1, 2019. The largest reorganization of state government in nearly 50 years, Act 910 accomplishes six key objectives to improve state government:

- Reduces the number of cabinet-level agencies by nearly 65 percent, from 42 to 15, to improve the quality and delivery of services and strengthen the affected agencies by providing more resources and eliminate duplicative processes,
- Assigns boards and commissions to cabinet-level departments matching their function with that of a related cabinet-level department,
- Improves the delivery of services to Arkansas taxpayers,
- Improves management control throughout state government through the creation of the Department of Transformation and Shared Services,
- Allows agencies to maintain their independent services, where appropriate, and
- Creates savings for the State and taxpayers through reduced costs, shared services and a more responsive management approach.

All reorganization efforts will be implemented using existing resources and without adding any additional staff. The new cabinet-level departments that began operations on July 1, 2019, and significant agencies, boards and commissions they include are as follows:

Cabinet-Level Department	Significant Agencies
Department of Agriculture	Arkansas Agriculture Department
	Arkansas Natural Resources Commission
Department of Commerce	Arkansas Economic Development Commission
	Department of Workforce Services
	State Bank Department
	State Insurance Department
	State Securities Department
	Department of Aeronautics
	Arkansas Rehabilitation Services
	Transferred from the Department of Career Education:
	Adult Education Section
Department of Corrections	Department of Correction
	Department of Community Correction
Department of Education	Department of Education
	Department of Higher Education
	Department of Career Education
	except for the Adult Education Section

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Cabinet-Level Department	**Significant Agencies**
Department of Energy and Environment	Department of Environmental Quality Arkansas Oil and Gas Commission Arkansas Geological Survey
Department of Finance and Administration	Department of Finance and Administration Assessment Coordination Department
Department of Health	Department of Health Arkansas Minority Health Commission Health Permit Services Agency 19 health-related boards and commissions
Department of Human Services	Department of Human Services
Department of Inspector General	Office of Medicaid Inspector General Arkansas Fair Housing Commission Transferred from the Dept. of Finance and Administration: Internal Audit Section
Department of Labor and Licensing	Department of Labor Arkansas Workers' Compensation Commission 20 regulatory boards and commissions
Department of the Military	State Military Department
Department of Parks, Heritage and Tourism	Department of Parks and Tourism Department of Arkansas Heritage Capitol Zoning Commission
Department of Public Safety	Department of Emergency Management Department of Arkansas State Police
Department of Transformation and Shared Services	Department of Information Systems Geographic Information Systems Office Transferred from the Dept. of Finance and Administration: Building Authority Division Employee Benefits Division Office of Personnel Management Office of State Procurement
Department of Veterans Affairs	Department of Veterans Affairs

The organization chart that diagrams the structure of the State as of June 30, 2019, is located at the front of the CAFR.

Department of Parks, Heritage and Tourism

In July 2019, the State finalized an agreement with C & H Hog Farms, Inc. They were engaged in agricultural operations in the watershed of the Buffalo National River. To alleviate concerns about possible contamination of the river, the State agreed to pay $6.2 million to C & H Hog Farms in exchange for closure of the concentrated animal feeding operation and a permanent conservation easement which will restrict certain current uses of the land and improvements. The $6.2 million, paid on August 5, 2019, was placed in escrow and will be released to C & H Hog Farms upon completion of the closure activities. The closure activities are expected to be completed by June 2020. In addition, the State agreed to undertake certain closure activities to terminate the operations. Further details of this agreement can be found in Note 12.

Arkansas Department of Rehabilitation Services

Arkansas Rehabilitation Services (ARS) closed its residential program (ACT1) on September 30, 2019. The Agency intends to totally vacate the facility before year end. About 120 employees will be downsized as a result of ARS's conversion to a non-residential treatment model. The facility being vacated is the old Army/Navy Hospital, which was constructed in the 1880s. It was transferred to ARS in early 1960.

The Hospital was recorded as a donation in 1963, and significant costs of renovation and repairs were capitalized. The net book value of the facility is about $5.0 million. ARS has not recorded the write-off of the facility as the ultimate outcome has not been determined.

Department of Workforce Services

On August 26, 2019, the Department of Workforce Services acquired land and a building located on South University Avenue in Little Rock that it had been leasing. The purchase price was $4.6 million.

Business-Type Activities

Arkansas State University System (ASU)

On November 13, 2018, the Board of Trustees of the College of the Ouachitas (COTO) voted to pursue alignment with ASU. On February 5, 2019, at a regularly scheduled meeting, COTO Board of Trustees voted unanimously to join the ASU System. On February 20, 2019, the COTO Board of Trustees and ASU Board of Trustees entered into an agreement of merger and plan to transition COTO as a campus of the ASU System. Merger is projected to finalize January 1, 2020.

On December 7, 2019, ASU and Henderson State University entered into an agreement to complete a merger by 2021.

University of Arkansas - Fayetteville

On August 22, 2019, the University closed the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus) Refunding and Improvement Series 2019A with a par amount of $59.7 million. The bonds provide resources of $30.0 million for various qualifying capital projects. In addition, the bonds provide resources of $44.6 million for the current refunding of the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 2009A. The University contributed $1.9 million into the escrow account to pay the principal amount of $1.3 million due on November 1, 2019, plus accrued interest. The remaining outstanding balance of $42.3 million will be redeemed via the escrow account on the same day.

On August 22, 2019, the University closed the Board of Trustees of the University of Arkansas Athletic Facilities Revenue Bonds (Fayetteville Campus) Series 2019A with a par amount of $24.9 million. The bonds provide resources of $31.0 million for the acquisition, construction, furnishing and equipping of a track and field high performance center; the acquisition, construction, furnishing and equipping of a baseball development center; and the acquisition, construction, improvement, renovation, equipping and/or furnishings of other qualifying capital projects.

On November 5, 2019, the University closed the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus) Taxable Refunding Series 2019B with a par amount of $139.2 million. The bonds provide resources of $138.7 million to advance refund $78.9 million of outstanding Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus) Series 2011A, and $50.6 million of outstanding Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus) Series 2012B. The amount of each refunded series represents all of the outstanding maturities starting with the November 1, 2022, until final maturity for each issue. After the regularly scheduled debt service payments were made on November 1, 2019, there are remaining balances of $4.9 million for Series 2011A and $2.7 million for Series 2012B representing bonds with maturity dates through November 1, 2021.

University of Arkansas for Medical Sciences

On October 24, 2019, the University closed the Board of Trustees of the University of Arkansas Various Facilities Revenue Bonds (Medical Sciences Campus) Series 2019A (tax exempt) of bonds with a par amount of $48.6 million and 2019B (taxable) of bonds with a par amount of $97.5 million. The bonds provide resources of $157.1 million for the Energy Savings Performance Contract and the Construction Interest Expense Account. The bonds will be repaid over a period of 23 years.

University of Arkansas - Pulaski Technical College

On November 5, 2019, the University closed the Board of Trustees of the University of Arkansas Student Tuition and Fee Revenue Bonds (Pulaski Technical College campus) Taxable Refunding Series 2019A with a par amount of $56.7 million. The bonds provide resources of $59.5 million for the advance refunding of the Board of Trustees of the University of Arkansas Student Tuition and Fee Revenue Bonds (Pulaski Technical College Campus) Series 2011. The University contributed $805,000 into the escrow account along with the release of the 2011 escrow account balance of $5.9 million. The remaining outstanding balance of the bonds will be redeemed when eligible to do so.

University of Arkansas - Rich Mountain

On July 25, 2019, the University closed the Board of Trustees of the University of Arkansas Various Facilities Revenue Refunding and Improvement Bonds (Rich Mountain Campus) Series 2019 with a par amount of $8.3 million. The bonds provide resources of $7.5 million for the acquisition, construction, furnishing and equipping of a student housing facility and other qualifying capital projects on the Campus. The funding for an account for interest during construction of $199,000 was also provided. In addition, the bonds provide resources of $1.6 million for the current refunding of the Board of Trustees of Rich Mountain Community College Student Tuition and Fee Revenue Bonds Series 2012.

National Park College

On August 22, 2019, the College closed the Board of Trustees of National Park College Student Tuition and Fee and Auxiliary Revenue Bonds – Series 2019 in the amount of $9.0 million. The proceeds of the issue will be used to finance all or a portion of the costs of the acquisition, construction, furnishing and equipping of a new student housing facility

North Arkansas College

On November 12, 2019, the College closed the Board of Trustees of North Arkansas College Special Obligation Refunding Bonds – Series 2019 in the amount of $6.5 million. The proceeds are to be used primarily to refund NAC's Series 2012A and 2012B outstanding issues.

Southern Arkansas University

On September 26, 2019, the College closed the Board of Trustees of Southern Arkansas University $5.6 million Student Fee Secured Refunding Bonds Series 2019A to refund all or part of 2013B, 2015 and 2016 issues. The Series 2019B, $7.0 million Auxiliary Enterprises Secured Refunding Bonds, are to be used to refund added Series 2015, 2016 and 2018A issues.

Henderson State University

An agreement was signed with First Security Finance on August 20, 2019, to fund the renovation of Smith Hall and Newberry Hall and to perform energy savings measures in the amount of $16.0 million at an interest rate of 3.73%.

On July 11, 2019, the University received an appropriation advance of $6.0 million from the Arkansas Department of Finance and Administration Stabilization Trust Fund. The University plans to repay the advance beginning February 2020.

Northwest Arkansas Community College

On May 23, 2019, the Board of Directors of Northwest Arkansas Community College approved the $4.4 million external financing of the estimated $7.4 million SIS (ERP) Workday Software Service.

Arkansas Department of Finance and Administration – Office of Arkansas Lottery (OAL)

On September 6, 2019, the Arkansas Department of Higher Education (ADHE) refunded $3.9 million to the OAL for the fiscal year ended June 30, 2019. Additionally, at the request of ADHE, on October 16, 2019, a payment of $35.0 million was made from the Education Trust Account to ADHE.

REQUIRED SUPPLEMENTARY INFORMATION

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)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 6,919	$ 6,927	$ 7,221	$ 7,230	$ 5,342
Interest	15,878	15,379	16,121	15,770	14,883
Differences between expected and actual experience	(4,482)	(744)	(3,463)	(5,184)	12,970
Changes of assumptions			2,369		24,290
Benefit payments	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(22)		(78)	(1)	(14)
Net changes in total pension liability	5,313	8,793	9,860	5,808	46,708
Total pension liability - beginning	279,175	270,382	260,522	254,714	208,006
Total pension liability - ending (a)	$ 284,488	$ 279,175	$ 270,382	$ 260,522	$ 254,714
Plan Fiduciary Net Position					
Employer contributions	$ 8,234	$ 8,421	$ 8,486	$ 5,561	$ 5,690
Employee contributions	988	1,016	1,063	1,011	946
Net investment income	14,656	19,162	28,044	(1,744)	9,972
Benefit payments	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(22)		(79)	(1)	(14)
Administrative expense	(147)	(142)	(169)	(159)	(138)
Other	42				
Net change in plan fiduciary net position	10,771	15,688	25,035	(7,339)	5,693
Plan fiduciary net position - beginning	256,508	240,820	215,785	223,124	217,431
Plan fiduciary net position - ending (b)	$ 267,279	$ 256,508	$ 240,820	$ 215,785	$ 223,124
State's net pension liability - ending (a-b)	$ 17,209	$ 22,667	$ 29,562	$ 44,737	$ 31,590
Plan fiduciary net position as a percentage of total pension liability	93.95%	91.88%	89.07%	82.83%	87.60%
Covered payroll	$ 23,603	$ 23,435	$ 22,918	$ 22,308	$ 22,308
Net pension liability as percentage of covered payroll	72.91%	96.72%	128.99%	200.54%	141.61%

Notes to Schedule

The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this 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)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 6,691	$ 6,577	$ 5,474	$ 5,488	$ 6,102
Interest	31,300	30,678	30,323	29,470	29,219
Differences between expected and actual experience	(1,805)	467	(3,053)	1,757	(3,107)
Changes of assumptions		(4,529)	15,875		8,703
Benefit payments	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Net changes in total pension liability	11,256	9,008	23,987	10,680	17,558
Total pension liability - beginning	446,878	437,870	413,883	403,203	385,645
Total pension liability - ending (a)	$ 458,134	$ 446,878	$ 437,870	$ 413,883	$ 403,203
Plan Fiduciary Net Position					
Employer contributions	$ 21,254	$ 21,004	$ 19,961	$ 19,713	$ 19,784
Employee contributions					95
Net investment income	17,031	28,823	31,484	(210)	6,132
Benefit payments	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Administrative expense	(554)	(229)	(208)	(206)	(196)
Net change in plan fiduciary net position	12,801	25,413	26,605	(6,738)	2,456
Plan fiduciary net position - beginning	324,938	299,525	272,920	279,658	277,202
Plan fiduciary net position - ending (b)	$ 337,739	$ 324,938	$ 299,525	$ 272,920	$ 279,658
State's net pension liability - ending (a-b)	$ 120,395	$ 121,940	$ 138,345	$ 140,963	$ 123,545
Plan fiduciary net position as a percentage of total pension liability	73.72%	72.71%	68.41%	65.94%	69.36%
Covered payroll (1)	$ 30,288	$ 29,593	$ 29,077	$ 29,449	$ 29,929
Net pension liability as a percentage of covered payroll	397.50%	412.06%	475.79%	478.67%	412.79%

Notes to Schedule

(1) In 2017, actual Deferred Retirement Option participant pays were used. In 2015 and 2016, an estimate of average annual payroll for DROP participants of $75,000 and $67,000, respectively, was used.

The State implemented GASB Statement No. 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)

	2019	2018	2017	2016	2015
Total Pension Liability					
Service cost	$ 23,601	$ 42,816	$ 18,935	$ 18,413	$ 16,863
Interest	113,809	110,544	126,829	115,441	112,962
Benefit changes		(101,042)			
Differences between expected and actual experience	49,165	(31,507)	20,926	20,791	
Changes of assumptions	(331,140)	(137,435)	790,990	91,941	
Benefit payments, including refunds of employee contributions	(115,747)	(111,905)	(106,756)	(102,246)	(95,455)
Net changes in total pension liability	(260,312)	(228,529)	850,924	144,340	34,370
Total pension liability - beginning	2,251,671	2,480,200	1,629,276	1,484,936	1,450,566
Total pension liability - ending (a)	$ 1,991,359	$ 2,251,671	$ 2,480,200	$ 1,629,276	$ 1,484,936
Plan Fiduciary Net Position					
Employer contributions	$ 19,294	$ 19,175	$ 19,232	$ 19,059	$ 18,615
Employee contributions	9,164	9,144	9,379	9,138	8,884
Net investment income	205,498	133,168	(60,344)	25,384	234,209
Benefit payments, including refunds of employee contributions	(115,748)	(111,905)	(106,756)	(102,246)	(95,455)
Administrative expense	(56)	(130)	(118)	(91)	(43)
Net change in plan fiduciary net position	118,152	49,452	(138,607)	(48,756)	166,210
Plan fiduciary net position - beginning	1,354,321	1,304,869	1,443,476	1,492,232	1,326,022
Plan fiduciary net position - ending (b)	$ 1,472,473	$ 1,354,321	$ 1,304,869	$ 1,443,476	$ 1,492,232
State's net pension liability - ending (a-b)	$ 518,886	$ 897,350	$ 1,175,331	$ 185,800	$ (7,296)
Plan fiduciary net position as a percentage of total pension liability	73.94%	60.15%	52.61%	88.60%	100.49%
Covered payroll (2) (3)	$ 148,528	$ 141,155	$ 141,906	$ 140,544	$ 137,262
Net pension liability as a percentage of covered payroll	349.35%	635.72%	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 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.
(3) Starting in fiscal year 2019, the covered payroll is the payroll on which contributions to a pension plan are based.

The State implemented GASB Statement No. 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)

	2019	2018	2017
Actuarially determined contribution	$ 8,234	$ 8,421	$ 8,485
Contributions in relation to the actuarially determined contribution	8,234	8,421	8,485
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 23,603	$ 23,435	$ 22,918
Contributions as a percentage of covered payroll	34.89%	35.93%	37.02%

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	20 years beginning July 1, 2017 15 years for all other liabilities
Asset valuation method	4-year smoothed market, 25% corridor
Inflation	2.50% price inflation
Salary increases	3.25%
Investment rate of return	5.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP-2014 mortality tables, adjusted for mortality improvement back to the observation period base year of 2006, and using the MP-2016 improvement scale.

Other information:

Assumptions were updated based on the five-year Experience Study covering the period July 1, 2011 through June 30, 2016. There were no benefit changes reflected in the June 30, 2017, valuation.

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	2016	2015	2014	2013	2012	2011	2010
	$ 5,561	$ 5,690	$ 6,117	$ 5,672	$ 5,465	$ 5,221	$ 4,668
	5,561	5,690	6,117	5,672	5,465	5,221	4,668
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 22,308	$ 22,308	$ 19,782	$ 19,586	$ 19,202	$ 19,338	$ 18,630
	24.93%	25.51%	30.92%	28.96%	28.46%	27.00%	25.06%

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

	2019	2018	
Actuarially determined contribution	$ 15,600	$ 15,200	(2)
Contributions in relation to the actuarially determined contribution	21,300	21,000	
Contribution deficiency (excess)	$ (5,700)	$ (5,800)	(2)
Covered payroll (1)	$ 30,300	$ 30,000	
Contributions as a percentage of covered payroll	70.30%	70.00%	

Notes to Schedule

(1) In 2016, $67,000 was used as an estimate of average annual pay for DROP participants. In 2015, $75,000 was used as an estimate of average annual pay for DROP participants.
(2) Restated to match actuary.

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	21 years
Asset valuation method	4-year smoothed market
Inflation	2.50% price inflation
Salary increases	3.55% to 7.75% 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-2006 Healthy Annuitant benefit weighted generational morality table for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for future mortality improvements using Scale MP-2017.

Other information:
The actuarial assumptions were updated in the June 30, 2018, actuarial valuation as a result of a 5-year experience study.

	2017		2016		2015		2014		2013		2012		2011		2010
$	14,100	$	14,300	$	14,200	$	14,000	$	13,600	$	14,100	$	12,600	$	12,700
	20,000		19,700		19,800		19,500		19,500		19,700		14,100		20,500
$	(5,900)	$	(5,400)	$	(5,600)	$	(5,500)	$	(5,900)	$	(5,600)	$	(1,500)	$	(7,800)
$	29,100	$	29,400	$	29,900	$	29,100	$	28,100	$	29,500	$	28,200	$	28,500
	68.73%		67.01%		66.22%		67.01%		69.40%		66.78%		50.00%		71.93%

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

`	2019	2018		2017	2016	2015	2014
Statutorily determined contribution	$ 19,282	$ 19,294		$ 19,175	$ 19,232	$ 19,059	$ 18,615
Contributions in relation to the statutorily determined contribution	19,282	19,294		19,175	19,232	19,059	18,615
Contribution deficiency (excess)	$ 0	$ 0		$ 0	$ 0	$ 0	$ 0
Covered payroll (1) (2)	$ 146,461	$ 148,528	(3)	$ 141,155	$ 141,906	$ 140,544	$ 137,262
Contributions as a percentage of covered payroll	13.16%	12.99%	(3)	13.58%	13.55%	13.56%	13.56%

Notes to Schedule

(1) The covered payroll is the reported salary 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, then it has been annualized.
(2) Starting in fiscal year 2019, the covered payroll is the payroll on which contributions to a pension plan are based.
(3) Restated to match actuary.
The State implemented GASB Statement No. 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)

	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	65.78%	65.68%	66.75%	67.27%	67.64%
State's proportionate share of the net pension liability (asset)	$ 1,451,086	$ 1,697,154	$ 1,596,332	$ 1,238,862	$ 959,763
State's covered payroll	$ 1,179,811	$ 1,101,174	$ 1,125,557	$ 1,112,250	$ 1,105,688
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	122.99%	154.12%	141.83%	111.38%	86.80%
Plan fiduciary net position as a percentage of the total pension liability	79.59%	75.65%	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.
The State implemented GASB Statement No. 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)

	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	3.60%	3.79%	3.96%	4.14%	4.29%
State's proportionate share of the net pension liability (asset)	$ 130,937	$ 159,385	$ 174,692	$ 134,997	$ 112,517
State's covered payroll	$ 109,372	$ 111,173	$ 115,753 (2)	$ 119,107	$ 121,357
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	119.72%	143.37%	150.92%	113.34%	92.72%
Plan fiduciary net position as a percentage of the total pension liability	82.78%	79.48%	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.
The State implemented GASB Statement No. 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)

	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 191,079	$ 180,533	$ 170,844	$ 174,479	$ 175,750	$ 177,950
Contributions in relation to the statutorily determined contribution	191,079	180,533	170,844	174,479	175,750	177,950
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 1,196,454	$ 1,179,780	$ 1,101,174	$ 1,125,557 (1)	$ 1,112,250 (1)	$ 1,105,688
Contributions as a percentage of covered payroll	15.97%	15.30%	15.51%	15.50%	15.80%	16.09%

Notes to Schedule

(1) Restated to match actuary.
The State implemented GASB Statement No. 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)

	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 14,876	$ 15,213	$ 15,619	$ 16,337	$ 17,118	$ 17,352
Contributions in relation to the statutorily determined contribution	14,876	15,213	15,619	16,337	17,118	17,352
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 106,781	$ 109,372	$ 111,173	$ 115,753 (1)	$ 119,107 (1)	$ 121,357
Contributions as a percentage of covered payroll	13.93%	13.91%	14.05%	14.11%	14.37%	14.30%

Notes to Schedule

(1) Restated to match actuary.
The State implemented GASB Statement No. 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, 2019
(Expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures (1)				
Current:				
General government	$ 6,533,834	$ 5,953,535	$ 2,094,658	$ 3,858,877
Education	4,280,647	4,293,315	3,754,311	539,004
Health and human services	8,915,503	9,602,642	8,783,248	819,394
Law, justice and public safety	931,116	965,710	822,319	143,391
Recreation and resource development	505,882	534,614	317,573	217,041
Regulation of business and professionals	193,149	224,850	121,983	102,867
Transportation	711,676	746,215	475,787	270,428
Debt service	161,558	195,606	148,896	46,710
Capital outlay	1,715,516	1,648,548	783,767	864,781
Total expenditures	$ 23,948,881	$ 24,165,035	$ 17,302,542	$ 6,862,493

(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, 2019

(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 DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DFA, and 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and 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 that lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by DFA, which utilizes quarterly allotments that 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.

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, Arkansas law authorizes DFA to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

Budget is controlled at the appropriation line item (commitment item), which is the legal level of budgetary control. For financial reporting, the State groups these appropriation account categories by function to conform to its organizational structure. The separately issued Budget Compliance Report tracks budget compliance at the funds center and commitment item level.

The following is a reconciliation of GAAP basis expenditures presented in the financial statements to the statutory cash basis expenditures of the General Fund (expressed in thousands):

Total GAAP basis expenditures General Fund	$	17,238,444
Less non-cash expenditures		(556,746)
Less non-appropriated expenditures		(7,773,695)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		7,673,458
Plus refunds treated as reduction of revenue for financial statements purposes		791,463
Less basis of accounting differences		(70,382)
Total statutory basis expenditures General Fund	$	17,302,542

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

	2019	2018	2017	2016
Premium and investment revenues:				
Premium income	$ 314,954,651	$ 309,752,545	$ 305,452,670	$ 301,501,278
Investment interest income	3,380,809	2,525,713	1,167,240	292,270
Totals	$ 318,335,460	$ 312,278,258	$ 306,619,910	$ 301,793,548
Unallocated expenses:				
Operating costs	$ 6,683,244	$ 8,668,569 (3)	$ 9,037,550	$ 10,579,867
Estimated incurred claims and expenses, end of fiscal year	$ 281,668,000	$ 271,486,000	$ 241,903,000	$ 253,985,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	253,782,431	242,619,284	214,935,703	223,050,692
One year later		271,399,761	241,802,196	253,882,147
Two years later			241,874,673	253,952,179
Re-estimated incurred claims and expenses (2):				
End of fiscal year	281,668,000	271,486,000	241,903,000	253,985,000
One year later		271,486,000	241,903,000	253,985,000
Two years later			241,903,000	253,985,000
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	62,416	60,929	59,388	58,181

(1) GASB 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 10-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.

(3) Restated

2015	2014	2013	2012	2011	2010
$ 301,894,264	$ 274,117,377	$ 276,235,566	$ 273,702,538	$ 271,802,235	$ 265,671,434
181,804	95,121	94,975	180,027	302,462	442,355
$ 302,076,068	$ 274,212,498	$ 276,330,541	$ 273,882,565	$ 272,104,697	$ 266,113,789
$ 11,658,122	$ 8,533,361	$ 6,977,013	$ 6,374,870	$ 3,423,965	$ 3,788,158
$ 234,202,000	$ 256,961,000	$ 280,127,000	$ 259,784,000	$ 251,536,000	$ 237,226,000
205,092,655	227,823,740	250,689,890	232,820,863	224,266,659	209,386,000
234,066,260	256,700,395	279,891,538	259,449,420	251,226,738	236,679,328
234,171,258	256,930,541	280,097,026	259,757,662	251,508,249	237,198,903
234,202,000	256,961,000	280,127,000	259,784,000	251,536,000	237,226,000
234,202,000	256,961,000	280,127,000	259,784,000	251,536,000	237,226,000
234,202,000	256,961,000	280,127,000	259,784,000	251,536,000	237,226,000
0	0	0	0	0	0
0	0	0	0	0	0
57,879	58,253	57,087	54,866	53,347	52,094

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

	2019	2018	2017	2016
Premium and investment revenues:				
Premium income	$ 8,655,652	$ 9,753,376	$ 10,074,701	$ 9,519,983
Investment interest income	3,710,195	1,333,563	1,395,741	718,453
Totals	$ 12,365,847	$ 11,086,939	$ 11,470,442	$ 10,238,436
Unallocated expenses:				
Operating costs (2)	$ 595,682	$ 270,595	$ 277,340	$ 220,142
Estimated incurred claims and expenses, end of fiscal year	$ 6,937,646	$ 7,334,183	$ 7,334,041	$ 6,864,888
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	4,183,068	2,940,203	1,242,119	2,754,013
One year later		6,254,793	2,260,839	4,978,108
Two years later			1,272,953	5,441,589
Three years later				5,459,593
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	(2,754,578)	(1,079,390)	(6,061,088)	(1,405,295)
Number of fund participants receiving benefits at end of year	1,235	1,265	1,333	1,369

(1) GASB 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 10-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 that were paid from the Workers' Compensation Trust Fund.

	2015	2014	2013	2012	2011	2010
	$ 8,642,283	$ 5,588,765	$ 8,867,656	$ 10,462,123	$ 7,390,622	$ 8,226,832
	515,618	573,589	731,425	970,017	1,701,541	2,315,616
	$ 9,157,901	$ 6,162,354	$ 9,599,081	$ 11,432,140	$ 9,092,163	$ 10,542,448
	$ 227,326	$ 247,135	$ 248,942	$ 274,375	$ 257,079	$ 285,513
	$ 6,706,673	$ 7,593,766	$ 7,037,748	$ 7,645,295	$ 6,413,633	$ 5,640,789
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	0	0	0
	0	0	0	50,000	20,000	0
	0	0	0	50,000	0	0
		0	0	50,000	0	3,268
			909	108,153	70,500	111,825
				335,378	302,306	457,019
					613,257	837,517
						1,309,864
	2,600,334	1,416,083	1,268,529	3,312,740	3,904,725	2,546,952
	4,457,931	3,051,235	3,500,691	4,740,760	7,110,289	6,118,056
	4,575,545	4,304,721	4,863,077	5,986,391	8,706,668	6,897,305
	4,561,986	5,263,245	4,913,891	5,202,993	8,585,328	7,219,746
	4,713,597	4,684,459	4,138,525	6,372,372	9,497,819	8,159,307
		3,139,690	3,770,078	5,485,430	9,237,490	8,192,191
			5,104,367	6,892,816	8,023,104	8,129,987
				8,007,415	9,103,467	8,723,859
					10,160,828	9,569,223
						9,319,204
	(1,993,076)	(4,454,076)	(1,933,381)	362,120	3,747,195	3,678,415
	1,403	1,442	1,474	1,481	1,501	1,454

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

	2019	2018	2017	2016
Premium and investment revenues:				
Premium taxes	$ 0	$ 0	$ 0	$ 0
Interest income	34,708	22,971	13,028	6,783
Totals	$ 34,708	$ 22,971	$ 13,028	$ 6,783
Unallocated expenses:				
Operating costs (2)	$ 1,635	$ 251,556	$ 256,492	$ 333,837
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	0	0	1	1

(1) GASB 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 Second Injury Trust Fund and also provides certain other required information. This schedule provides 10-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 that were paid from the Workers' Compensation Trust Fund.

	2015	2014	2013	2012	2011	2010
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 659,098
	3,600	3,311	4,315	5,512	9,679	18,800
	$ 3,600	$ 3,311	$ 4,315	$ 5,512	$ 9,679	$ 677,898
	$ 343,313	$ 361,793	$ 396,593	$ 483,246	$ 526,189	$ 531,955
	$ 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
						0
	0	0	0	0	0	0
	0	0	3	3	3	2

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

Plan	Fiscal Year	Service Cost	Interest Cost	Change of Benefit Terms	Difference Between Expected and Actual Experience
imary Government					
Arkansas State Police	2019	$ 6,409	$ 5,062	$	$ 35,377
	2018	6,114	4,959		
Arkansas Employee Benefits Plan (2)	2019	66,616	78,141		12,982
	2018	69,996	73,092		(13,267)
omponent Unit					
Arkansas Employee Benefits Plan (3)	2019	104	122		20
	2018	132	137		(55)
igher Education					
Arkansas Northeast College	2019	29	16		
	2018	29	17		
Arkansas State University	2019	1,522	743		3,152
	2018	1,433	671		
Arkansas Tech University	2019	691	333	(446)	(177)
	2018	655	331		(274)
Black River Technical College	2019	100	50		
	2018	98	50		
East Arkansas Community College	2019	41	17		
	2018	40	16		
Henderson State University	2019	409	143	(322)	(612)
	2018	425	147		(569)
North Arkansas College	2019	22	18		219
	2018	21	18		
National Park College	2019	43	20		(4)
	2018	42	20		
Northwest Arkansas Community College	2019	53	33		(152)
	2018	52	32		
Ozarka College	2019	36	21		(30)
	2018	35	20		
South Arkansas Community College	2019	54	18		(21)
	2018	52	17		
Southern Arkansas University - Technical Branch	2019	108	42		
	2018	105	40		
Southern Arkansas University	2019	156	56		545
	2018	160	60		(360)
University of Arkansas System Self-Funded Plan	2019	3,953	2,569	832	(3,266)
	2018	4,589	2,321		
University of Central Arkansas	2019	204	86		407
	2018	198	85		(191)
	2017 to 2010 (1)				

Notes to Schedule:

(1) The State implemented GASB Statement No. 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.
(2) The Primary Government proportionate share is 99.84% for fiscal year 2019 and 99.81% for fiscal year 2018.
(3) The Component Unit proportionate share is 0.16% for fiscal year 2019 and 0.19% for fiscal year 2018.
No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for any of the plans listed above.

Changes in Assumptions and other inputs	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability Beginning	Total OPEB Liability Ending	Covered Employee Payroll	Total OPEB Liability as a Percentage of Covered Employee Payroll
$ 8,488	$ (3,811)	$ 51,525	$ 168,590	$ 220,115	$ 35,433	621.21%
3,949	(3,614)	11,408	157,182	168,590	33,508	503.13%
(195,324)	(60,316)	(97,901)	2,015,733	1,917,832	1,430,395	134.08%
(92,281)	(58,018)	(20,478)	2,036,211	2,015,733	1,403,276	143.64%
(966)	(94)	(814)	3,806	2,992	3,428	87.28%
(144)	(109)	(39)	3,845	3,806	3,394	112.14%
7	(46)	6	552	558	7,859	7.10%
5	(65)	(14)	566	552	8,382	6.59%
595	(767)	5,245	20,153	25,398	115,592	21.97%
325	(948)	1,481	18,672	20,153	117,068	17.21%
(381)	(691)	(671)	9,001	8,330	46,943	17.74%
(1,990)	(788)	(2,066)	11,067	9,001	43,684	20.60%
19	(77)	92	1,675	1,767	6,832	25.86%
15	(66)	97	1,578	1,675	6,980	24.00%
8	(21)	45	558	603	5,016	12.02%
6	(21)	41	517	558	6,613	8.44%
(136)	(145)	(663)	4,934	4,271	23,949	17.83%
(3)	(149)	(149)	5,083	4,934	20,614	23.94%
101		360	597	957	6,815	14.04%
8		47	550	597	6,955	8.58%
(239)	(10)	(190)	659	469	4,115	11.40%
7	(20)	49	610	659	10,496	6.28%
173		107	1,091	1,198	26,429	4.53%
15		99	992	1,091	20,606	5.29%
29	(5)	51	691	742	4,144	17.91%
10	(13)	52	639	691	3,854	17.93%
11	(12)	50	593	643	7,670	8.38%
7	(11)	65	528	593	7,786	7.62%
17	(43)	124	1,368	1,492	5,923	25.19%
13	(37)	121	1,247	1,368	6,071	22.53%
(113)	(30)	614	1,935	2,549	24,822	10.27%
(1)	(16)	(157)	2,092	1,935	23,815	8.13%
(691)	(2,019)	1,378	68,805	70,183	1,309,045	5.36%
(13,905)	(2,109)	(9,104)	77,909	68,805	1,320,436	5.21%
(491)	(50)	156	3,007	3,163	79,580	3.97%
	(61)	31	2,976	3,007	82,107	3.66%

ARKANSAS STATE GOVERNMENT

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COMBINING FINANCIAL STATEMENTS

ARKANSAS STATE GOVERNMENT

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NON-MAJOR ENTERPRISE FUNDS

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

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; financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; 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; financing of energy efficiency retrofits and green energy implementation for industries; and providing funding for communities to address affordable housing needs in metropolitan and rural areas in Arkansas.

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2019
(Expressed in thousands)

	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	$ 86,194	$ 173,424	$ 84,293	$ 343,911
Investments	56,336	6,528	45,551	108,415
Receivables:				
Accounts	276	3,199	515	3,990
Interest	474		276	750
Due from other funds		281		281
Advances to other funds			1,178	1,178
Total current assets	143,280	183,432	131,813	458,525
Noncurrent assets:				
Advances to other funds	470		6,134	6,604
Loans receivable, restricted	278,739		156,969	435,708
Capital assets:				
Non-depreciable		1,278		1,278
Depreciable, net		31		31
Total noncurrent assets	279,209	1,309	163,103	443,621
Total assets	$ 422,489	$ 184,741	$ 294,916	$ 902,146

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2019
(Expressed in thousands)

	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	$ 284	$ 6,810	$ 226	$ 7,320
Accrued interest	78			78
Accrued and other current liabilities			58	58
Due to other funds			279	279
Loans and bonds payable	2,745		2,065	4,810
Claims, judgments and compensated absences		27,972		27,972
Total current liabilities	3,107	34,782	2,628	40,517
Noncurrent liabilities:				
Loans and bonds payable	18,850		14,185	33,035
Claims, judgments and compensated absences		28		28
Total noncurrent liabilities	18,850	28	14,185	33,063
Total liabilities	21,957	34,810	16,813	73,580
Net Position:				
Net investment in capital assets		1,309		1,309
Restricted for:				
Program requirements	400,532		278,103	678,635
Unrestricted		148,622		148,622
Total net position	400,532	149,931	278,103	828,566
Total liabilities and net position	$ 422,489	$ 184,741	$ 294,916	$ 902,146

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in thousands)

	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	$	$ 318,482	$	$ 318,482
Licenses, permits and fees	2,652		1,557	4,209
Total operating revenues	2,652	318,482	1,557	322,691
Operating expenses:				
Supplies and services		30,690		30,690
General and administrative expenses	1,068	47	754	1,869
Benefits and aid payments		284,190		284,190
Federal financial assistance	741		5,393	6,134
Depreciation and amortization		469		469
Total operating expenses	1,809	315,396	6,147	323,352
Operating income (loss)	843	3,086	(4,590)	(661)
Nonoperating revenues (expenses):				
Investment earnings	7,781	3,614	5,351	16,746
Grants and contributions	4,816		13,357	18,173
Interest and amortization expense	(683)		(516)	(1,199)
Net increase in fair value of investments			642	642
Total nonoperating revenues (expenses)	11,914	3,614	18,834	34,362
Income (loss) before transfers and contributions	12,757	6,700	14,244	33,701
Special item (1)			(3,999)	(3,999)
Transfers in			3,342	3,342
Transfers out		(425)	(3,158)	(3,583)
Change in net position	12,757	6,275	10,429	29,461
Total net position - beginning	387,775	143,656	267,674	799,105
Total net position - ending	$ 400,532	$ 149,931	$ 278,103	$ 828,566

(1) In fiscal year 2019, the program and funds of the Assisted Living Incentive Fund were transferred to ADFA component unit.

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in thousands)

	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	$	$ 316,993	$	$ 316,993
Payments of benefits		(285,190)		(285,190)
Payments to suppliers		(30,498)		(30,498)
Loan administration received			872	872
Federal grant funds expended			(16)	(16)
Other operating receipts (payments)	1,560	(46)		1,514
Net cash provided by (used in) operating activities	1,560	1,259	856	3,675
Cash flows from noncapital financing activities:				
Direct lending payments	(2,920)		(2,205)	(5,125)
Direct lending interest	(1,079)		(812)	(1,891)
Grants and contributions	4,876		13,479	18,355
Transfers out		(425)	(3,275)	(3,700)
Net cash provided by (used in) noncapital financing activities	877	(425)	7,187	7,639
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(378)		(378)
Cash flows from investing activities:				
Purchase of investments	(52,576)		(40,982)	(93,558)
Proceeds from sale and maturities of investments	32,013	(6,400)	29,961	55,574
Interest and dividends on investments	3,114	3,899	2,646	9,659
Loan disbursements	(38,789)		(12,096)	(50,885)
Principal repayments on loans	14,410		11,328	25,738
Interest received on loans	4,013		2,680	6,693
Federal grant funds expended	(741)		(5,392)	(6,133)
Net cash provided by (used in) investing activities	(38,556)	(2,501)	(11,855)	(52,912)
Net increase (decrease) in cash and cash equivalents	(36,119)	(2,045)	(3,812)	(41,976)
Cash and cash equivalents - beginning	122,313	175,469	88,105	385,887
Cash and cash equivalents -ending	$ 86,194	$ 173,424	$ 84,293	$ 343,911
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 843	$ 3,086	$ (4,590)	$ (661)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization		469		469
Federal grants expended	741		5,392	6,133
Net changes in assets, liabilities and deferred outflows/inflows:				
Accounts receivable	(71)	(1,489)	49	(1,511)
Accounts payable and other accrued liabilities	47	(807)	5	(755)
Net cash provided by (used in) operating activities	$ 1,560	$ 1,259	$ 856	$ 3,675

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, 2019
(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	$ 237,011	$ 16,180	$ 2,505	$ 256,387	$ 93,477	$ 605,560
Receivables:						
Employee	599			9,228	226	10,053
Employer	7,405			24,486	384	32,275
Investment principal	43,194	1,620	1,595	43,165		89,574
Interest and dividends	22,691	851	820	14,649	2,487	41,498
Other	52	13		3,190	62,702	65,957
Due from other funds				3,207		3,207
Total receivables	73,941	2,484	2,415	97,925	65,799	242,564
Investments at fair value:						
U.S. government securities	334,034	12,531	37,765	41,171	114,714	540,215
Bonds, notes, mortgages and preferred stock	71,065	2,666	2,994	587,118	159,151	822,994
Common stock	3,045,107	114,237	95,592	2,374,632	666,420	6,295,988
Real estate	961,387	36,067	23,993	52,355	1,759	1,075,561
International investments	1,718,839	64,482	56,485	6,469,810	31,565	8,341,181
Mutual funds	17,582	660			33,065	51,307
Pooled investment funds	1,864,979	69,965	10,647	1,850,191	107,934	3,903,716
Corporate obligations	427,701	16,045	32,030	453,376	117,930	1,047,082
Asset and mortgage-backed securities	131,304	4,926	5,440	36,281	2,154	180,105
State recycling tax credit				192,000		192,000
Other	303	11	111	5,400,225		5,400,650
Total investments	8,572,301	321,590	265,057	17,457,159	1,234,692	27,850,799
Other assets						
Securities lending collateral	997,638	37,426		469,823	11,749	1,516,636
Capital assets	16,558			150		16,708
Other assets	270			73		343
Total other assets	1,014,466	37,426		470,046	11,749	1,533,687
Total assets	9,897,719	377,680	269,977	18,281,517	1,405,717	30,232,610
Deferred Outflows of Resources						
Deferred outflows related to OPEB	25			27		52
Total deferred outflows of resources	25			27		52
Total assets and deferred outflows of resources	$ 9,897,744	$ 377,680	$ 269,977	$ 18,281,544	$ 1,405,717	$ 30,232,662
Liabilities						
Accounts payable and other liabilities	$ 9,173	$ 543	$ 340	$ 16,158	$ 529	$ 26,743
Investment principal payable	51,397	1,928	2,358	48,848	7,458	111,989
Obligations under securities lending	998,806	37,470		469,787	11,654	1,517,717
Postemployment benefits liability	4,544			5,098		9,642
Due to other funds	12			4		16
Total liabilities	1,063,932	39,941	2,698	539,895	19,641	1,666,107
Deferred Inflows of Resources						
Deferred inflows related to other post employment benefits	521			584		1,105
Total deferred inflows of resources	521			584		1,105
Total liabilities and deferred inflows of resources	$ 1,064,453	$ 39,941	$ 2,698	$ 540,479	$ 19,641	$ 1,667,212
Net Position						
Net position restricted for pensions	$ 8,833,291	$ 337,739	$ 267,279	$ 17,741,065	$ 1,386,076	$ 28,565,450

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2019
(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	$ 68,207	$ 27	$ 1,030	$ 141,885	$ 9,250	$ 220,399
Employers	293,013	6,727	2,713	430,865	19,282	752,600
Supplemental contributions	562	8,036	5,009			13,607
Title fees		4,599				4,599
Court fees		850	512			1,362
Reinstatement fees		1,015				1,015
Total contributions	361,782	21,254	9,264	572,750	28,532	993,582
Investment income:						
Net increase (decrease) in fair value of investments	351,774	13,269	9,776	807,720	(13,244)	1,169,295
Interest, dividends and other	127,044	4,793	6,159	121,069	26,213	285,278
Other investment income	1,601	88		7,672		9,361
Securities lending income, net of expenses	3,889	145		4,421	251	8,706
Total investment income	484,308	18,295	15,935	940,882	13,220	1,472,640
Less investment expense	33,814	1,264	1,279	42,943	8,662	87,962
Net investment income	450,494	17,031	14,656	897,939	4,558	1,384,678
Miscellaneous	5,115			446	5	5,566
Total additions	817,391	38,285	23,920	1,471,135	33,095	2,383,826
Deductions:						
Benefits paid to participants or beneficiaries	555,353	24,930	12,980	1,205,326	117,889	1,916,478
Refunds of employee/employer contributions	16,240		22	9,680	1,523	27,465
Administrative expenses	13,804	554	147	7,692	80	22,277
Total deductions	585,397	25,484	13,149	1,222,698	119,492	1,966,220
Change in net position held in trust for employees' pension benefits	231,994	12,801	10,771	248,437	(86,397)	417,606
Net position - beginning	8,601,297	324,938	256,508	17,492,628	1,472,473	28,147,844
Net position - ending	$ 8,833,291	$ 337,739	$ 267,279	$ 17,741,065	$ 1,386,076	$ 28,565,450

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2019
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 3,701	$ 148,724	$ 152,425
Receivables:			
Interest and dividends		88	88
Other		9	9
Total receivables		97	97
Investments at fair value:			
Certificates of deposit	500	20,332	20,832
Bonds, government securities, notes and mortgages		1,948	1,948
Total investments	500	22,280	22,780
Financial assurance instruments	238,626	1,190	239,816
Total assets	$ 242,827	$ 172,291	$ 415,118
Liabilities			
Accounts payable and other liabilities	$	$ 5,756	$ 5,756
Due to other governments		145,609	145,609
Due to third parties	242,827	20,926	263,753
Total liabilities	$ 242,827	$ 172,291	$ 415,118

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Assets				
Cash and cash equivalents	$ 5,070	$ 803	$ 2,172	$ 3,701
Receivables:				
Interest and dividends	2		2	
Investments at fair value:				
Certificates of deposit	600		100	500
Financial assurance instruments	226,210	12,416		238,626
Total assets	$ 231,882	$ 13,219	$ 2,274	$ 242,827
Liabilities				
Due to third parties	$ 231,882	$ 13,219	$ 2,274	$ 242,827
Total liabilities	$ 231,882	$ 13,219	$ 2,274	$ 242,827

	Other Agencies			
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Assets				
Cash and cash equivalents	$ 146,096	$ 2,621,951	$ 2,619,323	$ 148,724
Receivables:				
Interest and dividends	50	57	19	88
Other	1	84	76	9
Investments at fair value:				
Certificates of deposit	21,760	1,072	2,500	20,332
Bonds, government securities, notes, mortgages and preferred stock	1,750	1,948	1,750	1,948
Financial assurance instruments	1,380		190	1,190
Total assets	$ 171,037	$ 2,625,112	$ 2,623,858	$ 172,291
Liabilities				
Accounts payable and other liabilities	$ 6,381	$ 19,775	$ 20,400	$ 5,756
Due to other governments	144,718	169,280	168,389	145,609
Due to third parties	19,938	311,437	310,449	20,926
Total liabilities	$ 171,037	$ 500,492	$ 499,238	$ 172,291

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2019
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2018	Additions	Reductions	Balance June 30, 2019
Assets				
Cash and cash equivalents	$ 151,166	$ 2,622,754	$ 2,621,495	$ 152,425
Receivables:				
Interest and dividends	52	57	21	88
Other	1	84	76	9
Investments at fair value:				
Certificates of deposit	22,360	1,072	2,600	20,832
Bonds, government securities, notes, mortgages and preferred stock	1,750	1,948	1,750	1,948
Financial assurance instruments	227,590	12,416	190	239,816
Total assets	$ 402,919	$ 2,638,331	$ 2,626,132	$ 415,118
Liabilities				
Accounts payable and other liabilities	$ 6,381	$ 19,775	$ 20,400	$ 5,756
Due to other governments	144,718	169,280	168,389	145,609
Due to third parties	251,820	324,656	312,723	263,753
Total liabilities	$ 402,919	$ 513,711	$ 501,512	$ 415,118

ARKANSAS STATE GOVERNMENT

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STATISTICAL SECTION

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:

Contents **Page**

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

	2019	2018	2017 (1)	2016
Primary government				
Governmental activities				
Net investment in capital assets	$ 11,879,274	$ 11,602,289	$ 11,116,044	$ 10,573,154
Restricted	2,899,173	2,426,386	2,318,037	2,142,787
Unrestricted	(3,178,832)	(3,115,348)	(3,044,139)	(1,548,988)
Total governmental activities net position	11,599,615	10,913,327	10,389,942	11,166,953
Business-type activities				
Net investment in capital assets	2,062,077	2,015,796	1,992,873	1,997,666
Restricted	1,135,777	1,193,250	1,132,263	1,046,934
Unrestricted	1,868,254	1,568,292	1,398,280	1,233,085
Total business-type activities net position	5,066,108	4,777,338	4,523,416	4,277,685
Total primary government				
Net investment in capital assets	13,941,351	13,618,085	13,108,917	12,570,820
Restricted	4,034,950	3,619,636	3,450,300	3,189,721
Unrestricted	(1,310,578)	(1,547,056)	(1,645,859)	(315,903)
Total primary government activities net position	$ 16,665,723	$ 15,690,665	$ 14,913,358	$ 15,444,638

(1) Fiscal year 2017 balances restated in fiscal year 2018.

2015	2014	2013	2012	2011	2010
$ 10,418,250	$ 9,441,544	$ 9,714,929	$ 9,632,774	$ 9,296,899	$ 8,886,979
1,627,433	2,098,642	1,319,560	1,256,134	1,175,983	1,253,570
(1,406,667)	(1,402,681)	449,360	589,166	1,024,091	1,251,501
10,639,016	10,137,505	11,483,849	11,478,074	11,496,973	11,392,050
1,995,542	1,966,036	1,929,075	1,889,473	1,805,096	1,757,523
1,049,397	1,008,203	928,743	892,101	849,209	760,352
1,019,309	829,571	747,820	556,124	429,293	311,584
4,064,248	3,803,810	3,605,638	3,337,698	3,083,598	2,829,459
12,413,792	11,407,580	11,644,004	11,522,247	11,101,995	10,644,502
2,676,830	3,106,845	2,248,303	2,148,235	2,025,192	2,013,922
(387,358)	(573,110)	1,197,180	1,145,290	1,453,384	1,563,085
$ 14,703,264	$ 13,941,315	$ 15,089,487	$ 14,815,772	$ 14,580,571	$ 14,221,509

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

	2019	2018	2017 (1)	2016
Governmental expenses				
General government	$ 1,662,161	$ 1,695,822	$ 1,607,462	$ 1,553,087
Education	3,765,007	3,755,721	3,751,603	3,718,585
Health and human services	9,284,039	8,872,832	8,949,631	8,461,524
Transportation	1,013,447	1,070,420	1,290,944	954,670
Law, justice and public safety	899,186	847,513	820,043	829,280
Recreation and resources development	280,067	289,991	277,979	275,987
Regulation of business and professionals	126,535	122,444	126,905	134,567
Interest expense	52,584	56,192	60,318	61,920
Total expenses	17,083,026	16,710,935	16,884,885	15,989,620
Program revenues				
Charges for services				
General government	446,659	433,410	433,652	415,138
Education	5,157	5,011	5,632	5,092
Health and human services	384,045	408,368	414,670	413,515
Transportation	126,967	123,462	122,438	120,004
Law, justice and public safety	89,698	95,302	67,948	95,585
Recreation and resources development	95,372	98,008	101,985	97,925
Regulation of business and professionals	131,594	100,122	116,413	116,206
Operating grants	7,719,932	7,477,492	7,691,132	7,333,883
Capital grants and contributions	566,097	780,600	781,522	572,654
Total program revenues	9,565,521	9,521,775	9,735,392	9,170,002
Net (expense)	(7,517,505)	(7,189,160)	(7,149,493)	(6,819,618)
General revenues, special items and transfers				
Taxes				
Personal and corporate income	3,526,596	3,237,048	3,163,104	3,222,351
Consumer sales and use	3,284,531	3,216,406	3,114,497	3,028,285
Gas and motor carrier	476,675	475,227	468,822	463,126
Other	1,058,412	1,043,766	1,023,700	989,901
Investment earnings	187,790	61,087	60,201	84,100
Miscellaneous income	439,952	457,515	346,077	335,198
Special items:				
Disposal of operations			33,611	
Issuance of tax credits			(187,598)	
Transfers - internal activities	(770,163)	(778,504)	(766,675)	(775,406)
Restatement			(883,257)	
Total general revenues, special items and transfers	8,203,793	7,712,545	6,372,482	7,347,555
Total governmental activities change in net position	$ 686,288	$ 523,385	$ (777,011)	$ 527,937

(1) Fiscal year 2017 balances restated in fiscal year 2018.

2015	2014	2013	2012	2011	2010
$ 1,581,265	$ 1,676,440	$ 1,538,578	$ 1,559,775	$ 1,477,309	$ 1,356,657
3,677,244	3,595,660	3,587,503	3,648,068	3,769,004	3,605,065
8,119,737	7,195,051	6,769,015	6,709,730	6,411,416	6,144,706
909,171	867,095	823,616	766,297	759,872	731,317
789,477	797,423	747,845	794,165	748,590	779,374
283,446	284,506	258,084	265,156	350,530	277,402
132,211	148,008	124,065	118,934	120,320	105,968
61,106	52,805	41,036	39,852	44,824	52,145
15,553,657	14,616,988	13,889,742	13,901,977	13,681,865	13,052,634
431,891	392,937	349,146	348,130	336,193	325,072
2,111	3,413	5,537	6,372	6,675	6,469
471,443	453,436	427,284	427,079	385,693	362,532
121,225	114,417	110,722	113,081	110,831	107,818
88,904	73,989	83,600	79,734	75,051	73,601
119,160	85,792	83,163	81,637	81,076	79,780
106,167	100,084	86,797	97,271	87,526	80,079
7,043,670	6,010,077	5,642,584	5,756,464	6,092,989	5,868,623
520,477	590,791	609,062	644,621	551,523	493,064
8,905,048	7,824,936	7,397,895	7,554,389	7,727,557	7,397,038
(6,648,609)	(6,792,052)	(6,491,847)	(6,347,588)	(5,954,308)	(5,655,596)
3,209,528	3,000,440	3,013,345	2,794,097	2,688,093	2,468,798
2,932,562	2,877,342	2,570,848	2,543,873	2,483,908	2,376,891
443,413	431,725	437,310	442,658	444,555	449,274
1,006,692	995,644	955,369	945,773	927,922	903,113
40,471	70,578	(1,911)	40,374	43,232	52,809
380,547	304,621	313,003	367,531	343,874	330,397
(768,742)	(921,211)	(784,945)	(805,617)	(844,028)	(885,711)
(94,351)	(1,313,431)	(5,397)		(28,325)	(71,440)
7,150,120	5,445,708	6,497,622	6,328,689	6,059,231	5,624,131
$ 501,511	$ (1,346,344)	$ 5,775	$ (18,899)	$ 104,923	$ (31,465)

Continued on the next page

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

Continued from the previous page

	2019	2018	2017 (1)	2016
Business-type expenses				
Higher education	$ 4,185,164	$ 4,125,923	$ 3,971,283	$ 3,806,452
Workers' Compensation Commission	19,629	18,410	12,115	19,905
Department of Workforce Services	100,296	130,895	147,061	216,398
Office of the Arkansas Lottery	421,017	409,282	366,200	368,085
War Memorial Stadium Commission (2)			2,630	3,419
Public School Employee Health and Life Benefit Plan	315,396	297,257	270,234	284,984
Revolving loans	7,956	6,610	4,281	4,848
Total expenses	5,049,458	4,988,377	4,773,804	4,704,091
Program revenues				
Charges for services				
Higher education	2,329,275	2,247,823	2,234,590	2,039,020
Workers' Compensation Commission	18,159	19,409	19,905	17,864
Department of Workforce Services	185,418	198,337	242,692	301,567
Office of the Arkansas Lottery	516,222	500,484	449,911	456,317
War Memorial Stadium Commission (2)			1,639	2,279
Public School Employee Health and Life Benefit Plan	318,482	310,412	306,087	302,445
Revolving loans	4,209	2,611	2,589	4,024
Operating grants	811,887	796,739	784,516	826,300
Capital grants and contributions	72,299	112,104	46,482	31,627
Total program revenues	4,255,951	4,187,919	4,088,411	3,981,443
Net (expense)	(793,507)	(800,458)	(685,393)	(722,648)
Business-type revenues, special items and transfers				
Taxes				
Other	36,829	34,966	32,397	31,935
Investment earnings	85,734	66,185	68,636	21,217
Miscellaneous income	193,550	174,725	96,293	107,527
Special items:				
Assisted Living Incentive Fund (3)	(3,999)			
Disposal of operations			(664)	
Transfers - internal activities	770,163	778,504	766,675	775,406
Restatement			(32,213)	
Total business-type revenues, special items and transfers	1,082,277	1,054,380	931,124	936,085
Total business-type activities change in net position	288,770	253,922	245,731	213,437
Total primary government change in net position	$ 975,058	$ 777,307	$ (531,280)	$ 741,374

(1) Fiscal year 2017 balance restated in fiscal year 2018.
(2) War Memorial Stadium Commission was merged with Dept. of Parks and Tourism in 2018.
(3) In fiscal year 2019, the program and funds of the Assisted Living Incentive Fund were transferred to ADFA component unit.

	2015	2014	2013	2012	2011	2010
	$ 3,676,886	$ 3,607,528	$ 3,499,550	$ 3,472,444	$ 3,362,705	$ 3,191,697
	17,922	19,806	18,368	45,243	29,768	15,918
	256,048	360,753	521,449	618,522	776,734	1,211,812
	337,072	331,471	352,063	379,139	371,716	302,579
	2,828	3,103	3,242	3,425	3,545	3,439
	266,650	287,165	306,798	286,331	275,743	260,194
	9,934	9,745	10,267	5,168	12,940	18,675
	4,567,340	4,619,571	4,711,737	4,810,272	4,833,151	5,004,314
	1,825,742	1,655,419	1,572,301	1,524,943	1,471,639	1,529,344
	16,240	20,209	17,372			
	327,907	421,348	454,253			
	409,214	410,627	440,105	473,624	465,075	384,565
	2,056	1,785	2,337	2,394	2,760	1,852
	303,474	275,969	277,390	275,639	274,073	268,312
	4,269	4,241	4,273	4,155	4,001	3,732
	856,669	975,632	1,129,853	1,218,671	1,325,685	1,498,215
	71,050	31,609	31,602	66,419	44,313	33,052
	3,816,621	3,796,839	3,929,486	3,565,845	3,587,546	3,719,072
	(750,719)	(822,732)	(782,251)	(1,244,427)	(1,245,605)	(1,285,242)
	31,148	30,650	30,402	491,994	449,146	377,460
	30,869	62,242	37,655	28,051	52,979	54,846
	180,398	180,502	210,293	172,865	153,592	82,176
	768,742	921,211	784,945	805,617	844,027	885,711
		(173,701)	(13,104)			(28,049)
	1,011,157	1,020,904	1,050,191	1,498,527	1,499,744	1,372,144
	260,438	198,172	267,940	254,100	254,139	86,902
	$ 761,949	$ (1,148,172)	$ 273,715	$ 235,201	$ 359,062	$ 55,437

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

	2019	2018	2017	2016
General fund				
Nonspendable	$ 111,863	$ 108,481	$ 106,448	$ 100,632
Restricted	1,984,048	1,594,604	1,488,099	1,507,742
Committed	2,025,202	1,981,386	1,837,219	1,489,615
Assigned	71,693	72,964	152,890	337,504
Unassigned	572,265	414,529	547,275	788,136
Total general fund	$ 4,765,071	$ 4,171,964	$ 4,131,931	$ 4,223,629

General fund	
Reserved	
Unreserved	
Total general fund	

(1) Change in presentation beginning in fiscal year 2011 is due to implementation of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Restatement prior to fiscal year 2011 is not feasible.

2015	2014	2013	2012	2011(1)	2010
$ 124,784	$ 322,476	$ 320,289	$ 288,814	$ 306,275	
1,409,242	1,189,822	555,555	494,217	553,509	
1,449,480	1,223,617	1,286,331	1,505,457	1,555,139	
267,283	387,191	205,204	252,590	382,308	
811,336	581,395	952,630	714,519	685,463	
$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597	$ 3,482,694	
					$ 1,838,326
					1,836,912
					$ 3,675,238

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

	2019	2018	2017	2016
Revenues:				
Taxes:				
Personal and corporate income	$ 3,532,123	$ 3,232,455	$ 3,165,911	$ 3,219,066
Consumer sales and use	3,280,703	3,218,765	3,113,922	3,031,524
Gas and motor carrier	476,683	475,225	469,542	462,761
Other	1,057,303	1,044,078	1,023,060	989,962
Intergovernmental	8,242,021	8,231,911	8,443,611	7,888,337
Licenses, permits and fees	1,304,469	1,293,003	1,291,699	1,327,225
Investment earnings	187,790	61,087	60,201	84,100
Miscellaneous	446,587	410,043	347,449	330,258
Total revenues	18,527,679	17,966,567	17,915,395	17,333,233
Expenditures:				
Current:				
General government	1,539,201	1,536,902	1,446,481	1,468,346
Education	3,762,150	3,752,555	3,748,403	3,715,057
Health and human services	9,239,216	8,834,154	8,930,024	8,458,304
Transportation	457,534	493,272	680,353	521,237
Law, justice and public safety	852,412	814,586	789,376	796,987
Recreation and resources development	259,939	265,003	257,494	255,074
Regulation of business and professionals	124,385	119,428	125,232	131,865
Debt service:				
Principal retirement	116,756	155,947	102,397	99,689
Interest expense	63,846	67,455	77,568	76,631
Bond issuance costs			63	63
Capital outlay	823,005	1,136,524	1,133,099	875,513
Total expenditures	17,238,444	17,175,826	17,290,490	16,398,766
Excess of revenues over expenditures	1,289,235	790,741	624,905	934,467
Other financing sources (uses):				
Issuance of debt	43,041	13,428	22,199	892
Issuance of refunding debt			131,840	28,495
Bond discounts/premiums	1,342		9,846	1,665
Payment to refunding escrow agent			(140,877)	(43,636)
Issuance of capital leases	26,225	9,047	2,807	11,323
Sale of capital assets	3,427	4,420	4,922	3,707
Transfers in	208,501	203,878	180,819	174,908
Transfers out	(978,664)	(983,431)	(959,820)	(950,317)
Restatement				
Total other financing uses	(696,128)	(752,658)	(748,264)	(772,963)
Special Items:				
Disposal of operations		1,950 (1)	31,661	
Net change in fund balances	593,107	40,033	(91,698)	161,504
Fund balances-beginning	4,171,964	4,131,931	4,223,629	4,062,125
Fund balances-ending	$ 4,765,071	$ 4,171,964	$ 4,131,931	$ 4,223,629
Debt service as a percentage of noncapital expenditures:	1.10%	1.39%	1.11%	1.14%

(1) Final installment of the fiscal year 2017 disposal of the Arkansas Department of Health In-Home Services

2015	2014	2013	2012	2011	2010
$ 3,207,038	$ 3,002,722	$ 3,011,514	$ 2,798,083	$ 2,697,352	$ 2,471,420
2,929,426	2,880,146	2,571,964	2,552,282	2,491,772	2,390,819
443,058	433,108	436,390	442,772	444,232	449,754
1,005,951	997,563	956,482	944,406	927,452	903,618
7,564,360	6,584,513	6,232,982	6,402,940	6,642,135	6,364,695
1,368,678	1,253,365	1,182,989	1,186,346	1,109,258	1,055,693
40,471	70,578	(1,911)	40,374	43,232	52,809
334,145	308,919	324,745	352,317	344,241	336,775
16,893,127	15,530,914	14,715,155	14,719,520	14,699,674	14,025,583
1,535,963	1,537,466	1,410,902	1,426,718	1,367,985	1,237,895
3,676,561	3,588,822	3,583,254	3,644,195	3,764,814	3,600,560
8,162,633	7,195,414	6,761,841	6,696,046	6,401,101	6,129,257
508,716	455,070	422,153	379,278	391,019	365,980
768,521	766,498	718,798	763,725	719,401	747,379
264,169	265,133	238,143	246,158	330,301	258,322
128,769	145,026	120,715	117,450	119,058	108,748
165,416	124,425	125,590	83,111	204,701	95,924
71,526	63,393	46,206	44,865	52,665	53,303
1,062	33	1,231	1,365		1,675
899,502	817,693	725,445	744,000	683,872	614,241
16,182,838	14,958,973	14,154,278	14,146,911	14,034,917	13,213,284
710,289	571,941	560,877	572,609	664,757	812,299
374,709	717,036	264,159	85,170	11,391	324,745
135,155			39,565		
51,338	55,260	33,742	1,588		21,045
(150,513)	(46,908)	(19,368)	(127,300)		(174,165)
1,478	4,757	6,325	3,869		19,520
3,880	3,617	3,596	3,011	4,083	2,476
179,278	183,161	304,538	216,443	188,947	160,402
(947,990)	(1,104,372)	(1,089,457)	(1,022,052)	(1,032,902)	(1,046,121)
				(28,820)	22,181
(352,665)	(187,449)	(496,465)	(799,706)	(857,301)	(669,917)
357,624	384,492	64,412	(227,097)	(192,544)	142,382
3,704,501	3,320,009	3,255,597	3,482,694	3,675,238	3,532,856
$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597	$ 3,482,694	$ 3,675,238
1.55%	1.33%	1.28%	0.95%	1.93%	1.18%

Schedule 5

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

	2019		2018		2017		2016	
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	$ 112,348	0.22%	$ 94,688	0.19%	$ 92,103	0.19%	$ 97,579	0.21%
Mining	164,244	0.31%	170,316	0.34%	127,753	0.26%	174,093	0.37%
Utilities	4,981,909	9.49%	5,150,000	10.19%	4,761,393	9.82%	4,690,082	10.02%
Construction	918,210	1.75%	848,747	1.68%	868,432	1.79%	811,057	1.73%
Manufacturing	4,146,807	7.90%	3,800,632	7.52%	3,960,281	8.17%	4,038,757	8.63%
Wholesale trade	4,403,208	8.39%	4,262,562	8.43%	3,882,947	8.01%	3,835,197	8.19%
Retail trade	24,691,217	47.03%	23,338,973	46.16%	22,165,564	45.71%	21,332,067	45.58%
Transportation and warehousing	269,546	0.51%	272,277	0.54%	286,595	0.59%	252,137	0.54%
Information	2,617,057	4.99%	2,886,407	5.71%	2,930,387	6.04%	2,632,096	5.62%
Finance and insurance	113,528	0.22%	102,196	0.20%	108,919	0.22%	94,030	0.20%
Real estate, rental and leasing	1,365,668	2.60%	1,288,153	2.55%	1,218,863	2.51%	1,123,616	2.40%
Professional, scientific and technical services	231,362	0.44%	216,562	0.43%	211,277	0.44%	213,535	0.46%
Management of companies and enterprises	1,626	0.00%	1,133	0.00%	715	0.00%	2,156	0.00%
Administrative, support, waste management and remediation services	1,051,761	2.00%	1,023,010	2.02%	960,065	1.98%	884,244	1.89%
Educational services	75,830	0.14%	69,919	0.14%	71,001	0.15%	64,333	0.14%
Health care and social services	69,703	0.13%	54,836	0.11%	71,528	0.15%	52,051	0.11%
Arts, entertainment and recreation	307,170	0.59%	279,755	0.55%	251,958	0.52%	289,079	0.62%
Accommodation and food services	5,014,457	9.55%	4,789,282	9.47%	4,629,764	9.55%	4,457,348	9.52%
Other services (except public administration)	1,841,655	3.51%	1,792,064	3.54%	1,762,280	3.64%	1,711,584	3.66%
Public administration	119,368	0.23%	114,991	0.23%	124,613	0.26%	50,447	0.11%
Total (1)	$ 52,496,674	100.0%	$ 50,556,503	100.0%	$ 48,486,438	100.0%	$ 46,805,488	100.0%
Direct sales tax rate	6.50% (General) 1.25% (Food) 0.625 (Mfg util tax) 1.625% (Elec.) 4.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)	

(1) Amounts do not include tax collected on automobile transactions.

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

2015		2014		2013		2012		2011		2010	
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
$ 96,945	0.21%	$ 91,716	0.21%	$ 115,784	0.27%	$ 92,128	0.21%	$ 97,379	0.24%	$ 97,655	0.23%
213,038	0.45%	250,153	0.56%	258,330	0.59%	181,088	0.42%	163,822	0.40%	251,689	0.60%
4,459,479	9.51%	4,759,648	10.59%	4,698,734	10.76%	4,452,417	10.30%	4,095,947	9.93%	4,233,123	10.03%
703,596	1.50%	660,847	1.47%	656,891	1.50%	688,112	1.59%	589,146	1.43%	564,684	1.34%
3,966,593	8.46%	3,663,359	8.15%	3,460,971	7.93%	3,571,937	8.26%	3,404,998	8.25%	3,262,473	7.73%
4,465,509	9.53%	4,249,892	9.46%	4,218,855	9.66%	4,221,149	9.76%	3,974,829	9.64%	3,910,161	9.26%
21,183,817	45.18%	20,915,302	46.54%	20,157,488	46.16%	20,070,357	46.43%	19,055,734	46.20%	19,632,455	46.50%
287,545	0.61%	299,491	0.67%	224,173	0.51%	233,875	0.54%	277,598	0.67%	283,412	0.67%
3,006,826	6.41%	2,200,618	4.90%	2,279,914	5.22%	2,241,656	5.19%	2,590,266	6.28%	3,056,493	7.24%
83,532	0.18%	69,464	0.16%	57,604	0.13%	56,659	0.13%	55,309	0.13%	62,647	0.15%
989,814	2.11%	882,398	1.96%	835,438	1.91%	828,549	1.92%	877,160	2.13%	827,440	1.96%
194,865	0.42%	158,906	0.35%	122,357	0.28%	145,274	0.34%	144,678	0.35%	119,903	0.28%
4,691	0.01%	675	0.00%	61	0.00%	65	0.00%	483	0.00%	167	0.00%
852,431	1.82%	799,814	1.78%	758,810	1.74%	759,235	1.76%	689,466	1.67%	671,947	1.59%
57,180	0.12%	40,810	0.09%	43,528	0.10%	46,640	0.11%	44,236	0.11%	49,553	0.12%
85,280	0.18%	22,360	0.05%	86,618	0.20%	85,379	0.20%	56,141	0.13%	92,069	0.22%
271,720	0.58%	264,002	0.59%	231,319	0.53%	186,121	0.43%	167,512	0.41%	162,494	0.38%
4,293,021	9.16%	4,008,663	8.92%	3,900,648	8.93%	3,820,416	8.84%	3,515,932	8.52%	3,528,970	8.36%
1,631,985	3.48%	1,556,550	3.46%	1,519,925	3.48%	1,480,057	3.42%	1,374,149	3.33%	1,332,520	3.16%
35,182	0.08%	42,316	0.09%	41,735	0.10%	65,628	0.15%	75,043	0.18%	74,704	0.18%
$ 46,883,049	100.0%	$ 44,936,984	100.0%	$ 43,669,183	100.0%	$ 43,226,742	100.0%	$ 41,249,828	100.0%	$ 42,214,559	100.0%
6.50% (General) 1.50% (Food) 1.625% (Mfg util tax) 3.25% (Elec.) 1/1-12/31/14 1.625% (Elec.) 1/1/15 0.625% (Mfg Repair Appr. Project) 7/1/14 5.50% (Mfg Repair) 7/1/14		6.50% (General) 1.50% (Food) 3.25% (Mfg util tax) 3.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)		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)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2010
(Expressed in thousands, except number of taxpayers)

	2019				2010	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 6,929	0.23%	636	0.91%	$ 5,807	0.25%
Mining	10,154	0.34%	202	0.29%	14,950	0.64%
Utilities	300,234	9.91%	721	1.02%	252,243	10.78%
Construction	59,675	1.97%	3,251	4.61%	33,863	1.45%
Manufacturing	228,941	7.56%	5,409	7.67%	183,504	7.84%
Wholesale	274,867	9.08%	5,855	8.30%	231,242	9.88%
Retail trade	1,300,795	42.96%	25,653	36.36%	1,004,712	42.93%
Transportation and warehousing	17,347	0.57%	965	1.37%	16,996	0.72%
Information	170,096	5.62%	1,086	1.54%	183,225	7.83%
Finance and insurance	7,378	0.24%	396	0.56%	3,759	0.16%
Real estate, rental and leasing	88,515	2.92%	1,827	2.59%	49,602	2.12%
Professional, scientific and technical services	15,019	0.50%	2,273	3.22%	7,194	0.31%
Management of companies and enterprises	106	0.00%	17	0.02%	10	0.00%
Administrative, support, waste management and remediation services	68,356	2.26%	3,950	5.60%	40,311	1.72%
Educational services	4,922	0.16%	344	0.49%	2,970	0.13%
Health care and social services	4,416	0.15%	1,181	1.67%	5,514	0.23%
Arts, entertainment and recreation	19,861	0.66%	1,462	2.07%	9,727	0.41%
Accommodation and food services	323,971	10.69%	7,827	11.09%	210,810	9.01%
Other services (except public administration)	119,444	3.94%	7,408	10.50%	79,872	3.41%
Public administration	7,118	0.24%	85	0.12%	4,281	0.18%
Total	$ 3,028,144	100.00%	70,548	100.00%	$ 2,340,592	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)

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
Governmental										
General obligation bonds	$ 1,250,480	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722
Special obligations										
Revenue bond guaranty fund					300	590	3,775	2,545	1,385	
Add (deduct):										
Unamortized bond refunding loss (1)							(18,043)	(21,072)	(16,849)	(20,593)
Issuance premiums	82,687	94,654	108,042	112,405	123,199	84,980	43,406	17,438	21,287	28,002
Other debt instruments										
Loan payable to component unit		4,200								
Notes payable to component unit	59,399	59,567	60,514	68,915	79,163	85,694	92,051	98,883	100,674	100,788
Notes payable to pension trust fund									2,685	5,172
Revolving loan fund									155	
Capital leases	1,039	1,499	1,891	2,202	2,581	2,947	3,245	3,576		692
Capital leases with component unit	127,387	110,185	109,493	114,926	123,076	129,017	129,855	128,540	131,468	137,949
Installment sale with component unit						10,340	10,870	11,380	11,870	12,340
Total governmental activities debt	1,520,992	1,580,450	1,727,310	1,816,596	1,931,129	1,687,122	1,077,372	922,988	1,008,543	1,207,072
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	20,220	23,140	25,485	27,890	35,295	40,220	52,020	63,340	41,995	57,910
Safe Drinking Water Revolving Loan Fund	15,215	17,420	19,185	20,995	22,800	24,065	24,375	24,375		
College & university revenue bonds	1,951,875	1,973,331	1,898,326	1,836,895	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226	1,402,967
Revenue bonds from direct placement	10,957									
Add: issuance premiums	129,848	134,062	119,742	115,742	97,062	77,148	55,914	27,663	15,635	9,214
Notes payable from direct placement	66,038	69,155	66,945	83,988	92,045	98,305	118,465	66,170	56,988	45,092
Notes payable with component unit	8,998	9,466	9,921	10,137	134	561	1,083	1,509	2,046	2,550
Capital leases	67,219	66,288	60,808	46,802	39,327	38,308	52,110	43,537	46,178	40,408
Capital leases with component unit								358	420	620
Total business-type activities debt	2,270,370	2,292,862	2,200,412	2,142,949	2,167,490	2,139,502	2,112,393	1,880,677	1,760,488	1,560,461
Total Primary Government Debt	$ 3,791,362	$ 3,873,312	$ 3,927,722	$ 3,959,545	$ 4,098,619	$ 3,826,624	$ 3,189,765	$ 2,803,665	$ 2,769,031	$ 2,767,533
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	2.86%	3.02%	3.19%	3.33%	3.53%	3.40%	3.00%	2.63%	2.79%	2.97%
Per capita (3)	$ 1,253	$ 1,285	$ 1,308	$ 1,324	$ 1,376	$ 1,289	$ 1,078	$ 950	$ 942	$ 947
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,250,480	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722
Less: debt service funds (5)	(168,094)	(197,637)	(245,864)	(58,985)	(235,713)	(287,305)	(299,325)	(273,434)	(274,725)	(235,092)
Net bonded debt	$ 1,082,386	$ 1,112,708	$ 1,201,506	$ 1,459,163	$ 1,367,097	$ 1,086,249	$ 512,888	$ 408,264	$ 481,143	$ 707,630
Per capita (3)	$ 358	$ 369	$ 400	$ 488	$ 459	$ 366	$ 173	$ 138	$ 164	$ 242
Supplementary Information										
Component Unit Debt										
Arkansas Development Finance Authority (6):										
Bonds payable	556,282	593,955	625,743	714,085	809,992	1,064,883	1,099,498	1,035,581	1,195,621	1,675,126
Notes payable from direct placement	11,640	29,441	82,656	66,906	70,421	24,582	1,223	223,393	231,007	256,936
Add: issuance premiums	109	152		104	315	642	555	854	1,318	1,756
Less: unamortized bond issuance cost			(1,046)	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)		
U of A Foundation annuity obligations	15,492	15,458	14,069	14,065	15,068	16,259	15,204	14,804	15,967	16,669
Total Component Unit Debt	583,523	639,006	721,422	794,014	894,549	1,105,019	1,111,345	1,269,204	1,443,913	1,950,487
Total Debt	$ 4,374,885	$ 4,512,318	$ 4,649,144	$ 4,753,559	$ 4,993,168	$ 4,931,643	$ 4,301,110	$ 4,072,869	$ 4,212,944	$ 4,718,020
Debt Ratios										
Ratio of total debt to personal income (2)	3.30%	3.52%	3.77%	4.00%	4.30%	4.38%	4.04%	3.82%	4.24%	5.07%
Per capita (3)	$ 1,445	$ 1,497	$ 1,548	$ 1,590	$ 1,677	$ 1,662	$ 1,453	$ 1,380	$ 1,433	$ 1,615

(1) Beginning in fiscal year 2014, the unamortized bond refunding loss was reclassified to a separately reported deferred outflow of resources in accordance with GASB Statement No. 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.
(5) As restated to reflect full accrual rather than modified accrual balances.
(6) As restated to reflect the merger of Student Loan Authority and Development Finance Authority in fiscal year 2018.

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					
2019	$ 1,298,006	$ 25,741	$ 23,747	$ 49,489	26.23
2018	1,219,331	22,950	23,469	46,419	26.27
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
Housing Bonds					
2019	$ 87,094	$ 8,795	$ 9,354	$ 18,149	4.80
2018	87,884	8,360	9,070	17,430	5.04
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
Facilities Bonds					
2019	$ 793,099	$ 43,395	$ 46,314	$ 89,709	8.84
2018	779,721	38,572	46,107	84,679	9.21
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
General Revenue and Other Bonds					
2019	$ 11,116	$ 2,300	$ 2,860	$ 5,160	2.15
2018	10,398	2,135	2,809	4,944	2.10
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

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

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
2019	(1)	3,027	$	132,804	$	43,872	3.6%
2018		3,014		127,286		42,232	3.7%
2017		3,003		123,313		41,063	3.7%
2016		2,990		118,770		39,717	4.0%
2015		2,978		116,249		39,030	5.0%
2014		2,968		112,619		37,948	6.0%
2013		2,960		106,430		35,961	7.2%
2012		2,952		106,537		36,088	7.6%
2011		2,940		99,329		33,781	8.3%
2010		2,922		93,103		31,863	8.2%

(1) Projected numbers

Note: Prior year data may include revisions based on the latest available official release.

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

Schedule 10
Principal Employers (Unaudited)
Fiscal Year 2019 as Compared to 2010

2019	Employer	Total Employees	Percentage of Total Arkansas Employment (1)
1	Arkansas State Government	60,000 - 65,000	4.8%
2	Wal-Mart Stores, Inc.	7,500 - 59,999	2.6%
3	Tyson Foods, Inc.	7,500 - 30,000	1.4%
4	U.S. Federal Government	7,500 - 25,000	1.2%
5	University of Arkansas for Medical Sciences (UAMS)	7,500 - 15,000	0.9%
6	Baptist Health	7,500 - 12,000	0.7%
7	J.B Hunt Transport Services, Inc.	5,000 - 7,499	0.5%
8	Arkansas Blue Cross & Blue Shield	2,500 - 4,999	0.3%
9	Arkansas Children's Hospital	2,500 - 4,999	0.3%
10	Arvest Bank Group, Inc.	2,500 - 4,999	0.3%
		110,000 - 229,495	13.0%

2010	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	49,553	4.3%
2	Wal-Mart Stores, Inc.	40,859	3.5%
3	Tyson Foods, Inc.	24,251	2.1%
4	U.S. Federal Government	20,774	1.8%
5	Baptist Health	7,765	0.7%
6	ConAgra, Inc.	5,500	0.5%
7	Beverly Enterprises, Inc.	5,483	0.5%
8	Alltel Corp	4,800	0.4%
9	Whirlpool Corp	4,000	0.3%
10	Kroger Co.	3,670	0.3%
		166,655	14.4%

(1) Percentages for fiscal year 2019 are based on the midpoint of each range.

Source: Arkansas Economic Development Commission

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

Full-Time Employees

	2019	2018	2017	2016
General Government				
Department of Finance and Administration - Revenue	1,293	1,297	1,354	1,338
Department of Workforce Services	928	914	878	893
All other	2,515	2,551	2,594	2,622
Education				
Department of Career Education	493	541	548	549
Department of Education	366	369	383	374
All other	616	645	712	698
Health and Human Services				
Department of Human Services	7,710	7,882	8,039	7,772
Department of Health	2,054	2,028	2,117	2,362
All other	695	683	671	656
Transportation				
Department of Transportation	3,692	3,701	3,671	3,715
Law, Justice and Public Safety				
Department of Correction	4,121	4,098	4,072	4,143
Arkansas State Police	986	968	958	997
All other	3,294	3,115	3,246	3,508
Recreation and Resources Development				
Department of Parks and Tourism (2)	1,343	1,365	1,385	1,384
Arkansas Game and Fish Commission	686	689	677	694
All other	928	922	937	948
Regulation of Business and Professionals				
Department of Insurance	174	166	166	173
All other	867	892	907	936
Proprietary Funds				
Colleges and Universities (1)	28,472	28,577	27,050	26,893
Workers' Compensation Commission	88	90	89	96
Office of the Arkansas Lottery	64	66	66	65
State Total	61,385	61,559	60,520	60,816

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

(2) Fiscal years 2009-2016 restated to include War Memorial Stadium Commission, which merged with Parks and Tourism in 2017.

Source: Department of Finance and Administration Office of Personnel Management; Department of Transportation; Arkansas Democrat-Gazette

2015	2014	2013	2012	2011	2010
1,385	1,389	1,415	1,425	1,426	1,423
941	1,023	1,066	1,115	1,178	1,221
2,705	2,757	2,755	2,781	2,816	2,868
561	598	589	608	629	608
401	394	399	381	372	387
723	730	742	734	775	797
7,852	7,878	7,923	7,948	7,891	8,011
2,633	2,657	2,724	2,725	2,863	2,867
650	675	566	664	674	669
3,634	3,531	3,511	3,567	3,587	3,558
4,102	4,011	4,169	4,158	4,056	3,950
995	971	958	956	963	971
3,185	2,857	2,801	2,758	2,731	2,727
1,403	1,357	1,356	1,360	1,350	1,363
671	711	702	636	627	621
961	842	841	837	868	887
190	201	199	189	194	190
938	1,070	1,076	1,077	1,064	1,061
22,861	23,107	23,442	22,593	22,491	22,727
101	104	107	108	113	119
64	81	80	85	83	84
56,956	56,944	57,421	56,705	56,751	57,109

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

	2019	2018	2017	2016
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	903,612	863,312	932,555	912,820
Registered vehicles	4,306,610	4,377,091	4,334,774	4,252,854
Income Tax Administration				
Total electronic tax filers	1,302,435	1,218,689	1,152,797	1,137,497
EFT estimate payments by corporations	8,030	7,211	6,619	6,123
EFT withholding payments	685,368	647,558	613,249	577,097
Education				
Department of Education				
All school districts				
Average daily membership	456,479	459,275	459,774	459,858
Number of certified personnel (1)	N/A	36,581	36,238	36,028
Average salary of K-12 classroom full-time employees (1)	N/A	$ 49,840	$ 49,104	$ 48,976
Per pupil expenditures (1)	N/A	$ 10,039	$ 9,807	$ 9,701
Foundation aid per student	$ 6,781	$ 6,713	$ 6,646	$ 6,584
Assessed valuation (in millions)	$ 50,300	$ 48,782	$ 47,605	$ 46,135
Higher Education				
Public institutions				
Net enrollment	143,975	146,540	149,198	150,046
Undergraduate degrees awarded (1)	N/A	33,461	33,060	33,094
Graduate degrees awarded (1)	N/A	7,468	7,248	6,331
Private institutions				
Fall net enrollment	16,002	16,029	16,529	16,619
Undergraduate degrees awarded (1)	N/A	2,637	2,757	2,781
Graduate degrees awarded (1)	N/A	603	637	600
Health and Human Services				
Department of Human Services				
Foster care recipients	7,673	8,358	9,032	8,555
Percent of population	0.24%	0.26%	0.28%	0.27%
SNAP recipients	429,378	508,171	537,536	642,571
Percent of population	13.22%	15.82%	16.92%	20.46%
Medicaid recipients (3)	1,086,485	824,868	1,164,197	1,085,787
Percent of population	33.44%	25.68%	36.65%	34.57%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)				
Recipients	128,946	136,003	141,694	148,441
Percent of population	3.97%	4.23%	4.46%	4.73%
Doses of vaccine administered (2)	498,515	504,859	554,079	663,689

(1) Fiscal year 2019 figures were not available as of print date.
(2) 2010 had H1N1 pandemic.
(3) In fiscal year 2016, the number of people who 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.

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 Transportation; Department of Correction; Department of Parks and Tourism; and Department of Insurance

2015	2014	2013	2012	2011	2010
893,069	930,474	789,172	799,564	778,521	852,998
4,149,491	4,082,014	3,990,259	3,904,307	3,818,476	3,700,308
1,106,280	1,059,101	991,465	971,603	878,471	791,646
5,616	5,200	4,399	3,475	2,342	1,961
539,549	435,403	460,028	411,925	211,129	231,209
460,693	461,597	460,019	457,737	457,717	458,172
36,260	36,380	36,436	36,290	35,637	36,050
$ 48,575	$ 48,060	$ 47,316	$ 46,946	$ 46,663	$ 46,601
$ 9,365	$ 9,457	$ 9,324	$ 9,379	$ 9,315	$ 9,112
$ 6,521	$ 6,393	$ 6,267	$ 6,144	$ 6,023	$ 5,905
$ 45,163	$ 44,335	$ 43,027	$ 41,877	$ 40,484	$ 39,567
151,350	153,804	157,132	158,606	155,881	149,312
27,467	31,924	29,163	28,955	30,729	26,294
5,222	5,684	6,027	5,976	5,412	4,811
16,497	16,104	16,605	17,351	16,500	15,507
2,363	2,709	2,490	2,621	2,425	2,425
601	605	568	560	501	522
7,686	7,513	7,701	7,739	7,959	7,491
0.25%	0.25%	0.26%	0.26%	0.27%	0.26%
659,887	685,812	696,343	693,564	678,358	643,420
21.24%	22.54%	23.13%	23.55%	23.22%	22.27%
933,033	902,378	777,922	776,050	770,792	755,607
30.03%	29.66%	25.83%	26.35%	26.38%	26.16%
149,536	152,902	160,723	165,795	169,732	169,789
4.81%	5.03%	5.34%	5.63%	5.81%	5.88%
665,550	630,304	580,498	534,759	688,116	1,144,245

Continued on the following page

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

Continued from previous page

	2019	2018	2017	2016
Transportation				
Department of Transportation				
Miles of state highway maintained	16,465	16,466	16,449	16,431
Law, Justice and Public Safety				
Department of Correction				
Custody population count	15,594	15,637	15,885	16,050
Inmate cost per day	$ 62	$ 61	$ 60	$ 60
Operating capacity	14,710	14,540	14,900	14,821
Inmate care/custody operating expenses (in thousands)	$ 354,108	$ 351,613	$ 346,549	$ 338,441
Arkansas State Police				
Commissioned officers	535	532	526	559
Number of homicides investigated (4)	80	63	73	200
Total citations issued	195,127	179,863	162,928	222,922
Total motorist assists	26,039	27,522	27,064	26,872
Total number of traffic accidents	18,201	18,778	19,862	18,962
Total criminal investigations	1,712	1,682	1,712	1,820
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,769	54,680	54,643	54,602
Game and Fish Commission				
Fishing licenses sold	593,556	648,985	647,888	681,493
Hunting licenses sold	580,096	615,322	506,497	505,058
Lifetime licenses sold	22,955	21,404	30,826	28,997
Other licenses sold (5)	15,773	15,954	21,349	36,873
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	156,501	138,665	130,144	123,313
Total consumer complaints received	2,267	2,270	2,409	2,437
Total consumer complaints closed	2,381	2,301	2,386	2,218
Total dollars recovered for consumers (in thousands)	$ 6,128	$ 4,822	$ 3,200	$ 3,557

(4) In fiscal year 2017, State Police started using a new reporting system that identifies cause of death by type (i.e., homicide, suicide, accidental death and natural death) as determined by the State Medical Examiner's Office.

(5) In fiscal year 2016 and prior years, the quantity of reprinted license sales was reported as other licenses. In fiscal year 2017, 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 Transportation; Department of Correction; Department of Parks and Tourism; and Department of Insurance

2015	2014	2013	2012	2011	2010
16,424	16,418	16,411	16,398	16,414	16,416
15,410	14,558	14,061	14,151	14,129	13,908
$ 63	$ 64	$ 63	$ 60	$ 62	$ 60
14,397	13,794	13,467	13,919	13,496	13,133
$ 336,640	$ 324,189	$ 318,689	$ 316,659	$ 304,658	$ 288,609
553	528	524	535	536	546
246	198	239	219	211	227
230,655	227,756	232,158	207,651	246,417	266,764
26,552	30,374	30,447	24,002	28,838	26,660
17,853	20,983	16,050	14,813	14,977	16,320
1,870	2,614	2,818	4,017	4,152	3,038
54,466	54,372	54,358	54,374	54,343	54,161
653,598	689,698	667,536	722,041	663,426	701,805
515,307	502,568	488,217	467,167	454,794	448,625
28,643	28,922	29,380	27,721	25,379	26,360
36,347	36,291	35,776	39,193	34,243	32,989
119,066	110,192	101,089	88,910	85,865	83,231
2,417	2,376	2,100	2,387	2,352	3,008
2,310	2,209	1,923	2,221	2,167	3,111
$ 3,173	$ 3,578	$ 4,174	$ 3,982	$ 4,678	$ 10,608

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

	2019	2018	2017	2016	2015	2014	2013	2012	2011	2010
General Government										
Department of Finance and Administration - Revenue										
Vehicles	176	177	183	170	191	179	172	174	180	182
Education										
Department of Education										
Vehicles (1)	8	7	7	7	5	5	216	217	202	216
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	451	450	448	448	444	442	446	448	444	442
Vehicles	565	618	635	617	606	572	595	582	560	516
Department of Health										
Buildings	8	8	7	7	7	7	7	7	7	7
Vehicles	129	134	136	140	139	137	142	138	135	131
Transportation										
Department of Transportation										
Passenger vehicles	1,820	1,728	1,841	1,845	1,761	1,738	1,729	1,743	1,808	1,761
Law, Justice and Public Safety										
Department of Correction										
Correctional units	21	20	21	21	21	19	19	19	20	20
Vehicles	457	414	414	421	422	429	417	428	411	419
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	880	868	875	868	921	943	829	820	809	877
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	415	430	406	393	400	385	396	372	353	356
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	893	892	962	948	961	945	918	890	895	1,038
Boats	554	585	569	581	569	569	585	599	589	580
Regulation of Business and Professionals										
Vehicles	109	115	115	118	120	121	120	129	118	120

(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 Department of Transportation, 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 Capital	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, 55 feet
State Seal	Adopted in its basic form in 1864, and in its present form in 1907
State Flag	Adopted by the General Assembly of 1913
State Flower	Apple Blossom - Adopted by the General Assembly of 1901
State Bird	Mockingbird - Adopted by the General Assembly of 1929
State Tree	Loblolly 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

Source: Arkansas Secretary of State and Arkansas General Assembly