Arkansas

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2015

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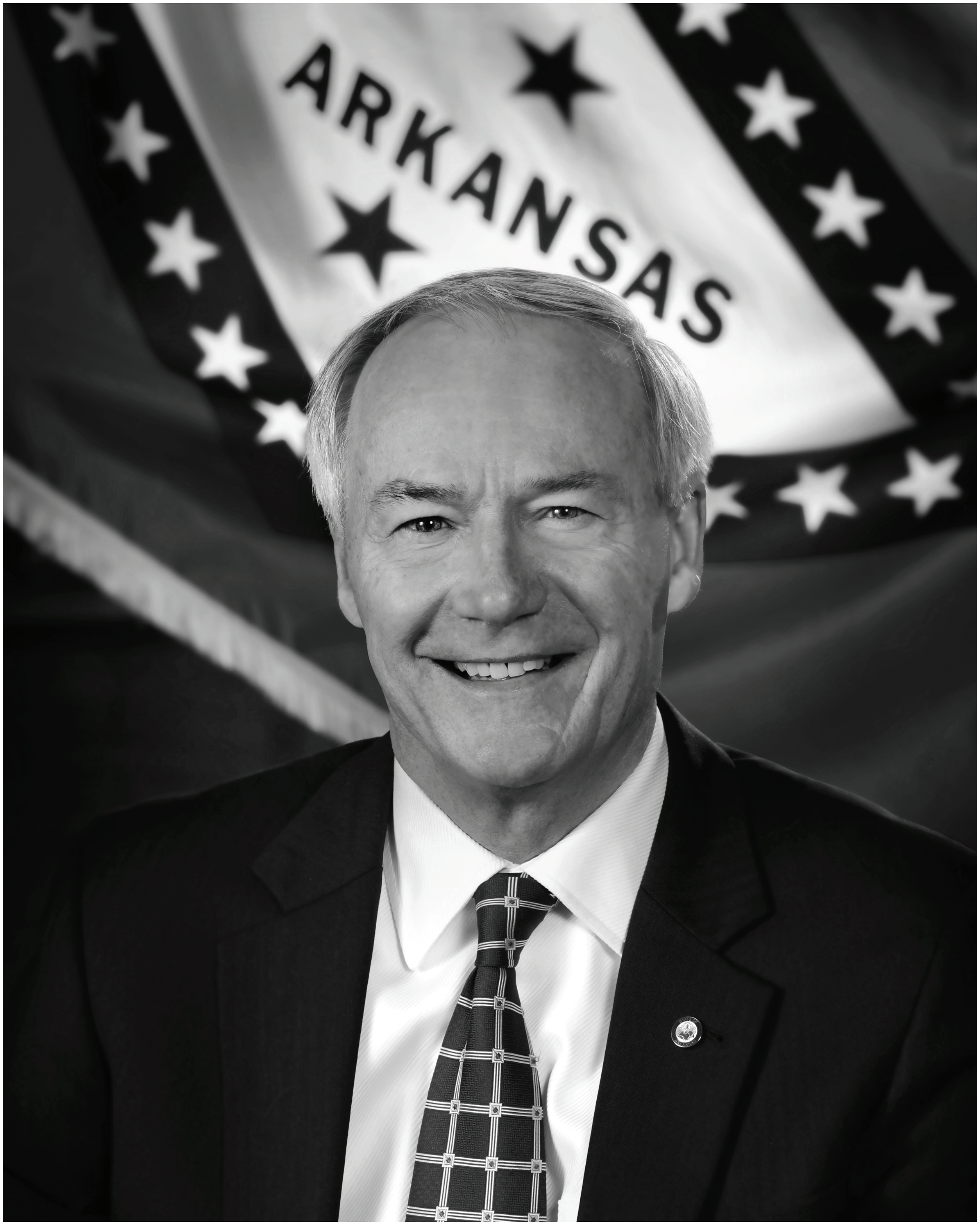
Asa Hutchinson
Governor

Larry Walther
Director
Department of Finance and Administration

Prepared By
The Department of Finance and Administration
Office of Accounting

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

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



Governor Asa Hutchinson

STATE OF ARKANSAS

ASA HUTCHINSON
GOVERNOR

December 31, 2015

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

I am pleased to submit the Fiscal Year 2015 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 2015 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 2014 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award seventeen 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 2015 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.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2015

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GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

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December 31, 2015

The Honorable Asa Hutchinson, Governor
The Honorable Members of the Arkansas General Assembly
The Citizens of Arkansas

In accordance with the requirements set forth in Arkansas Code of 1987 Annotated (ACA) § 19-4-517, it is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2015.

This report has been prepared by the Department of Finance and Administration (DFA) in conformance with Generally Accepted Accounting Principles (GAAP) for governments as promulgated by the Governmental Accounting Standards Board (GASB). The accuracy of agency level data that supports these financial statements is the responsibility of agency management. The completeness and fairness of the presentation, including all disclosures, rests with DFA. To the best of our knowledge and belief, the enclosed data is accurate in all material respects, and is reported in a manner designed to present fairly the financial position of the State. All disclosures necessary to enable the reader to gain an understanding of the State's financial activities have been included.

The management of the State is responsible for establishing and maintaining an internal control structure designed to ensure that the assets of the State are protected from loss, theft, or misuse, and that adequate accounting data is compiled to allow the preparation of the financial statements. The internal control structure has been designed to provide reasonable, but not absolute, assurance regarding the reliability of financial records for preparing financial statements and maintaining accountability for the safeguarding of public assets. The concept of reasonable assurance recognizes that the cost of a control should not exceed the benefits likely to be derived, and that the valuation of costs and benefits require estimates and judgments by management.

Arkansas Legislative Audit performed the audit for the fiscal year ended June 30, 2015. 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 2.9 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 January of every odd-numbered year and the Fiscal Legislative Session in February of every even-numbered year. The judicial branch is comprised of three levels of courts. They are the District Courts, the Circuit Courts, and the Appellate Courts, which are the Court of Appeals and the Supreme Court.

Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to DFA, which compiles the executive budget on behalf of the Governor, who then submits it to the Legislature for approval. DFA maintains control over the spending patterns of the State through control at the line-item level. See Note to Required Supplementary Information (RSI) - (Budgetary Basis Reporting – Budgetary Process) for further discussion of budgetary controls.

The State provides a full range of services including: education; health and human services; transportation; law, justice, and public safety; recreation and resource development; regulation of business and professionals; and, general government.

All agencies, divisions, departments, boards, and commissions that represent the State's reporting entities are included in this report. In addition to these primary government activities, this report includes information related to component units that are financially accountable to the State. Although such information is provided in this report, the focus of the MD&A and the financial statements is on the primary government and its activities. Separately issued financial statements are available from the discretely presented component units and should be read to obtain a better understanding of their respective financial conditions. Additional information on all discretely presented component units can be found in the notes to the financial statements.

FACTORS AFFECTING ECONOMIC CONDITION

The information presented in the financial statements is perhaps better understood when it is considered from the broader perspective of the specific environment within which the State operates.

Local Economy

Arkansas is noted as a leader in the South for its favorable business climate and low cost of doing business. The average cost of living for all of the State's metropolitan statistical areas is consistently below the national average. Businesses also enjoy low tax obligations through a variety of incentives, exemptions, credits, and refunds. Centrally located half-way between Canada and Mexico, California and the Carolinas, Arkansas is only a short distance away from one-third of the nation's population.

Arkansas is very proud of the four Fortune 500 companies that got their start and are headquartered here: Dillard's, Murphy Oil, Tyson Foods, and Wal-Mart. This year, the State has continued to attract new businesses. Big River Steel officially closed on its financing and commenced construction of its $1.3 billion steel mill in Mississippi County. The mill will employ more than 500 people. Midcontinent Independent System Operator (MISO) opened a regional operations center for the electric grid in West Little Rock, employing 42 in the high-tech sector. Zilkha Biomass Energy, a producer of biomass solutions to electric utility customers, announced that it will open a facility in Monticello, investing $90 million and creating 52 new jobs. Highland Pellets, an Arkansas-based wood pellet manufacturer, announced plans to build a $130 million facility, creating 35 jobs in the Pine Bluff area. A leading global provider of marketing technology, TeleTech Holdings, announced further expansion to Jonesboro, after establishing a center in Sherwood. Georgia-Pacific announced plans to invest $37 million at its Gurdon lumber operations. Three technology companies; Big Cloud Analytics, Metova, Inc., and Eyenalyze all announced plans to locate in Conway. The three companies will invest a combined $2.5 million and create 140 new jobs in the area. The aviation and defense manufacturer, Aerojet Rocketdyne, announced plans to invest $18 million and add 85 new positions, expanding its facility in Calhoun County. Southwest Steel Processing also announced plans to expand its Newport facility. The company plans to invest $18 million while adding 100 jobs. Several other companies announced expansion plans in the state; including cleaning products manufacturer, Awesome Products, in West Memphis; building automation systems provider, Wachter, in Lowell; plastic manufacturer, Plastic Ingenuity, in Maumelle; and aviation manufacturers, Galley Support Innovations, in Sherwood and Dassault-Falcon, in Little Rock.

Targeted business incentives provide start-up companies a 33.0 percent transferable income tax credit for research and development. Businesses targeted are those that grow knowledge-based businesses from intellectual property that is primarily generated by the State's research universities. To date, 41 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $100 million.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy continued a positive trend in fiscal year 2015. Personal income, wage disbursements, and net available general revenues all increased in fiscal year 2015 as compared to fiscal year 2014, while unemployment continued to decline.

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 $114.0 billion in fiscal year 2015. This represented an increase of $4.4 billion, or 4.0 percent, from fiscal year 2014.

Fiscal year 2016 is estimated at $118.1 billion (current dollars), an increase of $4.0 billion, or 3.5 percent, from fiscal year 2015.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $51.1 billion in fiscal year 2015, an increase of $1.7 billion, or 3.5 percent, from fiscal year 2014.

Fiscal year 2016 is estimated at $52.7 billion (current dollars), an increase of $1.6 billion or 3.0 percent from fiscal year 2015.

Employment: In fiscal year 2015, revised payroll employment in Arkansas averaged 1.2 million jobs. This represented an increase of approximately 21 thousand jobs, or 1.8 percent, from fiscal year 2014. In fiscal year 2016, payroll employment is expected to average 1.2 million jobs. This represents a projected increase of approximately 20 thousand jobs, or 1.7 percent, from fiscal year 2015.

Fiscal Year 2015 Net Available General Revenues: Actual net available general revenues collected totaled $5.2 billion with a $191.6 million surplus above net available distribution. The net available collected was $228.1 million, or 4.5 percent, above the net available in fiscal year 2014. Fiscal year 2016 net available general revenue collections are estimated at $5.1 billion, a decrease of $64.3 million, or 1.2 percent, from fiscal year 2015 and equal to net available distribution. The projected decrease is a result of several factors; however three of those factors stand out. To begin, the top tax rate was cut from 7 percent to 6.9 percent during the legislative session in 2015. Also, insurance license renewals collected from the Insurance Department are on a two-year cycle. Fiscal year 2016 is the down year part of that cycle. Lastly, the Attorney General settled a lawsuit with Standard & Poor's (S&P) in fiscal year 2015, resulting in a $14.4 million settlement. There is no anticipated similar settlement in fiscal year 2016.

Selected Special Revenues: Voters approved Issue I in November 2012, raising the sales tax from 6 to 6.5 percent, effective July 1, 2013. Revenue from the half-cent increase will finance a $1.3 billion bond issue, which will be combined with existing revenue to pay for $1.8 billion in improvements and construction of four-lane highways that will connect all areas of the State. The increase will expire 10 years from the effective date.

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 2015, $460.2 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2016 net tax collections estimated to be $473.1 million.

RELEVANT FINANCIAL POLICIES

Balanced Budget: According to data released by S&P in May 2015, Arkansas is one of twenty-four states that do not have a projected budget gap for fiscal year 2016. This is largely due to the fact that Arkansas Code Title 19 (Public Finance) provides for a balanced budget. Title 19 also requires the Director of DFA, who is the Chief Fiscal Officer (CFO) of the State, to be aware of the actual and estimated funds available at all times in order to ensure that they are sufficient to maintain the State on a sound financial basis without incurring a deficit. Additionally, there are requirements for the executive branch to report to the legislative branch on a regular basis regarding the status of the State's finances.

The law provides that sixty days prior to the convening of the General Assembly each year, the Governor shall issue a general revenue forecast. This forecast is based upon the aggregate revenue forecasts of each individual agency. It identifies the expected level of general revenue collections and the net distributions of those revenues for the year, as required by the Revenue Stabilization Act. The General Assembly then authorizes the level of funded appropriation each year based upon the annual general revenue distribution along with other special and federal revenue sources.

Each appropriation is required to have at least one funding source. These funding sources are categorized as general, special, federal, or other. State spending is limited to available cash and available appropriation.

The Office of Economic Analysis and Tax Research compares the actual revenue collections to the forecast on an ongoing basis. If shortfalls in general revenue collections are anticipated, the "funded appropriation" levels are appropriately reduced to maintain a balanced budget for general revenues. Special, federal, and other revenue collections are monitored by DFA Office of Budget. Each agency provides an annual revenue forecast which is the basis for establishing the agency's "funded appropriation." This funded appropriation will be adjusted by the Office of Budget as necessary for shortfalls in anticipated revenue collection.

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

MAJOR INITIATIVES

Education: Arkansas continued its commitment to ensuring that every student in Arkansas is prepared to succeed in post-secondary education and careers. Schools implemented rigorous, robust, and research-based academic standards that define what students should know and be able to do at each grade level.

To ensure that students are ready for the challenges of a 21st Century economy, the State launched the Computer Science Initiative in fiscal year 2015. Four courses were approved by the Arkansas Department of Education (ADE) to meet the requirements set forth by Act 187 of 2015. Starting with the 2015-2016 school year, all public high schools and public charter high schools will offer at least one computer science course as part of their curriculum.

The success of every student is important for a vibrant economy and society. With this in mind, the ADE launched the Response to Intervention (RTI) model in fiscal year 2015. This resource gives students who are at risk for learning and behavior challenges a tool to seek support and monitor progress. Students can gain access to individualized instructional plans that may include small group instruction, custom assessments, progress monitoring, and attention to behavior factors so they have a better chance for success in the classroom and beyond.

Highway and Transportation: The Arkansas Highway and Transportation Department's (AHTD) mission is to provide a safe, efficient, aesthetically pleasing and environmentally sound intermodal transportation system for the user. Efficient and orderly movement of goods and people is essential for a thriving population. With this aim in mind, AHTD completed a number of construction projects in fiscal year 2015; among them was a new interchange on Interstate 40 at Lonoke, completed in December 2014. The $7.9 million project connects Highway 89 to the Interstate. This provides a needed update to a connecting route between the commuting and shipping thoroughfares of U.S. 67-167 at Cabot and Interstate 40 just to the east of manufacturing centers in the Little Rock Metro.

In an effort to accommodate traffic between two commerce centers, a new segment of Interstate 49 in southern Miller County was opened to traffic this year. The new lanes complete a section of the Interstate that now connects Texarkana and Shreveport, Louisiana. A total of 21 projects were involved in completing the 42-mile section from the Arkansas/Louisiana state line to Highway 71 just north of Texarkana.

The Prairie Grove Bypass was officially opened in northwest Arkansas, providing needed relief for a rapidly growing population center. Work began on construction of the project in 2011 after completing various planning stages. Also in northwest Arkansas, ground was broken on the Highway 412 Bypass north of Springdale. The project will carry traffic from Interstate 49 westward to Highway 112 when completed. The first leg of the bypass will be a four-lane, divided highway 4.5 miles in length. Also in north Arkansas, a new barge for Arkansas's last remaining ferry boat was christened and put into service on Bull Shoals Lake. The barge can hold up to 100 passengers and 12 vehicles, doubling the capacity of the old barge. The barge crosses Bull Shoals Lake just north of the town of Peel, connecting Highway 125 at each shore.

Consistent with its purpose to provide safe transportation systems for all users, AHTD commenced work on a new statewide Bicycling and Pedestrian Transportation Plan this year. The plan will address State policies related to bicycling and walking as well as the development of roads, trains, sidewalks and other infrastructure that serve pedestrians and bicyclists. Also consistent with this multi-user objective, the final draft on a new State Rail Plan has been completed. Public meetings were held in September and October. The new plan, in addition to a High-Speed Passenger Rail Feasibility Study, serves as an important step in charting a direction for rail transportation in Arkansas for the next 20 to 30 years.

In April, AHTD staff in the Transportation Planning and Policy Division began work producing a new Statewide Long-Range Intermodal Transportation Plan (LRITP) for the AHTD. Through an extensive public and stakeholder involvement process, the plan will set strategic directions on the future of Arkansas's transportation system and the level of transportation investments required.

The first meeting of the Governor's Working Group on Highway Funding took place in June. Their purpose is to serve as an investigative and advisory body for the Governor in determining adequate financing of the present and future needs of the State highways, county roads and city streets.

State Parks: Arkansas's 52 state parks are natural treasures set on gorgeous mountains, lakes, streams, and forests. Encompassing 54,466 acres of wetlands, forests, fish and wildlife habitats, recreational facilities, and unique historic and cultural resources, the state parks provide a hands-on opportunity to experience why Arkansas is the Natural State. Within the parks are 1,781 campsites, 4 lodges, 209 fully equipped cabins, 10 marinas, 11 swimming pools, 8 restaurants, 18- and 27- hole golf courses, over 120 miles of roads, hundreds of miles of utilities, and an assortment of 142 hiking, mountain bike, backpack, equestrian and multi-use trails, covering 390 miles. Over 8.9 million visitors came to the state parks with 1 million visitors participating in more than 48 thousand educational and recreational programs and special events throughout the park system in the fiscal year ended June 30, 2015.

Over $173.0 million in capital improvements and major maintenance projects have been completed throughout the Arkansas State Park system, funded by Amendment 75, the one-eighth per-cent Conservation Tax, since its passage in 1996.

Seventeen construction and major renovation projects totaling $5.2 million were completed during fiscal year 2015, including a complete renovation of Queen Wilhelmina Lodge, construction of new 1800s historic buildings at Davidsonville, renovation of the Civilian Conservation Corp dining hall at Crowley's Ridge State Park, construction of a new day-use bath house at Prairie Grove Battlefield, renovation of the bath house at White Oak Lake, and Phase I of the renovations to the Craft Village at the Ozark Folk Center.

The popularity of the State parks' family of websites and social networking sites continues to grow, bringing visitors to experience park programs, events, quality facilities, and natural, historical and cultural resources. Arkansas State Parks has over 80 thousand "friends" on Facebook, over 10 thousand followers on Twitter, over 1 thousand followers on Instagram, and over 500 followers on Pinterest taking advantage of the benefits and values of their State park system. Social networking sites are great marketing tools that help the public's utilization of park facilities, provide testimonials to others, and connect visitors and stakeholders to recreation and education program opportunities and facilities. Updates to www.arkansas.com's mobile website provide users location and driving directions, trail locations, accommodations information, and information on park programs and special events.

Tourism: The tourism and hospitality industry is one of the largest sectors of the Arkansas economy. The industry experienced another solid year in 2015. Tourism tax collections showed resilience as the national economy continued its recovery and consumer confidence increased. The State's 2 percent tourism tax revenues have grown at a pace approximately four to five times the rate of inflation. Several of the State's key marketing areas – places such as Dallas, Houston, Oklahoma City, and Tulsa – showed strength despite the downturn in the energy sector. In actuality, five of the fastest growing communities in the country are located within the State's primary marketing area. Intrastate regions, such as northwest Arkansas and central Arkansas, also exhibited gains.

The state's tourism industry gained new resources with the opening of the new Scott Family Amazeum in Bentonville, the ribbon-cutting at the completely renovated Queen Wilhelmina State Park Lodge in western Arkansas, the $7.8 million renovation of Mid-America Museum in Hot Springs, a multi-million dollar expansion at Oaklawn Racing & Gaming in Hot Springs, dedication of Battery C Park in Helena, and the $37 million expansion at Southland Park Gaming & Racing in West Memphis.

There are also several key tourism projects still in development. The Little Rock Convention and Visitors Bureau is overseeing an $85 million renovation of the Robinson Auditorium complex, which is scheduled to re-open in November 2016. Work continues on the US Marshal Museum in Fort Smith, which will provide a major boost for western Arkansas. Also, the Crystal Bridges Museum of American Art in Bentonville acquired the Bachman Wilson House (a significant Frank Lloyd Wright structure) and will open the historic building to the public in November 2015 on the museum grounds in northwest Arkansas. Plans for a boutique hotel on Central Avenue in downtown Hot Springs have been announced and investors are said to be considering additional lodging developments in Little Rock's River Market District.

Wildlife Conservation: Like the Department of Parks & Tourism, the Arkansas Game and Fish Commission (AGFC) also plays an important role in keeping the Natural State true to its name. March 11, 2015, commemorated the 100th anniversary of Act 124 of 1915, which created the Arkansas Game and Fish Commission. During the last 100 years, the agency has overseen the protection, conservation and preservation of various species of fish and wildlife in Arkansas. This is done through habitat management, fish stocking, hunting and fishing regulations, and a host of other programs. Through agency programs geared toward the public, the Arkansas Game and Fish Commission also works to generate awareness of ethical and sound management principles. The agency does this through educational programs, fishing and hunting regulations, and environmental awareness.

In fiscal year 2015, the AGFC coordinated a large communications campaign in celebration of its centennial, including the production of a special video to memorialize the work of countless Arkansas conservationists. The video was distributed through the AGFC's YouTube channel and at speaking engagements and displays. Additionally, a 132-page cookbook and a 180-page photo history book were produced and sold online, at nature centers, and at events celebrating aspects of the outdoors. In March, full page ads were placed in a special centennial issue of the AGFC's magazine, *Arkansas Wildlife*, as well as independent publications to help announce the celebration. The celebration also included displays, which were placed at the Arkansas State Capitol. Additionally, Governor Asa Hutchinson recognized the anniversary in a press conference and, later that same day, Senator John Boozman entered a formal recognition of the anniversary into the Congressional Record in our Nation's capital. The celebration also stretched beyond the borders of AGFC buildings. Displays and booths represented the AGFC at the Arkansas State Fair, the Arkansas Big Buck Classic, the Little Rock Marathon, state tournaments for the Arkansas National Archery in the Schools Program and Arkansas Youth Shooting Sports Program, Toad Suck Daze in Conway, Crawdad Days in Harrison, Riverfest in Little Rock, the Jasper Elk Festival and many other town festivals and gatherings. It is the AGFC's belief that working with people is just as important to wildlife management as any other endeavor.

Human Services: The Arkansas Department of Human Services (DHS) is Arkansas's largest state agency, with more than 7,400 employees working to ensure that citizens are healthy, safe, and enjoy a high quality of life. In this capacity, DHS serves more than 1.3 million Arkansans each year. The staff is organized into ten major service-delivery divisions and four support offices headquartered in the Donaghey Plaza Complex in Little Rock, with 83 county offices throughout the State. The Department continues to invest in new initiatives and improvements to existing services. DHS recently awarded more than $5 million to 19 primary care providers from across the State for their work to improve the quality of care they provided patients, while also helping save the State about $34 million in Medicaid costs in 2014. The primary care providers who received checks are enrolled in the State's Patient-Centered Medical Home (PCMH) program, which is part of the Arkansas Health Care Payment Improvement Initiative that began in 2012. This initiative moves the State's health care payment system away from a fee-for-service model to one that pays physicians for providing high-quality care at an appropriate price. The first phases of the initiative reduced inappropriate use of antibiotics and increased prenatal screening for pregnant women.

In addition to these efforts, the DHS Division of Medical Services is establishing a Payment Integrity Unit, which is tasked with strengthening Arkansas's Medicaid program, preventing improper use of Medicaid funds, and increasing recoveries when the funds are inappropriately used. The new unit will focus on prevention and recoveries by using data analytics and industry best practices to identify systemic sources of waste. DHS and the Office of the Medicaid Inspector General will then collaborate on correcting the existing policies, new training for DHS and provider staff, and addressing shortcomings in the current claim processing procedures.

The Division of Children and Family Services, in cooperation with the Governor's Office, is beginning a major focus to improve the foster care system that serves the approximately 4,000 children in foster care throughout the State. As part of a statewide meeting called the Recall Hope Summit, the State's faith-based leaders and communities were asked to become involved by helping to increase available foster care homes and expanding mentoring programs for children in foster care. The Summit offered faith leaders, clergy and lay leaders alike, the tools and the ability to expand, refine, or even begin ministries from their local houses of worship and congregations.

DHS is constantly looking at better ways to serve the citizens of Arkansas. Changes made in the past year will allow the agency to provide services every day to the most vulnerable Arkansans in the most efficient way possible.

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

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

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

In addition to preparing agencies for disasters, DIS is also providing a reliable means of communication for first responders through the Arkansas Wireless Information Network (AWIN). AWIN is a multi-phased program to leverage new and existing wireless resources to maintain and expand a statewide interoperable wireless communication system for emergency responders and Arkansas public service entities. There are currently over 28 thousand AWIN users consisting of law enforcement, fire, first responders, and other emergency services at the municipal, county, state, and federal levels. This major initiative continues through 2016.

Arkansas Scholarship Lottery: With the purpose to help build an educated and capable population, the voters passed an amendment to the Arkansas Constitution in November 2008, authorizing the legislature to establish a lottery. The net proceeds of the lottery would be used to fund scholarships for Arkansas students to in-state two-year and four-year higher education institutions. Subsequently, Acts 605 and 606 of the 87th General Assembly established the Arkansas Lottery Commission (ALC) for the purpose of establishing, operating and regulating State lotteries. The ALC was charged with overseeing the lottery operations of the State. The ALC consisted of nine members with three members appointed by each of the following: the Governor, the Speaker of the House of Representatives, and the President Pro Tempore of the Senate. The lottery also operates using its other legal (DBA) entity name of Arkansas Scholarship Lottery. The ALC commenced sales of instant scratch-off tickets on September 28, 2009, Powerball® on October 31, 2009, Cash 3 on December 14, 2009, Mega Millions® on January 31, 2010, Cash 4 on July 12, 2010, Arkansas Million Dollar Raffle on July 14, 2010, Fast Play games on October 25, 2010, Decades of Dollars on May 3, 2011, Arkansas 50/50 Raffle on October 1, 2011, Natural State Jackpot on August 27, 2012; Arkansas Million Dollar Raffle was re-introduced on September 1, 2013, Monopoly Millionaires' Club™ on October 19, 2014, and Lucky for Life commenced sales on January 27, 2015.

During the 90th General Assembly, Act 218 of 2015, which became effective on February 26, 2015, was enacted. Act 218 eliminated the Arkansas Lottery Commission and established the lottery as the Office of the Arkansas Lottery (OAL) under the Administrative Services division of the Arkansas Department of Finance and Administration. For the year ended June 30, 2015, OAL had operating revenues of $409.2 million, paid gaming prizes of $280.5 million, paid selling commissions to Arkansas retailers of $23.3 million and provided $72.6 million in scholarship funds, after payment of other lottery expenses.

Health: Working in an ever-changing landscape, the Arkansas Department of Health (ADH) continues its mission to protect the health and well-being of all Arkansans. Even though improved public health conditions and advances made in modern medicine have eliminated many of the threats from days gone by, those problems have been replaced by new challenges that pose major obstacles to healthy living in today's world. Numbered among the significant health challenges before Arkansans are the obesity epidemic, tobacco use, teen pregnancy, poor dental health, high infant mortality, abuse and misuse of prescription drugs, injuries, and poor health literacy. Dedicated public health professionals working in a variety of scientifically-based disciplines are already addressing these problems. Arkansas's public health workforce is working every day at the local level through a statewide service network to provide prevention services and to address threats to the public's health. For instance, placing high risk pregnant mothers and infants in the right birthing facility for delivery and care is an important way to reduce infant and maternal morbidity and mortality and improve birth outcomes. ADH has worked as part of the Arkansas Perinatal Regionalization Committee to develop levels of care that indicate the type of services birthing hospitals are best able to provide.

The recent Ebola virus outbreak and other new and emerging infectious diseases are why ADH has an 'always on' surveillance, investigation, and control system. Information received through reporting and surveillance programs help monitor disease trends and identify groups that may be at high risk for illness. This ensures that ADH is ready to quickly and appropriately respond to threats to the public's health. ADH has been working closely with health care providers, hospitals, emergency medical services, and other partners to prepare for the possibility of Ebola or any other serious communicable disease entering our state. In the spring of 2015, ADH received an additional $4.9 million in grant funds from the Centers for Disease Control and Prevention (CDC) for these efforts. The agency is assisting designated hospitals and health care professionals across the State to develop the capacity to assess and treat patients with the Ebola virus. The department is also developing communication networks among healthcare providers to aid in information sharing, as well as assessing the capabilities of ADH health units to address the possibility of a patient arriving with a highly infectious disease such as the Ebola virus. Additionally, ADH is working to ensure that health units have appropriate equipment, supplies and training and providing educational assistance to workers both at the ADH and in the private sector to ensure that they are adequately protected from exposures to highly infectious disease such as Ebola. ADH is ready to rapidly identify, assess, and properly manage any potential threats. This is core public health and what ADH does every day.

Just as the advances of the first century of the department were not made without the cooperative efforts of many other dedicated health professionals, ADH knows that all of the State's health problems will not be solved by one individual or group. ADH continuously collaborates with a wide variety of partners in the public and private sectors to address the health problems facing Arkansans. As an example, ADH was awarded a Garrett Lee Smith State and Tribal Suicide Prevention Grant, with $3.7 million in federal funding over five years, to focus on youth suicide prevention with the help of key stakeholders.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2014. This was the seventeenth year that the State has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

Governor Asa Hutchinson, by making fiscal responsibility a top priority, has provided excellent leadership in the accurate and timely financial reporting by the State. His administration has developed policies and acquired the resources necessary to ensure strict compliance with the reporting requirements of the entities that govern financial reporting for governments. The information generated by and distributed through the State's reporting structure is used by the General Assembly and other decision makers within the State.

The level of detail and degree of accuracy with which information in this report is presented would not be possible without the time and efforts of dedicated staff of all state agencies that provide their financial packages on a timely basis. Their efforts are appreciated by all of the people responsible for preparing the CAFR.

Sincerely,

Larry W. Walther
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

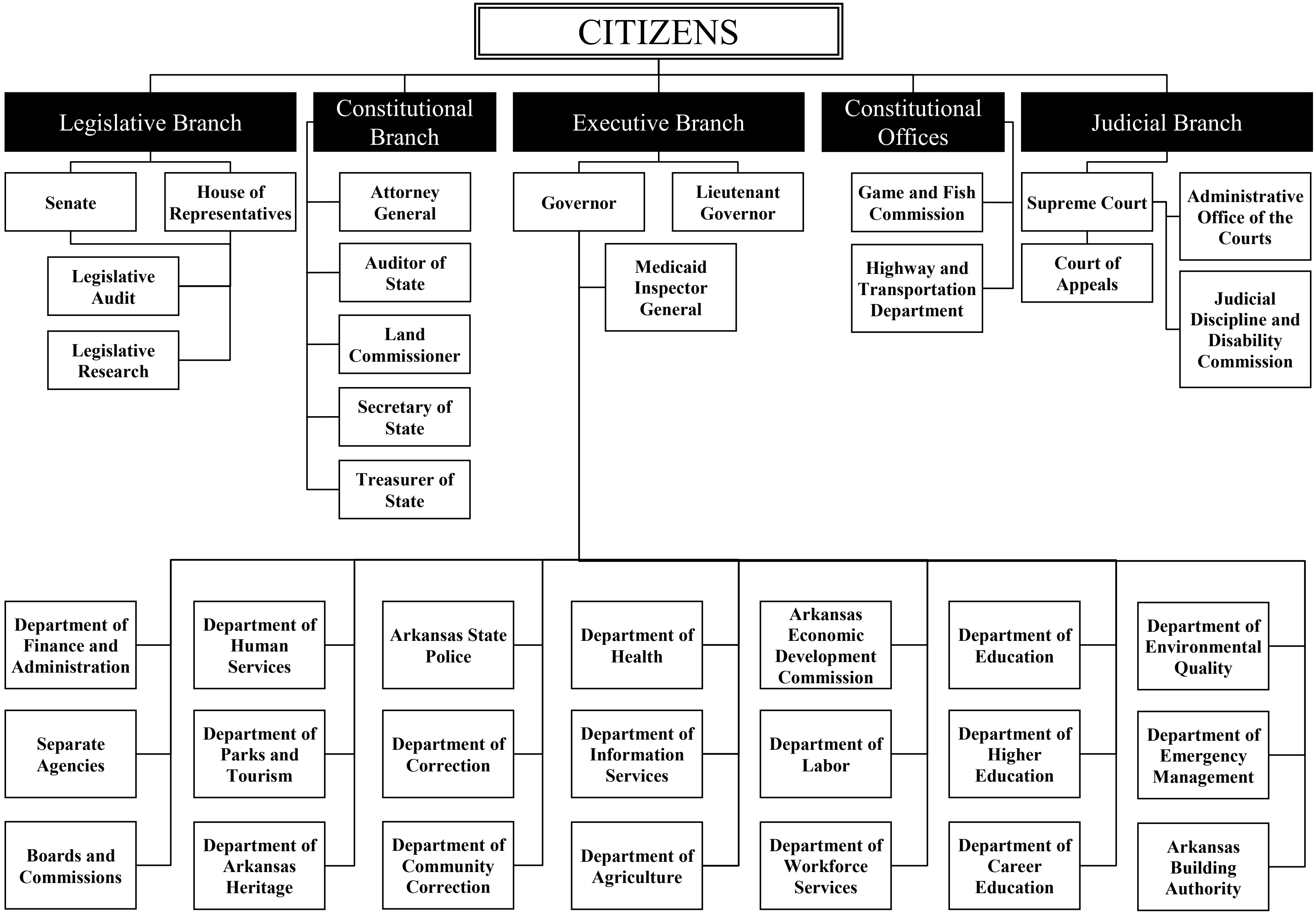
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2014

Jeffrey R. Emer

Executive Director/CEO

Arkansas Organizational Chart



Principal Officials

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

GREAT SEAL OF THE STATE OF ARKANSAS

Financial Section


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair

Rep. Mary Broadaway
House Chair
Rep. Sue Scott
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, 2015, 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 32% of the revenues of the business-type activities opinion unit and 18% of the assets and 48% of the revenues of the Higher Education major enterprise fund opinion unit.
- The Department of Workforce Services (Administrative), a portion of the General Fund, which represents less than 1% of the assets and 1% of the revenues of the governmental activities opinion unit and 1% of the assets and 1% of the revenues of the General Fund opinion unit.
- The Department of Workforce Services (Unemployment Insurance Fund), a major enterprise fund, which represents 6% of the assets and 10% of the revenues of the business-type activities opinion unit and 100% of the assets and revenues of the Department of Workforce Services major enterprise fund opinion unit.
- The Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds) which, on a combined basis, represent 8% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and 1% of the revenues of the aggregate remaining fund information opinion unit.

Those financial statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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, 2015, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in *Note 1 (d)* to the financial statements, in fiscal year 2015 the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Pensions,* by restating beginning net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 31, 2015, on our consideration of the State of Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the *State of Arkansas Single Audit Report*. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Arkansas's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
December 31, 2015
CAFR00115


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Management's Discussion and Analysis

GREAT SEAL OF THE STATE OF ARKANSAS

MANAGEMENT'S DISCUSSION AND ANALYSIS (Introduction)

Management of the State of Arkansas (the State) provides this *Management's Discussion and Analysis* (MD&A) of the State's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative, overview and analysis of the financial activities of the State are for the year ended June 30, 2015. The State's June 30, 2015, financial statements received an unmodified opinion (see Independent Auditors' Report for more information). We believe that the State is making great strides in building a reporting structure that will produce more timely and accurate financial statements in the future. Management has aggressively addressed audit areas of concern by adding professional accounting staff, strengthening internal control, training agency staff, and by further defining processes and implementing additional policies and procedures. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal that can be found preceding this narrative and with the State's financial statements that follow this narrative. The first section of the MD&A is intended to familiarize readers with the accounting terminology and methods relevant to reporting financial information for the State. The second section of the MD&A is a summary of financial and statistical information that should be more meaningful because the readers have been exposed to the accounting terminology and methods used by the State.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net Position – Primary Government may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2015, by $14.8 billion (presented as "Total net position"). The net position of the State increased by $856.3 million during the year. The governmental activities net position increased by $595.9 million and the business-type activities increased by $260.4 million. Of the total net position, $12.4 billion (83.9%), reflects its investment in capital assets such as land, buildings, equipment, intangibles and infrastructure (road, bridges and other immovable assets), less any related outstanding debt used to acquire these assets. An additional portion of the State's net position, $2.7 billion (18.1%), represents resources that are subject to restrictions on how they may be used and are therefore termed "restricted."

The remaining net position considered as unrestricted was negative $293.0 million. This is primarily due to the State's net pension liability recorded in accordance with Governmental Accounting Standards Board GASB Statement No. 68 and the increase in other post-employment benefit obligations.

Long-term debt payable for bonds, capital leases and notes as of June 30, 2015, was $4.1 billion. Additional debt totaling $1.0 billion was entered into during the year. $390.0 million of that increase was attributable to increases in college and university revenue bonds, $206.5 million of that increase was attributable to the General Obligation Four-Lane Highway Construction and Improvement Bonds, $125.9 million of that increase was attributable to the Higher Education General Obligation Bonds and $124.4 million of that increase was attributable to the General Obligation Amendment 82 Bonds.

Fund Highlights

As of the close of business on June 30, 2015, the State's General Fund reported a fund balance of $4.1 billion. Of this balance, $124.8 million (3.1%) of the total fund balance is nonspendable, $1.4 billion (34.7%) of the total fund balance is restricted, $1.5 billion (35.7%) of the total fund balance is committed, $267.3 million (6.6%) of the total fund balance is assigned and $811.3 million (19.9%) of the total fund balance is unassigned as required by GASB Statement 54, *Fund Balance Reporting and Governmental Fund Type Definitions.* The fund balance in the General Fund increased $357.6 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, 2015. The government-wide financial statements are prepared using the full accrual basis of accounting. This basically means methods used are similar to the methods used by most businesses. All assets, deferred outflows of resources, liabilities, deferred inflow of resources, revenues and expenses associated with the year ended June 30, 2015, are accounted for, even if the cash involved was not received or paid by June 30, 2015. These statements include the *Statement of Net Position* and the *Statement of Activities*.

> The *Statement of Net Position* presents all of the government's assets and liabilities; the difference between the assets and liabilities is reported as "net position." Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the overall financial position of the State is improving.
>
> The *Statement of Activities* presents information showing how the State's net position changed during the most recent year ended June 30, 2015, and a comparison between program revenues and direct expenses for each function of the State.
>
> The *Statement of Net Position* and the *Statement of Activities* have separate sections for the three different types of State programs or activities: governmental activities, business-type activities and discretely presented component units.
>
>> Governmental activities are primarily supported by taxes and intergovernmental revenues, also known as federal grants. Most services normally associated with State government fall into this category and include Education (elementary and secondary); Health and human services; Transportation; Law, justice and public safety; Recreation and resources development; General government; and Regulation of business and professionals.
>>
>> Business-type activities are the functions that operate more like those of commercial enterprises. These activities normally intend to recover all or a significant portion of their costs through user fees and charges to external users of goods and services and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include Higher Education, Workers' Compensation Commission, Department of Workforce Services, Office of the Arkansas Lottery, War Memorial Stadium Commission, Public School Employee Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund and Other Revolving Loan Funds.
>>
>> Discretely presented component units are legally separate organizations established for a specific purpose and managed independently with their powers generally vested in a governing board. Discretely presented component units are financially accountable to the State and include Arkansas Student Loan Authority (ASLA), Arkansas Development

Finance Authority (ADFA), The University of Arkansas Foundation, Inc. and The University of Arkansas Fayetteville Campus Foundation, Inc.

Complete financial statements of ASLA, ADFA, The University of Arkansas Foundation, Inc. and The University of Arkansas Fayetteville Campus Foundation, Inc. can be obtained from their administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

Fund Financial Statements focus on individual parts of state government and report the State's operations in more detail than the government-wide financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State of Arkansas, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the State can be divided into three categories: *Governmental Funds*, *Proprietary Funds* and *Fiduciary Funds*.

Governmental Fund Financial Statements are used to show essentially the same functions reported as governmental activities in the government-wide financial statements. However, the focus of the governmental fund financial statements is the short-term information about the State's financial position rather than both short-term and long-term information that is the focus of the government-wide financial statements. Therefore, the governmental fund financial statements are prepared on the modified-accrual basis of accounting as compared to the full accrual basis of accounting used for the government-wide financial statements. The governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

The State of Arkansas has one governmental fund, which is the General Fund. Reconciliation is provided that facilitates a comparison of the financial statements for the General Fund with the government-wide financial statements and can be found on the pages immediately following the governmental fund financial statements.

Proprietary Funds' Financial Statements are used to show the activities of the State that operate more like those of a commercial business, essentially the same functions reported as business-type activities. Proprietary funds charge fees for services provided to outside customers, including local governments. Proprietary funds report the same type of information as the government-wide financial statements. However, the proprietary funds' financial statements report the fund net position and the revenues, expenses and changes in fund net position for each significant proprietary fund rather than report a combined amount of all the proprietary funds as is done for the government-wide financial statements. Proprietary fund financial statements, like the government-wide financial statements, use the full accrual basis of accounting. Therefore, reconciliation is not necessary for the information contained in the government-wide financial statements and the proprietary fund financial statements.

The State of Arkansas has eight proprietary funds: the Higher Education Fund, the Workers' Compensation Commission, the Department of Workforce Services, the Office of the Arkansas Lottery, the War Memorial Stadium Commission, the Public School Employee Health and Life Benefit Plan, the Construction Assistance Revolving Loan Fund and other Revolving Loan Funds (Safe Drinking Water, Community/Technical College, Employer Assisted Home Energy Assistance Loan Program, Assisted Living Incentive, Industrial Energy Technology, Venture Capital Investment Trust Fund, Energy Efficient and Conservation Block Grant/Residential Loan Program and Arkansas Housing Trust).

Fiduciary Funds' Financial Statements show the activity of the funds used to account for resources held for the benefit of parties outside state government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. Fiduciary funds, like proprietary funds, use the full accrual basis of accounting. The State's fiduciary funds include pension trust funds: Arkansas Public Employees Retirement Systems (which includes District Judges), Arkansas State Police Retirement System, Judicial Retirement System, Teacher Retirement System and State Highway Employees Retirement System and also the State Insurance Department agency funds and other agency funds.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential for a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fiduciary funds' financial statements.

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes schedules of pension and other post-employment benefits information, a schedule of 10-year claims development information for three public entity risk pools and a budgetary comparison schedule, which includes a reconciliation between the statutory expenditures for budgetary purposes and the expenditures for the General Fund as presented in the governmental fund financial statements.

Combining Financial Statements

The combining financial statements for proprietary funds and fiduciary funds are presented following the required supplementary information.

GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

The following charts present a summary of the government-wide financial statements (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Current assets	$ 4,959,855	$ 4,680,232	$ 2,112,107	$ 1,937,760	$ 7,071,962	$ 6,617,992
Noncurrent assets	315,253	234,167	2,516,306	2,564,829	2,831,559	2,798,996
Capital assets	11,068,341	10,634,127	3,982,095	3,826,815	15,050,436	14,460,942
Total assets	16,343,449	15,548,526	8,610,508	8,329,404	24,953,957	23,877,930
Deferred Outflows of Resources	368,904	15,699	59,268	19,097	428,172	34,796
Current liabilities	1,265,472	1,365,869	513,011	540,842	1,778,483	1,906,711
Long-term liabilities	4,223,734	4,060,851	4,032,292	4,002,927	8,256,026	8,063,778
Total liabilities	5,489,206	5,426,720	4,545,303	4,543,769	10,034,509	9,970,489
Deferred Inflows of Resources	489,780		60,225	922	550,005	922
Net position						
Net investment in capital assets	10,418,250	9,441,544	1,995,542	1,966,036	12,413,792	11,407,580
Restricted	1,627,433	2,098,642	1,049,397	1,008,203	2,676,830	3,106,845
Unrestricted	(1,312,316)	(1,402,681)	1,019,309	829,571	(293,007)	(573,110)
Total net position	$ 10,733,367	$ 10,137,505	$ 4,064,248	$ 3,803,810	$ 14,797,615	$ 13,941,315

The net position of the governmental activities increased $595.9 million. This is predominantly due to an increase in capital asset activity of $439.2 million with the majority consisting of the construction of roads, bridges, overlays and acquisitions of right of ways in accordance with the Connecting Arkansas Program. In addition to this, personal and corporate tax revenue and other revenues increased as a result of continued economic growth.

The net position of the business-type activities increased $260.4 million. Increase is primarily due to an increase in capital assets for colleges. This increase is related to an increase in funding transferred from the general fund to the higher education institutions for construction and general improvement projects.

The book value of capital assets as of June 30, 2015, was $11.1 billion for governmental activities and $4.0 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequently these assets are not available for future spending. Although the State's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to fund these liabilities.

The following table displays key elements of these changes (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2015	2014 (as restated)	2015	2014 (as restated)	2015	2014 (as restated)
Revenues:						
Program revenues:						
Charges for services	$ 1,340,901	$ 1,224,068	$ 2,888,902	$ 2,789,598	$ 4,229,803	$ 4,013,666
Operating grants and contributions	7,043,670	6,010,077	856,669	975,632	7,900,339	6,985,709
Capital grants and contributions	520,477	590,791	71,050	31,609	591,527	622,400
General revenues:						
Personal and corporate taxes	3,209,528	3,000,440			3,209,528	3,000,440
Sales and use taxes	2,932,562	2,877,342			2,932,562	2,877,342
Motor fuel taxes	443,413	431,725			443,413	431,725
Other taxes	1,006,692	995,644	31,148	30,650	1,037,840	1,026,294
Other revenues:						
Investment earnings (loss)	40,471	70,578	30,869	62,242	71,340	132,820
Miscellaneous income	380,547	304,621	180,398	180,502	560,945	485,123
Total revenues	16,918,261	15,505,286	4,059,036	4,070,233	20,977,297	19,575,519
Expenses:						
Governmental expenses:						
Education	3,677,244	3,595,660			3,677,244	3,595,660
Health and human services	8,119,737	7,195,051			8,119,737	7,195,051
Transportation	909,171	867,095			909,171	867,095
Law, justice and public safety	789,477	797,423			789,477	797,423
Recreation and resources development	283,446	284,506			283,446	284,506
General government	1,581,265	1,676,440			1,581,265	1,676,440
Regulation of business and professionals	132,211	148,008			132,211	148,008
Interest expense	61,106	52,805			61,106	52,805
Business-type expenses:						
Higher education			3,676,886	3,607,528	3,676,886	3,607,528
Workers' Compensation Commission			17,922	19,806	17,922	19,806
Department of Workforce Services			256,048	360,753	256,048	360,753
Office of the Arkansas Lottery			337,072	331,471	337,072	331,471
War Memorial Stadium Commission			2,828	3,103	2,828	3,103
Public School Employee Health and Life Benefit Plan			266,650	287,165	266,650	287,165
Revolving loans			9,934	9,745	9,934	9,745
Total expenses	15,553,657	14,616,988	4,567,340	4,619,571	20,120,997	19,236,559
Increase (decrease) in net position before transfers	1,364,604	888,298	(508,304)	(549,338)	856,300	338,960
Transfers - internal activities	(768,742)	(921,211)	768,742	921,211		
Restatements		(1,313,431)		(173,701)		(1,487,132)
Total Transfers and Restatements	(768,742)	(2,234,642)	768,742	747,510		(1,487,132)
Increase (decrease) in net position	595,862	(1,346,344)	260,438	198,172	856,300	(1,148,172)
Net position - beginning (as restated)	10,137,505	11,483,849	3,803,810	3,605,638	13,941,315	15,089,487
Net position - ending	$ 10,733,367	$ 10,137,505	$ 4,064,248	$ 3,803,810	$ 14,797,615	$ 13,941,315

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $6.6 billion were funded by normal State taxing activities.

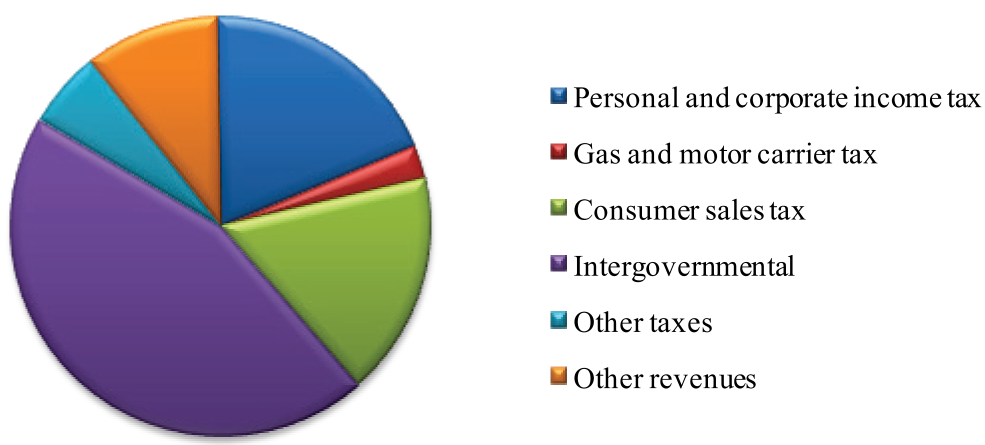
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenues in the General Fund are taxes and intergovernmental. The State's most significant areas of expenditures from the General Fund are the areas of education and health and human services. The following charts present actual General Fund revenues and expenditures for the years ended June 30, 2015, and 2014 (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)

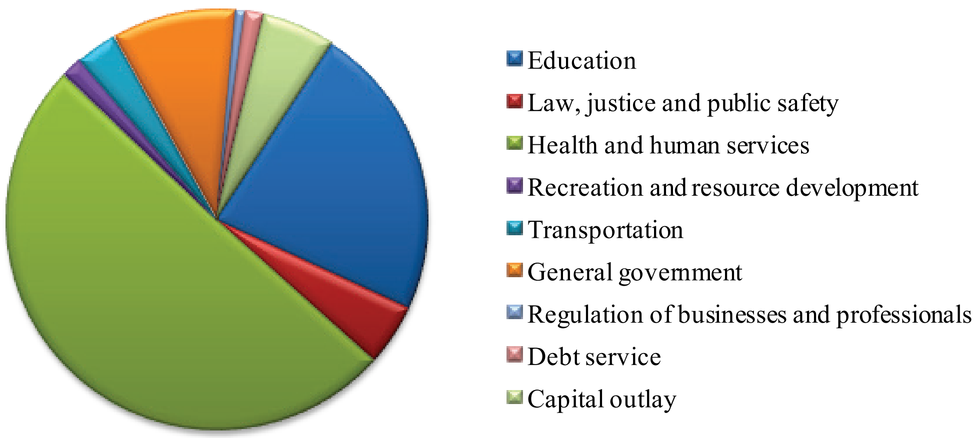
Revenues	2015	2014	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,207,038	$ 3,002,722	6.80%
Gas and motor carrier tax	443,058	433,108	2.30%
Consumer sales tax	2,929,426	2,880,146	1.71%
Intergovernmental	7,564,360	6,584,513	14.88%
Other taxes	1,005,951	997,563	0.84%
Other revenues	1,743,294	1,632,862	6.76%
Total	$ 16,893,127	$ 15,530,914	8.77%



Governmental revenues increased by 8.77%. This is due to an increase in revenue from personal and corporate tax, intergovernmental and other revenue. Personal and corporate tax revenue increased by $204.3 million as a result of continued economic and market recovery. Intergovernmental activity increased by $979.8 million due primarily to an increase in Medicaid and Children's Health Insurance Program reimbursements related to the Private Option Program. Other revenues increased by $110.4 million due primarily to the increase in license, permit and fee revenue.

Expenditures by Function - General Fund (expressed in thousands)

Expenditures		2015		2014	Increase (Decrease) Percent
Education	$	3,676,561	$	3,588,822	2.44%
Law, justice and public safety		768,521		766,498	0.26%
Health and human services		8,162,633		7,195,414	13.44%
Recreation and resource development		264,169		265,133	(0.36%)
Transportation		508,716		455,070	11.79%
General government		1,535,963		1,537,466	(0.10%)
Regulation of businesses and professionals		128,769		145,026	(11.21%)
Debt service		238,004		187,851	26.70%
Capital outlay		899,502		817,693	10.00%
Total	$	16,182,838	$	14,958,973	8.18%



The State's agencies expenditures increased for the year ended June 30, 2015, by 8.18%. Health and human service expenses increased by $967.2 million primarily due to increases in Medicaid grant program expenditures related to the Private Option Program. Transportation expenses increased by $53.6 million due primarily to a change in methodology of how bond proceeds are recorded. In addition to this, the Arkansas Highway and Transportation Department also experienced an increase in expenditures related to the Connecting Arkansas Program and State Aid Street. Expenses related to debt service increased by $50.2 million primarily due to debt retirement by the Arkansas Highway and Transportation Department. Additionally, new debt was issued by the Arkansas Natural Resource Commission, the Arkansas Department of Higher Education and the Arkansas Highway and Transportation Department which increased principal, interest and issuance costs for fiscal year 2015. Capital outlay increased by $81.8 million due primarily to three software programs that were purchased by the Arkansas Department of Human Services.

Changes in Fund Balance – General Fund

The focus of the State's General Fund is to provide information on near-term inflows, outflows and balances of resources that can be spent. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at June 30, 2015.

At June 30, 2015, the State's General Fund reported an ending fund balance of $4.1 billion, which is an increase of $357.6 million in comparison to June 30, 2014. This increase is due primarily to an increase in bond proceeds related to the Federal Highway Grant Anticipation and Tax Revenue Bonds. In addition to this, personal and corporate tax revenue and other revenues increased as a result of continued economic growth.

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, $124.8 million or 3.1%
- Restricted, $1.4 billion or 34.7%
- Committed, $1.5 billion or 35.7%
- Assigned, $267.3 million or 6.6%
- Unassigned, $811.3 million or 19.9%

Capital Assets and Debt Administration

Capital Assets

The investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure and construction in progress. Infrastructure assets are items that are normally immovable and of value only to the State, such as roads, bridges, streets and sidewalks, drainage systems, lighting systems and similar items.

The investment in capital assets for the governmental and business-type activities was $26.1 billion, and the accumulated depreciation was $11.1 billion at June 30, 2015. The net book value was $15.1 billion. Depreciation expense was $525.4 million for the governmental activities and $249.4 million for the business-type activities.

Major capital asset events during the current year ended June 30, 2015, included the following:

- The Department of Human Services expended $89.3 million on various types of computer software and $2.6 million on cottage renovations.
- Arkansas Department of Veterans Affairs expended $1.1 million on the North Little Rock cemetery expansion and $1.3 on the North Little Rock Veterans' Home construction.
- Arkansas Department of Correction expended $8.0 million on the North Central Unit Barracks expansion, Ester Unit renovation, Cummins poultry houses, East Arkansas Regional Unit vo-tech facility, Malvern Unit maintenance/vo-tech facility, Tucker Unit renovation and various improvements at the Tucker and Wrightsville Units.
- Arkansas Military Department spent $1.7 million on renovations to the Russellville and Lonoke Armories, $2.6 million on the Searcy field maintenance shop, $2.8 million for

Robinson Maneuver Training Center building and range renovations and $1.0 million on various building improvements.

- Arkansas Game and Fish Commission expended $4.1 million in land purchases that included the Robinwood Tract, Cypert Tract, Triple H Farms and the Jasper Elk Center; and $2.5 million on renovations to various Wildlife Management Areas.
- Arkansas Department of Parks and Tourism expended $9.1 million on improvements to various parks and $3.0 million on the construction of cabins and residences for parks.
- Arkansas Rehabilitative Services spent $6.7 million on the Arkansas Career Training Institute water system project and renovations to the former Army Reserve Center.
- Arkansas Department of Highway and Transportation constructed roads, bridges and overlays for $671.7 million and purchased right-of-ways for $18.9 million.

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

Debt Administration

The State issues both general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the State. Revenue bonds are backed by a revenue source and restricted funds as specified in the bond resolution. Revenue bonds are generally designed to be self-supporting from the revenue source related to the program financed. Depending on the issuing entity, the State's bonds are rated between Aaa and A1 by Moody's Investor Service, with general obligation bonds generally rated Aa2. The Aa rating indicates very strong creditworthiness compared to similar issues. The bonds issued by the following agencies and organizations have not been rated: Henderson State University, Southern Arkansas University, Southern Arkansas University – Tech branch, East Arkansas Community College, Arkansas Northeastern College, Rich Mountain Community College, South Arkansas Community College, Black River Technical College, Ozarka College, Arkansas Tech University, and North Arkansas College.

Governmental Activities

The State's governmental activities had $1.9 billion in bonds, notes payable and capital leases outstanding at June 30, 2015, versus $1.7 billion at June 30, 2014. The net increase is approximately $244.0 million.

For year ended June 30, 2015, bonds payable had a net increase of $267.2 million. Principal payments on these bonds totaled $265.6 million. Capital leases to outside entities had a net decrease of $366 thousand. Notes payable, installment sales payable and capital leases to component units had a net decrease of $12.8 million during the year ended June 30, 2015.

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

- The Arkansas Highway and Transportation Department issued $206.5 million in tax exempt grant anticipation and tax revenue bonds, Series 2014, for interstate reconstruction and rehabilitation.
- The Arkansas Natural Resource Commission issued $40.0 million in taxable general obligation bonds, Series 2014A and Series 2014B, for the development of water, waste disposal, pollution control, abatement and prevention, drainage, irrigation, flood control and wetland and aquatic resources.
- The Arkansas Department of Higher Education issued $125.9 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2007B Bonds.

- The Arkansas Economic Development Commission issued $74.4 million in taxable revenue bonds, Series 2014A, to provide financing for the site preparation for the Big River Steel Manufacturing facility and $50.0 million in taxable revenue bonds, Series 2014B, to provide financing for the operating equipment for the Big River Steel Manufacturing facility.

The State's governmental activities had approximately $227.1 million of claims and judgments outstanding at June 30, 2015, compared to $242.5 million at June 30, 2014. Other obligations include $143.3 million for accrued sick leave and vacation pay and $41.1 million for pollution remediation at June 30, 2015. The State's governmental activities also had $1.0 billion recorded for net other postemployment benefits obligations at June 30, 2015.

Business-type Activities

The State's business-type activities had $2.2 billion in bonds, notes payable and capital leases outstanding at June 30, 2015, and $2.1 billion at June 30, 2014. The net increase was approximately $28.0 million.

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

- The Henderson State University issued $33.0 million in tax exempt revenue bonds, Series 2014, to construct and renovate student housing facilities and sport facilities; $3.8 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2009 Bonds; $6.5 million in Qualified Energy Conservation Bonds, Series 2015A and $3.6 million in Educational Facilities Energy Conservation Bonds, Series 2015B.
- The Arkansas State University Beebe campus issued $1.9 million in taxable revenue refunding bonds, Series 2015A, to refund Series 2005 Bonds; $9.2 million in tax exempt revenue refunding bonds, Series 2015B, to refund Series 2006 Bonds; $8.0 million in tax exempt revenue refunding bonds, Series 2015 (Beebe Campus), to refund Series 2010 Bonds and $12.9 million in tax exempt revenue refunding bonds, Series 2015 (Beebe-Heber Springs Campus), to refund Series 2005B Bonds.
- The University of Arkansas at Fayetteville issued $70.4 million in tax exempt revenue refunding bonds, Refunding Series 2015A, to refund various bonds and $14.2 million in tax exempt revenue refunding bonds, Series 2015A, to refund Series 2006 and Series 2011 Athletic Bonds.
- The Arkansas Tech University issued $16.3 million in tax exempt revenue refunding bonds, Series 2014A, to refund Series 2008, 2008B and 2009 Bonds; $6.0 million in tax exempt revenue bonds, Series 2014B, to construct and equip Allied Health Building and complete roofing projects and $11.0 million in tax exempt revenue refunding bonds, Series 2014, to refund Series 2006 and 2009 Bonds.
- The University of Arkansas Medical Sciences issued $86.0 million in tax exempt revenue refunding bonds, Series 2014, to refund Series 2006 Bonds.
- The University of Central Arkansas issued $17.5 million in tax exempt revenue bonds, Series 2015A and Series 2015B, for improvements to the Donaghey Hall; $13.5 million in tax exempt revenue bonds, Series 2014, for improvements to the Lewis Science Center; $18.2 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2006E and 2007B Bonds and $6.9 million in taxable auxiliary revenue refunding bonds, Series 2015, to refund Series 2006D and 2007 Bonds.
- The Southern Arkansas University issued $7.5 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2005A and 2009 and $10.0 million in tax exempt revenue bonds, Series 2014, to construct and renovate student housing facilities.

- The Northwest Arkansas Community College issued $16.5 million in tax exempt revenue refunding bonds, Series 2015, to refund Series 2005 and $2.4 million in tax exempt revenue bonds, Series 2014, to acquire real estate for an additional building.

The colleges and universities also entered into capital leases totaling $11.6 million, as well as notes payable totaling $9.1 million. The State's business-type activities reduced bonds, notes payable and capital leases by $412.5 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $293.7 million of claims and judgments outstanding at June 30, 2015, compared to $294.2 million at June 30, 2014. Other obligations included accrued sick leave and vacation pay of $110.0 million at June 30, 2015. The State's business-type activities also had $96.4 million recorded for net other postemployment benefits obligation at June 30, 2015.

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	$ 6,012,368	$ 6,096,056	$ 1,989,622
Education	4,039,917	4,140,285	3,668,260
Health and human services	8,646,163	8,192,477	7,726,179
Law, justice and public safety	943,096	974,674	774,618
Recreation and resources development	443,440	469,024	293,572
Regulation of business and professionals	188,747	227,441	128,176
Transportation	563,565	624,698	467,951
Debt service	171,793	261,995	163,793
Capital outlay	1,493,503	1,378,406	796,693
Total	$ 22,502,592	$ 22,365,056	$ 16,008,864

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

The original budget exceeded the final budget by $137.5 million. The increases in general government; education; law, justice and public safety; recreation and resource development and regulation of businesses and professionals were primarily due to unanticipated federal grants received by the State after the original budget was established. The decrease in health and human services was mainly due to the transfer of appropriation for the payment of benefits from a governmental fund to an enterprise fund. The increase in transportation was primarily due to an increase in expenditures related to the state aid road fund and the state aid street fund after the original budget was established. The increase in debt service was primarily due to new debt that required additional appropriation for debt service expenditures.

REQUESTS FOR INFORMATION

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


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Basic Financial Statements

Statement of Net Position
June 30, 2015
(Expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Assets					
Current assets:					
Cash and cash equivalents	$ 1,336,558	$ 1,242,309	$ 2,578,867	$ 772	$ 117,733
Cash and cash equivalents-restricted		23,135	23,135	695	
Investments	2,488,807	385,648	2,874,455	16,025	8,525
Receivables, net:					
Accounts	182,974	375,330	558,304		632
Taxes	401,065		401,065		
Medicaid	234,712		234,712		
Loans	24,794	8,229	33,023		9,745
Leases	87		87		
Interest	8,882	1,044	9,926	4,744	2,136
Other	30,364	11,272	41,636	2	
Internal balances	11,534	(11,534)			
Due from other governments	142,502	9,565	152,067		
Prepaid items	22,368	6,851	29,219		
Inventories	64,190	35,577	99,767		
Deposits with bond trustee	11,018	8,193	19,211		
Other current assets		16,488	16,488		
Total current assets	4,959,855	2,112,107	7,071,962	22,238	138,771
Noncurrent assets:					
Cash and cash equivalents, restricted		155,439	155,439		
Deposits with component unit	26,766		26,766		
Deposits with bond trustee		126,207	126,207		
Deposits with Multi-State Lottery Association		1,762	1,762		
Investments	43	407,171	407,214		410,018
Receivables, net		47,681	47,681		
Loans and mortgages receivable	230,472	396,838	627,310	277,909	246,405
Loans receivable - component unit	50,000		50,000		
Loans and capital leases receivable from primary government					202,373
Capital leases receivable	676		676		3,601
Due from other governments		2,587	2,587		
External portion of investment pool		1,365,014	1,365,014		
Financial assurance instruments		11,752	11,752		
Net pension asset	7,296		7,296		
Other noncurrent assets		1,855	1,855	181	53
Total noncurrent assets	315,253	2,516,306	2,831,559	278,090	862,450
Capital assets (net of accumulated depreciation):					
Capital assets, non depreciable					
Land	851,082	156,702	1,007,784	670	
Construction in progress	1,615,813	333,113	1,948,926		
Construction in progress - intangibles	141,547		141,547		
Other non depreciable assets	21,909	2,675	24,584		
Total capital assets, non depreciable	2,630,351	492,490	3,122,841	670	
Capital assets, depreciable					
Land improvements	60,383		60,383		
Infrastructure	7,140,494	267,480	7,407,974		
Buildings	996,884	2,875,235	3,872,119	2,003	
Equipment	209,095	169,368	378,463	85	62
Improvements other than building		15,524	15,524		
Leasehold improvements		3,935	3,935		
Intangibles	27,739	79,403	107,142	596	
Other capital assets	3,395	78,660	82,055		
Total capital assets, depreciable	8,437,990	3,489,605	11,927,595	2,684	62
Total capital assets, net of depreciation	11,068,341	3,982,095	15,050,436	3,354	62
Total noncurrent assets and capital assets	11,383,594	6,498,401	17,881,995	281,444	862,512
Total assets	16,343,449	8,610,508	24,953,957	303,682	1,001,283
Deferred outflows of resources					
Related to debt refunding	24,122	28,198	52,320	3,302	140
Related to pensions	344,782	31,070	375,852		827
Total deferred outflows	368,904	59,268	428,172	3,302	967
Total assets and deferred outflows of resources	$ 16,712,353	$ 8,669,776	$ 25,382,129	$ 306,984	$ 1,002,250

Statement of Net Position
June 30, 2015
(Expressed in thousands)

	Primary Government			Component Units	
	Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Liabilities					
Current liabilities:					
Accounts payable	$ 63,358	$ 117,687	$ 181,045	$ 2,177	$ 10,442
Prizes payable		19,529	19,529		
Accrued interest	8,649	9,184	17,833		5,411
Accrued and other current liabilities	139,209	117,460	256,669		
Medicaid payable	372,470		372,470		
Income tax refunds payable	289,476		289,476		
Due to other governments	90,851	3,115	93,966		
Workers' compensation benefits payable		14,733	14,733		
Funds held in trust for others		11,028	11,028		
Bonds, notes and leases payable	110,262	105,225	215,487	48,623	29,744
Claims, judgments, arbitrage and compensated absences	142,994	65,833	208,827		
Pollution remediation obligation	2,718		2,718		
Unearned revenue	45,485	49,217	94,702		
Total current liabilities	1,265,472	513,011	1,778,483	50,800	45,597
Long-term liabilities:					
Workers' compensation benefits payable		227,835	227,835		
External portion of investment pool		1,365,014	1,365,014		
Bonds, notes and leases payable	1,820,867	2,062,265	3,883,132	200,113	551,001
Loans payable - primary government					50,000
Claims, judgments, arbitrage and compensated absences	227,448	95,312	322,760		
Pollution remediation obligation	38,370		38,370		
Net post employment benefits obligation	1,045,602	96,439	1,142,041	185	1,861
Net pension liability	1,091,447	135,968	1,227,415		2,693
Deposits held on behalf of primary government					26,766
Other noncurrent liabilities		48,085	48,085		8,197
Unearned revenue		1,374	1,374		2,153
Total long-term liabilities	4,223,734	4,032,292	8,256,026	200,298	642,671
Total liabilities	5,489,206	4,545,303	10,034,509	251,098	688,268
Deferred inflows of resources					
Related to revenues		1,199	1,199		
Related to pensions	489,780	59,026	548,806		1,093
Total deferred inflows of resources	489,780	60,225	550,005		1,093
Total liabilities and deferred inflows of resources	5,978,986	4,605,528	10,584,514	251,098	689,361
Net Position					
Net position:					
Net investment in capital assets	10,418,250	1,995,542	12,413,792	2,758	62
Restricted for:					
Debt service	235,713	22,285	257,998		
Other capital projects	153,860	146,010	299,870		
Bond and resolution program					223,611
Program requirements	722,507	637,308	1,359,815		
Lottery	22,422		22,422		
Tobacco settlement	199,584		199,584		
Transportation	293,347		293,347		
Non-expendable - endowment		95,560	95,560		
Expendable-capital projects, debt service, loans and other		148,234	148,234	53,128	
Unrestricted	(1,312,316)	1,019,309	(293,007)		89,216
Total net position	10,733,367	4,064,248	14,797,615	55,886	312,889
Total liabilities, deferred inflows of resources and net position	$ 16,712,353	$ 8,669,776	$ 25,382,129	$ 306,984	$ 1,002,250

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, 2015
(Expressed in thousands)

Assets		
Contributions receivable, net of allowance for doubtful accounts of $840 and unamortized discount of $2,568	$	30,132
Interest receivable		2,815
Cash value of life insurance		1,197
Land, buildings and equipment net of accumulated depreciation of $256		800
Investments		884,395
Total assets	$	919,339
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	2,345
Annuity obligations		15,068
Total liabilities		17,413
Net assets:		
Unrestricted		102,611
Temporarily restricted		141,362
Permanently restricted		657,953
Total net assets		901,926
Total liabilities and net assets	$	919,339

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, 2015
(Expressed in thousands)

Assets	
Investments	$ 515,237
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 477
Total liabilities	477
Net assets:	
Temporarily restricted	30,572
Permanently restricted	484,188
Total net assets	514,760
Total liabilities and net assets	$ 515,237

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

Statement of Activities
For the Year Ended June 30, 2015
(Expressed in thousands)

		Program Revenues		
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**
Primary government:				
Governmental activities:				
General government	$ 1,581,265	$ 431,891	$ 234,999	$ 510
Education	3,677,244	2,111	609,171	
Health and human services	8,119,737	471,443	5,991,828	1,105
Transportation	909,171	121,225	50,380	517,930
Law, justice and public safety	789,477	88,904	112,348	784
Recreation and resources development	283,446	119,160	32,327	148
Regulation of business and professionals	132,211	106,167	12,617	
Interest expense	61,106			
Total governmental activities	15,553,657	1,340,901	7,043,670	520,477
Business-type activities:				
Higher education	3,676,886	1,825,742	798,572	71,050
Workers' Compensation Commission	17,922	16,240		
Department of Workforce Services	256,048	327,907	38,268	
Office of the Arkansas Lottery	337,072	409,214		
War Memorial Stadium Commission	2,828	2,056	60	
Public School Employee Health and Life Benefit Plan	266,650	303,474		
Revolving loans	9,934	4,269	19,769	
Total business-type activities	4,567,340	2,888,902	856,669	71,050
Total primary government	$ 20,120,997	$ 4,229,803	$ 7,900,339	$ 591,527
Component units:				
Arkansas Student Loan Authority	$ 12,990	$ 13,664	$	
Arkansas Development Finance Authority	38,357	40,540	7,267	
Total component units	$ 51,347	$ 54,204	$ 7,267	

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

Change in net position
Net position - beginning (as restated)
Net position - ending

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

Governmental Activities	Business-type Activities	Total	Arkansas Student Loan Authority	Arkansas Development Finance Authority
Net Revenue (Expense)				
Primary Government			Component Units	
$ (913,865)	$	$ (913,865)		
(3,065,962)		(3,065,962)		
(1,655,361)		(1,655,361)		
(219,636)		(219,636)		
(587,441)		(587,441)		
(131,811)		(131,811)		
(13,427)		(13,427)		
(61,106)		(61,106)		
(6,648,609)		(6,648,609)		
	(981,522)	(981,522)		
	(1,682)	(1,682)		
	110,127	110,127		
	72,142	72,142		
	(712)	(712)		
	36,824	36,824		
	14,104	14,104		
	(750,719)	(750,719)		
(6,648,609)	(750,719)	(7,399,328)		
			$ 674	$
				9,450
			674	9,450
3,209,528		3,209,528		
2,932,562		2,932,562		
443,413		443,413		
1,006,692	31,148	1,037,840		
7,592,195	31,148	7,623,343		
40,471	30,869	71,340	125	(678)
380,547	180,398	560,945	89	
(768,742)	768,742			
7,244,471	1,011,157	8,255,628	214	(678)
595,862	260,438	856,300	888	8,772
10,137,505	3,803,810	13,941,315	54,998	304,117
$ 10,733,367	$ 4,064,248	$ 14,797,615	$ 55,886	$ 312,889

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2015
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 11,845	$ 28,070	$ 33,253	$ 73,168
Interest and dividends	4,561	5,070	313	9,944
Net realized and unrealized gains on investments	5,018	19,140	(3,101)	21,057
Other	50			50
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	38,265	(38,265)		
Total revenues, gains and other support	59,739	14,015	30,465	104,219
Expenses and losses:				
Program services:				
Construction	2,126			2,126
Research	12,250			12,250
Faculty/staff support	12,114			12,114
Scholarships and awards	10,433			10,433
Public/staff relations	1,917			1,917
Equipment	3,005			3,005
Sponsored programs	827			827
Other	11,903			11,903
Total program services	54,575			54,575
Supporting services:				
Management and general	449			449
Fund raising	1,541			1,541
Change in value of split-interest agreements			370	370
Provision for loss on uncollectible pledges	70	5,890	1,061	7,021
Total supporting services	2,060	5,890	1,431	9,381
Total expenses and losses	56,635	5,890	1,431	63,956
Change in net assets	3,104	8,125	29,034	40,263
Net assets - beginning	99,507	133,237	628,919	861,663
Net assets - ending	$ 102,611	$ 141,362	$ 657,953	$ 901,926

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, 2015
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Interest and dividends	$	$ 3,195	$ 4	$ 3,199
Net realized and unrealized gains on investments		14,979	(2,238)	12,741
Net asset reclassifications, including release from restrictions; satisfaction of restrictions and change in donor restriction	14,808	(16,764)	1,956	
Total revenues, gains and other support	14,808	1,410	(278)	15,940
Expenses and losses:				
Program services:				
Research	1,151			1,151
Faculty/staff support	2,395			2,395
Scholarships and awards	9,601			9,601
Equipment and technology	1,443			1,443
Other	218			218
Total program services	14,808			14,808
Change in net assets		1,410	(278)	1,132
Net assets - beginning		29,162	484,466	513,628
Net assets - ending	$	$ 30,572	$ 484,188	$ 514,760

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

Balance Sheet
Governmental Fund
June 30, 2015
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	1,336,558
Deposit with trustee		11,018
Investments		2,488,850
Receivable, net:		
Accounts		182,866
Taxes		401,065
Medicaid		234,712
Loans		293,291
Leases		763
Interest		8,882
Other		30,364
Due from other funds		26,606
Due from other governments		142,502
Advances to other funds		5,343
Prepaid items		22,237
Inventories		64,190
Deposits with component unit		38,741
Total assets	$	5,287,988
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	60,689
Accrued and other current liabilities		151,934
Unearned income		45,485
Income tax refunds payable		289,476
Due to other governments		90,851
Due to other funds		16,644
Advances from other funds		6,332
Medicaid claims payable		372,470
Total liabilities		1,033,881
Deferred inflows of resources		
Related to revenues		191,982
Total liabilities and deferred inflows of resources		1,225,863
Fund balance:		
Nonspendable		
Prepaid items		22,237
Inventories		64,190
Loans		37,594
Leases		763
Restricted		1,409,242
Committed		1,449,480
Assigned		267,283
Unassigned		811,336
Total fund balance		4,062,125
Total liabilities, deferred inflows of resources and fund balance	$	5,287,988

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, 2015
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 4,062,125
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:		
Land and land improvements	$ 1,012,711	
Infrastructure assets	13,807,210	
Other capital assets	4,259,570	
Accumulated depreciation	(8,011,150)	
Total capital assets		11,068,341
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.		131
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.		191,982
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	$ (489,780)	
Total outflows	344,782	(144,998)
Deferred outflows resulting from loss on debt refunding are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.		24,122
Net pension asset is not a financial resource and therefore not reported in the funds.		7,296
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	$ (1,807,930)	
Claims, judgments, arbitrage and compensated absences	(357,717)	
Net OPEB obligation	(1,045,602)	
Pollution remediation obligation	(41,088)	
Unamortized bond issue premium	(124,676)	
Accrued interest on bonds, notes, installment sales payable and leases	(8,649)	
Unamortized bond issue discounts	1,477	
Net pension liabilities	(1,091,447)	
Total long-term liabilities		(4,475,632)
Net position of governmental activities		$ 10,733,367

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

Statement of Revenues, Expenditures and Changes in Net Position
Governmental Fund
For the Year Ended June 30, 2015
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,207,038
Consumers sales and use		2,929,426
Gas and motor carrier		443,058
Other		1,005,951
Intergovernmental		7,564,360
Licenses, permits and fees		1,368,678
Investment earnings		40,471
Miscellaneous		334,145
Total revenues		16,893,127
Expenditures:		
Current:		
General government		1,535,963
Education		3,676,561
Health and human services		8,162,633
Transportation		508,716
Law, justice and public safety		768,521
Recreation and resources development		264,169
Regulation of business and professionals		128,769
Debt service:		
Principal retirement		165,416
Interest		71,526
Bond issuance costs		1,062
Capital outlay		899,502
Total expenditures		16,182,838
Excess of revenues over expenditures		710,289
Other financing sources (uses):		
Issuance of debt		374,709
Issuance of refunding debt		135,155
Bond discounts/premiums		51,338
Lease proceeds		1,478
Sale of capital assets		3,880
Transfers in		179,278
Transfers out		(947,990)
Payment to refunding escrow agent		(150,513)
Total other financing sources and uses		(352,665)
Net change in fund balance		357,624
Fund balance - beginning		3,704,501
Fund balance - ending	$	4,062,125

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, 2015
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 357,624
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	$ 899,502	
Depreciation expense	(525,386)	
Excess of capital outlay over depreciation expense		374,116
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to increase net position.		66,576
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(509,864)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		(51,451)
Bonds issued at a discount reduce current financial resources to governmental funds, but decrease the long-term liabilities in the Statement of Net Position.		113
Bond insurance costs are expenditures to governmental funds, but are prepaid charges in the Statement of Net Position.		7
Payment to refunding escrow agents use current financial resources to governmental funds but reduce long-term liabilities in the Statement of Net Position.		150,513
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.		(1,478)
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		165,416
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.		64,731
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Interest accreted on capital appreciation debt	$ 2,171	
Increase in claims, judgments, arbitrage and compensated absences	23,058	
Amortization of bond premium and discount	11,855	
Amortization of bond insurance costs	(63)	
Amortization of deferred outflows of resources related to debt refunding	(3,032)	
Increase in pollution remediation obligations	(18,694)	
Loss on sale of capital assets	(6,469)	
Net change in pension related accounts	84,282	
Increase in accrued interest	(523)	
Increase in other postemployment benefits obligations	(113,026)	
Total additional expenditures		(20,441)
Change in net position of governmental activities		$ 595,862

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

Statement of Fund Net Position
Proprietary Funds
June 30, 2015
(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	$ 680,928	$ 48,125	$ 361,865	$ 2,337	$ 149,054	$ 1,242,309
Cash and cash equivalents - restricted				23,135		23,135
Investments	176,559	75,738			133,351	385,648
Receivables						
Accounts receivable, net	223,443	7,801	127,579	12,275	4,231	375,329
Loans & notes receivable, net	7,122				1,107	8,229
Interest	172	162			710	1,044
Due from other funds	12,063	583	1,700			14,346
Due from other governments	9,565					9,565
Other current receivables	11,272					11,272
Advances to other funds	885				1,037	1,922
Inventories	35,572				5	35,577
Prepaid items	6,786	42		23		6,851
Deposits with bond trustee	8,193					8,193
Other current assets	16,488					16,488
Total current assets	1,189,048	132,451	491,144	37,770	289,495	2,139,908
Noncurrent assets:						
Cash and cash equivalents - restricted	135,325			20,114		155,439
Deposits with Multi-State Lottery Association				1,762		1,762
Investments						
Endowment	178,549					178,549
Restricted	3,596	94			88,679	92,369
Unrestricted	136,253					136,253
Receivables						
Loans & notes receivable, net	46,154					46,154
Due from other governments	2,587					2,587
Other noncurrent receivables	1,527					1,527
Capital assets:						
Land	156,122	580				156,702
Infrastructure	465,514					465,514
Buildings	4,786,208	2,272	4,000		22,601	4,815,081
Equipment	763,649	744	23	621	1,362	766,399
Improvements other than building	28,850				446	29,296
Leasehold improvements	3,442			493		3,935
Construction in progress	333,113					333,113
Other depreciable assets	456,884	553	273		2,178	459,888
Less accumulated depreciation	(3,031,444)	(2,833)	(1,329)	(891)	(11,336)	(3,047,833)
External portion of investment pool	1,365,014					1,365,014
Advances to other funds	4,514				6,852	11,366
Loans receivable - restricted					396,838	396,838
Deposits with bond trustee	126,207					126,207
Financial assurance instruments		11,752				11,752
Other noncurrent assets	1,855					1,855
Total noncurrent assets	5,963,919	13,162	2,967	22,099	507,620	6,509,767
Total assets	7,152,967	145,613	494,111	59,869	797,115	8,649,675
Deferred Outflows of Resources						
Deferred outflows related to pensions	28,554	1,440		993	83	31,070
Deferred outflows related to debt refunding	28,178				20	28,198
Total deferred outflows of resources	56,732	1,440		993	103	59,268
Total assets and deferred outflows of resources	$ 7,209,699	$ 147,053	$ 494,111	$ 60,862	$ 797,218	8,708,943

Statement of Fund Net Position
Proprietary Funds
June 30, 2015
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Liabilities						
Current liabilities:						
Accounts payable	$ 73,461	$ 3	$ 43,261	$ 490	$ 472	$ 117,687
Prizes payable				19,529		19,529
Accrued interest	9,031				153	9,184
Accrued and other current liabilities	115,492	187		1,653	128	117,460
Advances from other funds	1,936					1,936
Due to other funds	3,574	6	111	22,726	451	26,868
Due to other governments	122		1,380		1,613	3,115
Funds held in trust for others	11,028					11,028
Workers' compensation benefits payable		14,733				14,733
Bonds, notes and leases payable	98,920				6,305	105,225
Claims, judgements and compensated absences	36,551	99		52	29,131	65,833
Unearned revenue	48,442	415		295	65	49,217
Total current liabilities	398,557	15,443	44,752	44,745	38,318	541,815
Noncurrent liabilities:						
Workers' compensation benefits payable		227,835				227,835
External portion of investment pool	1,365,014					1,365,014
Advances from other funds	10,363					10,363
Bonds, notes and leases payable	2,003,848				58,417	2,062,265
Net postemployment benefits payable	90,199	4,521		1,509	210	96,439
Net pension liability	127,471	4,814		3,408	275	135,968
Claims, judgements and compensated absences	94,093	650		245	324	95,312
Unearned revenue	1,374					1,374
Other noncurrent liabilities	36,333	11,752				48,085
Total noncurrent liabilities	3,728,695	249,572		5,162	59,226	4,042,655
Total liabilities	4,127,252	265,015	44,752	49,907	97,544	4,584,470
Deferred Inflows of Resources						
Deferred inflows related to pensions	55,577	1,954		1,383	112	59,026
Deferred inflows related to revenues	1,199					1,199
Total deferred inflows of resources	56,776	1,954		1,383	112	60,225
Total liabilities and deferred inflows of resources	4,184,028	266,969	44,752	51,290	97,656	4,644,695
Net Position						
Net investment in capital assets	1,976,785	1,316	2,967	223	14,251	1,995,542
Restricted for:						
Expendable						
Debt service	22,285					22,285
Capital projects	146,010					146,010
Program requirements	3,601			21,000	612,707	637,308
Other	146,358			1,876		148,234
Nonexpendable - endowments	95,560					95,560
Unrestricted (deficit)	635,072	(121,232)	446,392	(13,527)	72,604	1,019,309
Total net position	3,025,671	(119,916)	449,359	9,572	699,562	4,064,248
Total liabilities, deferred inflows of resources and net position	$ 7,209,699	$ 147,053	$ 494,111	$ 60,862	$ 797,218	$ 8,708,943

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, 2015
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Operating revenues:						
Charges for sales and services	$ 1,500,846	$	$	$	$ 305,530	$ 1,806,376
Lottery collections				408,663		408,663
Licenses, permits and fees	324,896			551	4,269	329,716
Grants and contributions	348,593					348,593
Insurance taxes		16,240				16,240
Unemployment taxes			327,907			327,907
Investment earnings					7,919	7,919
Miscellaneous	145,943	459	27,680	20		174,102
Total operating revenues	2,320,278	16,699	355,587	409,234	317,718	3,419,516
Operating expenses:						
Cost of sales and services				43,876	833	44,709
Lottery prize payments				280,467		280,467
Compensation and benefits	2,248,824	8,117		5,383	518	2,262,842
Supplies and services	936,610	907	5,950	5,914	27,571	976,952
General and administrative expenses	940	361	2,251	1,274	6,687	11,513
Federal financial assistance					1,625	1,625
Scholarships and fellowships	166,816					166,816
Benefit and aid payments		8,429	247,403		239,407	495,239
Depreciation and amortization	248,104	106	147	158	877	249,392
Amortization of bond costs					(1,048)	(1,048)
Interest					2,942	2,942
Total operating expenses	3,601,294	17,920	255,751	337,072	279,412	4,491,449
Operating income (loss)	(1,281,016)	(1,221)	99,836	72,162	38,306	(1,071,933)
Nonoperating revenues (expenses):						
Investment earnings	15,743	813	5,287	225	882	22,950
Taxes	31,148					31,148
Grants and contributions	449,979		38,268		19,829	508,076
Interest and amortization expense	(72,620)		(297)		(64)	(72,981)
Loss on sale of capital assets	(2,972)	(2)				(2,974)
Other nonoperating revenue (expense)	6,377				(17)	6,360
Total nonoperating revenues (expenses)	427,655	811	43,258	225	20,630	492,579
Income (loss) before transfers and contributions	(853,361)	(410)	143,094	72,387	58,936	(579,354)
Transfers in	936,607	1	3,123	2,320	5,969	948,020
Transfers out	(92,381)		(11,613)	(74,939)	(345)	(179,278)
Capital grants and contributions	70,800					70,800
Donated assets	250					250
Change in net position	61,915	(409)	134,604	(232)	64,560	260,438
Total net position - beginning as restated	2,963,756	(119,507)	314,755	9,804	635,002	3,803,810
Total net position - ending	$ 3,025,671	$ (119,916)	$ 449,359	$ 9,572	$ 699,562	$ 4,064,248

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, 2015
(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	$ 1,548,708	$	$	$ 407,715	$ 303,428	$ 2,259,851
Cash received from other government agencies	350,933					350,933
Auxiliary enterprise charges	275,575					275,575
Payments to employees	(2,129,517)	(7,962)		(5,433)	(499)	(2,143,411)
Payments of benefits	(157,658)	(15,116)	(248,179)		(240,112)	(661,065)
Payments to suppliers	(924,714)	(1,270)	(8,079)	(48,664)	(33,639)	(1,016,366)
Insurance taxes		17,349				17,349
Unemployment taxes			345,547			345,547
Payments for lottery prizes				(279,651)		(279,651)
Interest received (paid)	134				6,438	6,572
Loan administration received (paid)	(3,935)				37,189	33,254
Federal grant funds expended					(1,625)	(1,625)
Other operating receipts (payments)	34,212	459	27,468	(2,340)	(4,201)	55,598
Net cash provided by (used in) operating activities	(1,006,262)	(6,540)	116,757	71,627	66,979	(757,439)
Cash flows from noncapital financing activities:						
Direct lending receipts	546,426				50	546,476
Direct lending payments	(544,039)				(6,690)	(550,729)
Taxes	25,325					25,325
Grants and contributions	443,279		38,270		19,878	501,427
Other noncapital financing receipts (payments)	16,693		(56,592)		2	(39,897)
Transfers in	936,607	1	3,123	2,319	5,970	948,020
Transfers out	(92,381)		(11,613)	(80,000)	(345)	(184,339)
Net cash provided by (used in) noncapital financing activities	1,331,910	1	(26,812)	(77,681)	18,865	1,246,283
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(222,032)					(222,032)
Interest paid on capital debts and leases	(83,215)				(74)	(83,289)
Acquisition and construction of capital assets	(384,863)	(25)		(138)	(190)	(385,216)
Proceeds from long-term borrowings	317,249					317,249
Proceeds from sale of capital assets	3,319			3		3,322
Other capital and related financing receipts (payments) (1)	87,359					87,359
Net cash used in capital and related financing activities	(282,183)	(25)		(135)	(264)	(282,607)
Cash flows from investing activities:						
Purchase of investments	(106,743)				(214,054)	(320,797)
Proceeds from sale and maturities of investments	74,667	42,981			119,207	236,855
Interest and dividends on investments	3,526	850	5,386	225	255	10,242
Net cash provided by (used in) investing activities	(28,550)	43,831	5,386	225	(94,592)	(73,700)
Net increase (decrease) in cash and cash equivalents	14,915	37,267	95,331	(5,964)	(9,012)	132,537
Cash and cash equivalents - beginning	801,338	10,858	266,534	51,550	158,066	1,288,346
Cash and cash equivalents - ending	$ 816,253	$ 48,125	$ 361,865	$ 45,586	$ 149,054	$ 1,420,883

(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, 2015
(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)	$ (1,281,016)	$ (1,221)	$ 99,836	$ 72,162	$ 38,306	$ (1,071,933)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	248,104	106	147	158	877	249,392
Amortization					(1,036)	(1,036)
Net (appreciation) depreciation of investments					1,550	1,550
Other operating activities	4,145					4,145
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(3,165)	1,109	17,640	(1,492)	(1,930)	12,162
Loans receivable	49				31,231	31,280
Inventory	962				3	965
Prepaid items				60	2	62
Other current assets	(3,092)				3,937	845
Other assets				32		32
Current liabilities	6,115		123			6,238
Accounts payable and other accrued liabilities	21,595	(6,665)	(989)	791	(5,961)	8,771
Net other postemployment benefits	5,129	443		182	21	5,775
Net pension liability	(7,241)	(1,728)		(1,223)	(99)	(10,291)
Deferred outflows related to pensions		(547)		(361)	(32)	(940)
Deferred inflows related to pension		1,954		1,383	112	3,449
Compensated absences	2,888	9		(39)	(2)	2,856
Unearned revenue	(735)			(26)		(761)
Net cash provided by (used in) operating activities	$ (1,006,262)	$ (6,540)	$ 116,757	$ 71,627	$ 66,979	$ (757,439)
Non-cash investing, capital and financing activities:						
Increase (decrease) in fair value of investments	$ (101)					$ (101)
Donated capital assets	2,874					2,874
CD interest reinvested	23					23
Capital gifts	848					848
Insurance on bonds	(53)					(53)
Principal paid from remaining unused funds held by lender	10					10
Donation from foundation for operations	5					5
Proceeds from refunding bond issues deposited with trustee	(12,036)					(12,036)
Bond proceeds, premiums, accrued interest deposited directly with trustee	237,522					237,522
Bond discount and issue costs	1,920					1,920
Amortization of deferred outflows of resources related to debt refunding	(28)					(28)
Bond premium	1,202					1,202
Capital assets acquired by incurring capital leases and bonds payable	11,461					11,461
Principal on long term debt paid directly by UA Foundation, Inc. and Razorback Foundation, Inc.	214					214
Principal on capital debt paid by trustee	50					50
Interest on capital debt paid by trustee	(695)					(695)
Accrued interest	649					649
Gain/(loss) on disposal of capital assets	1,041					1,041
Valuation adjustment to capital assets	(516)					(516)
Construction expenditures paid directly from bond trustee	312					312
Interest subsidy Series 2010B	114					114
Payments by foundation for scholarships	101					101
Unearned revenue from skybox purchase	85					85
Payment of bond principal, interest and fees paid directly from deposit with trustee	(19,630)					(19,630)
Capital outlay and maintenance paid directly from proceeds of debt	564					564
Debt service reserve funds to refunding bond agent	(120)					(120)
GASB pension adjustment	270					270

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2015
(Expressed in thousands)

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	$ 652,368	$ 61,653
Receivables:		
Employee	10,823	
Employer	32,949	
Investment principal	96,773	
Interest and dividends	33,216	7
Other	15,377	1,388
Due from other funds	2,669	
Total receivables	191,807	1,395
Investments at fair value		
Certificates of deposit		30,539
U.S. government securities	285,444	
Bonds, notes, mortgages and preferred stock	760,070	68,539
Common stock	7,186,227	
Real estate	471,247	
International investments	6,765,280	
Pooled investment funds	3,288,759	
Corporate obligations	851,994	
Asset and mortgage-backed securities	68,684	
Other	4,147,309	
Total investments	23,825,014	99,078
Securities lending collateral	1,662,651	
Financial assurance instruments		253,246
Capital assets	10,601	
Other assets	168	
Total assets	26,342,609	415,372
Liabilities		
Accounts payable and other liabilities	22,597	7,530
Investment principal payable	115,986	
Obligations under securities lending	1,666,991	
Postemployment benefit liability	4,974	
Due to other governments		133,917
Due to other funds	109	
Due to third parties		273,925
Total liabilities	1,810,657	415,372
Net Position		
Net position restricted for pensions	24,531,952	
Total net position	$ 24,531,952	$

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, 2015
(Expressed in thousands)

		Pension Trust Funds
Additions:		
Contributions:		
Members	$	190,333
Employers		698,476
Supplemental contributions		9,596
Title fees		4,566
Court fees		1,621
Reinstatement fees		1,222
Total contributions		905,814
Investment income:		
Net increase (decrease) in fair value of investments		625,912
Interest, dividends and other		286,011
Other investment income		7,980
Securities lending income		7,643
Total investment (loss)		927,546
Less investment expense		84,341
Net investment (loss)		843,205
Miscellaneous		6,247
Total additions		1,755,266
Deductions:		
Benefits paid to participants or beneficiaries		1,557,084
Refunds of employee/employer contributions		24,900
Administrative expenses		15,661
Total deductions		1,597,645
Change in net position held in trust for employees' pension benefits		157,621
Net position - beginning		24,374,331
Net position - ending	$	24,531,952

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

Notes to the Financial Statements – Table of Contents

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

The basic financial statements have been prepared primarily from accounts maintained by the Department of Finance and Administration and the State Treasurer. Additional data has been derived from the audited financial statements of certain entities and from reports and data prepared by various state agencies and departments based on independent or subsidiary accounting records maintained by them.

(b) Reporting Entity

For financial reporting purposes, the State of Arkansas (the State) includes all funds, departments and agencies of the State as well as boards, commissions, authorities and colleges and universities for which the State is financially accountable. The State also includes component units to the extent necessary for complete financial statement presentation.

(c) Component Units

Component units are legally separate organizations for which the State's elected officials are financially accountable or are other organizations for which the nature and significance of their relationship with the State are such that exclusion would cause the State's financial statements to be misleading.

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

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

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

Complete financial statements for ASLA can be obtained by contacting:

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

Arkansas Development Finance Authority (ADFA) was established pursuant to Act 1062 of 1985, as amended. ADFA provides financing through the issuance of taxable and tax-exempt bonds and other debt instruments for economic development, homeownership and affordable rental housing. The affairs of the Authority are governed by a board of directors composed of the State Treasurer, Director of the Department of Finance and Administration and eleven public members appointed by the governor. The board has the authority to hire a president who serves at the will of the governor.

Complete financial statements of ADFA can be obtained by contacting:

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

In addition, two nonprofit foundations are included as discretely presented component units following the government-wide financial statements. Although the State does not control the timing or amount of receipts from either of these foundations, the economic resources which the foundations hold and invest are almost entirely restricted by the donors for distribution and use benefiting the State and are significant to the State. As a result, these foundations are considered component units of the State in accordance with GASB Statement No. 14, as amended by GASB Statements No. 39 and 61.

The University of Arkansas Foundation, Inc. operates for charitable and educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors of the foundation has twenty-two members, four of whom are current or previous members of the University of Arkansas Board of Trustees.

The University of Arkansas Fayetteville Campus Foundation, Inc. was established by the Walton Family Charitable Support Foundation, Inc., for the exclusive benefit of the University of Arkansas, Fayetteville campus. The foundation was established on March 11, 2003, and exists primarily to support the Honors College, the Graduate School and the University’s library. The Board of Trustees of the foundation is made up of seven members, three of whom are also employees of the University of Arkansas at Fayetteville.

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

The University of Arkansas Foundation, Inc.

535 Research Center Blvd.
Suite 120
Fayetteville, AR 72701

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

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

(d) Accounting Restatement

The State implemented GASB Statement 68, *Accounting and Financial Reporting for Pensions,* in the fiscal year ended June 30, 2015. Statement 68 is required to be implemented retroactively for pensions provided through pension plans administered as trusts or similar arrangements that meet certain criteria with the beginning net position restated for the cumulative effects of implementation. Implementation required reporting a beginning net pension liability and a beginning deferred outflows of resources related to pensions. Under Statement 68, the State is required to report its proportionate share of the net pension liability of each cost-sharing multiple employer defined benefit pension plan and the net pension liability of each single-employer defined benefit pension plan. In addition, deferred outflows of resources and deferred inflows of resources related to the various net pension liabilities will be reported. The net cumulative effect of implementing Statement 68 on beginning net position as previously reported on June 30, 2014, is as follows (expressed in thousands):

Component Unit Net Position	
Beginning net position	$ 362,275
GASB 68 - Beginning net pension liability and deferred outflows related to pensions	(3,160)
Beginning net position, restated	$ 359,115
Governmental Activities Net Position	
Beginning net position	$ 11,450,936
GASB 68 - Beginning net pension liability and deferred outflows related to pensions	(1,313,431)
Beginning net position, restated	$ 10,137,505
Business-type Activities Net Position	
Beginning net position	$ 3,977,511
GASB 68 - Beginning net pension liability and deferred outflows related to pensions	(173,701)
Beginning net position, restated	$ 3,803,810

(e) Measurement Focus and Basis of Accounting

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

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

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

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

(f) Government-Wide Financial Statements

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

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

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

In the government-wide statement of activities, revenues and expenses are segregated by activity (governmental or business-type), then further by function (e.g., general government, education, health and human services, etc.). Direct expenses are those that are clearly identifiable with a specific function. Revenues are classified as either program or general revenues. Program revenues include: (1) charges to customers for goods, services or privileges provided; (2) operating grants and contributions and (3) capital grants and contributions. Internally, dedicated resources are reported as general revenues rather than as program revenue. Taxes and other items not meeting the definition of program revenues are instead reported as general revenue. Certain indirect costs are included in the program expenses reported for individual functions and activities.
As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to the rule are: (1) activities between funds reported as governmental activities and funds reported as business-type activities and (2) activities between funds that are reported in different functional categories in either the governmental or business-type activities column. Elimination of these activities would distort the direct costs and program revenues for the functions concerned.

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

(g) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the General Fund), proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. The major individual governmental fund (General Fund) and the major individual proprietary funds (i.e., the Higher Education Fund, Workers' Compensation Commission, Department of Workforce Services and the Office of the Arkansas Lottery) are reported as separate columns in the fund financial statements, with non-major funds being combined into a single column for the proprietary funds.

In the fund financial statements, transfers represent flows of cash or assets without equivalent flows of assets in return or a requirement for repayment. In addition, transfers are recorded when a fund receiving revenue provides the revenue to the fund which expends the resources.

The following describes the major funds and categories used in the accompanying financial statements:

Governmental Fund

The General Fund is the major Governmental Fund of the State. As the general operating fund of the State, it is used to account for all financial resources obtained and expended for those services normally provided by the State which is not accounted for in other funds.

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

Proprietary Funds

The focus of Proprietary Fund measurement is upon determination of operating income, changes in net position, financial position and cash flows; which is similar to a business. These funds are used to account for operations of those state agencies providing goods or services to the general public on a user-charge basis, or where the State has decided that periodic determination of revenues earned, expenses incurred and/or income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The following are descriptions of the major proprietary funds of the State:

Higher Education Fund

The financial statements of the Higher Education Fund, which accounts for the activities of the State's higher education system, are prepared as a business-type activity with the accounting guidance and reporting practices applicable to colleges and universities.

Workers' Compensation Commission Fund

The Workers' Compensation Commission Fund accounts for the activities of the Workers' Compensation Commission (WCC), which is responsible for providing a prompt and equitable system of compensation for injury or illness sustained during the course of employment. Operating revenues include assessments, fees and charges paid by insurance carriers, self-insured employers and public employers. Operating expenses include benefit and aid payments, administrative expenses and depreciation and amortization of capital assets.

Department of Workforce Services - Unemployment Insurance Fund

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

Office of the Arkansas Lottery Fund

The Office of the Arkansas Lottery Fund's primary purpose is to supplement higher education scholarships with net proceeds from the State's lotteries.

Non-Major Enterprise Funds

The Non-Major Enterprise Funds consist of the War Memorial Stadium Commission, which is responsible for the operation of the War Memorial Stadium, a facility available for use to all the schools, colleges and universities in the State under the supervision of the agency; the Construction Assistance Revolving Loan Fund, which is responsible for providing a perpetual fund for financing the construction of waste water treatment facilities for municipalities and other public entities; and the Public School Employee Health and Life Benefit Plan, which is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees. Other Non-Major Enterprise Funds are the Other Revolving Loan Funds, which are responsible for the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; 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 the State. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. These funds include Pension Trust and Agency Funds. The Pension Trust Funds account for the activities of the Arkansas Judicial Retirement System, the Arkansas State Highway Employees Retirement System, the Arkansas Teacher Retirement System, the Arkansas Public Employee Retirement System and the Arkansas State Police Retirement System, which accumulate resources required to be held in trust for members and beneficiaries of the respective plans. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection and disbursement of sales and use taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies, and for other miscellaneous accounts for the benefit of other parties.

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

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less and all short-term instruments with maturities at purchase of 90 days or less. Short-term investments for the

Arkansas State Highway Employees Retirement System are stated at amortized cost. All other short-term investments are stated at fair value.

Investments

Investments include U.S. Government and government agency obligations, repurchase agreements, mutual funds, real estate, limited partnerships, foreign currency contracts, asset-backed securities, guaranteed investment contracts, state and local government obligations and corporate debt and equity obligations. Investments are reported at fair value.

Investments in the Pension Trust Funds are reported at fair value as determined by the custodial agents. The agents' determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates. Securities on loan for cash collateral and the related liabilities are reported in the statement of net position. Security lending transactions are discussed in Note 4.

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

The University of Arkansas System (the System) and the University of Arkansas (UA) Foundation has established an external investment pool (the Pool). The investments in the Pool are managed by the UA Foundation. The University of Arkansas Board of Trustees and the University of Arkansas Foundation, Inc. Board of Trustees are the sponsors of this investment pool and are responsible for the operation and oversight. Participation in the Pool is voluntary. At June 30, 2015, five campuses and five foundations participate in the Pool. The foundations hold approximately $1.4 billion (external portion) of the investments in the Pool. The Pool issues a publicly available financial report, which may be obtained by writing the University of Arkansas Foundation, 535 Research Center Boulevard, Suite 120, Fayetteville, AR, 72701.

Interfund Receivables and Payables

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

Inventories and Prepaid Items

Inventories of materials and supplies are valued at cost, principally using the first-in/first-out method. The costs of governmental fund-type inventories are recorded using the consumption method which records expenditures when consumed. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in the government-wide and fund financial statements. Inventory and prepaid balances, as reported in the general fund financial statements, are recorded as nonspendable components of fund balance indicating that they do not constitute "available, spendable financial resources."

Noncurrent Cash and Investments

Cash and investments that are externally restricted to make debt service payments, to maintain sinking or reserve funds or to purchase capital or other noncurrent assets are classified as noncurrent assets in the statement of net position. Cash, cash equivalents and investments relating to university endowments are also reflected as noncurrent assets in the statement of net position.

Capital Assets

Methods Used to Value Capital Assets

Capital assets, which include property, plant, equipment, infrastructure items (e.g., roads, bridges, ramps and similar items) and intangible assets are reported in the applicable governmental or business-type activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

Capitalization Policies

All land and other non-depreciable assets are capitalized, regardless of cost. Buildings and building improvements are capitalized when the cost of the building, or an improvement which becomes an integral part of a building, exceeds $100 thousand. All other tangible assets, including equipment, are capitalized when the cost of an individual item exceeds $5 thousand and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State's policy to capitalize when the individual item's cost exceeds $1.0 million for internally generated software or $5 thousand for all other intangible assets and the estimated useful life exceeds one year.

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

The State reported a significant portion of their infrastructure assets for the first time in fiscal year 2002. Estimated costs were retroactive to 1971. The State's current policy is to record new infrastructure acquisitions at historical cost and to use the depreciation method in reporting long-term infrastructure assets.

The University of Arkansas adopted the following separate policy for capitalization of intangible assets:

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

Items not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures such as: statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings and the like. GASB Statement No. 34 does not require these items to be capitalized because (1) the items are held for reasons other than financial gain; (2) the items are protected, kept unencumbered, cared for, and preserved; and (3) the items are subject to a State policy requiring that the proceeds from the sales of collection items be used to acquire other items for collections. The State also acts as an agent for the tracking and disbursement of federal surplus property. The assigned value of this property at June 30, 2015, is $39.4 million and is not reflected in the financial statements.

Depreciation and Useful Lives

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

Assets	Years
Equipment	5-20
Buildings & building improvements	20-50
Infrastructure	10-40
Land improvements	10-100
Intangibles	4-95
Other capital assets	10-15

Accrued and Other Current Liabilities

The State has established a liability for both reported and unreported insured events in the government-wide financial statements, which includes estimates of future payments of claims and related claim adjustment expenses, based on the estimated ultimate cost of settling claims. In estimating its liability for incurred but unpaid claims, the State considers prior experience, industry information and currently recognized trends affecting data specific to the State. Actual claim costs depend upon such factors as duration of worker disability, medical cost trends, occupational disease and inflation. The process used in computing the ultimate cost of settling claims and expense for administering claims is necessarily based on estimates.

The Internal Revenue Code of 1986 limits the amount of income that issuers of certain tax-exempt bonds can earn from investing the bond proceeds. Such excess, called arbitrage rebates, must be remitted to the federal government. The Construction Assistance Revolving Loan Fund, ADFA and ASLA make provision for arbitrage rebates as they are incurred.

Income Tax Refunds Payable

Income tax refunds are accounted for as a reduction in the appropriate tax revenue category. The amount reported as income tax refunds payable at June 30, 2015, is related to projected refund estimates attributable to fiscal year 2015 tax revenues.

Compensated Absences

In the government-wide and proprietary fund financial statements, the State accrues liabilities for compensated absences as services are incurred and benefits accrue to employees.

In the governmental fund financial statements, liabilities for compensated absences are accrued only if they have matured and are recorded in the fund only for separations or transfers that occur before year-end.

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Bond-Related Items

In the government-wide financial statements and proprietary fund financial statements, long-term debt and long-term liabilities are reported as liabilities. Bond premiums, discounts and insurance costs are reported and amortized over the life of the bonds using the straight-line method. Bond issuance costs other than insurance are recognized in the period of issuance. Bonds payable are reported net of the applicable bond premium or discount.

In the governmental fund financial statements, bond premiums, discounts and bond issuance costs are recognized in the period of issuance. The face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds, are reported as debt service expenditures.

Net Position/Fund Balance

The difference between total assets, total deferred outflows of resources, total liabilities and total deferred inflows of resources is presented as "Net Position" on the government-wide, proprietary and fiduciary fund financial statements and as "Fund Balance" on the governmental fund financial statements.

Fund Balance Classifications

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

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

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

This amount is the residual classification for the General Fund.

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

See Note 13 for additional information about fund balances.

Restricted Assets/Net Position

Assets and net position are reported as restricted when constraints placed on the asset or net position use are either (1) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (2) imposed by law through constitutional provision or enabling legislation. Restricted net position primarily consists of unemployment compensation, bond resolution programs, tobacco settlement, debt service, capital projects, and various other purposes and may be used only for the legally restricted purposes as allowed by law.

Reclassifications

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

(i) Use of Estimates

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

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

GASB Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining fair value measurement for financial reporting. In addition, Statement 72 provides guidance for determining fair value for certain investments and making note disclosures related to fair value measurements. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (i.e. fiscal year 2016).

GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, establishes accounting and financial reporting requirements for defined benefit pensions and defined contribution pensions that are not covered by Statement 68. This Statement also provides guidance for reporting assets accumulated to provide defined benefit pensions. The requirements in Statement 73 are similar to those in Statement No. 68 with modifications that address the requirement that the resources accumulated for pensions within the scope of this Statement should not be accounted for as pension plan assets. This Statement also provides amendments to Statements 67 and 68 that clarify note disclosure requirements for required supplementary information, accounting and financial reporting for separately financed specific liabilities, and employer recognition of support from nonemployer contributing entities not in a special funding situation. Provisions in this Statement are effective in three parts. (1) The provisions that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions not within the scope of Statement 68 are effective for fiscal years beginning after June 15, 2016 (i.e. fiscal year 2017). (2) The provisions related to financial reporting for assets accumulated for purposes of providing those pensions are effective for fiscal years beginning after June 15, 2015 (i.e. fiscal year 2016). (3) The requirements of this Statement related to amendments to Statements 67 and 68 are effective for fiscal years beginning after June 15, 2015 (i.e. fiscal year 2016).

GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, addresses the financial reporting by defined benefit post-employment benefit plans other than pensions (other post-employment benefits or OPEB) that are administered through trust that meet specified criteria. This Statement will supersede the requirements in Statement No. 43, *Financial Reporting for*

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

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

GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, identifies the sources of generally accepted accounting principles (GAAP) and the framework for selecting the principles used to prepare financial statements of state and local governments in conformity with GAAP. This Statement will supersede the requirements in Statement No. 55, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The requirements of this Statement are effective for reporting periods beginning after June 15, 2015 (i.e. fiscal year 2016).

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

(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 and foreign currency, as well as policies related to these risks. The higher education component units are not included in the following information. The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board standards and are not required to report under Governmental Accounting Standards Board standards. As such, the Foundations are not required to report deposit and investment risks.

(a) Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the State may not recover deposits or collateral securities that are in the possession of an outside party.

The State's Board of Finance policy states that collateralizing deposits in excess of FDIC deposit insurance coverage with securities pledged to a cash fund agency by a financial institution to be held by a third party custodian is required to protect public funds in case of a default by the financial institution. Institutions of higher education and the Arkansas Public Employees Retirement System do not have a deposit policy for custodial credit risk.

At June 30, 2015, the reported bank balances of the general fund were $845,418,536. Of this amount, $6,543,921 was uninsured and uncollateralized and $1,140,593 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2015, the reported bank balances of the enterprise funds were $994,464,560. Of this amount, $816,976 was uninsured and uncollateralized, $22,781,933 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name and $18,628,571 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2015, the reported bank balances of the fiduciary funds were $605,648,796. Of this amount, $5,033,805 was uninsured and uncollateralized.

At June 30, 2015, the reported bank balances of the component units were $6,648,196. Of this amount, $3,155,000 was uninsured and uncollateralized and $881,000 was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent but not in the State's name.

(b) Investments

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. Also, the terms of a debt investment may cause its fair value to be highly sensitive to interest rate changes.

The State Treasury's interest rate risk policy is that the average maturity of the total portfolio will not exceed ten years except securities used as collateral in repurchase agreements, Arkansas Capital Corporation Bonds, and State Board of Finance and State Building Services Certificates of Indebtedness. The investment policy for funds managed by the State Treasurer for the State Money Management Trust Fund states that the average maturity of the portfolio will not exceed 90 days, and the expected maturity of any security will not exceed five years, except securities used as collateral in repurchase agreements. The State Board of Finance requires that every effort should be made to match maturity of investments with expenditure requirements. The institutions of higher education and the retirement systems do not have formal investment policies that limit the investment maturities as a means of managing the exposure to fair value losses arising from increased interest rates.

As of June 30, 2015, the State of Arkansas had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
General fund					
Bonds and notes	$ 349	$	$ 26	$ 175	$ 148
Money market mutual funds	344,311	344,311			
Negotiable certificates of deposit	811	561	250		
Commercial paper	1,024,030	1,024,030			
U.S. government agencies	1,516,067	182,233	1,228,204		105,630
U.S. treasuries	242,679	233,265	9,414		
Subtotal	3,128,247	1,784,400	1,237,894	175	105,778
Enterprise funds					
Corporate bonds	2,789	182	1,054	1,003	550
Money market mutual fund	213,319	213,319			
Mutual bond fund	715	644	71		
Negotiable certificates of deposit	2,344	250	2,094		
Commercial paper	50,850	50,850			
U.S. government agencies	242,645	152,946	80,154	2,417	7,128
U.S. treasuries	41,486	40,208	1,006	272	
Subtotal	554,148	458,399	84,379	3,692	7,678
Fiduciary funds					
Asset and mortgage-backed securities	327,670	115,349	144,365	9,228	58,728
Corporate bonds	2,417,683	418,444	796,693	908,382	294,164
Commingled funds	1,732,456		301,407	1,431,049	
Commercial paper	45,975	42,793	3,182		
Emerging Markets	2,024			2,024	
External investment pools	633,738	621,241		12,497	
High yield income fund	76,062		76,062		
International investments	32,131		622	21,532	9,977
Municipal bonds	11,321	1,199	1,567	3,687	4,868
Short-term investments	369,587	369,587			
U.S. government agencies	203,106	7,266	81,233	3,482	111,125
U.S. treasuries	140,927	6,990	44,834	41,319	47,784
Subtotal	5,992,680	1,582,869	1,449,965	2,433,200	526,646
Component units					
Domestic corporate bonds	3,059	516	1,740	389	414
Guaranteed investment contracts	6,092		1,453		4,639
Money market mutual funds	123,111	123,111			
Mortgage-backed securities	366,526		1,248	12,847	352,431
Mutual bond funds	984	984			
Commercial Paper	223	223			
U.S. government agencies	38,869	9,007	27,582	943	1,337
U.S. treasuries	9,188	1,177	7,388	310	313
Subtotal	548,052	135,018	39,411	14,489	359,134
Total	$ 10,223,127	$ 3,960,686	$ 2,811,649	$ 2,451,556	$ 999,236

Corporate Bonds

As of June 30, 2015, the Arkansas Public Employees Retirement System (APERS), Arkansas Teachers Retirement System (ATRS) and Arkansas State Highway Employees Retirement System (ASHERS) all held corporate bonds with fair values of $498,064,783, $221,343,599 and $151,953,913, 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, 2015, only the bonds held by ASHERS were considered highly sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2015, APERS and ATRS held convertible bonds with fair values of \$195,538,208 and \$437,327,280, 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, 2015, none of the retirement systems held convertible securities that were considered highly sensitive to changes in interest rates.

Credit Risk

Credit risk of investments is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The State Treasury's credit risk policy is that bankers' acceptances and commercial paper carry an investment rating of P-1 or better by Moody's Investors Service (MIS) and a rating of A-1 or better by Standard and Poor's (S&P) for maturities exceeding 90 days but not exceeding 180 days. For maturities not exceeding 90 days, the ratings for commercial paper should be P-2 or better by MIS and A-2 or better by S&P. The Treasury's policy for corporate bonds is that they be rated A or better by MIS and S&P for maturities of less than one year and that they be rated AA or better for maturities over one year. ASHERS' policy is that debt securities purchased shall carry an investment rating of Baa or better by MIS and a rating of BBB or better by S&P. The other retirement systems and the institutions of higher education do not have a credit risk policy.

The State’s exposure to credit risk as of June 30, 2015, is as follows (expressed in thousands):

Standard and Poor's		Moody's Investor's Service	
Rating	Fair Value	Rating	Fair Value
General fund			
AAA	$ 102,723	Aaa	$ 1,599,131
AA	1,491,193	P1	152,824
A-2	1,024,030	Aa	26
A	104	A	95
BBB	25	P2	757,803
		Baa	25
Unrated	267,493	Unrated	375,664
Subtotal	2,885,568		2,885,568
Enterprise funds			
AAA	247,492	Aaa	438,117
AA	207,649	P1	7,589
A-2	50,850	Aa	375
A	1,967	A	1,517
BBB	76	P2	37,630
		Baa or lower	336
Unrated	35,378	Unrated	57,848
Subtotal	543,412		543,412
Fiduciary funds			
AAA	209,555	Aaa	576,497
AA	722,974	Aa	401,411
A	404,657	A	674,396
A-2	40,034	P1	61,144
BBB	548,599	P2	29,626
		Baa	519,263
BB	324,790	Ba	252,646
B	161,425	B	133,236
CCC or lower	37,229	C or lower	25,139
Unrated	3,420,535	Unrated	3,196,440
Subtotal	5,869,798		5,869,798
Component units			
AAA	9,206	Aaa	531,140
AA	523,708	P1	33
A-2	223	Aa	322
A	1,156	A	1,281
BBB or lower	1,193	P2	165
		Baa or lower	1,324
Unrated	12,566	Unrated	13,787
Subtotal	548,052		548,052
Total	$ 9,846,830		$ 9,846,830

Custodial Credit Risk

Custodial credit risk for investments is the risk that, in the event of failure of the counterparty, the State will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

The State Board of Finance requires that investment instruments should be held in safekeeping by financial institutions and that the cash fund manager should obtain safekeeping receipts. The institutions of higher education do not have a formal custodial credit risk policy.

At June 30, 2015, the reported amount of the fiduciary funds' investments was $5,992,680,361. Of this amount, $353,338 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, 2015, the reported amount of the enterprise funds' investments was $1,021,680,920. Of this amount, $3,751,213 was uninsured and unregistered with securities held by the counterparty and $10,288,051 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

Concentration of Credit Risk

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

The State Treasury's concentration of credit risk policy is that the investments, exclusive of funds managed by a securities lending agent, will not exceed the following percentages of the total portfolio: 15% in Bankers Acceptances, 30% in Total Debt of Corporations, including Bonds and Commercial Paper, and 10% in Certificates of Deposit.

The State places no limit on the amount the State Treasury may invest in U.S. government agency securities. The State's investments representing greater than 5% of total investments of the general fund included Federal Home Loan Bank securities of $366,261,166; Federal Farm Credit Bank securities of $167,644,837; Federal National Mortgage Association securities of $668,816,006; and Federal Home Loan Mortgage Corporation securities of $288,250,621 or 11.63%, 5.32%, 21.24% and 9.15%, respectively. The State's investments representing greater than 5% of total investments of the enterprise fund included Federal Home Loan Bank securities of $125,362,294 and Federal National Mortgage Association securities of $54,686,077 or 12.27% and 5.35%, respectively.

The Arkansas Development Finance Authority (ADFA) and the Arkansas Student Loan Authority (ASLA), component units of the State, place no limit on the amount that may be invested in any one issuer. The component units' investments in Federal National Mortgage Association securities represented $38,987,720 or 7.11% of total component units' investments.

Foreign Currency Risk

Foreign currency risk is the risk that changes in exchange rates will adversely affect the fair value of an investment or a deposit.

The State does not have a formal investment policy for foreign currency risk.

The exposure to foreign currency risk for investments and deposits at June 30, 2015, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Cash
Australian Dollar	$ 66,367	$ 2,404	$ 64,136	$ (173)	$
Brazilian Real	33,040	4,863	28,177	(50)	50
British Pound Sterling	552,614	3,584	552,615	(3,969)	384
Canadian Dollar	32,384		32,275	109	
Chilean Peso	1,393	1,393			
Columbian Peso	1,072	1,072			
Danish Krone	63,377		61,045	2,332	
Euro	441,208	4,863	440,599	(4,743)	489
Hong Kong Dollar	104,673		104,587	39	47
Indian Rupee	5,241	4,730			511
Israeli Shekel	8,909		8,909		
Japanese Yen	242,291		265,078	(23,093)	306
Malaysian Ringgit	2,114		2,114		
Mexico Nuevo Peso	16,729	10,207	7,210	(688)	
New Taiwan Dollar	9,664		9,664		
New Zealand Dollar	7,572		7,237		335
Norwegian Krone	18,865		19,213	(348)	
Philippine Peso	6,701	5,036	1,665		
Singapore Dollar	7,657		7,430	227	
South African Rand	23,572		23,519	53	
South Korean Won	58,060		58,060		
Swedish Krona	77,586		77,586		
Swiss Franc	195,251		217,288	(22,037)	
Thailand Baht	1,385		1,385		
Turkish Lira	1,405		1,405		
Total Fair Value	$ 1,979,130	$ 38,152	$ 1,991,197	$ (52,341)	$ 2,122

(1) For Forward Currency Contracts, a positive number represents the market value of contracts to purchase that currency in excess of the market value of contracts to sell that currency. A negative number therefore represents the market value of contracts to sell foreign currency in excess of contracts to purchase that currency.

American Depositary Receipts

American depositary receipts (ADR) are a type of investment that represents ownership in the shares of a non-U.S. company that trades in the U.S. financial markets. Each ADR is issued by a U.S. depository bank and can represent a fraction of a share, a single share, or multiple shares of the foreign stock. An owner of an ADR has the right to obtain the foreign stock it represents. Indirectly, an ADR is exposed to foreign currency risk since the non-U.S. company would be doing business in a foreign currency. At June 30, 2015, ASHERS had $51,192,188 invested in ADRs.

(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, 2015, governmental activities, business-type activities, component units and fiduciary funds held mortgage-backed securities with market values of $103.5 million, $5.1 million, $366.5 million and $43.9 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, 2015, no mortgage-backed securities were considered highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2015, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $287.8 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, 2015, 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, 2015, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $7.397 million, collectively. Market values of these outstanding contracts were $7.354 million resulting in an unrealized loss of $43 thousand. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $59.645 million at June 30, 2015. Market values of these contracts were $59.577 million resulting in an unrealized gain of approximately $68 thousand.

Derivatives

Derivative instruments are financial contracts or agreements whose values depend on the values of one or more underlying assets, reference rates and/or financial indexes. Derivative instruments include futures contracts, forward contracts, swap contracts, options contracts and forward foreign currency exchange. ATRS investment guidelines state that derivatives may be used to reduce the risk in a portfolio but should not be used to create a position of leverage or substantially increase the risk of the overall portfolio. Futures and options should be matched by cash or cash equivalent securities, and all short futures positions should be matched by equivalent long security positions. Each investment manager's derivative usage is specified in the investment management agreement or specific guidelines. As of June 30, 2015, ATRS held warrants with a fair value of $2 thousand. 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, 2015, 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, 2015	
Type	**Classification**	**Amount**	**Classification**	**Amount**
Foreign currency forwards	Net appreciation (depreciation) in fair value of investments	$ 131,382	Investment derivatives	$ 25,106
Futures	Net appreciation (depreciation) in fair value of investments	(1,264,465)	Investment derivatives	(929,926)
TBA securities	Net appreciation (depreciation) in fair value of investments	19,032,164	U.S. government and agency securities	21,109,664
Rights	Investment revenue	(4,850)	Investments	-
Warrants	Investment revenue	(24,817)	Investments	1,849

Foreign Currency Forward	Fair Value	Notional Amount	
Brazilian Real	$ (23)	BRL	
Swiss Franc	(284,222)	CHF	21,642,000
Euro	(17,296)	EUR	(1,982,594)
British Pound Sterling	(88,418)	GBP	(2,035,560)
Hong Kong Dollar	(3)	HKD	364,800
Japanese Yen	408,206	JPY	(2,626,569,723)
Mexican Nuevo Peso	7,425	MXN	7,300,000
United States Dollar	(563)	USD	5,070,235
Total Foreign Currency Forwards	$ 25,106		
Futures Contract	$ (929,926)	USD	$ (255,500,000)
Mortgage-Backed TBA	$ 21,109,664	USD	$ 19,970,000
Warrants	$ 1,849		$ 123,300

4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs, as authorized by Arkansas Code Annotated § 24-3-412 and the Board of Trustees policies, whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents, letters of credit, securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the fair value of the securities loaned for ATRS and equal to at least 102% of domestic loans and 105% of international loans for APERS. At all times during the term of each loan, the total value of the collateral is not to be less than the fair value of all securities on loan. The programs are administered by custodial agent banks. The code does not specify the types of securities that may be loaned. The types of securities on loan at June 30, 2015, 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, 2015, the carrying value and fair value of the underlying securities was $1.7 billion. At June 30, 2015, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers exceeded the amounts the borrowers owed the pension systems.

(5) Receivables

Receivables at June 30, 2015, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes (1)	Employee/ Employer	Medicaid	Capital Lease Receivable (2)	Loans (4)	Investment-Related	Other Receivables	Allowance for Uncollectibles	Total
General Fund	$ 286,236 (3)	$ 671,621	$	$ 234,712	$ 763	$ 375,607	$ 8,882	$ 32,111	$ (457,989)	$ 1,151,943
Higher Education Fund	674,521					62,653	172	12,801	(460,457)	289,690
Workers' Compensation Commission	7,801 (3)						162			7,963
Department of Workforce Services	177,579								(50,000)	127,579
Office of the Arkansas Lottery	12,275									12,275
Non-major enterprise funds	4,969					397,945	710		(738)	402,886
Pension trust			43,772				129,989	15,377		189,138
Agency							7	1,406	(18)	1,395
Total	$ 1,163,381	$ 671,621	$ 43,772	$ 234,712	$ 763	$ 836,205	$ 139,922	$ 61,695	$ (969,202)	$ 2,182,869

(1) Receivable balances of $88,507 are not expected to be collected within one year of the date of the financial statements.

(2) See Note 11 - Leases.

(3) $108 and $1 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

(4) General fund has reclassified $38,025 from loans receivable and $11,975 from deposits with component units to loans receivable - component unit for a total of $50,000 on the Government-wide Statement of Net Position.

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Other Receivables	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Student Loan Authority	$	$ 278,619	$	$ 4,744	$	$ 2	$ (710)	$ 282,655
Arkansas Development Finance Authority	632	414,312	126,677	2,136			(78,865)	464,892
University of Arkansas Foundation				2,815	30,972		(840)	32,947
Total	$ 632	$ 692,931	$ 126,677	$ 9,695	$ 30,972	$ 2	$ (80,415)	$ 780,494

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From							
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 3,256	$ 6	$ 60	$ 22,725	$ 451	$ 108 (1)	$ 26,606
Higher Education Fund	12,012			51				12,063
Workers' Compensation Commission	263	318			1		1 (1)	583
Department of Workforce Services	1,700							1,700
Pension trust	2,669 (2)							2,669
Total	$ 16,644	$ 3,574	$ 6	$ 111	$ 22,726	$ 451	$ 109	$ 43,621

(1) $108 and $1 Interfund receivables due to the General Fund and the Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Assets.

(2) $2,669 Interfund payables due from the General Fund to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Assets.

Interfund receivables and payables include (1) $12.0 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $1.7 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $2.7 million due from the General Fund to the Pension Trust for employers' contributions; (4) $3.3 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) $22.8 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing and administrative costs. All amounts are expected to be repaid within one year.

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

	Advances From			
Advances To	General Fund	Non-Major Enterprise Funds	Higher Education Fund	Total
General Fund	$	$ 933	$ 5,399	$ 6,332
Higher Education Fund	5,343	6,956		12,299
Total	$ 5,343	$ 7,889	$ 5,399	$ 18,631

Advances include (1) an outstanding balance of $5.3 million loaned from the General Fund (i.e. Arkansas Building Authority) to State Agencies including Higher Education for the Sustainable Building Design Program used to pay for energy improvements; (2) advances from the Community/Technical College Revolving Loan program of $7.0 million providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates and (3) advances from the University of Arkansas for Medical Sciences to the General Fund (i.e. Department of Human Services and Arkansas Department of Health) of $5.4 million used in the construction of the West Central Power Plant.

Transfers (expressed in thousands):

	Transfers In						
Transfers Out	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
General Fund	$	$ 936,577	$ 1	$ 3,123	$ 2,320	$ 5,969	$ 947,990
Higher Education Fund	92,381						92,381
Department of Workforce Services	11,613						11,613
Office of the Arkansas Lottery	74,939						74,939
Non-major enterprise funds	345						345
Total	$ 179,278	$ 936,577	$ 1	$ 3,123	$ 2,320	$ 5,969	$ 1,127,268

Transfers include (1) $92.4 million transferred from the Higher Education Fund, which includes $86.0 million to the Department of Human Services within the General Fund for the transfer of a portion of the state funding provided to the University of Arkansas for Medical Sciences to be used for the Medicaid Program; (2) $936.6 million transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (3) $8.5 million net transferred from Department of Workforce Services to the General Fund. This amount includes: $2.0 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; $2.5 million for worker training purposes and $4.0 million for payroll and other administration expenses of the Unemployment Insurance program; (4) $74.9 million transferred from the Office of the Arkansas Lottery to the General Fund for administering the Arkansas Lottery Scholarship Program for the 2014/2015 academic school year; (5) $2.3 million transferred from the General Fund to the Office of the Arkansas Lottery to fund the Scholarship Shortfall Reserve Trust Account and (6) $5.6 million net transferred from the General Fund to the Non-Major Enterprise Funds. This amount includes $4.3 million transferred from the Governor’s Quick Action Fund to the Venture Capital Investment Trust Fund.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2015, was as follows (expressed in thousands):

	Balance June 30, 2014	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2015
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 816,617	$ (39)	$ 34,638	$ (134)	$ 851,082
Construction in progress	1,563,739	(650,861)	702,940	(5)	1,615,813
Construction in progress - intangibles	3,087	45,823	92,637		141,547
Other non-depreciable/amortizable assets	21,477	143	289		21,909
Total capital assets, not being depreciated/amortized	2,404,920	(604,934)	830,504	(139)	2,630,351
Capital assets, being depreciated/amortized:					
Land improvements	155,378	6,026	286	(61)	161,629
Infrastructure	13,222,635	612,546	1,647	(29,618)	13,807,210
Buildings	1,566,639	47,580	11,386	(6,984)	1,618,621
Equipment	713,454	3,833	53,897	(39,358)	731,826
Intangibles	116,387	3,695	1,720	(1,369)	120,433
Other depreciable/amortizable assets	9,330	32	62	(3)	9,421
Total capital assets, being depreciated/amortized	15,783,823	673,712	68,998	(77,393)	16,449,140
Subtotal	18,188,743	68,778	899,502	(77,532)	19,079,491
Less accumulated depreciation/amortization for:					
Land improvements	(94,929)	(438)	(5,940)	61	(101,246)
Infrastructure	(6,272,312)	(205)	(423,817)	29,618	(6,666,716)
Buildings	(595,039)	(96)	(29,655)	3,053	(621,737)
Equipment	(508,286)	(284)	(50,055)	35,894	(522,731)
Intangibles	(78,474)	(84)	(15,467)	1,331	(92,694)
Other depreciable/amortizable assets	(5,576)		(452)	2	(6,026)
Total accumulated depreciation/amortization	(7,554,616)	(1,107)	(525,386)	69,959	(8,011,150)
Governmental activities capital assets, net	$ 10,634,127	$ 67,671	$ 374,116	$ (7,573)	$ 11,068,341

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

	Balance June 30, 2014	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2015
Business-type activities:					
Capital assets, not being depreciated:					
Land	$ 146,386	$ (51)	$ 11,939	$ (1,572)	$ 156,702
Construction in progress	200,505	(130,386)	277,256	(14,262)	333,113
Easements	2,675				2,675
Total capital assets, not being depreciated	349,566	(130,437)	289,195	(15,834)	492,490
Capital assets, being depreciated:					
Improvements other than building	27,176	133	1,987		29,296
Leasehold improvements	3,940	1		(6)	3,935
Buildings	4,650,552	103,173	64,716	(3,360)	4,815,081
Equipment	743,414	(2,594)	47,162	(21,583)	766,399
Infrastructure	437,785	22,609	5,120		465,514
Intangibles	182,369	(2,894)	3,243	(209)	182,509
Art/historic treasures	972		50		1,022
Library holdings	202,360	12,439	5,811	(3,908)	216,702
Other depreciable assets	39,826	9,977	7,822	(645)	56,980
Total capital assets, being depreciated	6,288,394	142,844	135,911	(29,711)	6,537,438
Subtotal	6,637,960	12,407	425,106	(45,545)	7,029,928
Less accumulated depreciation for:					
Improvements other than building	(12,306)	4	(1,476)	6	(13,772)
Buildings	(1,788,886)	(325)	(151,701)	1,066	(1,939,846)
Equipment	(563,178)	506	(54,527)	20,168	(597,031)
Infrastructure	(177,627)	(1)	(20,406)		(198,034)
Intangibles	(94,212)	75	(9,161)	192	(103,106)
Art/historic treasures	(39)	19			(20)
Library holdings	(161,020)	(12,299)	(7,080)	3,865	(176,534)
Other depreciable assets	(13,877)	(837)	(5,041)	265	(19,490)
Total accumulated depreciation	(2,811,145)	(12,858)	(249,392)	25,562	(3,047,833)
Business-type activities capital assets, net	$ 3,826,815	$ (451)	$ 175,714	$ (19,983)	$ 3,982,095

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

Component Units

Activity for ADFA for the year ended June 30, 2015, was as follows (expressed in thousands):

	Balance June 30, 2014	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2015
ADFA:					
Capital assets being depreciated:					
Equipment	$ 522	$	$ 18	$ (12)	$ 528
Less accumulated depreciation for:					
Equipment	(450)		(28)	12	(466)
ADFA capital assets, net	$ 72	$	$ (10)	$	$ 62

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

Activity for ASLA for the year ended June 30, 2015, was as follows (expressed in thousands):

	Balance June 30, 2014	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2015
ASLA:					
Capital assets not being depreciated:					
Land	$ 670	$	$	$	$ 670
Capital assets being depreciated:					
Building	2,009		23		2,032
Equipment	1,090		1		1,091
Intangible assets	10,629				10,629
Total capital assets, being depreciated	13,728		24		13,752
Subtotal	14,398		24		14,422
Less accumulated depreciation for:					
Building and equipment	(953)		(82)		(1,035)
Intangible assets	(9,358)		(675)		(10,033)
Total accumulated depreciation	(10,311)		(757)		(11,068)
ASLA capital assets, net	$ 4,087	$	$ (733)	$	$ 3,354

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

Activity for U of A Foundation, Inc. for the year ended June 30, 2015, was as follows (expressed in thousands):

	Balance June 30, 2014	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2015
U of A Foundation Inc.:					
Capital assets not being depreciated:					
Land	$ 1,107	$	$	$ (307)	$ 800
Capital assets being depreciated:					
Buildings and equipment	256				256
Less accumulated depreciation for:					
Buildings and equipment	(256)				(256)
Total assets being depreciated, net					
Total assets U of A Foundation Inc. capital assets, net	$ 1,107	$	$	$ (307)	$ 800

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

Depreciation

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

Primary Government

Governmental Activities:		
Education	$	2,942
Health and human services		12,126
Transportation		435,780
Law, justice and public safety		30,766
Recreation and resources development		20,026
General government		22,649
Regulation of business and professionals		1,097
Total depreciation expense – governmental activities	$	525,386
Business-type Activities:		
Enterprise funds	$	249,392
Total depreciation expense – business-type activities	$	249,392
Component Units:		
ADFA	$	28
ASLA		757
Total depreciation expense – component units	$	785

Component Units

ADFA	$	28
ASLA		757
Total depreciation expense – component units	$	785

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2015, are summarized as follows (expressed in thousands):

	Balance June 30, 2014	Additions	Accretion On Capital Appreciation Bonds	Reductions	Balance June 30, 2015	Due within One Year	Due Greater Than One Year
Governmental Activities:							
Bonds payable:							
General obligation	$ 1,373,554	$ 496,779	$ (2,171)	$ 265,352 (3)	$ 1,602,810 (1)	$ 79,462 (2)	$ 1,523,348
Revenue Bond Guaranty Fund	590			290	300	300	
Add (deduct):							
Issuance premium (discount):							
General obligation	83,274	51,017		12,692	121,599	12,294	109,305
Debt to component unit	1,706	321		427	1,600	333	1,267
Total bonds payable	1,459,124	548,117	(2,171)	278,761	1,726,309	92,389	1,633,920
Notes payable to component unit	85,694	13,085		19,616	79,163	8,853	70,310
Capital leases	2,947			366	2,581	379	2,202
Capital leases with component unit	129,017	1,478		7,419	123,076	8,641	114,435
Total notes and leases payable	217,658	14,563		27,401	204,820	17,873	186,947
Total bonds, notes and leases payable	1,676,782	562,680	(2,171)	306,162	1,931,129	110,262	1,820,867
Installment sale with component unit	10,340			10,340			
Claims, judgments and arbitrage	242,513	296,204		311,598	227,119	124,046	103,073
Compensated absences (4)	151,050	115,632		123,359	143,323	18,948	124,375
Total claims, judgments, arbitrage and compensated absences	393,563	411,836		434,957	370,442	142,994	227,448
Pollution remediation	22,394	21,057		2,363	41,088	2,718	38,370
Net OPEB obligation	932,576	113,026			1,045,602		1,045,602
Governmental activities total	$ 3,035,655	$ 1,108,599	$ (2,171)	$ 753,822	$ 3,388,261	$ 255,974	$ 3,132,287

(1) Includes accretion on capital appreciation bonds of $10,864
(2) Includes accretion on capital appreciation bonds of $4,158
(3) Reductions for principal payments of $127,385 plus defeasement of $126,832 and current refunding of $11,135
(4) The compensated absences liability will be liquidated by the applicable funds that account for the salaries and wages of the related employees.

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 40,220	$	$ 4,925	$ 35,295	$ 4,000	$ 31,295
Safe Drinking Water Revolving Loan Fund	24,065		1,265	22,800	1,805	20,995
War Memorial Bond Payable	1,500		500	1,000	500	500
College and University Revenue Bonds	1,859,395	390,012	369,580	1,879,827	68,900	1,810,927
Add (deduct):						
Issuance premiums/ (discounts)	77,184	29,735	9,857	97,062	5,125	91,937
Total bonds payable	2,002,364	419,747	386,127	2,035,984	80,330	1,955,654
Notes payable	98,305	9,120	15,380	92,045	13,960	78,085
Notes payable with component unit	561		427	134	134	
Total notes payable	98,866	9,120	15,807	92,179	14,094	78,085
Capital leases	38,308	11,624	10,605	39,327	10,801	28,526
Total bonds, notes and leases payable	2,139,538	440,491	412,539	2,167,490	105,225	2,062,265
Claims and judgments	294,217	411,474	411,989	293,702	65,591	228,111
Compensated absences	107,464	73,796	71,249	110,011	14,975	95,036
Total claims, judgments and compensated absences	401,681	485,270	483,238	403,713	80,566	323,147
Net OPEB obligation	87,955	8,484		96,439		96,439
Business-type activities total	$ 2,629,174	$ 934,245	$ 895,777	$ 2,667,642	$ 185,791	$ 2,481,851

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Student Loan Authority:						
Bonds payable	$ 282,792	$	$ 51,230	$ 231,562	$ 44,734	$ 186,828
Less: issuance discount	(1,347)		(100)	(1,247)	(100)	(1,147)
Total bonds payable	281,445		51,130	230,315	44,634	185,681
Notes payable	23,113		4,692	18,421	3,989	14,432
Total bonds and notes payable ASLA	304,558		55,822	248,736	48,623	200,113
Net OPEB obligation	170	15		185		185
Arkansas Development Finance Authority:						
Bonds payable	782,091	29,444	233,105	578,430	29,675	548,755
Notes payable	1,469	50,531		52,000	69	51,931
Add: issuance premiums	642		327	315		315
Total bonds and notes payable ADFA	784,202	79,975	233,432	630,745	29,744	601,001
Net OPEB obligation	1,673	188		1,861		1,861
U of A Foundation						
Annuity obligations	16,259	487	1,678	15,068	1,290	13,778
Component units total	$ 1,106,862	$ 80,665	$ 290,932	$ 896,595	$ 79,657	$ 816,938

Primary Government

Governmental Activities

General Obligation Bonds – The Constitution of the State does not limit the amount of general obligation bonds which may be issued by the State; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose.

General obligation bonds outstanding at June 30, 2015, 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	$ 189,405
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	165,580
2014 Series Federal Highway G.O.Bonds	2027	5.00	198,225
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00	462,895
Amendment 82 G.O. Bonds			
2014A Series Capital Improvement G.O. Bonds	2035	0.46 - 4.11	72,005
2014B Series Capital Improvement G.O. Bonds	2035	4.16	50,000
Arkansas Natural Resources Commission Bonds:			
2006A Series Water, Waste and Pollution	2017	5.00	2,300
2006B Series Water, Waste and Pollution	2037	3.50 - 4.50	5,785
2007A Series Water, Waste and Pollution	2041	4.00 - 4.50	6,595
2008A Series Water, Waste and Pollution	2043	3.50 - 4.60	21,030
2009A Series Water, Waste and Pollution	2044	2.00 - 4.88	12,735
2010A Series Water, Waste and Pollution	2045	2.00 - 4.50	21,015
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	20,150
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	5,005
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	29,355
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	41,695
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30	26,845
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	9,590
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	27,015
College Savings Bonds:			
1996C Series, G.O. Bonds	2016	6.00	3,039
1997B Series, G.O. Bonds	2017	5.45 - 5.60	7,998
1998A Series, G.O. Bonds	2017	5.25 - 5.35	6,543
2005 Series, G.O. Bonds	2016	3.60 - 5.00	3,435
Higher Education Bonds:			
2007A Series, G.O. Bonds	2023	4.00 - 5.00	88,690
2015 Series, G.O. Bonds	2029	4.00 - 4.25	125,880
Total			$ 1,602,810

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2015, including accrued accreted interest of approximately $10.9 million on capital appreciation bonds, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 75,304	$ 65,509	$ 140,813
2017	74,172	62,201	136,373
2018	85,405	58,741	144,146
2019	88,565	55,069	143,634
2020	123,450	51,301	174,751
2021-2025	875,255	139,795	1,015,050
2026-2030	171,985	35,332	207,317
2031-2035	54,875	15,115	69,990
2036-2040	23,050	7,007	30,057
2041-2045	16,760	2,381	19,141
2046-2047	3,125	189	3,314
Total	$ 1,591,946	$ 492,640	$ 2,084,586

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds – Act 1027 of 1999 and a statewide election conducted June 15, 1999, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act limited the total outstanding principal amount to $575.0 million to be issued in several series of various principal amounts. The bonds were issued to pay the cost of reconstructing and renovating the interstate highways and related facilities in the State of Arkansas. The bonds are payable primarily from Federal Interstate Maintenance Funds (FIMF) and by State revenues derived from the tax on diesel fuel at the rate of 4 cents per gallon. Current and prior year revenues and apportionments and projected revenues and apportionments from these bonds were as follows (expressed in thousands):

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
2011	$ 16,705	$ 101,656	2016	$ 16,500	$ 95,997
2012	16,548	95,115	2017	16,500	96,957
2013	16,344	98,100	2018	16,500	97,927
2014	16,206	94,972	2019	16,500	98,906
2015	16,315	91,161	2020	16,500	99,895

$206.5 million in bonds were issued under this act in the 2015 fiscal year.

General Obligation Four-Lane Highway Construction and Improvement Bonds – Amendment 91 to the State Constitution was approved by a vote of the people on November 6, 2012. This amendment authorized the State to issue State of Arkansas General Obligation Four-Lane Highway Construction and Improvement Bonds. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The Amendment limited the aggregate total principal amount to $1.3 billion to be issued in several series of various principal amounts. The bonds are issued for the purpose of construction and improvement of four-lane highways in the State of Arkansas. The bonds are payable primarily from a ½ cent sales tax collection authorized under the Amendment. In fiscal year 2015, there were no bonds issued. Current revenue from these bonds is as follows (expressed in thousands):

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

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

General Obligation Amendment 82 Bonds – Amendment 82 to the State Constitution was approved by a vote of the people in 2004 and modified by Amendment 90 which was also approved by a vote of the people in 2010. The amendment authorized the issuance of general obligation bonds for the purpose of financing the costs of infrastructure or other needs to attract large economic development projects. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The amendment limits the bonds to be issued to an amount up to five percent (5%) 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. $124.4 million in bonds were issued under amendment 82 in the 2015 fiscal year.

State Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds – Act 607 of 1997 authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) and Act 631 of 2007 authorized the Arkansas Natural Resources Commission to issue Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of these acts are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. Each act limits the total principal amount to approximately $300.0 million, with no more than $60.0 million being issued during any fiscal biennium for nonrefunding purposes unless the General Assembly by law authorizes a greater amount to be issued. The bonds were issued to provide financing for the development of water, waste disposal, pollution abatement, drainage and flood control, irrigation and wetland preservation facilities projects in the state. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. $40.0 million in bonds were issued under these acts in the 2015 fiscal year.

College Savings General Obligation Bonds – Act 683 of 1989, as amended, authorized the State to issue College Savings General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act limited the total principal amount to approximately $300.0 million, with no more than $100.0 million being issued in any fiscal biennium unless the General Assembly of the State by law authorizes a greater principal amount thereof to be issued. The College Series bonds were issued to provide funds to finance capital improvements projects at State institutions of higher education. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No additional bonds are authorized under this act.

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. $125.9 million bonds were issued under this act in the 2015 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, 2015, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $40.3 million.

AEDC has security interest in property, plant and equipment purchased with proceeds of revenue bonds guaranteed by the Revenue Bond Guaranty Fund. Assets held by AEDC, as a result of bankrupt companies defaulting on revenue bonds, are capitalized for financial statement purposes at an amount equal to the outstanding principal of the defaulted bond issue. AEDC maintains these facilities until a buyer can be found. At June 30, 2015, the equity interest in vacant industrial facilities totaled approximately $2.2 million. The bonds assumed by the Revenue Bond Guaranty Fund and outstanding at June 30, 2015, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rate %	Balance
Revenue Bond Guaranty Fund	2016	3.75 - 5.00	$ 300
Total			$ 300

(1) Fiscal year

Future amounts required to pay principal and interest on the Revenue Bond Guaranty Fund at June 30, 2015, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 300	$ 13	$ 313
Total	$ 300	$ 13	$ 313

Notes Payable to Component Units – Notes payable to component units consist of notes issued to ADFA for construction and renovation of various state agency facilities. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on notes payable to component units at June 30, 2015, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 8,853	$ 2,673	$ 11,526
2017	9,385	2,455	11,840
2018	8,393	2,181	10,574
2019	5,146	1,915	7,061
2020	5,292	1,769	7,061
2021-2025	19,788	6,805	26,593
2026-2030	9,036	4,546	13,582
2031-2035	6,714	2,747	9,461
2036-2040	6,556	849	7,405
Total	$ 79,163	$ 25,940	$ 105,103

Installment Sale with Component Units – The installment sale with component units consisted of an agreement between the Arkansas Game and Fish Commission and the Arkansas Development Finance Authority (ADFA) to finance the acquisitions of land and interests in land to be utilized in the management and conservation of Arkansas wildlife resources. This debt was retired during the 2015 fiscal year.

Business-Type Activities

Special Obligation Bonds - Special Obligation Bonds outstanding at June 30, 2015, 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	2.50-5.00	$ 35,295
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	22,800
Total			$ 58,095

Details of the Special Obligation Bonds outstanding are as follows:

Construction Assistance Revolving Loan Fund (the Fund) – ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal redemption price or interest on the bonds.

Safe Drinking Water Revolving Loan Fund (the Fund) – ADFA issues special obligation bonds on behalf of the Fund. The Fund uses the proceeds to support operations. The Fund is responsible for financing the construction of drinking water treatment facilities for municipalities and other public entities. The bonds are payable solely from loan repayments, interest on investments and financing fees generated by the Fund. The State is not obligated to pay the bonds, and neither the faith and credit nor the taxing power of the State is pledged to the payment of principal redemption price or interest on the bonds.

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized premiums of approximately $3.2 million for the Construction Assistance fund and $2.4 million for the Safe Drinking Water Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2015, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 5,805	$ 2,676	$ 8,481
2017	5,885	2,410	8,295
2018	5,845	2,150	7,995
2019	5,125	1,891	7,016
2020	4,810	1,635	6,445
2021-2025	22,270	4,722	26,992
2026-2028	8,355	484	8,839
Total	$ 58,095	$ 15,968	$ 74,063

Colleges and Universities – The boards of trustees of state-sponsored colleges and universities are authorized to issue revenue bonds and notes for the purpose of financing all or part of the acquisition of land, the construction or renovations of buildings and the acquisition of furnishings or equipment for any such buildings of all state colleges and universities. The bonds, which are not general debt of the State, are payable from student tuition and other fees.

War Memorial Stadium Commission – The Commission issued revenue bonds, Series 2009, on October 1, 2009, for $4.0 million, for the purpose of financing improvements to War Memorial Stadium, including particularly, without limitation, the acquisition, construction and equipping of a press box. The bonds, which are not general debt of the State, are payable from cash revenue.

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $91.4 million. At June 30, 2015, business-type activity revenue bonds and notes payable outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Henderson State University	2040	1.00-5.74	$ 73,474
Southern Arkansas University – Magnolia	2046	1.00-5.25	59,664
Southern Arkansas University Tech – Camden	2043	1.00-6.25	5,790
Arkansas State University – Beebe	2040	1.00-4.78	33,750
Arkansas State University – Jonesboro	2044	0.24-5.78	149,516
Arkansas State University – Mountain Home	2033	0.67-4.80	7,685
Arkansas State University – Newport	2033	0.66-3.82	6,134
Arkansas Tech University	2044	1.00-5.75	84,966
University of Arkansas at Fayetteville	2043	0.85-6.375	640,041
University of Arkansas at Little Rock	2037	0.53-5.00	121,264
University of Arkansas for Medical Sciences	2036	0.00-5.00	292,895
University of Arkansas at Monticello	2038	1.00-4.00	17,535
University of Arkansas at Pine Bluff	2036	1.88-5.70	17,220
University of Central Arkansas	2045	1.00-6.125	166,924
University of Arkansas Community College at Hope	2039	1.00-4.00	4,915
University of Arkansas Community College at Batesville	2019	1.00-4.22	1,160
East Arkansas Community College	2040	1.625	3,215
National Park Community College	2033	3.00-4.70	10,355
Mid-South Community College	2042	1.00-4.70	21,565
Arkansas Northeastern College	2031	2.00-4.125	3,755
North Arkansas College	2037	1.00-3.875	7,475
Phillips Community College of the University of Arkansas	2039	2.00-5.20	11,270
Rich Mountain Community College	2042	1.00-4.15	6,345
South Arkansas Community College	2039	2.00-5.00	3,330
University of Arkansas at Fort Smith	2039	2.00-5.00	81,175
Northwest Arkansas Community College	2035	2.00-7.00	32,500
Black River Technical College	2028	2.00-4.00	5,543
Cossatot Community College of the University of	2035	1.00-5.25	3,705
Ozarka College	2043	3.63-5.04	5,955
University of Arkansas Community College at Morrilton	2022	2.00-4.00	1,830
Pulaski Technical College	2041	2.00-5.00	91,055
War Memorial Stadium Commission	2017	4.90	1,000
Total			$ 1,973,006

(1) Fiscal year

The variable rates of interest are calculated at periodic intervals. Such calculations are primarily based on the lenders' changes in the index determined by the Prime Rate or the LIBOR Rate.

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

Future amounts required to pay principal and interest on business-type activity revenue bonds and notes payable as of June 30, 2015, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 83,494	$ 81,778	$ 165,272
2017	96,852	79,244	176,096
2018	89,180	74,748	163,928
2019	91,584	73,291	164,875
2020	87,707	69,995	157,702
2021-2025	416,898	295,825	712,723
2026-2030	405,359	207,163	612,522
2031-2035	392,813	116,838	509,651
2036-2040	240,154	41,928	282,082
2041-2045	68,725	5,267	73,992
2046-2050	240	5	245
Total	$ 1,973,006	$ 1,046,082	$ 3,019,088

Component Units

Arkansas Student Loan Authority (ASLA) – Pursuant to Act 873 of 1977, revenue bonds are issued by ASLA to make loans directly to students and purchase qualified student loans from Arkansas lending institutions or loans made by non-Arkansas institutions to Arkansas residents. Principal and interest payments are made from specifically dedicated revenues generated by ASLA. These revenue bonds do not constitute general debt of the State. Effective July 1, 2010, the U.S. Department of Education (USDE) is the only entity authorized to originate student loans. However, qualified state agencies such as ASLA will be allocated a minimum of 100,000 accounts per state to administer on behalf of the USDE. ASLA will administer loans originated by USDE and continue to service the loans previously originated by ASLA and still in its loan portfolio.

Conduit debt issued by ASLA is for the purpose of improving market liquidity for student loan agencies. ASLA is subject to monthly payments of ratable financing cost based on an estimate of conduit financing cost. Any ratable financing cost for any yield period not paid from available funds shall increase the funding note balance. The funding note is to be serviced by payments on student loans received on those loans which were pledged under the Funding Note Purchase Agreement. ASLA reports conduit debt obligations as notes payable on its Statement of Net Position.

Revenue bonds and notes payable outstanding at June 30, 2015, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Student Loan Asset-Backed Notes, Series 2010-1 (LIBOR Floating Rate Notes)	2044	Variable	$ 133,649
Student Loan Asset-Backed Notes, Series 2012-1 (LIBOR Floating Rate Notes)	2029	Variable	96,666
Note Payable- Simmons First National Bank	2021	Variable	18,421
Total			$ 248,736

(1) Fiscal year

Based on ASLA's trust indentures, principal and interest are only paid if sufficient payments are received on the student loans. The principal amount shown below differs due to unamortized discounts of approximately $1.2 million. Future amounts required to pay principal and interest on revenue bonds and notes payable at June 30, 2015, based on prior quarters/years in the normal course of business, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 48,723	$ 2,465	$ 51,188
2017	41,318	2,255	43,573
2018	34,216	2,065	36,281
2019	27,850	1,892	29,742
2020	22,493	1,735	24,228
2021-2025	57,838	7,382	65,220
2026-2030	17,545	2,615	20,160
Total	$ 249,983	$ 20,409	$ 270,392

Arkansas Development Finance Authority (ADFA) – Pursuant to Act 1062, 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. With the exception of Amendment 82 Bonds, 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. The Amendment 82 bonds are direct general obligations of the State of Arkansas, secured by an irrevocable pledge of the full faith and credit of the State, and payable from the general revenues of the State and other sources. ADFA has no taxing power.

Conduit debt issued by ADFA is recorded on ADFA's balance sheet if either (1) ADFA has a vested interest in the residual value of the bond issue after its retirement or (2) ADFA guarantees the debt through the Bond Guaranty fund. Additionally, ADFA reports conduit debt obligations of entities that are included in the State of Arkansas reporting entity on its statement of net position.

During the normal course of business, ADFA issues economic development revenue bonds and multi-family housing revenue bonds on behalf of private companies within the State of Arkansas. The bonds are payable solely from and secured by a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, are not obligations of ADFA or the State of Arkansas. At June 30, 2015, the bonds outstanding issued under these programs aggregated $630.0 million.

Bonds and notes payable at June 30, 2015, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %		Balance
Single family bonds payable	2043	0.10-9.878	$	235,633
Multi-family bonds and note payable	2042	1.00-9.75		2,000
Bond guaranty program	2037	0.66-6.00		52,950
State facilities bonds and note payable	2040	0.75-7.00		256,630
Tobacco bonds payable	2046	4.77-5.50		83,217
Total			$	630,430

The principal amount shown below differs from the amount on the balance sheet due to unamortized premiums of $315 thousand less accreted interest of $74.7 million. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2015, were as follows (expressed in thousands):

		Principal		Interest		Total
Year ending June 30:						
2016	$	29,744	$	18,847	$	48,591
2017		31,012		20,013		51,025
2018		31,773		18,979		50,752
2019		28,171		17,854		46,025
2020		28,742		16,830		45,572
2021-2025		146,548		69,168		215,716
2026-2030		121,586		47,193		168,779
2031-2035		121,532		26,629		148,161
2036-2040		83,339		11,817		95,156
2041-2045		72,698		4,153		76,851
2046-2048		9,987				9,987
Total	$	705,132	$	251,483	$	956,615

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, 2015, were $437 thousand including interest ranging from 3% to 11%.

Aggregate annual maturities of annuity obligations at June 30, 2015, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2016	$ 1,290
2017	1,278
2018	1,221
2019	1,142
2020	1,093
2021-2025	3,971
2026-2030	2,783
2031-2035	1,467
2036-2040	679
2041-2045	94
2046-2050	39
2051-2055	11
Total	$ 15,068

The U of A Foundation is a private, nonprofit organization that reports under FASB standards and is not required to report under GASB standards. As such, the U of A Foundation is not required to report future amounts related to interest on long term liabilities.

Prior Defeasances

Primary Government

Governmental Activities

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $45.8 million were considered defeased at June 30, 2015.

Higher Education

On June 1, 2014, the University of Arkansas Pine Bluff issued $17.0 million in Various Facilities Revenue Refunding Bonds, Series 2014, with interest rates of 2% to 5% to advance refund Various Facility Revenue Refunding and Construction Bonds, Series 2005A. The Series 2005A bonds mature on December 1, 2036, and are callable on December 1, 2015. The revenue refunding bonds were issued at a premium of $1.1 million and after paying issuance costs of $86 thousand and underwriter's discount of $140 thousand, the net proceeds were $17.8 million. Accrued interest of $47 thousand will be utilized for an interest payment on the new Series 2014 bonds in December, 2014. The net proceeds from the issuance of the bonds were deposited into a special trust fund and will be used to provide debt service payments until the term bonds are called on December 1, 2015. As a result of the advance refunding, the University reduced its total debt service requirements by $1.9 million, which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $1.4 million. The balance in the escrow account at June 30, 2015, was $16.6 million. The remaining balance of the defeased bonds at June 30, 2015, was $16.2 million.

Component Units

In prior years, the Arkansas Development Finance Authority defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $30 million were considered defeased at June 30, 2015. The bonds include the 2005 Series ADFA State Agencies Facilities Revenue Bonds (Arkansas Department of Corrections – Special Needs Unit) and the 2010 Series C ADFA Capital Improvement Revenue Bonds (Academics Plus Charter School Project).

Current Refundings

Primary Government

During fiscal year 2015, the State issued $9.3 million of current refunding bonds to redeem the Public Health Laboratory Project Series 2003 bonds of the Arkansas Department of Health. The bonds bear interest rates at rates ranging from 3.00% to 5.00% and mature in fiscal year 2022. The refunding provided an economic gain of $793 thousand and a reduction of future debt service payments of $2.8 million. Also during fiscal year 2015, the State issued general obligation refunding bonds for $125.9 million to redeem the Higher Education General Obligation Refunding Bonds Series 2007B of the Arkansas Department of Higher Education. The bonds bear interest at rates ranging from 4.00% to 4.25% and mature in fiscal year 2029. As of June 30, 2015, $126.8 million of outstanding bonds are considered defeased, resulting in an economic gain of $9.4 million and a reduction of $10.9 million in future debt service.

Higher Education

On February 12, 2015, the University of Arkansas Fayetteville issued $70.4 million in Various Facility Revenue Refunding Bonds, Series 2015A. The bonds, with interest rates of 2% to 5% were issued to refund $2.8 million of outstanding bonds dated October 1, 2004, with interest rates of 2% to 4.375%, $13.5 million of outstanding bonds dated March 1, 2005, with interest rates of 3% to 4.5%, and $60.5 million of outstanding bonds dated June 1, 2006, with interest rates of 4% to 5%. Net bond proceeds and premiums of $81.7 million and cash from the University of $1.0 million were deposited into an escrow account to retire the bonds. The refunding of the bonds dated March 1, 2005, and June 1, 2006, was an advance refunding. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.1 million. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2037 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next twenty-three years by $8.5 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $7.6 million. The escrow balance as of June 30, 2015, was $78.2 million. The refunding of the bonds dated October 1, 2004, was a current refunding and the bonds were called on March 15, 2015. The bonds dated March 1, 2005, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2015, at which time the remaining balance will be refunded. The bonds dated June 1, 2006, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of November 1, 2016, at which time the remaining balance will be refunded. The remaining balance of the defeased bonds at June 30, 2015, was $74.0 million.

On February 2, 2015, the University of Arkansas Fayetteville issued $14.2 million in Athletic Facilities Revenue Refunding Bonds, Series 2015. The bonds, with interest rates of 2% to 5% were issued to refund $4.8 million of outstanding bonds dated June 1, 2006, with interest rates of 4% to 4.375%, and $10.5 million of outstanding bonds dated June 29, 2011, with interest rates of 2% to 4.895%. Net bond proceeds and premiums of $16.2 million and cash from the University of $265.7 thousand were deposited into the advance refunding fund to retire the bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $135 thousand. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2023 using the straight-line method. The University completed the refunding to reduce its total debt service payments over the next eight years by $1.4 million and to obtain an economic gain of $1.1 million. The escrow balance as of June 30, 2015, was $16.2 million. The bonds dated June 1, 2006, will continue to have regularly scheduled principal and interest payments made from the escrow account until the bond call date of September 15, 2016. The bonds dated June 29, 2011, were not advance refunded in total. As of June 30, 2015, there was a balance of $5.5 million outstanding that was not refunded. These bonds will continue to be paid normally through September 15, 2016. The refunded bonds dated June 29, 2011, will continue to have regularly scheduled interest payments made from the escrow account until the bond call date of September 15, 2016, at which date the principal will be refunded. The remaining balance of the defeased bonds at June 30, 2015, was $15.2 million.

On December 17, 2014, University of Arkansas for Medical Sciences (UAMS) issued Revenue Refunding Bonds, Series 2014, of $86.0 million (par value) with an interest rate of 2.52% to 3.17% to advance refund Various Facility Revenue Bond Series 2006 with remaining interest rates of 4.8% to 5% and a par value of $91.6 million. The 2006 bonds mature March 2036. The revenue refunding bonds were issued at a premium of $12.7 million and issuance costs were $211 thousand and underwriter's discount was $499 thousand. The net proceeds were $98.1 million. The net proceeds from the issuance of the revenue refunding bonds were used to purchase U.S. government securities to provide debt service payments. The advance refunding met the requirements of an in-substance debt defeasance and the 2006 Series bonds were removed from UAMS financial statements. As a result of the advance refunding, UAMS reduced its total debt service requirements by $10.0 million which resulted in an economic gain (difference between the present value of the debt service payments on the old and new debt) of $9.3 million. Principal payments are made annually until 2036. Interest payments are made semi-annually. The advance refunding resulted in a difference between the reaquisition price and the net carrying amount of the old debt of $1.6 million. This difference is reported in the accompanying financial statements as deferred outflows of resources and will be amortized through 2036. The remaining balance of the defeased bonds at June 30, 2015, was $86.2 million.

On April 22, 2015, Phillips Community College of the University of Arkansas issued Student Fee Refunding Revenue Bonds, Series 2015, in the amount of $11.3 million with interest rates of 2% to 4%. The purpose of this issue was to refund $10.8 million remaining from the Student Fee Revenue Bonds, Series 2009, which carried interest rates of 3% to 5.2%. Bond proceeds and premium of $11.4 million (after payment of debt issuance costs of $88 thousand and underwriter's discount of $85 thousand), along with remaining debt service reserve funds of $396 thousand were deposited into the escrow fund to retire the Series 2009 bonds on December 1, 2016. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $1.0 million. This difference is reported in the accompanying financial statements as deferred outflows of resources and will be amortized over the remaining life of the bonds through 2038 using the straight-line method. The University accomplished the refunding to reduce its total debt service payments by $2.2 million and to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.3 million. The bonds are callable on December 1, 2016. The balance in the escrow account at June 30, 2015, was $11.5 million and the remaining balance of the defeased bonds was $10.8 million.

On April 1, 2015, Arkansas State University-Beebe issued $1.9 million in taxable refunding bonds for the Beebe campus with interest rates of 1% to 3% to refund $1.8 million of outstanding bonds dated September 15, 2005 with interest rates of 2.8% to 4.15%. Net proceeds of $1.9 million after payment of $43.9 thousand for bond issuance costs and a premium of $17 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of $5 thousand were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $28 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2024 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $84 thousand over the next nine (9) years and to obtain an economic gain of $78 thousand. The University received accrued interest of $2 thousand from the bond issue to apply toward the debt payments of the new issue.

On April 1, 2015, Arkansas State University-Beebe issued $8.0 million in tax exempt refunding bonds for the Beebe campus with interest rates of 1% to 3.625% to refund $7.8 million of outstanding bonds, with an unamortized discount of $96 thousand, dated April 1, 2010 with interest rates of 2% to 4.65%. Net proceeds of $7.8 million after payment of $128.7 thousand for bond issuance costs and a discount of $69 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, bond proceeds of $4 thousand were received. The bonds were called on April 21, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $115 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2039 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $1.1 million over the next twenty-four (24) years and to obtain an economic gain of $761 thousand. The University received accrued interest of $14 thousand from the bond issue to apply toward the debt payments of the new issue.

On May 1, 2015, Arkansas State University-Beebe issued $12.9 million in tax exempt refunding bonds for the Beebe campus with interest rates of 2% to 4% to advance refund $12.4 million of outstanding bonds dated December 1, 2005 with interest rates of 3.5% to 5%. Net proceeds of $13.0 million, after payment of $152 thousand for bond issuance costs and a premium of $244 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of $13.0 million, is pledged for the retirement of these bonds. As a result of this refunding, the 2005 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on December 1, 2015. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $589 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University advance refunded the bonds to reduce its total debt service payments by $1.9 million over the next twenty-one (21) years and to obtain an economic gain of $1.4 million. The University received accrued interest of $5.9 thousand and an additional $3 thousand from the bond issue to apply toward the debt payments of the new issue.

On June 1, 2015, Arkansas State University-Beebe issued $9.2 million in tax exempt refunding bonds for the Beebe campus with interest rates of 2% to 4% to refund $9.0 million of outstanding bonds dated March 1, 2006 with interest rates of 3.25% to 5%. Net proceeds of $9.2 million, after payment of $109 thousand for bond issuance costs and a premium of $143 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. Cash held by the escrow agent in the amount of $9.2 million is pledged for the retirement of these bonds. As a result of this refunding, the 2006 Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The bonds will be called on September 1, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $210 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2036 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $1.2 million over the next twenty-one (21) years and to obtain an economic gain of $834 thousand. The University received accrued interest of $3 thousand and an additional $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On October 1, 2014, Arkansas Tech University issued Housing Refunding Bonds in the amount of $11.0 million with interest rates of 2% to 3.75% to refund $10.5 million of outstanding bonds dated May 1, 2006, and April 1, 2009, respectively, with interest rates of 2.5% to 5.38%. Net proceeds of $10.7 million were deposited with the trustee for the refunding. This was net of $146 thousand paid in bond issuance costs, a premium of $166 thousand, establishment of other trustee accounts of $386 thousand (including $22 thousand accrued interest), and transfers from prior debt service reserves of $71 thousand. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $215 thousand. The bonds were called on October 23, 2014. The University refunded the bonds to reduce its total gross debt service payments by $1.6 million over 25 years and obtain an economic gain of $1.4 million. The University received accrued interest of $22 thousand from the bond issue to apply toward the debt payments of the new issue.

On October 1, 2014, Arkansas Tech University issued Student Fee Refunding Revenue Bonds in the amount of $16.3 million with interest rates of 2% to 3.75% to refund $15.9 million of outstanding bonds dated April 1, 2008, December 1, 2008, and September 1, 2009, respectively, with interest rates of 2.35% to 5.75%. Net proceeds of $16.1 million were deposited with the trustee for the refunding. This was net of $213 thousand paid in bond issuance costs, a discount of $53 thousand, establishment of other trustee accounts of $552 thousand (including $33 thousand accrued interest), and transfers from prior debt service reserves of $589 thousand. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $236 thousand. The bonds were called on October 23, 2014. The University refunded the bonds to reduce its total gross debt service payments by $3.8 million over 25 years and obtain an economic gain of $2.6 million. The University received accrued interest of $33 thousand from the bond issue to apply toward the debt payments of the new issue.

On May 20, 2015, The University of Central Arkansas issued $18.2 million in Student Fee Revenue Refunding Bonds, Series 2015, with interest rates of 2% to 4%. The bond proceeds were used to refinance the Series 2006E and Series 2007B bonds, in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value cost savings to the University on the student fee revenue refunding issue is $686 thousand. Bond issuance costs of $197 thousand were expensed and shown as a component of non-operating interest expense in the current fiscal year. Bond insurance costs of $46 thousand were recorded as an asset and amortization for this fiscal year was $242 that was also included as a component of interest expense for the year ended June 30, 2015.

On May 28, 2015, The University of Central Arkansas issued $6.9 million in Auxiliary Revenue Refunding Bonds, Series 2015, with interest rates of 2.95%. The bond proceeds were used to refinance the Series 2006D and Series 2007A bonds, in order to recognize certain savings from more favorable interest rates and earlier maturity dates. The total present value cost savings to the University on the auxiliary refunding issue is $312 thousand. Bond issuance costs of $95 thousand were expensed and shown as a component of non-operating interest expense in the current fiscal year. Bond insurance costs of $15 thousand were recorded as an asset and amortization of $74 was also included as a component of interest expense for the year ended June 30, 2015.

On June 1, 2015, Henderson State University issued Student Fee Refunding Revenue Bonds, Series 2015, in the amount of $3.8 million with interest rates of 1% to 3.2% to refund $4.4 million of outstanding bonds dated December 1, 2009 with interest rates of 2% to 4.3%. Net proceeds of $3.7 million after payment of $33 thousand for bond issuance costs and a premium of $17 thousand were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on June 24, 2015. The current refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $75 thousand. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2025 using the straight-line method. The University refunded the bonds to reduce its total debt service payments by $399 thousand over the next eleven years and to obtain an economic gain of $182 thousand. The University received accrued interest of $5 thousand from the bond issue to apply toward the debt payments of the new issue.

On July 1, 2014, South Arkansas Community College issued General Obligation Refunding Bonds, Series 2014, in the amount of $3.3 million with interest rates of 2% to 4% to refund $3.2 million of outstanding Series 2009 Obligation Bonds dated October 1, 2009 with interest rates of 3.25% to 5%. Net proceeds of $3.3 million, after payment of $83 thousand for bond issuance costs and a discount of $12 thousand, were remitted to an escrow agent to provide for all future payments of the defeased bonds. The bonds were called on October 1, 2014. The University refunded the bonds to reduce its total debt service payments by $258 thousand over the next twenty five years and to obtain an economic gain of $240 thousand.

On February 26, 2015, Northwest Arkansas Community College issued Capital Improvement Refunding Bonds, Series 2015, in the amount of $16.5 million with interest rates of 2% to 4% to refund $17.6 million of outstanding Series 2005 bonds dated May 15, 2005 with interest rates of 3% to 5%. Net bond proceeds and premium of $17.2 million plus deposits made to Series 2005 debt service account of $782 thousand were deposited into the advance refunding account, plus a minor amount of interest earnings from February 26, 2015 to May 15, 2015 to pay the Series 2005 Bonds of $17.6 million at May 15, 2015 and pay the accrued interest of $401 thousand. This left a balance of $2 thousand to be utilized in debt service for the 2015 bond issue. The College completed this refunding to reduce its total debt payments over the next fifteen years by $2.7 million and to obtain an economic gain (difference between present value between old and new debt service payments) of $2.3 million.

On April 1, 2015, Southern Arkansas University-Magnolia issued Capital Improvement and Refunding Bonds, Series 2015, in the amount of $7.5 million with interest rates of 1% to 4.125% to refund $3.0 million of outstanding bonds dated March 1, 2005, July 1, 2009, respectively, with interest rates of 3.25% to 5.25% with the remaining balance to finance the acquisition, construction, and equipping of certain capital improvements, fund a debt service reserve and pay the cost of issuance of Bonds. Net proceeds of $3.0 million were deposited with the trustee for the refunding. This was net of $53 thousand paid in bond issuance costs, deposit with the trustee for the Project Construction Fund of $4.2 million, establishment of other trustee accounts of $233 thousand (including $5 thousand accrued interest) and transfers from prior debt service reserves of $120 thousand. The University completed this refunding to reduce its total debt payments over the next twenty-four years by $510 thousand and to obtain an economic gain (difference between present value between old and new debt service payments) of $332 thousand.

(9) Pledged Revenues

Primary Government

Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2015 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2015 Pledged	Fiscal Year 2015 Principal
Court filing fees	Construction of building	2030	$ 12,001	81%	$ 990	$ 840
Rental income	Purchase of building	2030	21,135	72%	1,961	1,371
License fees	Prison construction	2039	45,383	46%	4,139	1,893
Vital records fees	Health lab construction	2022	9,275	56%	2,367	931
State park revenue	Construction of state park facilities	2024	21,944	51%	4,746	2,580
Permit fees	Construction of building	2041	28,093	9%	11,650	1,099
Drivers license revenue	Wireless network/ construction of building	2018	12,401	59%	6,967	4,859

(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, 2015 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2015 Pledged Revenue	Fiscal Year 2015 Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2044	$ 896,450	9%	$ 337,752	$ 42,700
	Athletic fees	Construction of facilities and refunding of prior issues	2028	72,893	7%	74,862	9,624
University of Arkansas at Fort Smith	Student fees	Construction of facilities, general improvements and refunding of prior issues	2039	112,432	13%	35,843	8,094
University of Arkansas at Little Rock	Student fees	General and capital improvements and refunding of prior issues	2031	92,428	8%	73,362	6,593
	Housing and auxiliary fees	Construction of facilities	2037	79,019	22%	16,297	4,128
University of Arkansas at Monticello	Student fees & auxiliary revenue	Construction of facilities and refunding of prior issues	2036	11,177	2%	24,528	537
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2038	13,340	9%	6,421	901
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	359,062	3%	644,840	19,938
	Parking fees	Construction of facilities and refunding of prior issues	2035	16,215	18%	4,585	1,605
University of Arkansas at Pine Bluff	Various facilities revenue	Capital improvements and refunding of prior issues	2036	25,179	4%	28,415	1,277

(1) Fiscal year

Continued on the following page

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Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2015 Pledged Revenue	Fiscal Year 2015 Principal and Interest
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2036	$ 5,297	8%	$ 3,279	$ 267
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	16,352	24%	2,837	584
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	1,161	9%	3,320	288
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	6,302	11%	2,362	679
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2022	2,035	5%	5,970	410
Arkansas State University - Jonesboro	Student tuition & fees	Construction of facilities, property purchase and refunding of prior issues	2044	59,378	2%	84,015	2,520
	Housing fees	Construction of facilities and refunding of prior issues	2042	135,817	44%	11,508	6,870
	Student union fees	Refunding of prior issues	2025	11,111	41%	2,687	1,200
	Parking fees	Refunding of prior issues	2025	3,786	29%	1,288	409
	Recreation center fees	Construction of facilities	2037	23,273	56%	1,887	1,060
Arkansas State University - Beebe	Student tuition & fees	Construction, renovation and refunding of prior issues	2036	35,696	16%	10,320	1,675
	Housing fees	Construction of facilities	2039	11,745	59%	829	534
Arkansas State University - Mountain Home	Student tuition & fees and ad valorem tax	Construction of facilities and refunding of prior issues	2033	9,937	6%	9,838	962
Arkansas State University - Newport	Student tuition & fees	Construction of facilities and refunding of prior issues	2033	6,095	5%	6,176	431
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2042	57,456	22%	9,831	2,740
	Student tuition & fees	Construction and renovation of facilities and upgrade computer system and software	2045	54,691	3%	61,322	2,187
	Athletic revenues	Construction of facilities	2042	5,965	4%	5,191	248
	Food service revenue	Construction of facilities	2043	11,818	7%	6,437	421
	Bookstore revenue	Construction of facilities	2041	1,737	8%	871	68
Henderson State University	Student housing revenue	Construction and renovation of student housing and refunding of existing student housing bond	2040	70,228	27%	10,321	1,377
	Student recreation center revenue	Construction of student recreation center	2032	9,269	74%	737	545
	Auxiliary revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2017	174	136%	64	83
	Student tuition & fees	Refunding of prior issues	2035	20,248	4%	27,233	297
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2046	54,457	7%	23,480	1,779
	Auxiliary revenue	Athletic improvements, capital improvements and refunding of prior issues	2043	40,994	18%	8,324	1,769
Southern Arkansas University- Tech Branch	Student tuition & fees	Capital improvements	2043	9,529	6%	5,824	404
University of Central Arkansas	Student fees and auxiliary revenue	Construction of facilities, capital improvements and refunding of prior issues	2044	111,020	4%	104,005	5,371
	Housing fees	Construction of facilities and refunding of prior issues	2045	147,596	30%	16,167	4,990
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	5,416	75%	290	215
National Park Community College	Student tuition & fees	Construction and renovation of facilities	2033	4,876	4%	6,299	272
	Millage revenue	Capital improvements and refunding of prior issues	2031	9,841	45%	1,372	619
Mid South Community College	Millage revenue	Construction of facilities and refunding of prior issues	2042	35,268	48%	2,741	1,306
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2031	5,074	44%	717	320
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issues	2037	10,692	58%	839	394
Rich Mountain Community College	Millage revenue	Capital improvements	2042	7,369	82%	332	276
	Student tuition and fees	Capital improvements	2042	2,842	124%	85	107
South Arkansas Community College	Millage revenue	Construction of facilities	2039	5,093	65%	326	85
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	47,419	56%	4,206	1,202
	Student tuition	Land purchase	2035	3,308	1%	15,847	36
Black River Technical College	Student tuition & fees	Renovation and expansion of facilities	2028	6,166	19%	2,538	202
Ozarka College	Student tuition & fees	Construction of facilities and refunding of prior issues	2043	9,525	9%	3,793	404
Pulaski Technical College	Student tuition & fees	Construction and renovation of facilities and refunding of prior issues	2041	159,615	22%	28,311	6,140
War Memorial Stadium Commission	Stadium revenue	Construction of facilities	2017	1,075	35%	1,548	574

(1) Fiscal year

Component Units

The Arkansas Student Loan Authority (ASLA) has pledged certain revenues as security for two outstanding bond issues. The purpose of the debt was to redeem auction rate bonds. ASLA has also pledged revenue as security for a conduit debt note payable. All debt obligations are being paid from different student loan revenue streams. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid as of June 30, 2015 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Fiscal Year 2015 Pledged Revenue	Fiscal Year 2015 Principal and Interest
Student loan principal & interest revenue	Securitize student loans	2027	$ 149,694	41%	$ 30,063	$ 25,723
Student loan principal & interest revenue	Securitize student loans	2024	96,666	36%	29,959	28,193
Student loan principal & interest revenue	Securitize student loans	2022	23,114	62%	5,297	4,825

(1) Fiscal year

(10) Arbitrage Rebate and Excess Earnings Liability

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

(11) Leases

Capital Lease Receivables

In February 2009, a capital lease receivable was entered into with the Arkansas Development Finance Authority (ADFA), a discretely presented component unit of the State, and the Arkansas Economic Development Commission (AEDC), a department of the State of Arkansas, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927 thousand, which includes buildings, all movable property, fixtures, furniture and equipment located on the premises. In December of 2012, another capital lease receivable was entered into with AEDC, as lessor, and Fiberglass Fabricators, Inc., as lessee. The capital lease expires December 1, 2022, and bears an interest rate of 5%. The original amount of the lease was $250 thousand, which includes buildings, structures and other improvements located on the premises. There are no contingent rentals or unearned income on either lease at June 30, 2015.

Future amounts to be received as of June 30, 2015, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2016	$ 87	$ 10	$ 97
2017	89	8	97
2018	90	7	97
2019	91	6	97
2020	92	5	97
2021-2025	314	4	318
Total	$ 763	$ 40	$ 803

Capital Lease Obligations

The State has entered into various lease agreements with the private sector, primarily for buildings, equipment and intangibles (software). These agreements are for various terms and contain clauses indicating that their continuation is subject to continuing appropriation or funding by the Legislature.

The State has lease agreements for buildings and equipment which are accounted for as operating leases. The lease payments are recorded as expenditures or expenses over the life of the lease.

The State also has lease agreements for buildings, equipment and intangibles (software) which are accounted for as capital leases. A capital lease transfers substantially all of the benefits and risks of ownership to the lessee and is to be accounted for as the acquisition of a capital asset and the incurrence of an obligation by the lessee. Capital leases in the government-wide and proprietary fund statements are reported as long-term obligations in those funds along with the related assets. Capital leases for the governmental funds are reported as other financing sources and expenditures.

The State also has direct-financing lease agreements with ADFA. These leases are reported separately from other capital leases in the notes to the government-wide financial statements.

Most of these leases contain a fiscal funding addendum stating that the lease shall terminate on the last day of the fiscal year if appropriated funds for the ensuing fiscal year are insufficient. However, these leases are accounted for as capital leases and are considered noncancelable for financial reporting purposes.

Assets acquired through capital leases were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / Infrastructure	$	$ 281
Buildings	181,839	36,277
Machinery and equipment	47	43,789
Other		10,025
Less: Accumulated depreciation	(27,858)	(40,526)
Total	$ 154,028	$ 49,846

Future minimum commitments under operating and capital leases by fund type as of June 30, 2015, were as follows (expressed in thousands):

	Capital leases	
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2016	$ 462	$ 11,970
2017	474	9,451
2018	474	7,171
2019	464	5,824
2020	477	3,484
2021-2025	518	5,073
2026-2030		110
Total minimum lease payments	2,869	43,083
Less: Interest	(288)	(3,756)
Present value of future minimum lease payments	$ 2,581	$ 39,327

Capital Leases with Component Unit	
	Governmental Activities
Year ending June 30:	
2016	$ 12,716
2017	12,685
2018	12,709
2019	12,266
2020	12,036
2021-2025	44,874
2026-2030	30,195
2031-2035	16,045
2036-2040	5,563
2041-2045	465
Total minimum lease payments	159,554
Less: Interest	(36,478)
Present value of future minimum lease payments	$ 123,076

Operating Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2016	$ 26,847	$ 10,412
2017	15,731	7,417
2018	10,911	3,892
2019	9,332	2,516
2020	5,315	1,864
2021-2025	13,910	3,919
2026-2030	3,686	464
2031-2035	20	401
Total minimum lease payments	$ 85,752	$ 30,885
Total rental expenditure/ expense (2015)	$ 31,440	$ 18,746

(12) Pollution Remediation

Primary Government

Governmental Activities

The State estimates and reports the potential costs of pollution remediation in accordance with GASB Statement No. 49, *Accounting and Financial Reporting for Pollution Remediation.* While GASB 49 does not require the State to search for pollution, it does require the State to reasonably estimate and report a remediation liability when specified obligating events occur. Site investigation, planning and design, cleanup and site monitoring are typical remediation activities currently underway. The standard requires the State to calculate pollution liabilities using the expected cash flow technique. The State has the knowledge and expertise to estimate the remediation obligations presented herein based upon prior experience in identifying and funding similar remediation activities. Estimations of the liability for current remediation projects are based on historical data, adjusted for current costs. Recoveries are not anticipated. The remediation obligation estimates that appear in this report are subject to change over time because of price fluctuations, changes in technology, changes in potential responsible parties, results of environmental studies, recoveries, changes to statutes or regulations and/or other factors.

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

		2015		2014
Balance, beginning of year	$	22,394	$	22,488
Incurred claims		21,057		285
Payments		(2,363)		(379)
Balance, end of year	$	41,088	$	22,394
Current portion	$	2,718	$	1,253
Noncurrent portion		38,370		21,141
	$	41,088	$	22,394

The State's polluted sites are primarily from chemical and fuel spills, asbestos and former landfills where pollution remediation has already commenced, with monitoring being completed as necessary. There are currently no known sites that may result in pollution remediation liabilities for which liabilities are not recorded.

Most of the above-mentioned obligations are covered by the Arkansas Remedial Action Trust Fund (RATFA), which was established by Act 479 of 1985 to provide for investigation and clean-up of abandoned hazardous substance sites within the State of Arkansas. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA if required. The Fund had a cash and cash equivalent balance of about $6.7 million at June 30, 2015.

(13) Fund Balance/Net Position

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent: (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors and contributors; laws or regulations of other governments or imposed by law through constitutional provisions or enabling legislation; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; and (3) Assigned Purposes, which includes balances that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed. A summary of the nature and purpose of these fund balances by fund type at June 30, 2015, is as follows (expressed in thousands):

		Restricted Purposes		Committed Purposes		Assigned Purposes
Capital projects	$	55	$	1,286	$	152,504
Debt service		284,330				
Program requirements		292,075		344,950		
Lottery funds		22,422				
Tobacco settlement		105,000		69,751		
Transportation programs		705,360		599,364		
Other				434,129		114,779
Total	$	1,409,242	$	1,449,480	$	267,283

The State's fund balance includes: (1) $292.1 million in federal program revenue, private grants and revenue restricted by enabling legislation for specific programs, of which 34% is held by the health and human services function of the State, 26% is held by the general government function of the State to be used for administrative costs that are federally funded and 20% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management; (2) $705.4 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of constitutional amendment 97; (3) $345.0 million in revenue committed by the Arkansas General Assembly through legislation for state programs (i.e. health and human services, oil and gas commission, Arkansas natural and cultural resources, higher education, aeronautics and sustainable building design) as specified in the Arkansas Code; and (4) $599.4 million in revenue provided to the State Highway and Transportation Department committed for maintenance, operation and improvement of state highways as specified in the Arkansas Code.

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, 2015, the government-wide statement of net position reported $1.6 billion in restricted net position for governmental activities, of which $928.6 million was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $60.8 million on investments which are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Position in accordance with the restriction of the gift instrument. Three sections of the Arkansas Code outline the restrictions placed on the endowment fund and the net appreciation. First, Arkansas Code Annotated §28-69-603 restricts the expenditure of endowment funds that the governing body determines to be prudent under the standards established by Arkansas Code Annotated §28-69-607 for the uses and purposes for which an endowment fund is established. This section does not limit the authority of the governing board to expend funds as permitted under other law, the terms of the applicable gift instrument or the charter of the institution. Second, Arkansas Code Annotated §28-69-604 rule of construction states the restriction on the expenditures may not be implied for endowment funds. Third, Arkansas Code Annotated §28-69-607 standard of conduct states that members of a governing board shall exercise ordinary business care and prudence in decision-making and retaining investments and shall consider long and short-term needs of the institution's financial requirements.

Deficit Net Position

The Workers' Compensation Commission (WCC) had a $119.9 million deficit in net position as of June 30, 2015. The deficit is due to a change in actuarial assumptions during the fiscal year ended June 30, 1997. During 1987, the structure of the law changed by tying workers' compensation payments to the State's average weekly wage, beginning on January 1, 1989. However, the threshold at which the agency's Permanent and Total Disability Trust Fund takes over indemnity payments was not changed, and has remained static at $75 thousand from 1982 to 2008, although the state maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, is the primary contributor to the deficit. A major step towards reducing the deficit was taken during the 2007 legislative session with the passage of Act 1599, which sets the threshold to 325 times the maximum total disability rate, or $204 thousand for 2015. The resulting reductions in claims paid have not been sufficient to cover the added liability caused by a change in the actuarial assumptions increasing the assumed life expectancy of claimants.

(14) Pensions

Defined Benefit Plans

Plan Descriptions

The State provides pension benefits through the following plans:

- **Arkansas Public Employees Retirement System (APERS)**, a cost-sharing multiple-employer defined benefit pension plan, provides pension benefits to all state employees not covered by another authorized plan, all county employees, municipal employees whose municipalities have elected coverage under this system, college and university employees and certain non-teaching school employees. Benefits are also provided for governors, General Assembly members, state and county constitutional officers and quasi-judicial members. APERS is administered by the Arkansas Public Employees Retirement System board of trustees.
- **Arkansas Teacher Retirement System (ATRS)**, a cost-sharing multiple-employer defined benefit pension plan, provides pension benefits to employees of schools and education-related agencies. Education-related agencies include the Arkansas School for the Blind, Arkansas School for the Deaf, Arkansas Activities Association, State Board of Education, regional education service cooperatives, ATRS, Arkansas Educational Television Commission, area vocational-technical schools, Arkansas Rehabilitative 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 the 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 the APERS, provides pension benefits to all commissioned police officers of the Department of Arkansas State Police.
- **Arkansas State Highway Employees Retirement System (ASHERS)**, a single-employer defined benefit pension plan administered by a six-member board of trustees, provides pension benefits to all employees of the Arkansas State Highway and Transportation Department.

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

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

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

Benefits Provided

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

APERS

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

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

Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of credited service or at any age with 28 or more years of credited service. Members with 25 years of credited service who have not attained age 60 may receive an annuity reduced by 5/12 of 1% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Final average salary is based on the highest three years of salary.
Disability retirement benefits are payable to members who are vested and demonstrate total and permanent incapacity to perform the duties of their position while in active employment. The disability annuity is computed in the same manner as the age and service annuity.

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

A cost of living adjustment (COLA) is payable on July 1 of each year to retirees, certain survivors and annuity beneficiaries who received monthly benefits for the previous 12 months. The COLA is determined by multiplying the member's base retirement annuity by 3%.

AJRS

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

Tier One members are eligible for full retirement benefits at any age with 20 years of credited service or at age 65 with 10 years of credited service. Individuals who became members after June 30, 1983, must also have at least eight years of actual service as a Supreme Court Justice or as a judge of the Circuit Courts or Court of Appeals. Tier One members are eligible for reduced benefits at any age if a member before July 1, 1983, and having at least 18, but less than 20, years of service, or are between the ages of 62 and 65 with 14 years of credited service. The normal retirement benefit is paid monthly and is 60% of the annual salary payable to the last judicial office held. For any judge or justice who was a member before July 1, 1983, the retirement benefits are increased or decreased as the salary for the particular judicial office is increased or decreased. For all judges or justices first elected on or after July 1, 1983, the recalculated amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

Tier Two members are eligible for full retirement benefits at any age with 20 years of actual service or at age 65 with eight years of actual service. Members are eligible for reduced benefits if between the ages of 62 and 65 and have eight years of actual service. The normal retirement benefit is 3.2% of the salary of the last judicial office held multiplied by the number of years of actual service but cannot exceed 80% of the salary of the last judicial office held. The benefit is paid monthly. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The recalculated amount is the benefit payable as of the immediately preceding July 1, increased by 3%.

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

ASPRS

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

Noncontributory members are eligible for full retirement benefits at any age with 30 years of actual service, at age 52 with five years of actual service for Tier One, or at age 65 with five years of actual service for Tier Two. For Tier One, the age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. The age requirement for Tier Two is reduced by 75% of a month for each actual month of service but not below age 55. Noncontributory members are eligible for a reduced benefit after five years of actual service once the covered employee is within ten years of becoming eligible for full benefits. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment for Tier One noncontributory members.

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

Retiree benefit increases are calculated each year on July 1 for the following 12 months. The recalculated amount is the amount of the benefit payable as of the immediately preceding July 1, increased by 3%.

The ASPRS also provides disability and survivor benefits.

ASHERS

Members are eligible for full retirement benefits as follows:

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

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

The retirement benefit is paid monthly and is determined based on the member's average salary and the number of years and months of credited service. Average salary is the average of the highest 36 consecutive months' salary. Retiree benefits are calculated each year on July 1 for the following 12 months. The benefit is recalculated based on the benefit determined as of the immediately preceding July 1, increased by 3%.

The ASHERS also provides disability and survivor benefits.

Employees Covered by Benefit Terms

At June 30, 2015, the following employees were covered by each single-employer defined benefit pension plan:

	AJRS	ASPRS
Inactive employees or beneficiaries currently receiving benefits	137	678
Inactive employees entitled to but not yet receiving benefits	4	73
Active employees	139	502
Total	280	1,253

At June 30, 2014, the following employees were covered by a single-employer defined benefit pension plan:

	ASHERS
Inactive employees or beneficiaries currently receiving benefits	3,162
Inactive employees entitled to but not yet receiving benefits	217
Active employees	3,524
Total	6,903

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, 2014, the employer contribution rates, as a percentage of active member payroll, ranged from 4.00% to 26.88%. Contributions to APERS from the State were $174.8 million for the year ended June 30, 2015.

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, 2014, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the State were $17.1 million for the year ended June 30, 2015.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 6% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members, including any former active members, were automatically enrolled as contributory members. Noncontributory members may make an irrevocable election to become contributory on July 1 of each fiscal year.

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

AJRS

Employer contributions are 12% of active member payroll. In addition, the State makes an annual transfer to the plan based on the dollar amount of actuarially determined employer contribution determined in the most recent actuarial valuation less the employer statutory contribution amount, reduced by court cost revenue received. The State's supplemental contribution for fiscal year 2015 was $2.6 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 driver's license reinstatement fees received. The State's supplemental contribution for fiscal year 2015 was $6.6 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 I DROP. Employer contributions are 6.90% on the pay of employees in Tier II DROP.

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

Net Pension Liability

At June 30, 2015, the State reported the following liabilities and assets for the various plans (expressed in thousands):

	Measurement Date	Net Pension Liability (Asset)
APERS	June 30, 2014	$ 959,763
ATRS	June 30, 2014	112,517
AJRS	June 30, 2015	31,590
ASPRS	June 30, 2015	123,545
Total		$ 1,227,415
ASHERS	June 30, 2014	$ (7,296)

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 2014 fiscal year of all participating employers. At June 30, 2014, the State's proportion was 67.64% for APERS and 4.29% for ATRS.

Actuarial Assumptions

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

	APERS	ATRS	AJRS	ASPRS	ASHERS
Actuarial valuation date	June 30, 2014	June 30, 2014	June 30, 2015	June 30, 2015	June 30, 2014
Inflation rate	3.75% wages, 2.75% prices	3.25%	2.50%	2.50%	3.50%
Salary increases (1)	3.75% to 10.35%	3.25% to 9.10%	3.25%	3.25% to 10.25%	4.5% to 11.5%
Investment rate of return (1)	7.75%	8.00%	6.25%	7.50%	8.00%
Mortality rates	RP-2000 Combined Healthy Mortality Tables, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females	RP-2000 Mortality Table for Males and Females projected 25 years with Scale AA (95% for men and 87% for women)	RP-2000 Mortality Tables projected to 2020 using projection scale BB	RP-2000 Combined Healthy Mortality Table, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females, with an approximate 14% margin for future mortality improvement	1994 Uninsured Pensioner Mortality Table
Actuarial experience study dates	2007-2012	2005-2010	July 1, 2006 - June 30, 2011	July 1, 2006 - June 30, 2012	July 1, 2004 - June 30, 2008, updated for the 2013 valuation

(1) Includes assumed inflation

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

APERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2014 to 2023 were provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Fixed income domestic	9.00%	0.50%
Fixed income defensive	9.00%	0.80%
Large cap domestic equity	20.00%	6.65%
Small/mid-cap domestic equity	17.00%	7.90%
International equity	12.00%	7.00%
Emerging market equity	12.00%	9.20%
Private equity	2.50%	11.30%
Hedge funds	2.50%	3.19%
Real estate	16.00%	5.10%
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, 2014, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Domestic equity	20.00%	4.70%
Global equity	30.00%	5.00%
Fixed income	20.00%	2.00%
Alternatives	5.00%	5.00%
Real assets	15.00%	4.60%
Private equity	10.00%	6.60%
Cash equivalents	0.00%	1.20%
Total	100.00%	

AJRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based on capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, 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%	6.82%
International equity	15.00%	6.88%
Real estate	8.00%	5.04%
Cash equivalents	0.00%	0.02%
Domestic fixed	40.00%	0.83%
Total	100.00%	

ASPRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015 to 2024 were based on capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2015, these best estimates are summarized in the following table:

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

ASHERS

The plan operates with an asset allocation of 20% to 75% equity and 20% to 75% fixed income. Because the asset classes are not set in a specific target range, the actuary used the expected return rate of 8.00%.

Discount Rate

The discount rate for each plan was determined as follows:

APERS

A single discount rate of 7.75% was used to measure the total pension liabilities. This single discount rate was based on the expected rate of return on pension plan investments of 7.75%. 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 APERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ATRS

A single discount rate of 8.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

AJRS

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

ASPRS

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

ASHERS

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

Changes in the Net Pension Liability

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

	Increase (Decrease)		
ASPRS	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balances, June 30, 2014	$ 385,645,392	$ 277,201,968	$ 108,443,424
Changes for the year:			
Service cost	6,101,608		6,101,608
Interest	29,218,802		29,218,802
Differences between expected and actual experience	(3,107,531)		(3,107,531)
Changes in assumptions	8,703,080		8,703,080
Contributions – employer		19,784,130	(19,784,130)
Contributions – employee		94,814	(94,814)
Net investment income		6,131,684	(6,131,684)
Benefit payments, including refunds of employee contributions	(23,358,801)	(23,358,801)	
Administrative expense		(196,231)	196,231
Other changes		6	(6)
Net changes	17,557,158	2,455,602	15,101,556
Balances, June 30, 2015	$ 403,202,550	$ 279,657,570	$ 123,544,980

	Increase (Decrease)		
AJRS	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balances, June 30, 2014	$ 208,005,544	$ 217,430,540	$ (9,424,996)
Changes for the year:			
Service cost	5,342,168		5,342,168
Interest	14,883,382		14,883,382
Differences between expected and actual experience	12,969,853		12,969,853
Changes in assumptions	24,290,229		24,290,229
Contributions – employer		5,688,289	(5,688,289)
Contributions – employee		948,233	(948,233)
Net investment income		9,971,831	(9,971,831)
Benefit payments, including refunds of employee contributions	(10,777,191)	(10,777,191)	
Administrative expense		(137,951)	137,951
Net changes	46,708,441	5,693,211	41,015,230
Balances, June 30, 2015	$ 254,713,985	$ 223,123,751	$ 31,590,234

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ASHERS	Increase (Decrease) Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2013	$ 1,450,565,674	$ 1,326,022,360	$ 124,543,314
Changes for the year:			
Service cost	16,862,918		16,862,918
Interest	112,962,064		112,962,064
Contributions – employer		18,614,507	(18,614,507)
Contributions – employee		8,884,829	(8,884,829)
Net investment income		234,208,606	(234,208,606)
Benefit payments, including refunds of employee contributions	(95,454,598)	(95,454,598)	
Administrative expense		(43,282)	43,282
Net changes	34,370,384	166,210,062	(131,839,678)
Balances, June 30, 2014	$ 1,484,936,058	$ 1,492,232,422	$ (7,296,364)

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

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

	1% lower than current discount rate		Current discount rate		1% higher than current discount rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
APERS	6.75%	$ 1,726,235	7.75%	$ 959,763	8.75%	$ 321,180
ATRS	7.00%	201,304	8.00%	112,517	9.00%	37,818
AJRS	5.25%	60,992	6.25%	31,590	7.25%	6,653
ASPRS	6.50%	169,718	7.50%	123,545	8.50%	84,795
ASHERS	7.00%	152,967	8.00%	(7,296)	9.00%	(142,302)

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, 2015, the State recognized pension expense of $142.8 million. For the year ended June 30, 2015, the State reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 9,270	$ 18,290
Changes of assumptions	137,980	
Net differences between projected and actual earnings on pension plan investments	16,677	530,516
State contributions subsequent to the measurement date	211,925	
Total	$ 375,852	$ 548,806

$211.9 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, 2016. 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):

	Total
Year ended June 30:	
2016	$ (89,211)
2017	(89,211)
2018	(94,472)
2019	(111,459)
2020	(526)

State Employee Deferred Compensation Plan

The State offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan permits employees to defer receiving a portion of their salary until they become eligible for benefits at retirement, termination, death or unforeseeable emergency. Amounts deferred are invested in custodial accounts or annuity contracts and deferrals and earnings on investments are not subject to state or federal income taxation until received by beneficiaries.

In 1991, the Attorney General opined (Opinion 91-088) that the annuity contracts purchased with the employees' deferred compensation were covered by the Arkansas Life and Disability Insurance Guaranty Association Act, as described in Arkansas Code Annotated § 23-96-101 et. seq., and liability for losses due to failure or nonperformance of contractual obligations due to impairment or insolvency of member insurers was insured under this act, to the extent of $100 thousand per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300 thousand per participating employee.

The assets of the plan are held in trust by the custodian, State Street Bank and Trust Company of Boston, Massachusetts, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is administered by Voya Financial, 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 $636.6 million at June 30, 2015.

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 2015, total employer contributions to VALIC, TIAA-CREF and Fidelity were $117.2 million, while contributions to other plans were $1.3 million. Employee contributions to VALIC, TIAA-CREF and Fidelity were $115.8 million, while contributions to other plans were $946 thousand.

(15) Postemployment Benefits Other Than Pensions

Governmental Activities

(a) Plan Descriptions

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

- Arkansas State Police (ASP) Medical (administered by QualChoice) and Rx Plan (administered by LDI Integrated Pharmacy Services)
- Arkansas State Employee Health Insurance Plan (AEP) (administered by Department of Finance and Administration - Employee Benefits Division)

Each plan provides medical and prescription drugs benefits to eligible state employees as established by State law:

- Arkansas State Police Medical and Rx Plan (ASP)
    - Arkansas Code § 12-8-210
- Arkansas State Employee Health Insurance Plan (AEP)
    - Arkansas Code § 21-5-401 to § 21-5-414

Participants were as follows:

- ASP: 679 active employees and 462 retirees and beneficiaries
- AEP: 32,572 active employees, 8,245 terminated employees with accumulated benefits and 14,089 retirees and beneficiaries

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

For both plans, the contribution requirements of plan members and the State are established and may be amended by the Legislature. The required contribution is based on projected pay-as-you-go financing requirements. For fiscal year 2015, the State contributed $3.2 million to ASP and $46.1 million to AEP. Plan members receiving benefits contributed $1.4 million to ASP and $37.2 million to AEP. The contribution requirements of plan members receiving benefits are as follows:

	ASP	AEP
Under age 65		
Retiree only	$ 267	$ 259
Retiree & spouse	441	662
Medicare eligible		
Retiree only	$ 134	$ 162
Retiree & spouse	273	388

The State's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed 30 years. The State's annual OPEB cost for the current year and related information for each plan are as follows (expressed in thousands):

	ASP	AEP
Number of participating employers/contributing entities	1	1
Contribution rates for the fiscal year ended June 30, 2015 (% of covered payroll)	Pay-as-you-go	Pay-as-you-go
State plan members - retirees (% of premium)	30%	45%
Annual required contribution (ARC)	$ 9,430	$ 172,501
Interest on net OPEB obligation	869	37,307
Adjustment to ARC	(1,280)	(58,079)
Annual OPEB cost	9,019	151,729
Contribution made	(3,212)	(46,070)
Increase in net OPEB obligation	5,807	105,659
Additional obligation NPCC (1)		1,153
Net OPEB obligation - beginning of year	21,735	932,687
Net OPEB obligation - end of year	$ 27,542	$ 1,039,499

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

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years for each of the plans are as follows (expressed in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
ASP	2013	$ 8,313	55%	$ 15,582
	2014	8,776	30%	21,735
	2015	9,019	36%	27,542
AEP	2013	$ 197,998	26%	$ 781,727
	2014	206,762	27%	932,687
	2015	151,729	30%	1,039,499

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2015, was as follows (expressed in thousands):

	ASP	AEP
Actuarial accrued liability	$ 108,659	$ 1,675,964
Actuarial value of plan assets		
Unfunded actuarial accrued liability (funding excess)	$ 108,659	$ 1,675,964
Funded ratio	0%	0%
Covered payroll	$ 42,846	$ 1,422,486
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	254%	118%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The required schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits in force at the valuation date and the pattern of sharing benefit costs between the State and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	ASP	AEP
Actuarial valuation date	July 1, 2013	July 1, 2014
Actuarial cost method	Projected unit credit	Projected unit credit
Amortization method	Level dollar closed	Level dollar open
Remaining amortization period	30 years	30 years
Asset valuation method	N/A	Market value
Actuarial assumptions:		
Discount rate	4.00%	4.00%
Projected salary increases	N/A	N/A
Healthcare inflation rate	8% initial	Initial: 6% pre-Medicare 5% post-Medicare
	5% ultimate	4% ultimate
Inflation rate	N/A	3.00%

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

Governmental	$	1,045,602
Business-type		96,439
Component units		2,046
Pensions		4,974
Total net OPEB obligation	$	1,149,061

Business-Type Activities

Higher Education

(a) Plan Descriptions

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

- Arkansas State University Self Insured Retiree Medical Plan (ASU)
- Arkansas Tech University Retiree Medical and Life Insurance Plan (ATU)
- Henderson State University Post-Employment Benefit Plan (HSU) (administered by Health Advantage and MetLife)
- Northwest Arkansas Community College Healthcare Plan (NWACC) (administered by Arkansas Blue Cross and Blue Shield)
- Southern Arkansas University – Technical Campus Early Retirement Program (SAUT) (administered by Health Advantage)
- Southern Arkansas University Group Health Plan (SAU) (administered by Blue Advantage)
- University of Arkansas at Fort Smith Benefit Plan (UAFS)
- University of Arkansas System Self-Funded Plan (UAS1) (administered by UMR)
- University of Central Arkansas Retiree Benefits Plan (UCA)

Participants in these plans included 24,659 active employees, 4 terminated employees with accumulated benefits and 2,409 retirees.

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

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

Participants in these plans included 1,749 active employees, 5 terminated employees with accumulated benefits and 128 retirees.

Each institute of higher education has the authority to affiliate with AHEC and establish by policy the defined benefits and amount contributed by the employer to AHEC.

Benefits provided to retirees by the plans and eligibility requirements are established by policy by the Board of Trustees of each higher education institution. All plans include individual medical insurance and may include prescription drug programs, dental insurance, life insurance and dependent coverage. Benefits are provided through age 65 for all plans. After age 65, benefits may be reduced or terminated

(b) Funding Policies

Contribution requirements are established and may be amended by each college's or university's board of trustees. The required contribution is based on projected pay-as-you-go financing requirements.

Participating retirees are required to pay from $0 to $1,329 per month.

The State's annual OPEB cost (expense) for each plan is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and to amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The State's annual OPEB cost for the current year and related information for each plan is as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2015 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	0% -80%	50%	0%	0% to 100%	0% to 75%
Annual required contribution (ARC)	$ 59	$ 2,337	$ 1,187	$ 132	$ 58
Interest on net OPEB obligation	4	281	176	18	10
Adjustment to ARC	(8)	(478)	(102)	(9)	(11)
Annual OPEB cost	55	2,140	1,261	141	57
Contribution made	(57)	(245)	(512)	(72)	(24)
Increase (decrease) in net OPEB obligation	(2)	1,895	749	69	33
Net OPEB obligation - beginning of year	97	9,367	4,402	377	190
Net OPEB obligation - end of year	$ 95	$ 11,262	$ 5,151	$ 446	$ 223

	OC	HSU	MSCC	NAC	NPCC
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2015 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	100%	0%	0%	100%	0% to 100%
Annual required contribution (ARC)	$ 55	$ 344	$ 76	$ 29	$ 54
Interest on net OPEB obligation	9	46	20	6	17
Adjustment to ARC	(11)	(78)	(24)	(7)	(21)
Annual OPEB cost	53	312	72	28	50
Contribution made	(3)	(115)	0	(27)	(7)
Increase (decrease) in net OPEB obligation	50	197	72	1	43
Net OPEB obligation - beginning of year	195	1,520	413	123	355
Net OPEB obligation - end of year	$ 245	$ 1,717	$ 485	$ 124	$ 398

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	NWACC	PTC	RMCC	SACC	SAUT
Number of participating employers/contributing entities	1	1	1	1	1
Contribution rates for the fiscal year ended June 30, 2015 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	100%	0% to 100%	10% to 20%	0% to 75%	0%
Annual required contribution (ARC)	$ 58	$ 174	$ 105	$ 47	$ 115
Interest on net OPEB obligation	16	37	20	7	25
Adjustment to ARC	(19)	(35)	(24)	(9)	(19)
Annual OPEB cost	55	176	101	45	121
Contribution made	(3)	(45)	(47)	(9)	(26)
Increase (decrease) in net OPEB obligation	52	131	54	36	95
Net OPEB obligation - beginning of year	328	978	422 (1)	148	522
Net OPEB obligation - end of year	$ 380	$ 1,109	$ 476	$ 184	$ 617

	SAU	UAFS	UAS1	UACCH	UCA
Number of participating employers/contributing entities	1	1	11	1	1
Contribution rates for the fiscal year ended June 30, 2015 (% of covered payroll):	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go	Pay-as-you-go
State plan members - retirees, (% of premium)	0% to 100%	100%	100%	100%	0%
Annual required contribution (ARC)	$ 123	$ 138	$ 7,681	$ 15	$ 313
Interest on net OPEB obligation	54	40	2,208	5	34
Adjustment to ARC	(92)	(48)	(1,830)	(6)	(56)
Annual OPEB cost	85	130	8,059	14	291
Contribution made	(139)	(2)	(2,156)	(8)	(102)
Increase (decrease) in net OPEB obligation	(54)	128	5,903	6	189
Net OPEB obligation - beginning of year	1,804	830	49,064 (1)	99 (1)	1,139
Net OPEB obligation - end of year	$ 1,750	$ 958	$ 54,967	$ 105	$ 1,328

(1) Beginning balance restated to actuarial calculation

The State's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan and the net OPEB obligation for the current and two preceding years for each of the plans are as follows (expressed in thousands):

Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation
ANC	2013	$ 23	332%	$ 118
	2014	50	142%	97
	2015	55	104%	95
ASU	2013	1,832	11%	7,487
	2014	2,088	10%	9,367
	2015	2,140	11%	11,262
ATU	2013	1,009	45%	3,739
	2014	1,120	41%	4,402
	2015	1,261	41%	5,151
BRTC	2013	98	43%	311
	2014	127	49%	377
	2015	141	52%	446
EACC	2013	56	46%	159
	2014	55	44%	190
	2015	57	42%	223
OC	2013	48	40%	155
	2014	53	25%	195
	2015	53	8%	245
HSU	2013	318	25%	1,305
	2014	308	30%	1,520
	2015	312	37%	1,717
MSCC	2013	62	15%	347
	2014	71	7%	413
	2015	72	0%	485
NAC	2013	32	53%	106
	2014	27	37%	123
	2015	28	96%	124
NPCC	2013	59	12%	314
	2014	49	16%	355
	2015	50	14%	398
NWACC	2013	63	4%	277
	2014	53	4%	328
	2015	55	5%	380
PTC	2013	154	8%	822
	2014	174	10%	978
	2015	176	26%	1,109

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Plan	Fiscal Year	Annual OPEB Cost	Percentage Contributed	Net OPEB Obligation	
RMCC	2013	$ 98	49%	$ 348	
	2014	99	20%	427	
	2015	101	47%	476	
SACC	2013	43	86%	136	
	2014	45	73%	148	
	2015	45	20%	184	
SAUT	2013	98	17%	424	
	2014	108	9%	522	
	2015	121	22%	617	
SAU	2013	119	66%	1,875	
	2014	90	179%	1,804	
	2015	85	164%	1,750	
UAFS	2013	159	7%	707	
	2014	127	3%	830	
	2015	130	2%	958	
UAS1	2013	6,380	32%	44,791	
	2014	5,505	27%	49,064	(1)
	2015	8,059	27%	54,967	(1)
UACCH	2013	66	17%	310	
	2014	62	15%	99	(1)
	2015	14	57%	105	(1)
UCA	2013	314	37%	947	
	2014	293	34%	1,139	
	2015	291	35%	1,328	

(1) Two colleges, CCCUA and UACCM, moved from the former UAS2 plan to the UAS1 plan. Only UACCH remained in the former UAS2 plan during the year.

(c) Funded Status and Funding Progress

The funded status of the plans as of June 30, 2015, was as follows (expressed in thousands):

	ANC	ASU	ATU	BRTC	EACC
Actuarial accrued liability	$ 604	$ 16,271	$ 8,907	$ 819	$ 481
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 604	$ 16,271	$ 8,907	$ 819	$ 481
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 8,231	$ 106,250	$ 38,260	$ 7,505	$ 5,617
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	7%	15%	23%	11%	9%

	OC	HSU	MSCC	NAC	NPCC
Actuarial accrued liability	$ 336	$ 2,821	$ 390	$ 183	$ 398
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 336	$ 2,821	$ 390	$ 183	$ 398
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 4,778	$ 21,019	$ 6,393	$ 6,820	$ 10,769
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	7%	13%	6%	3%	4%

	NWACC	PTC	RMCC	SACC	SAUT
Actuarial accrued liability	$ 283	$ 883	$ 688	$ 327	$ 688
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 283	$ 883	$ 688	$ 327	$ 688
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 27,624	$ 20,784	$ 3,934	$ 8,045	$ 7,095
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	1%	4%	17%	4%	10%

	SAU	UAFS	UAS1	UACCH	UCA
Actuarial accrued liability	$ 2,212	$ 760	$ 72,780	$ 95	$ 2,593
Actuarial value of plan assets					
Unfunded actuarial accrued liability (funding excess)	$ 2,212	$ 760	$ 72,780	$ 95	$ 2,593
Funded ratio	0%	0%	0%	0%	0%
Covered payroll	$ 19,777	$ 28,717	$ 1,094,162	$ 4,674	$ 72,345
Unfunded actuarial accrued liability (funding excess) as a percentage of covered payroll	11%	3%	7%	2%	4%

Actuarial valuations involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events in the future. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared to past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, provides multi-year trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

(d) Actuarial Methods and Assumptions

Projections of benefits are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the valuation date and the historical pattern of sharing benefit costs between the employer and the plan members to that point. Actuarial calculations reflect a long-term perspective and employ methods and assumptions that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets. Significant methods and assumptions were as follows:

	BRTC, MSCC, RMCC, SAUT, NAC, NPCC, NWACC, OC, SACC, UAFS, UACCH	ANC	UCA and HSU	SAU
Actuarial valuation date	July 1, 2013	July 1, 2015	July 1, 2013	July 1, 2013
Actuarial cost method	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, Open	Level dollar, Open	Level dollar, Open	Level dollar, Open
Remaining amortization period	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A
Actuarial assumptions:				
Discount rate	4.75%	4.75%	3.00%	3.00%
Projected salary increases	N/A	N/A	N/A	N/A
Healthcare inflation rate	10% initial 5% ultimate	10% initial 5% ultimate	9% initial(1) 4.5% ultimate(1)	7 % initial 4% ultimate
Inflation Rate	N/A	N/A	2.5%	N/A

	ATU	EACC	ASU	UAS1	PTC
Actuarial valuation date	July 1, 2013	July 1, 2012	July 1, 2013	July 1, 2014	July 1, 2013
Actuarial cost method	Projected unit credit with linear proration to decrement	Projected unit credit	Projected unit credit	Projected unit credit	Projected unit credit
Amortization method	Level dollar, Open	Level dollar, Open	Level dollar, Open	Level percentage of payroll, Open	Level percentage of payroll, Open
Remaining amortization period	30 years	30 years	30 years	30 years	30 years
Asset valuation method	N/A	N/A	N/A	N/A	N/A
Actuarial assumptions:					
Discount rate	4.00%	5.25%	3.00%	4.50%	3.75%
Projected salary increases	N/A	N/A	N/A	4.00%	3.00%
Healthcare inflation rate	6.0% initial 4.2% ultimate	10% initial 5% ultimate	7.0% initial 4.0% ultimate	6.0% initial 4.5% ultimate	7.9% initial 4.5% ultimate
Inflation Rate	3%	N/A	2.5%	2.2%	N/A

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

(16) Additional Information – Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments (P.L. 100-4) to the "Clean Water Act" (P.L. 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

Condensed Statement of Net Position (expressed in thousands):

		Construction Assistance Revolving Loan Fund
Assets		
Current assets	$	161,443
Noncurrent assets		225,884
Total assets		387,327
Deferred outflow of resources		20
Liabilities		
Current liabilities		4,317
Noncurrent liabilities		34,537
Total liabilities		38,854
Net position		
Restricted		348,493
Total net position	$	348,493

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

		Construction Assistance Revolving Loan Fund
Operating revenue/expenses:		
Licenses, permits and fees	$	2,545
Investment earnings (pledged against bonds)		5,068
Amortization of bond discounts and premiums		638
Other operating expense		(2,838)
Operating income (loss)		5,413
Nonoperating revenue/expenses:		
Grants and contributions		3,323
Change in net position		8,736
Total net position, beginning of year		339,757
Total net position, end of year	$	348,493

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund
Net cash provided (used) by:	
Operating activities	$ 40,233
Noncapital financing activities	(1,587)
Investing activities	(20,334)
Net increase (decrease)	18,312
Cash and cash equivalents, beginning	82,850
Cash and cash equivalents, end	$ 101,162

(17) Risk Management Programs

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

(a) Health and Life Plans

Primary Government

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

The Board provides the following employee benefits to state employees: a self-funded comprehensive major medical plan that includes prescription drug benefits, a health savings account, a fully-funded mental health parity and employee assistance program, and fully-funded basic and supplemental group term life insurance. EBD offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, state employees are given the option to participate in a deferred compensation plan.

Basic group term life insurance and accidental death and dismemberment coverage are offered to all state employees. Basic life insurance is provided to all full-time active state employees and is paid from the insurance trust fund. Costs are based on 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 adjustments expenses for the current and prior fiscal year are as follows (expressed in thousands):

	2015	2014
Claim liability, beginning of year	$ 26,500	$ 25,600
Incurred claims:		
Provision for insured events of current year	239,062	255,370
Total incurred claims and claim adjustment expense	239,062	255,370
Payments:		
Claims payments attributed to insured events of current year	221,523	236,840
Claims payments attributed to insured events of prior years	17,539	17,630
Total payments	239,062	254,470
Claim liability, end of year	$ 26,500	$ 26,500

Enterprise Fund

Public School Employee Health and Life Benefit Plan

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

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured, and the life component remained fully insured. The pharmacy plan has been self-insured since its inception. While the health plan was fully insured, most plan participants' premiums for health, life, and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and the Department of Finance and Administration – Employee Benefits Division, respectively. Premiums for certain retirees and COBRA participants were collected by the Department of Finance and Administration – Employee Benefits Division, and the health and life components were paid to the health and life insurance companies, respectively.

Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts with school district match being at least $150 per enrolled employee per month. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the State Legislature the authority to establish the minimum school district matching amount.

Act 517 of 2013 amended Arkansas Code § 6-17-1117 so that the contribution rate increases annually by the same percentage that the legislature increases the salary and benefit component of the per-student foundation funding amount under Arkansas Code § 6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1, 2007, Arkansas Code § 6-17-1117 authorizes the Department of Education to pay an additional matching amount of $35.0 million per fiscal year to the Employee Benefits Division. Effective July 1, 2009, Act 1421 of 2009 authorizes the Department of Education to pay an additional matching amount of $15.0 million per fiscal year, for a total of $50.0 million, to the Employee Benefits Division.

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

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

	2015	2014
Claim liability, beginning of year	$ 29,400	$ 29,800
Incurred claims:		
Provision for insured events of current year	234,202	256,561
Total incurred claims and claim adjustment expense	234,202	256,561
Payments:		
Claims payments attributed to insured events of current year	212,567	235,613
Claims payments attributed to insured events of prior years	21,635	21,348
Total payments	234,202	256,961
Claim liability, end of year	$ 29,400	$ 29,400

(b) Risk Management Office

The State established the Risk Management Office in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various state agencies. Accordingly, state agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for property losses.

For those state buildings covered by commercial insurance, the building and contents are generally insured for replacement cost subject to $2.0 million deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), ACT 1762 of 2003, and varying deductible amounts up to $100 thousand per occurrence for the state agency involved. The total annual payout by AMAIT is capped at $2.0 million. The University of Arkansas System has its own program that the State Risk Management Office does not oversee. Losses arising from earthquakes are generally insured for the full amount of losses subject to a deductible of 5% of the building's total value. Due to market conditions, limited availability and excessive cost, total earthquake coverage is limited to $100.0 million in earthquake zones 2 and 3 and $200.0 million for zones 4 and 5. The State has secured domestic and foreign terrorism insurance coverage. Certain state agencies have chosen not to purchase commercial insurance on certain buildings and, as such, losses for these buildings are recorded as expenditures in Governmental Activities when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30.0 million in high hazard Zone A ($1.0 million deductible) to $100.0 million in Zone X ($100 thousand deductible). Both earthquake and flood coverage limits are annual total maximum coverage for the State, not per occurrence and not per agency.

The State does not purchase liability insurance coverage for claims arising from third-party losses on state property as the State relies on sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission.

For those state vehicles covered by commercial insurance, each participating agency determines which, if any, vehicles to insure for physical damage and are subject to a deductible of $500 or $1,000. Also, such commercial insurance generally provides coverage against liability losses up to $250 thousand per occurrence in state and $2.0 million per occurrence out of state. Seven higher education institutions and four state agencies have elected to purchase $1.0 million liability in state. Eleven state agencies purchase $500 thousand in state and $2.0 million out of state coverage. Two state agencies have elected not to purchase commercial vehicle insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

(c) State Claims Commission

The State Claims Commission (the Commission) was established by state law to hear and adjudicate all claims against the State and its agencies and component units, excluding those arising from workers' compensation law, employment security law and the acts of the various retirement plans. The Commission may authorize awards up to $15 thousand without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $15 thousand must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the government-wide financial statements. The amount of claims awarded/allowed and awaiting review and approval to be paid by the General Assembly at June 30, 2015, is $581 thousand. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

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

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

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

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

	2015	2014
Claim liability, beginning of year	$ 74,450	$ 72,577
Incurred claims:		
Provision for insured events of current year	15,879	16,823
Increase (decrease) in provision for insured events of prior years	1,456	15
Total incurred claims and claim adjustment expense	17,335	16,838
Payments:		
Claims payments attributed to insured events of current year	4,412	4,959
Claims payments attributed to insured events of prior years	10,412	10,006
Total payments	14,824	14,965
Claim liability, end of year	$ 76,961	$ 74,450

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

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

Death and Permanent Total Disability Trust Fund

Initiated Act 4 of 1948, as amended, established workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Generally, employers are liable for medical services and supplies for injured employees. Arkansas Code Annotated § 11-9-502 provides for the first $75 thousand of weekly benefits (the indemnity threshold) for death or permanent total disability to be paid by the employer or its insurance carrier. Act 1599 of 2007 amended § 11-9-502 to move the indemnity threshold up to 325 times the maximum total disability rate, or $204 thousand, for 2015. All indemnity benefits in excess of the threshold are the liability of the agency. Accordingly, the Disability Trust Fund was established, in part, to administer this liability. The taxation rate is determined by the Workers' Compensation Commission in accordance with Arkansas Code Annotated § 11-9-306, which limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Claim liabilities are established based on the present value of future benefits for known cases currently receiving benefits, known cases to receive benefits in the future and claims incurred but not reported. The following represents the changes in claim liabilities for the fund during the last two fiscal years (expressed in thousands):

	2015	2014
Claim liability, beginning of year	$ 249,200	$ 255,382
Incurred claims:		
Provision for insured events of current year	6,707	7,594
Increase (decrease) in provision for insured events of prior years	(10,430)	(10,559)
Increase due to decrease in discount period	12,084	12,379
Total incurred claims and claim adjustment expense	8,361	9,414
Payments:		
Claims payments attributed to insured events of prior years	15,020	15,596
Total payments	15,020	15,596
Claim liability, end of year	$ 242,541	$ 249,200

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

Second Injury Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Arkansas Code Annotated § 11-9-525 provides that an employer employing a 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. A liability arises to the agency to the extent of the additional disability or impairment where there has been previous disability or impairment, as determined by an agency administrative law judge or the Workers' Compensation Commission. Accordingly, the Workers' Compensation Commission, in accordance with Arkansas Code Annotated § 11-9-306, limits the tax rate to three percent (3%) of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance.

Act 1415 of 2007 amended Arkansas Code Annotated § 11-9-525 by prohibiting claims for second injuries being made under the provisions of § 11-9-525 after January 1, 2008. In effect, this act has eliminated the Second Injury Fund with regard to claims made after January 1, 2008.

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

	2015	2014
Claim liability, beginning of year	$ 56	$ 733
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	52	(686)
Increase due to decrease in discount period	1	36
Total incurred claims and claim adjustments expense	53	(650)
Payments:		
Claims payments attributed to insured events of prior years	81	27
Total payments	81	27
Claim liability, end of year	$ 28	$ 56

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

(f) Petroleum Storage Tank Trust Fund

The Petroleum Storage Tank Trust Fund (Storage Tank Fund) was established according to state law to provide owners and operators of petroleum storage tanks in the state protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund, it must be registered with all fees paid and meet certain other requirements at the time of the release. The Storage Tank Fund reimburses tank owners up to $1.5 million per occurrence with a $7.5 thousand deductible as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with a $7.5 thousand deductible. The Storage Tank Fund is funded by an environmental assurance fee of three-tenths of a cent for each gallon of fuel collected at the wholesale level. The first party claim liability is determined through the use of the responsible party's consulting estimates of the remaining corrective action for each site. The third-party claim liability is estimated at one half the plan limits for each third-party claim filed until actual damages are determined and the liability is recorded in Governmental Activities.

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

	2015	2014
Claim liability, beginning of year	$ 12,205	$ 10,628
Incurred claims:		
Provision for insured events of current year	5,534	7,383
Total incurred claims and claim adjustment expense	5,534	7,383
Payments:		
Claims payments attributed to insured events of current year	6,134	5,806
Total payments	6,134	5,806
Claim liability, end of year	$ 11,605	$ 12,205

(g) Higher Education Health Plans

The University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. Participation in the UA System health and dental plans includes employees of the Fayetteville, Batesville, Little Rock, Monticello, Morrilton, Pine Bluff, Fort Smith, Hope, Medical Sciences campuses, the Arkansas School for Mathematics, Sciences and the Arts, the University of Arkansas Foundation, Inc., the University of Arkansas Winthrop Rockefeller Institute, and the UA System Administration. All ASU campuses participate in the health insurance programs, which are administered by a third party who are responsible for the processing of claims and administration of cost containment.

The universities pay a portion of the total premium for full-time active employees. Retirees and former employees participate on a fully contributory basis at the UA System, while ASU pays 50% of retiree benefits.

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

	2015	2014
Claim liability, beginning of year	$ 15,516	$ 15,865
Incurred Claims:		
Provision for insured events of current year	165,198	145,150
Increase (decrease) in provision for insured events of prior years	3,534	(1,497)
Total incurred claims and claim adjustment expense	168,732	143,653
Payments:		
Claims payments attributed to insured events of current year	143,472	129,639
Claims payments attributed to insured events of prior years	19,050	14,363
Total Payments	162,522	144,002
Claim liability, end of year	$ 21,726	$ 15,516

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $1.0 million and $275 thousand for the UA System and ASU, respectively.
The plans have not purchased any annuity contracts on behalf of claimants.

(h) Arkansas State Police Health Insurance Plan

Pursuant to Arkansas Code Annotated § 12-8-210, the Arkansas State Police offers health care benefits to active uniformed members and retirees. The Arkansas State Police Human Resource section serves as Plan Administrator. A contracted third party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the Plan. Health care benefits are funded by employer and retired employee contributions and Act 1500 of 2001. Act 1500 stipulates that for every Arkansas driver’s license sold, $6 of the license fee is used to fund the Arkansas State Police Health Plan. The Plan is partially self-funded; reinsurance stop loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the Arkansas State Police with final approval by the Arkansas State Police Commission. The Arkansas State Police Commission is authorized by Arkansas Code Annotated § 12-8-210 to direct the Plan. The current monthly budgeted premium, set on July 1, 2015, is $410 per budgeted civilian position and $821 per budgeted commissioned position.

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

Liabilities for claims incurred but not reported are included in the Arkansas State Police Health Insurance Plan. These liabilities exist because the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the agency cross reporting periods. The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2015, are as follows (expressed in thousands):

	2015	2014
Claim liability, beginning of year	$ 1,408	$ 699
Incurred claims:		
Provision for insured events of current year	13,838	11,224
Increase (decrease) in provision for insured events of prior years	(756)	334
Total incurred claims and claim adjustment expense	13,082	11,558
Payments:		
Claims payments attributed to insured events of current year	12,989	9,816
Claims payments attributed to insured evens of prior years	652	1,033
Total payments	13,641	10,849
Claim liability, end of year	$ 849	$ 1,408

(18) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, its agencies and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs and other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $1.0 million for the payment of such claims. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $34.6 million.

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

	2015	2014
Litigation, beginning of year	$ 1,316	$ 2,012
Incurred litigation	2,836	2,177
Litigation payments/dismissals	(3,140)	(2,873)
Litigation, end of year	$ 1,012	$ 1,316

(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, 2015, the amount of expenditures which may be disallowed by the grantor cannot be determined, although the State expects such amounts, if any, to be immaterial.

(c) Loan Forgiveness

In compliance with terms of the Little Rock School District desegregation case settlement agreement of 1989, the State loaned $20.0 million to the Little Rock School District (LRSD) between the dates of July 1, 1989, and July 1, 1999. On March 19, 2001, the State and the LRSD executed an agreement in which $15.0 million of the loans made to the district was immediately forgiven and the remaining $5.0 million would be forgiven if the district obtained complete unitary status and release from federal court supervision on or before July 1, 2004. The remaining loans were to be amortized over a 20-year period beginning seven years following the execution of the loan with an interest rate of 3.0% per annum. The LRSD did not meet the requirements, and in 2005, began payments on the loans. A settlement was reached during fiscal year 2014, ordering all prior agreements under the 1989 Settlement Agreement to cease as of June 30, 2014 forgiving the State’s loan receivable and obligating the State to pay the Pulaski County Special School District, the Little Rock School District and the North Little Rock School District $65.8 million each year through June 30, 2018.

(d) Construction and Other Commitments

At June 30, 2015, the State has commitments of approximately $834.5 million for construction and other contracts and approximately $50.0 million for professional service contracts. The Arkansas Natural Resource Commission has approved $11.8 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2015.

(e) Bond Guarantees

The Arkansas Economic Development Commission (AEDC) Bond Reserve Guarantee Fund is used to guarantee principal and interest on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2015, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $40.3 million. As of June 30, 2015, one (1) of these loans underlying these issues was in default with a total of $300 thousand for which AEDC is paying debt service on the related guaranteed bonds as the bonds become due.

(f) Tobacco Settlement

In November 1998, the Attorney General joined 46 other states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $206.0 billion over the next 25 years and continues in perpetuity. All disbursements from the Master Settlement Agreement were initially deposited to the Tobacco Settlement Cash Holding Account. In 2001, funds were distributed to various accounts within the General Fund, including the Arkansas Healthy Century Trust Account, in the amount needed to bring the principal balance to $100.0 million, and the remainder was distributed to the Tobacco Settlement Program Account. For 2002 and thereafter, the first $5.0 million must be distributed to the Tobacco Settlement Debt Service Account, and the amounts remaining are distributed to the Tobacco Settlement Program Account.

The Arkansas Tobacco Settlement Commission, created by the Arkansas Tobacco Settlement Funds Act of 2000, is directed to monitor and evaluate programs established in the Tobacco Proceeds Act, to establish program goals for related programs and to develop performance indicators to monitor programmatic functions to ensure optimal impact on improving the health of Arkansans. The programs include prevention and cessation programs, targeted state needs programs, health issues with specific emphasis on smoking and the use of tobacco products, and the Medicaid Expansion program.

In fiscal year 2006, the Arkansas Development Finance Authority (the Authority) issued $36.8 million in Tobacco Settlement Revenue Bonds. The Authority has made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10%, and principal and accumulated interest are payable beginning in 2021 through 2031 for $22.2 million of serial bonds and beginning in 2036 through 2046 for $14.6 million of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and the Authority, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the Debt Service Revenues are insufficient to make such payments. Management believes the Debt Service Revenues will be sufficient to service the entire principal and interest due. The latest *Global Insights USA, Inc.* report, prepared in August 2006 on the *Forecast of U.S. Cigarette Consumption (2004-2046),* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received $60.1 million from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046 with the first $5.0 million dedicated to pay the debt service on the above bond issue. If Debt

Service Revenues would have been considered insufficient at June 30, 2015, the University would have incurred a liability of $57.3 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 2015. In fiscal year 2015, the State recorded a total of $49.7 million, with $5.0 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

(g) Business Incentives

The Create Rebate program is authorized by the Consolidated Incentives Act of 2003 (Arkansas Code Annotated § 15-4-2701 et. seq.). Financial incentive agreements are offered to non-retail, for-profit businesses in highly competitive circumstances at the discretion of the director of the Arkansas Economic Development Commission. The agreements can be offered for a period of up to 10 years. Cash payments are based on a company's annual payroll for new, full-time permanent employees. To be eligible for payment, a company is required to maintain a minimum payroll of $2.0 million annually for new, full-time permanent employees and file a claim with the Department of Finance and Administration. No claims may be filed until the minimum annual payroll of $2.0 million is met. The threshold must be met within 24 months of inception of the agreement. The State has accrued liabilities in the approximate amount of $110.2 million for the Create Rebate Business Incentive.

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

	2015	2014
Business incentives, beginning of year	$ 126,636	$ 122,641
Incurred business incentives, net of allowance	20,740	40,374
Business incentives payments/dismissals	(37,185)	(36,379)
Business incentives, end of year	$ 110,191	$ 126,636

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, 2015, there were $8 thousand of accrued liabilities for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate there is no liability at June 30, 2015.

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

	2015	2014
Litigation, beginning of year	$ 45	$ 72
Incurred litigation	126	118
Litigation payments/dismissals	(163)	(145)
Litigation, end of year	$ 8	$ 45

(b) Construction and Other Commitments

Higher Education

At June 30, 2015, the State has commitments in its business-type activities of approximately $141.7 million for construction and other contracts and approximately $3.9 million for professional service contracts.

Office of the Arkansas Lottery

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) contracts with vendors for its online lottery game services, instant ticket lottery game services and gaming system. These services are incurred as a percentage of sales and as such, future obligations cannot be easily determined. OAL has a seven-year contract with these vendors that expires in 2016. Total fees paid on these contracts for the fiscal year ended June 30, 2015, was $20.5 million.

Fiduciary Fund Activities

Litigation

Arkansas State Police Retirement System

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

Component Unit Activities

Construction and Other Commitments

Arkansas Student Loan Authority

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

Arkansas Development Finance Authority

Arkansas Development Finance Authority (ADFA) has $23.8 million of amounts recorded as cash and investments in the statement of net position that may be disbursed under loan and lease agreements closed prior to June 30, 2015.

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, 2015, was $27.5 million. There were eleven approved investments as of June 30, 2015, totaling $37.2 million, of which $9.6 million has yet to be funded, that are anticipated to become part of the AIF.

(19) Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (a) an ongoing financial interest or (b) an ongoing financial responsibility. During the fiscal year ended June 30, 2015, the Department of Finance and Administration Office of the Arkansas Lottery (OAL) was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL). Also, during the fiscal year ended June 30, 2015, the OAL terminated a joint venture agreement with the Decades of Dollars Consortium as described below:

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. During the fiscal year ended June 30, 2015, the MUSL added the MONOPOLY ™ Millionaires' Club online game and the Lucky for Life online game to the member lotteries for the joint sales of those games. The chief executive officer of each member lottery serves on the MUSL Board of Directors. The MUSL is audited annually by a separate independent audit firm.

As a member of the MUSL, the OAL is required to contribute to various prizes reserve funds for Powerball®, Mega Millions® and MONOPOLY ™ Millionaires' Club maintained by the MUSL. The prizes reserve funds serve as a contingency reserve to protect the MUSL and its member state lotteries from unforeseen prizes payment liabilities. The MUSL periodically reallocates the prizes reserve funds among the member state lotteries based on relative Powerball®, Mega Millions® and MONOPOLY ™ Millionaires' Club sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave the MUSL. As of June 30, 2015, the OAL had reserve fund deposits with the MUSL of $1.8 million.

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

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2015, is summarized below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 27,100	$ 13,017
Mega Millions®	15,158	7,344
MONOPOLY™ Millionaires Club	389	327
Lucky for Life	2,013	1,291

MONOPOLY ™ Millionaires' Club

On September 2, 2014, the MUSL entered into an agreement with the MDI Entertainment, LLC/Scientific Games International, Inc. for the sale of lottery tickets for a new online game called "MONOPOLY ™ Millionaires' Club." As a member of the MUSL, the OAL was then allowed to sell tickets for the MONOPOLY ™ Millionaires' Club game. Lottery ticket sales for MONOPOLY ™ Millionaires' Club commenced on October 19, 2014. However, the MONOPOLY ™ Millionaires' Club tickets did not sell as well as expected and sales for that game were ended by the MUSL on December 26, 2014.

Lucky for Life

On October 8, 2014, the OAL entered into another contract with the MUSL to sell an online game called "Lucky for Life." Ticket sales for Lucky for Life commenced on January 27, 2015. 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.

Decades of Dollars Consortium

On May 3, 2011, the OAL joined the Decades of Dollars Consortium comprised of the Georgia Lottery Corporation, Kentucky Lottery Corporation and the State of Virginia Lottery to participate in a multi-state lottery game entitled "Decades of Dollars", which was operated by the State of Virginia Lottery. The chief officials of each member lottery served as the Decades of Dollars Consortium Executive Committee. For Decades of Dollars, each lottery in the consortium annually subjected transactions, accounts and processes to a test of agreed upon procedures by an independent auditor in its state. During fiscal year ended June 15, 2014, the OAL notified the

Decades of Dollars Consortium of its intent to withdraw from the consortium at a date subsequent to the end of fiscal year 2014. The member lotteries, other than the State of Virginia Lottery, also announced their intent to withdraw from the consortium. It was then agreed by the members of the consortium that ticket sales for the Decades of Dollars game would end after the drawing of October 16, 2015.

The OAL's portion of revenues for Decades of Dollars game for the fiscal year ended June 30, 2015, was $613 thousand. Due to the termination of ticket sales for the game, the subsequent amount of unclaimed prizes and the charge off of excess game reserves for Decades of Dollars resulted in a negative prizes expense of $(394) thousand for fiscal year 2015.

(20) Subsequent Events

Primary Government

Governmental Activities

Arkansas Building Authority

Arkansas Building Authority became part of the Department of Finance & Administration (DFA) on July 1, 2015 and is now known as DFA – Division of Building Authority (DBA).

On October 22, 2015, the Arkansas Development Finance Authority (ADFA) issued the $2.7 million State Agencies Facilities Refunding Bonds (Justice Building Project), Series 2015. The purpose of the bonds is to refund a portion of the Series 2005 bonds related to the Justice Building Project. At June 30, 2015, the Series 2005 bonds had a balance of $4.5 million. The bonds are secured by rental payments made to ADFA from DBA.

Arkansas Natural Resources Commission

In September 2015, the Arkansas Natural Resources Commission voted to convert the remaining Bayou Meto Water Management Project loan amount of $5.4 million to a grant. The project is a joint effort between state agencies, federal agencies and private entities. Its main objective is the development of an improvement plan that addresses flood control, groundwater conservation, water supply, waterfowl management and environmental enhancement in the Bayou Meto Wildlife Management Area.

Arkansas Department of Correction

On October 22, 2015, AFDA issued the $7.3 million State Agencies Facilities Refunding Bonds (Arkansas Department of Correction Project), Series 2015. The purpose of the bonds is to refund the Series 2005-A bonds, which were issued to refund the Series 1999 bonds, which were originally issued for the purpose of financing the costs of acquiring, constructing and equipping of certain prison facilities. The bonds are secured by rental payments.

Business-Type Activities

Arkansas State University – Jonesboro Campus

On August 27, 2015, the Board of Trustees approved the Wilson Hall renovation project and related financing. The renovation project includes the reconfiguration of the building infrastructure for new laboratories and learning environments, plus life and safety, technology and Americans with Disabilities Act improvements. The New York Institute of Technology

(NYIT) will lease Wilson Hall to provide appropriate space for the new Doctor of Osteopathy program. The cost of the project is expected to be $12.6 million. On November 5, 2015, the University borrowed $8.0 million at an interest rate of 2.97% for a term of 8 years for the project. The University has entered into $8.8 million in contracts after June 30, 2015, for these renovations.

On August 27, 2015, the lease agreement with the Red Wolves Foundation was modified to secure an additional $4.0 million in financing for the Centennial Bank Stadium expansion project, bringing the total amount of the lease to $17.0 million.

Arkansas Tech University

On November 1, 2015, Student Fee Revenue Improvement Bonds were issued in the amount of $2.0 million to finance the replacement and upgrading of equipment in the University's Computer Center.

University of Arkansas

On July 31, 2015, the University refinanced three existing installment contract agreements. All three financing arrangements facilitated the University's energy savings projects. The first agreement, dated October 15, 2008, had an outstanding balance of $4.8 million on July 31, 2015. The second agreement, dated December 19, 2008, and the third agreement dated April 8, 2010, had outstanding balances of $16.6 million and $6.7 million, respectively, on July 31, 2015. The three new agreements are in the amounts of $4.9 million, $16.9 million and $6.8 million. The guaranteed energy savings over a 13-year period will cover the cost of building improvements.

On August 27, 2015, the University issued Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Series 2015B in the amount of $7.5 million and Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus), Refunding Series 2015C in the amount of $36.7 million. The Series 2015B bonds provide resources for three separate construction and renovation projects on the University campus. These projects include two residence facilities occupied by campus Greek organizations and construction of a high pressure pipeline to supply natural gas to the campus.

The proceeds from Series 2015C bonds along with a cash contribution from the University of $7.0 million were used to fund an escrow account set up to pay the principal, due November 1, 2015, of the Various Facility Revenue Bonds (Fayetteville Campus), Refunding Series 2005B, and to redeem the Series 2005B bonds maturing thereafter in whole on November 1, 2015.

Pulaski Technical College

On July 1, 2015, the College issued $25.9 million in Student Tuition and Fee Revenue Refunding Bonds, Series 2015. The refinancing of Series 2004 and Series 2006 Tuition and Fees Revenue Bonds in the amounts of $13.6 million and $13.0 million, respectively, was approved by the Board of Trustees at its June 17, 2015, meeting. The purpose of the refunding was to take advantage of savings on debt service over the life of the bonds to create more cash flow for the college. The original Series 2004 and Series 2006 funded the Campus Center, the Little Rock South and the Little Rock West locations.

Ozarka College

On August 6, 2015, Ozarka College issued Student Tuition and Fee Revenue Refunding Bonds, Series 2015, for the amount of $3.2 million. The bonds were issued to refund the Series 2002 bonds. The 2002 bonds were issued to finance the construction of the facilities in Ash Flat and Mountain View and to make renovations to the main campus in Melbourne.

Office of the Arkansas Lottery

At the request of the Arkansas Department of Higher Education (ADHE), on September 11, 2015, and September 30, 2015, payments of $33.0 million and $9.0 million, respectively, were made from the Education Trust Account to ADHE for payment of scholarships.

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Required Supplementary Information

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

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

	2015	2014 to 2006
Total Pension Liability		N/A
Service Cost	$ 5,342	
Interest	14,883	
Differences between expected and actual experience	12,970	
Changes of assumptions	24,290	
Benefit payments	(10,763)	
Refunds	(14)	
Net changes in total pension liability	46,708	
Total pension liability - beginning	208,006	
Total pension liability - ending (a)	$ 254,714	
Plan Fiduciary Net Position		
Employer contributions	$ 5,690	
Employee contributions	946	
Net investment income	9,972	
Benefit payments	(10,763)	
Refunds	(14)	
Administrative expense	(138)	
Net change in plan fiduciary net position	5,693	
Plan fiduciary net position - beginning	217,431	
Plan fiduciary net position - ending (b)	$ 223,124	
State's net pension liability - ending (a-b)	$ 31,590	
Plan fiduciary net position as a percentage of total pension liability	87.60%	
Covered-employee payroll	$ 22,308	
Net pension liability as percentage of covered-employee payroll	141.61%	

Notes to Schedule

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

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

	2015	2014 to 2006
Total Pension Liability		N/A
Service Cost	$ 6,102	
Interest	29,219	
Differences between expected and actual experience	(3,107)	
Changes of assumptions	8,703	
Benefit payments	(23,359)	
Net changes in total pension liability	17,558	
Total pension liability - beginning	385,645	
Total pension liability - ending (a)	$ 403,203	
Plan Fiduciary Net Position		
Employer contributions	$ 19,784	
Employee contributions	95	
Net investment income	6,132	
Benefit payments	(23,359)	
Administrative expense	(196)	
Net change in plan fiduciary net position	2,456	
Plan fiduciary net position - beginning	277,202	
Plan fiduciary net position - ending (b)	$ 279,658	
State's net pension liability - ending (a-b)	$ 123,545	
Plan fiduciary net position as a percentage of total pension liability	69.36%	
Covered-employee payroll (1)	$ 29,929	
Net pension liability as a percentage of covered-employee payroll	412.79%	

Notes to Schedule

(1) In 2015, covered-employee payroll used an estimate of average annual payroll for DROP participants of $75,000.

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

Required Supplementary Information
Arkansas State 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)

	2015	2014 to 2006
Total Pension Liability		N/A
Service Cost	$ 16,863	
Interest	112,962	
Benefit payments, including refunds of employee contributions	(95,455)	
Net changes in total pension liability	34,370	
Total pension liability - beginning	1,450,566	
Total pension liability - ending (a)	$ 1,484,936	
Plan Fiduciary Net Position		
Employer contributions	$ 18,615	
Employee contributions	8,884	
Net investment income	234,209	
Benefit payments, including refunds of employee contributions	(95,455)	
Administrative expense	(43)	
Net change in plan fiduciary net position	166,210	
Plan fiduciary net position - beginning	1,326,022	
Plan fiduciary net position - ending (b)	$ 1,492,232	
State's net pension liability - ending (a-b)	$ (7,296)	
Plan fiduciary net position as a percentage of total pension liability	100.49%	
Covered-employee payroll (2)	$ 137,262	
Net pension liability as a percentage of covered-employee payroll	(5.32)%	

Notes to Schedule

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

(2) In 2015, covered-employee payroll used an estimate of average annual payroll for DROP participants of $75,000.

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

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

	2015	2014	2013
Actuarially determined contribution	$ 5,690	$ 6,117	$ 5,672
Contributions in relation to the actuarially determined contribution	5,690	6,117	5,672
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered-employee payroll	$ 22,308	$ 19,872	$ 19,586
Contributions as a percentage of covered-employee payroll	25.51%	30.78%	28.96%

Notes to Schedule
Valuation date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	28 years
Asset valuation method	4-year smoothed market, 25% corridor
Inflation	2.50% price inflation
Salary increases	3.25%
Investment rate of return	6.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2000 mortality tables projected to 2020 using projection scale BB

Other information:

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

	2012		2011		2010		2009		2008		2007		2006
$	5,465	$	5,221	$	4,668	$	4,467	$	5,145	$	5,182	$	4,905
	5,465		5,221		4,668		4,467		5,145		5,182		4,905
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	19,202	$	19,338	$	18,630	$	18,875	$	18,074	$	17,334	$	17,009
	28.46%		27.00%		25.06%		23.67%		28.47%		29.90%		28.84%

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

	2015	2014	2013
Actuarially determined contribution	$ 14,200	$ 14,000	$ 13,600
Contributions in relation to the actuarially determined contribution	19,800	19,500	19,500
Contribution deficiency (excess)	$ (5,600)	$ (5,500)	$ (5,900)
Covered-employee payroll	$ 29,900	$ 29,100	$ 28,100
Contributions as a percentage of covered-employee payroll	66.22%	67.01%	69.40%

Notes to Schedule
Valuation date: June 30, 2015

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	24 years
Asset valuation method	4-year smoothed market
Inflation	2.50% price inflation
Salary increases	3.25% to 10.25% including inflation
Investment rate of return	7.50%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Based on RP-2000 Combined Healthy mortality table, projected to 2020 using projection scale BB, set forward 2 years for males and 1 year for females, with an approximate 14% margin for future mortality improvement.

Other information:

There were no benefit changes during the year.

	2012	2011	2010	2009	2008	2007	2006
	$ 14,100	$ 12,600	$ 12,700	$ 10,500	$ 10,000	$ 9,900	$ 10,000
	19,700	14,100	20,500	12,100	11,700	11,500	9,600
	$ (5,600)	$ (1,500)	$ (7,800)	$ (1,600)	$ (1,700)	$ (1,600)	$ 400
	$ 29,500	$ 28,200	$ 28,500	$ 27,600	$ 26,400	$ 24,600	$ 24,200
	66.78%	50.00%	71.93%	43.84%	44.32%	46.75%	39.67%

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

	2015	2014	2013 to 2006
Statutorily determined contribution	$ 19,059	$ 18,615	N/A
Contributions in relation to the statutorily determined contribution	19,059	18,615	
Contribution deficiency (excess)	$ 0	$ 0	
Covered-employee payroll	$ 140,544	$ 137,262	
Contributions as a percentage of covered-employee payroll	13.56%	13.56%	

Notes to Schedule

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

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)

		2015	2014 to 2006
State's proportion of the net pension liability (asset)		67.64%	N/A
State's proportionate share of the net pension liability (asset)	$	959,763	
State's covered-employee payroll	$	1,112,157	
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll		86.30%	
Plan fiduciary net position as a percentage of the total pension liability		84.15%	

Notes to Schedule

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

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

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

	2015	2014 to 2006
State's proportion of the net pension liability (asset)	4.29%	N/A
State's proportionate share of the net pension liability (asset)	$ 112,517	
State's covered-employee payroll	$ 119,484	
State's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	94.17%	
Plan fiduciary net position as a percentage of the total pension liability	84.98%	

Notes to Schedule

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

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

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

	2015	2014	2013 to 2006
Statutorily determined contribution	$ 175,750	$ 177,950	N/A
Contributions in relation to the statutorily determined contribution	175,750	177,950	
Contribution deficiency (excess)	$ 0	$ 0	
Covered-employee payroll	$ 1,112,157	$ 1,105,688	
Contributions as a percentage of covered-employee payroll	15.80%	16.09%	

Notes to Schedule

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

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

	2015	2014	2013 to 2006
Statutorily determined contribution	$ 17,118	$ 17,352	N/A
Contributions in relation to the statutorily determined contribution	17,118	17,352	
Contribution deficiency (excess)	$ 0	$ 0	
Covered-employee payroll	$ 119,484	$ 121,357	
Contributions as a percentage of covered-employee payroll	14.33%	14.30%	

Notes to Schedule

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

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2015
(Expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget – Positive
	Original	Final	Amounts	(Negative)
Expenditures (1)				
Current:				
General government	$ 6,012,368	$ 6,096,056	$ 1,989,622	$ 4,106,434
Education	4,039,917	4,140,285	3,668,260	472,025
Health and human services	8,646,163	8,192,477	7,726,179	466,298
Law, justice and public safety	943,096	974,674	774,618	200,056
Recreation and resource development	443,440	469,024	293,572	175,452
Regulation of business and professionals	188,747	227,441	128,176	99,265
Transportation	563,565	624,698	467,951	156,747
Debt service	171,793	261,995	163,793	98,202
Capital outlay	1,493,503	1,378,406	796,693	581,713
Total expenditures	$ 22,502,592	$ 22,365,056	$ 16,008,864	$ 6,356,192

(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, 2015

(a) Budgetary Basis of Accounting

The State's budget is adopted in accordance with a statutory cash basis of accounting, which is not in accordance with Generally Accepted Accounting Principles (GAAP). Revenues are recognized when cash is received and deposited in the State Treasury or reported to the Department of Finance and Administration (DFA). Expenditures are recorded when cash is disbursed. If goods or services are not received before year end, all encumbrances lapse, except those appropriations for multi-year projects.

(b) Budgetary Basis Reporting – Budgetary Process

State finance law requires that a balanced line item expenditure budget be approved by the Governor and the General Assembly. The Governor presents an annual budget to the General Assembly. The General Assembly, which has full authority to amend the budget, adopts a line item expenditure budget by appropriating monies in annual appropriation acts. Before signing the appropriation act, the Governor may veto any specific item, subject to legislative override.

The original appropriation may be adjusted by several items subsequent to the appropriation act. The adjustment items may be supplemental appropriations or subsequent legislative acts, revisions to the forecast of available resources, restrictions on spending by Executive Order and carryforward provisions.

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

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding line item expenditure appropriations in order to comply with the State law prohibiting deficit spending. The Governor may restrict spending to a level below appropriation amounts. The State uses specific funds (i.e., general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all general revenue receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and the DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by the DFA and 1½% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and the DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

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

Pursuant to the Stabilization Law, the General Assembly established three levels of priority for general revenue spending levels, "A", "A1" and "B." Successive levels of appropriations are funded only in the event sufficient revenues have been generated to fully fund any prior level. Accordingly, appropriations made to programs and agencies are only maximum authorizations to spend. Actual expenditures are limited to the lesser of monies flowing into programs or agencies' funds maintained by the Treasurer or the maximum appropriation by the General Assembly.

The majority of the State's appropriations are noncontinuing accounts which lapse at the end of each fiscal year. Others are continuing accounts for which the General Assembly has authorized that an unspent balance from the prior year be carried forward and made available for current spending. In addition, the General Assembly may direct that certain revenues be retained and made available for spending within a specific appropriation account.

The rate of spending of appropriations is controlled by the DFA. The DFA utilizes quarterly allotments which restrict spending to a certain percentage of the annual appropriation. The percentage is established to coincide with the expected actual rate of revenue collections, thereby ensuring adequate cash flow throughout the year. The funded portion of the quarterly allotment is then made available for expenditure, and the remainder is blocked.

The DFA has the responsibility to ensure that budgetary spending control is maintained on an individual appropriation classification basis. Appropriation classifications are subdivisions of appropriations, which define the purposes for which the appropriation can be used and restrict the amount of expenditures for the various classifications to amounts established in the appropriation acts. Appropriation classifications may include regular salaries, extra help, overtime, maintenance and general operation, personal services matching, conference and travel expenses, professional fees, capital outlay, data processing, grants assistance and special aid, construction and permanent improvements, and other special classifications. Budgetary control is maintained through the Arkansas Administrative Statewide Information System (AASIS). AASIS ensures that expenditures are not processed if they exceed the appropriation classification total available spending authorization, which is considered its budget. Generally, expenditures may not exceed the level of spending authorized. However, the Arkansas law authorizes the DFA to transfer specific holding appropriations when other sources of funding are received, such as a federal grant.

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

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

Total GAAP basis expenditures General Fund	$	16,182,838
Less non-cash federal grant expenditures		(755,736)
Less non-appropriated expenditures		(6,526,979)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		6,477,416
Plus refunds treated as reduction of revenue for financial statements purposes		685,151
Less new capital leases recorded in appropriated funds		(135)
Less basis of accounting differences		(53,691)
Total statutory basis expenditures General Fund	$	16,008,864

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

	2006	2007	2008	2009
Premium and investment revenues:				
Premium income	$ 230,564,982	$ 230,141,726	$ 239,686,872	$ 252,028,277
Investment interest income	1,570,234	2,352,048	2,482,253	1,322,380
Totals	$ 232,135,216	$ 232,493,774	$ 242,169,125	$ 253,350,657
Unallocated expenses:				
Operating costs	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196
Reinsurance premium expense	0	0	0	0
Totals	$ 1,175,832	$ 1,703,938	$ 4,288,268	$ 5,569,196
Estimated incurred claims and expenses, end of fiscal year	$ 220,169,782	$ 236,300,587	$ 208,506,000	$ 235,781,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	198,419,782	213,550,587	185,756,000	211,281,000
One year later	219,834,832	235,854,687	207,975,925	235,244,450
Two years later	220,245,907	236,359,737	208,449,125	235,757,056
Re-estimated incurred claims and expenses (2):				
End of fiscal year	220,169,782	236,300,587	208,506,000	235,781,000
One year later	220,169,782	236,300,587	208,506,000	235,781,000
Two years later	220,169,782	236,300,587	208,506,000	235,781,000
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	47,268	48,846	50,370	50,277

(1) Government Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Activities, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Public School Employee Health and Life Benefit Plan and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

(2) Because the Public School Employee Health and Life Benefit Plan is not restating Claims IBNR each year, the re-estimated incurred claims and expenses remain the original estimate.

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

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

	2006	2007	2008	2009
Premium and investment revenues:				
Premium income	$ 8,326,813	$ 7,536,378	$ 9,016,067	$ 9,075,784
Investment interest income	4,055,947	6,098,515	6,325,923	3,590,255
Totals	$ 12,382,760	$ 13,634,893	$ 15,341,990	$ 12,666,039
Unallocated expenses:				
Operating costs (2)	$ 123,637	$ 129,292	$ 120,693	$ 271,386
Estimated incurred claims and expenses, end of fiscal year	$ 10,612,346	$ 11,605,274	$ 10,896,034	$ 6,619,914
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	45,000	40,000	23,750	20,000
Two years later	60,000	116,115	53,750	20,000
Three years later	258,442	456,230	188,555	20,000
Four years later	666,938	963,169	493,486	20,000
Five years later	1,527,999	1,840,785	896,344	20,000
Six years later	2,435,131	2,903,214	1,415,712	35,164
Seven years later	3,464,800	4,083,936	2,113,422	
Eight years later	4,463,763	5,308,731		
Nine years later	5,484,642			
Re-estimated incurred claims and expenses:				
End of fund year	5,146,235	3,606,231	3,135,931	2,675,997
One year later	6,578,501	6,720,442	7,448,896	4,215,186
Two years later	9,955,357	11,299,265	9,810,061	5,837,915
Three years later	12,165,161	12,884,190	11,188,480	5,718,497
Four years later	14,248,771	14,829,242	14,777,103	5,673,165
Five years later	12,526,550	9,263,930	6,920,424	2,800,589
Six years later	22,168,949	20,919,814	11,379,566	3,129,967
Seven years later	20,179,548	23,051,323	15,499,572	
Eight years later	20,690,754	22,893,746		
Nine years later	19,599,550			
Increase (decrease) in estimated incurred claims and expense from end of policy year	8,987,204	11,288,472	4,603,538	(3,489,947)
Number of fund participants receiving benefits at end of year	1,336	1,342	1,356	1,349

(1) Government Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Activities, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Public School Employee Health and Life Benefit Plan and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

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

	2010	2011	2012	2013	2014	2015
	$ 8,226,832	$ 7,390,622	$ 10,462,123	$ 8,867,656	$ 5,588,765	$ 8,642,283
	2,315,616	1,701,541	970,017	731,425	573,589	515,618
	$ 10,542,448	$ 9,092,163	$ 11,432,140	$ 9,599,081	$ 6,162,354	$ 9,157,901
	$ 285,513	$ 257,079	$ 274,375	$ 248,942	$ 247,135	$ 227,326
	$ 5,640,789	$ 6,413,633	$ 7,645,295	$ 7,037,748	$ 7,593,766	$ 6,706,673
	0	0	0	0	0	0
	0	0	0	0	0	
	0	0	0	0		
	0	20,000	50,000			
	0	0				
	3,268					
	2,546,952	3,904,725	3,312,740	1,268,529	1,416,083	2,600,334
	6,118,056	7,110,289	4,740,760	3,500,691	3,051,235	
	6,897,305	8,706,668	5,986,391	4,863,077		
	7,219,746	8,585,328	5,202,993			
	8,159,307	9,497,819				
	8,192,191					
	2,551,402	3,084,186	(2,442,302)	(2,174,671)	(4,542,531)	(4,106,339)
	1,454	1,501	1,481	1,474	1,442	1,403

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

	2006	2007	2008	2009
Premium and investment revenues:				
Premium taxes	$ 3,620,160	$ 2,763,390	$ 1,327,517	$ 1,082,496
Interest income	74,445	101,278	91,863	35,500
Totals	$ 3,694,605	$ 2,864,668	$ 1,419,380	$ 1,117,996
Unallocated expenses:				
Operating costs (2)	$ 584,142	$ 583,796	$ 642,794	$ 582,490
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount period	$ 4,390,195	$ 4,156,673	$ 1,979,368	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later	51,755	169,875	0	0
Two years later	449,159	625,574	0	0
Three years later	766,086	672,724	0	0
Four years later	899,440	679,624	0	0
Five years later	912,715	679,624	0	0
Six years later	972,818	746,562	0	0
Seven years later	993,180	757,902	0	
Eight years later	1,008,667	774,912		
Nine years later	1,008,667			
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later	51,755	169,875	0	0
Two years later	449,159	625,574	0	0
Three years later	933,751	672,724	0	0
Four years later	899,440	679,624	0	0
Five years later	912,715	679,624	0	0
Six years later	1,186,548	1,043,741	0	0
Seven years later	1,264,346	757,902	0	
Eight years later	1,008,667	774,912		
Nine years later	1,008,667			
Increase (decrease) in estimated incurred claims and expense from end of policy year	(3,381,528)	(3,381,761)	(1,979,368)	0
Number of fund participants receiving benefits at end of year	128	119	112	109

(1) Government Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Activities, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Public School Employee Health and Life Benefit Plan and also provides certain other required information. This schedule provides ten-year claim development information for the program as described by Statement No. 10, as amended.

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

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

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

Plan	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Accrued Liability	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
Arkansas Northeast College	7/1/2010	$ 0	$ 316	$ 316	0.0%	$ 8,509	4%
	7/1/2013	0	480	480	0.0%	6,604	7%
	7/1/2015	0	604	604	0.0%	8,231	7%
Arkansas State University	7/1/2011	0	11,981	11,981	0.0%	101,214	12%
	7/1/2012	0	12,921	12,921	0.0%	100,382	13%
	7/1/2013	0	15,342	15,342	0.0%	105,129	15%
Arkansas Tech University	7/1/2009	0	9,093	9,093	0.0%	38,868	23%
	7/1/2011	0	8,272	8,272	0.0%	43,697	19%
	7/1/2013	0	8,907	8,907	0.0%	38,260	23%
Black River Technical College	7/1/2007	0	454	454	0.0%	4,948	9%
	7/1/2010	0	572	572	0.0%	5,608	10%
	7/1/2013	0	819	819	0.0%	7,284	11%
East Arkansas Community College	7/1/2007	0	389	389	0.0%	7,214	5%
	7/1/2009	0	354	354	0.0%	5,252	7%
	7/1/2012	0	481	481	0.0%	5,617	9%
Ozarka College	7/1/2009	0	282	282	0.0%	3,737	8%
	7/1/2011	0	279	279	0.0%	4,363	6%
	7/1/2013	0	336	336	0.0%	4,778	7%
Henderson State University	7/1/2011	0	2,750	2,750	0.0%	20,292	14%
	7/1/2012	0	2,800	2,800	0.0%	23,197	12%
	7/1/2013	0	2,765	2,765	0.0%	21,019	13%
Mid South Community College	7/1/2007	0	295	295	0.0%	6,314	5%
	7/1/2010	0	334	334	0.0%	6,877	5%
	7/1/2013	0	389	389	0.0%	6,393	6%
North Arkansas College	7/1/2009	0	201	201	0.0%	6,885	3%
	7/1/2011	0	223	223	0.0%	6,784	3%
	7/1/2013	0	183	183	0.0%	6,820	3%
National Park Community College	7/1/2009	0	372	372	0.0%	10,572	4%
	7/1/2011	0	391	391	0.0%	11,486	3%
	7/1/2013	0	324	324	0.0%	11,666	3%
Northwest Arkansas Community College	7/1/2009	0	261	261	0.0%	10,354	3%
	7/1/2011	0	312	312	0.0%	26,390	1%
	7/1/2013	0	283	283	0.0%	27,624	1%
Pulaski Technical College	7/1/2009	0	776	776	0.0%	15,148	5%
	7/1/2011	0	741	741	0.0%	19,585	4%
	7/1/2013	0	883	883	0.0%	20,784	4%
Rich Mountain Community College	7/1/2007	0	725	725	0.0%	3,052	24%
	7/1/2010	0	661	661	0.0%	3,956	17%
	7/1/2013	0	688	688	0.0%	3,934	17%
South Arkansas Community College	7/1/2009	0	277	277	0.0%	7,328	4%
	7/1/2011	0	292	292	0.0%	8,022	4%
	7/1/2013	0	327	327	0.0%	8,045	4%
Southern Arkansas University - Technical Branch	7/1/2007	0	468	468	0.0%	5,853	8%
	7/1/2010	0	612	612	0.0%	6,619	9%
	7/1/2013	0	688	688	0.0%	7,095	10%
Southern Arkansas University	7/1/2011	0	3,571	3,571	0.0%	17,200	21%
	7/1/2012	0	2,247	2,247	0.0%	18,361	12%
	7/1/2013	0	2,250	2,250	0.0%	18,258	12%
University of Arkansas of Fort Smith	7/1/2009	0	789	789	0.0%	27,108	3%
	7/1/2011	0	919	919	0.0%	29,919	3%
	7/1/2013	0	760	760	0.0%	30,139	3%
University of Arkansas System Self-Funded Plan	7/1/2012	0	58,874	58,874	0.0%	1,024,457	6%
	7/1/2013	0	52,311	52,311	0.0%	1,057,392	5%
	7/1/2014	0	72,780	72,780	0.0%	1,120,191	6%
University of Arkansas System AHEC Benefits	7/1/2009	0	422	422	0.0%	14,841	3%
	7/1/2011	0	428	428	0.0%	16,200	3%
	7/1/2013	0	428	428	0.0%	16,233	3%
University of Central Arkansas	7/1/2011	0	2,722	2,722	0.0%	66,112	4%
	7/1/2012	0	2,740	2,740	0.0%	67,038	4%
	7/1/2013	0	2,550	2,550	0.0%	67,882	4%
Arkansas State Police	7/1/2011	0	102,558	102,558	0.0%	42,707	240%
	7/1/2012	0	103,259	103,259	0.0%	44,844	230%
	7/1/2013	0	104,137	104,137	0.0%	42,846	243%
Arkansas Employee Benefits Plan	7/1/2010	0	1,684,000	1,684,000	0.0%	1,346,374	125%
	7/1/2012	0	1,953,192	1,953,192	0.0%	1,462,114	134%
	7/1/2014	0	1,675,964	1,675,964	0.0%	1,422,486	118%

Combining Financial Statements


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

NON-MAJOR ENTERPRISE FUNDS

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

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

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

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

Other Revolving Loan Funds – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; for the financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable assisted living housing in Arkansas and to strengthen the financial feasibility of such developments; to finance energy efficiency retrofits and green energy implementation for industries; to hold equity investments made by the Risk Capital Matching Fund and to provide 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, 2015
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Assets					
Current assets:					
Cash and cash equivalents	$ 825	$ 101,162	$ 11,635	$ 35,432	$ 149,054
Investments	186	59,715		73,450	133,351
Receivables:					
Accounts		154	3,105	972	4,231
Loans				1,107	1,107
Interest		412	17	281	710
Advances to other funds				1,037	1,037
Inventories	5				5
Total current assets	1,016	161,443	14,757	112,279	289,495
Noncurrent assets:					
Investments - restricted			88,679		88,679
Capital assets:					
Buildings	22,601				22,601
Equipment	1,268		94		1,362
Improvements other than building	446				446
Other depreciable/amortizable assets			2,178		2,178
Less accumulated depreciation/amortization	(11,130)		(206)		(11,336)
Advances to other funds		933		5,919	6,852
Loans receivable, restricted		224,951		171,887	396,838
Total noncurrent assets	13,185	225,884	90,745	177,806	507,620
Total assets	14,201	387,327	105,502	290,085	797,115
Deferred Outflows of Resources					
Deferred outflows related to pensions	83				83
Deferred outflows related to debt refunding		20			20
Total deferred outflows of resources	83	20			103
Total assets and deferred outflows of resources	$ 14,284	$ 387,347	$ 105,502	$ 290,085	$ 797,218

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2015
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Liabilities					
Current liabilities:					
Accounts payable	$ 64	$ 184	$ 77	$ 147	$ 472
Accrued interest	20	133			153
Accrued and other current liabilities	31			97	128
Due to other funds	55			396	451
Due to other governments			1,613		1,613
Loans and bonds payable	500	4,000		1,805	6,305
Claims, judgments and compensated absences	7		29,124		29,131
Unearned revenue			19	46	65
Total current liabilities	677	4,317	30,833	2,491	38,318
Noncurrent liabilities:					
Loans and bonds payable	500	34,537		23,380	58,417
Net postemployment benefits payable	210				210
Net pension liability	275				275
Claims, judgments and compensated absences	48		276		324
Total noncurrent liabilities	1,033	34,537	276	23,380	59,226
Total liabilities	1,710	38,854	31,109	25,871	97,544
Deferred Inflows of Resources					
Deferred inflows related to pensions	112				112
Total liabilities and deferred inflows of resources	1,822	38,854	31,109	25,871	97,656
Net Position					
Net investment in capital assets	12,185		2,066		14,251
Restricted for:					
Program requirements		348,493		264,214	612,707
Unrestricted (deficit)	277		72,327		72,604
Total net position	12,462	348,493	74,393	264,214	699,562
Total liabilities, deferred inflows of resources and net position	$ 14,284	$ 387,347	$ 105,502	$ 290,085	$ 797,218

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Operating revenues:					
Charges for sales and services	$ 2,056	$	$ 303,474	$	$ 305,530
Licenses, permits and fees		2,545		1,724	4,269
Investment earnings		5,068		2,851	7,919
Total operating revenues	2,056	7,613	303,474	4,575	317,718
Operating expenses:					
Cost of sales and services	833				833
Compensation and benefits	518				518
Supplies and services	393		27,178		27,571
General and administrative expenses	243	919	29	5,496	6,687
Benefits and aid payments			239,407		239,407
Federal financial assistance		116		1,509	1,625
Depreciation and amortization	841		36		877
Amortization of bond costs		(638)		(410)	(1,048)
Interest		1,803		1,139	2,942
Total operating expenses	2,828	2,200	266,650	7,734	279,412
Operating income (loss)	(772)	5,413	36,824	(3,159)	38,306
Nonoperating revenues (expenses):					
Investment earnings	2		241	639	882
Grants and contributions	60	3,323		16,446	19,829
Interest expense	(64)				(64)
Other non-operating revenue (expense)	(17)				(17)
Total nonoperating revenues (expenses)	(19)	3,323	241	17,085	20,630
Income (loss) before transfers and contributions	(791)	8,736	37,065	13,926	58,936
Transfers in	892			5,077	5,969
Transfers out	(70)		(275)		(345)
Change in net position	31	8,736	36,790	19,003	64,560
Total net position - beginning (restated)	12,431	339,757	37,603	245,211	635,002
Total net position - ending	$ 12,462	$ 348,493	$ 74,393	$ 264,214	$ 699,562

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in thousands)

	War Memorial Stadium Commission	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Other Revolving Loan Funds	Total
Cash flows from operating activities:					
Cash received from customers	$ 2,056	$	$ 301,372	$	$ 303,428
Payments to employees	(499)				(499)
Payments of benefits			(240,112)		(240,112)
Payments to suppliers	(1,428)		(32,211)		(33,639)
Interest received (paid)		3,830		2,608	6,438
Loan administration received (paid)		37,199		(10)	37,189
Federal grant funds expended		(116)		(1,509)	(1,625)
Other operating receipts (payments)		(680)	(29)	(3,492)	(4,201)
Net cash provided by (used in) operating activities	129	40,233	29,020	(2,403)	66,979
Cash flows from noncapital financing activities:					
Direct lending receipts				50	50
Direct lending payments	(500)	(4,925)		(1,265)	(6,690)
Grants and contributions	61	3,338		16,479	19,878
Other non-operating revenue and expense	2				2
Transfers in	893			5,077	5,970
Transfers out	(70)		(275)		(345)
Net cash provided by (used in) noncapital financing activities	386	(1,587)	(275)	20,341	18,865
Cash flows from capital and related financing activities:					
Interest paid on capital debts and leases	(74)				(74)
Acquisition and construction of capital assets	64		(254)		(190)
Net cash provided by (used in) capital and related financing activities	(10)		(254)		(264)
Cash flows from investing activities:					
Purchase of investments	(24)	(87,331)	(39,526)	(87,173)	(214,054)
Proceeds from sale and maturities of investments		66,997		52,210	119,207
Interest and dividends on investments	2		253		255
Net cash provided by (used in) investing activities	(22)	(20,334)	(39,273)	(34,963)	(94,592)
Net increase (decrease) in cash and cash equivalents	483	18,312	(10,782)	(17,025)	(9,012)
Cash and cash equivalents - beginning	342	82,850	22,417	52,457	158,066
Cash and cash equivalents -ending	$ 825	$ 101,162	$ 11,635	$ 35,432	$ 149,054
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	$ (772)	$ 5,413	$ 36,824	$ (3,159)	$ 38,306
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation and amortization	841		36		877
Amortization of bond costs		(622)		(414)	(1,036)
Net appreciation (depreciation) of investments		434		1,116	1,550
Net changes in assets, liabilities and deferred outflows/inflows:					
Accounts receivable		102	(2,049)	17	(1,930)
Loans receivable		34,820		(3,589)	31,231
Inventory	3				3
Prepaid items	2				2
Other current assets		132	179	3,626	3,937
Accounts payable and other accrued liabilities	55	(46)	(5,970)		(5,961)
Net OPEB	21				21
Net pension liability	(99)				(99)
Deferred outflows related to pensions	(32)				(32)
Deferred inflows related to pensions	112				112
Compensated absences	(2)				(2)
Net cash provided by (used in) operating activities	$ 129	$ 40,233	$ 29,020	$ (2,403)	$ 66,979

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 District Judges Retirement System, 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, 2015
(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	$ 230,353	$ 15,267	$ 2,614	$ 280,928	$ 123,206	$ 652,368
Receivables:						
Employee	543		81	9,767	432	10,823
Employer	2,516		208	29,361	864	32,949
Investment principal	39,001	1,413	340	56,019		96,773
Interest and dividends	17,906	649	819	10,139	3,703	33,216
Other	13,436	153	1	211	1,576	15,377
Due from other funds				2,669		2,669
Total receivables	73,402	2,215	1,449	108,166	6,575	191,807
Investments at fair value:						
U.S. government securities	201,791	7,313	23,975	18,454	33,911	285,444
Bonds, notes, mortgages and preferred stock	54,271	1,967	617	539,940	163,275	760,070
Common stock	3,165,288	114,711	53,724	2,734,854	1,117,650	7,186,227
Real estate	386,947	14,023	17,679	52,598		471,247
International investments	1,884,219	68,285	37,145	4,775,631		6,765,280
Pooled investment funds	804,910	29,170	50,459	2,404,220		3,288,759
Corporate obligations	605,200	21,932	34,339	190,523		851,994
Asset and mortgage-backed securities	41,339	1,498	3,196	22,651		68,684
Other	157,232	5,698		3,984,379		4,147,309
Total investments	7,301,197	264,597	221,134	14,723,250	1,314,836	23,825,014
Securities lending collateral	992,929	35,984		633,738		1,662,651
Capital assets	10,372			229		10,601
Other assets	30			138		168
Total assets	8,608,283	318,063	225,197	15,746,449	1,444,617	26,342,609
Liabilities						
Accounts payable and other liabilities	9,347	477	315	12,386	72	22,597
Investment principal payable	49,936	1,810	1,758	61,413	1,069	115,986
Obligations under securities lending	996,630	36,118		634,243		1,666,991
Postemployment benefit liability	2,274			2,700		4,974
Due to other funds	103			6		109
Total liabilities	1,058,290	38,405	2,073	710,748	1,141	1,810,657
Net position						
Net position restricted for pensions	$ 7,549,993	$ 279,658	$ 223,124	$ 15,035,701	$ 1,443,476	$ 24,531,952

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2015
(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	$ 51,596	$ 95	$ 948	$ 128,556	$ 9,138	$ 190,333
Employers	262,327	6,410	2,450	408,230	19,059	698,476
Supplemental contributions	393	6,574	2,629			9,596
Title fees		4,566				4,566
Court fees		1,012	609			1,621
Reinstatement fees		1,222				1,222
Total contributions	314,316	19,879	6,636	536,786	28,197	905,814
Investment income:						
Net increase (decrease) in fair value of investments	42,240	1,530	6,323	565,578	10,241	625,912
Interest, dividends and other	153,320	5,545	4,859	99,352	22,935	286,011
Other investment income (loss)	469	5		7,506		7,980
Securities lending income	4,000	145		3,498		7,643
Total investment income	200,029	7,225	11,182	675,934	33,176	927,546
Less investment expense	30,408	1,093	1,210	43,838	7,792	84,341
Net investment income	169,621	6,132	9,972	632,096	25,384	843,205
Miscellaneous	6,176			71		6,247
Total additions (losses)	490,113	26,011	16,608	1,168,953	53,581	1,755,266
Deductions:						
Benefits paid to participants or beneficiaries	451,913	23,359	10,763	970,720	100,329	1,557,084
Refunds of employee/employer contributions	12,195		14	10,774	1,917	24,900
Administrative expenses	7,201	196	138	8,035	91	15,661
Total deductions	471,309	23,555	10,915	989,529	102,337	1,597,645
Change in net position held in trust for employees' pension benefits	18,804	2,456	5,693	179,424	(48,756)	157,621
Net position - beginning	7,531,189	277,202	217,431	14,856,277	1,492,232	24,374,331
Net position - ending	$ 7,549,993	$ 279,658	$ 223,124	$ 15,035,701	$ 1,443,476	$ 24,531,952

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2015
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 4,996	$ 56,657	$ 61,653
Receivables:			
Interest and dividends		7	7
Other		1,388	1,388
Total receivables		1,395	1,395
Investments at fair value:			
Certificates of deposit	720	29,819	30,539
Bonds, government securities, notes and mortgages		68,539	68,539
Total investments	720	98,358	99,078
Financial assurance instruments	251,108	2,138	253,246
Total assets	$ 256,824	$ 158,548	$ 415,372
Liabilities			
Accounts payable and other liabilities	$	$ 7,530	$ 7,530
Due to other governments		133,917	133,917
Due to third parties	256,824	17,101	273,925
Total liabilities	$ 256,824	$ 158,548	$ 415,372

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	$ 5,344	$ 11	$ 359	$ 4,996
Investments at fair value:				
Certificates of deposit	720			720
Financial assurance instruments	258,331		7,223	251,108
Total assets	$ 264,395	$ 11	$ 7,582	$ 256,824
Liabilities				
Due to third parties	$ 264,395	$ 11	$ 7,582	$ 256,824
Total liabilities	$ 264,395	$ 11	$ 7,582	$ 256,824

	Other Agencies			
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	$ 24,509	$ 2,259,881	$ 2,227,733	$ 56,657
Receivables:				
Interest and dividends	8	7	8	7
Other	17	1,575	204	1,388
Investments at fair value:				
Certificates of deposit	33,163	7,478	10,822	29,819
Bonds, government securities, notes, mortgages and preferred stock	104,048	68,539	104,048	68,539
Financial assurance instruments	2,146		8	2,138
Total assets	$ 163,891	$ 2,337,480	$ 2,342,823	$ 158,548
Liabilities				
Accounts payable and other liabilities	$ 7,806	$ 25,137	$ 25,413	$ 7,530
Due to other governments	142,759	1,154,040	1,162,882	133,917
Due to third parties	13,326	98,672	94,897	17,101
Total liabilities	$ 163,891	$ 1,277,849	$ 1,283,192	$ 158,548

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2015
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2014	Additions	Reductions	Balance June 30, 2015
Assets				
Cash and cash equivalents	$ 29,853	2,259,892	2,228,092	$ 61,653
Receivables:				
Interest and dividends	8	7	8	7
Other	17	1,575	204	1,388
Investments at fair value:				
Certificates of deposit	33,883	7,478	10,822	30,539
Bonds, government securities, notes, mortgages and preferred stock	104,048	68,539	104,048	68,539
Financial assurance instruments	260,477		7,231	253,246
Total assets	$ 428,286	$ 2,337,491	$ 2,350,405	$ 415,372
Liabilities				
Accounts payable and other liabilities	$ 7,806	$ 25,137	$ 25,413	$ 7,530
Due to other governments	142,759	1,154,040	1,162,882	133,917
Due to third parties	277,721	98,683	102,479	273,925
Total liabilities	$ 428,286	$ 1,277,860	$ 1,290,774	$ 415,372


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Statistical Section

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Statistical Section – Table of Contents

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

The Statistical Section is divided into 6 sections as follows:

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

	2015	2014 (1)	2013	2012
Primary Government				
Governmental Activities				
Net investment in capital assets	$ 10,418,250	$ 9,441,544	$ 9,714,929	$ 9,632,774
Restricted	1,627,433	2,098,642	1,319,560	1,256,134
Unrestricted	(1,312,316)	(1,402,681)	449,360	589,166
Total governmental activities net position	10,733,367	10,137,505	11,483,849	11,478,074
Business-Type Activities				
Net investment in capital assets	1,995,542	1,966,036	1,929,075	1,889,473
Restricted	1,049,397	1,008,203	928,743	892,101
Unrestricted	1,019,309	829,571	747,820	556,124
Total business-type activities net position	4,064,248	3,803,810	3,605,638	3,337,698
Total Primary Government				
Net investment in capital assets	12,413,792	11,407,580	11,644,004	11,522,247
Restricted	2,676,830	3,106,845	2,248,303	2,148,235
Unrestricted	(293,007)	(573,110)	1,197,180	1,145,290
Total primary government activities net position	$ 14,797,615	$ 13,941,315	$ 15,089,487	$ 14,815,772

(1) Fiscal year 2014 balances restated in fiscal year 2015.

2011	2010	2009	2008	2007	2006
$ 9,296,899	$ 8,886,979	$ 8,766,290	$ 8,210,615	$ 7,937,210	$ 7,880,406
1,175,983	1,253,570	734,837	863,721	812,989	672,391
1,024,091	1,251,501	1,922,388	2,349,314	2,469,825	2,001,993
11,496,973	11,392,050	11,423,515	11,423,650	11,220,024	10,554,790
1,805,096	1,757,523	1,690,161	1,500,418	1,456,147	1,244,773
849,209	760,352	726,800	954,661	882,865	879,536
429,293	311,584	325,596	459,677	410,378	509,394
3,083,598	2,829,459	2,742,557	2,914,756	2,749,390	2,633,703
11,101,995	10,644,502	10,456,451	9,711,033	9,393,357	9,125,179
2,025,192	2,013,922	1,461,637	1,818,382	1,695,854	1,551,927
1,453,384	1,563,085	2,247,984	2,808,991	2,880,203	2,511,387
$ 14,580,571	$ 14,221,509	$ 14,166,072	$ 14,338,406	$ 13,969,414	$ 13,188,493

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

	2015	2014	2013	2012
Governmental				
Expenses				
General government	$ 1,581,265	$ 1,676,440	$ 1,538,578	$ 1,559,775
Education	3,677,244	3,595,660	3,587,503	3,648,068
Health and human services	8,119,737	7,195,051	6,769,015	6,709,730
Transportation	909,171	867,095	823,616	766,297
Law, justice and public safety	789,477	797,423	747,845	794,165
Recreation and resources development	283,446	284,506	258,084	265,156
Regulation of business and professionals	132,211	148,008	124,065	118,934
Interest on long-term debt	61,106	52,805	41,036	39,852
Total expenses	15,553,657	14,616,988	13,889,742	13,901,977
Program Revenues				
Charges for services				
General government	431,891	392,937	349,146	348,130
Education	2,111	3,413	5,537	6,372
Health and human services	471,443	453,436	427,284	427,079
Transportation	121,225	114,417	110,722	113,081
Law, justice and public safety	88,904	73,989	83,600	79,734
Recreation and resources development	119,160	85,792	83,163	81,637
Regulation of business and professionals	106,167	100,084	86,797	97,271
Operating grants	7,043,670	6,010,077	5,642,584	5,756,464
Capital grants and contributions	520,477	590,791	609,062	644,621
Total program revenues	8,905,048	7,824,936	7,397,895	7,554,389
Net (Expense) Revenue	(6,648,609)	(6,792,052)	(6,491,847)	(6,347,588)
General Revenues and Transfers				
Taxes				
Personal and corporate income	3,209,528	3,000,440	3,013,345	2,794,097
Consumer sales and use	2,932,562	2,877,342	2,570,848	2,543,873
Gas and motor carrier	443,413	431,725	437,310	442,658
Other	1,006,692	995,644	955,369	945,773
Investment earnings	40,471	70,578	(1,911)	40,374
Miscellaneous income	380,547	304,621	313,003	367,531
Transfers - internal activities	(768,742)	(921,211)	(784,945)	(805,617)
Restatement		(1,313,431)	(5,397)	
Total general revenues and transfers	7,244,471	5,445,708	6,497,622	6,328,689
Total Governmental Activities Change in Net Position	$ 595,862	$ (1,346,344)	$ 5,775	$ (18,899)

2011	2010	2009	2008	2007	2006
$ 1,477,309	$ 1,356,657	$ 1,310,341	$ 1,296,232	$ 1,156,301	$ 1,187,512
3,769,004	3,605,065	3,338,002	3,291,054	3,153,653	3,048,477
6,411,416	6,144,706	5,457,305	5,195,317	4,855,759	4,663,898
759,872	731,317	699,737	668,305	625,911	642,297
748,590	779,374	820,960	631,793	587,413	620,905
350,530	277,402	243,419	244,959	219,283	201,955
120,320	105,968	107,347	105,620	119,225	115,887
44,824	52,145	55,193	57,923	56,143	59,501
13,681,865	13,052,634	12,032,304	11,491,203	10,773,688	10,540,432
336,193	325,072	276,112	291,216	269,310	256,641
6,675	6,469	18,637	16,638	14,322	13,501
385,693	362,532	303,174	244,706	234,181	217,429
110,831	107,818	147,267	146,463	137,338	133,993
75,051	73,601	70,262	72,066	64,666	63,251
81,076	79,780	106,988	79,438	61,844	55,223
87,526	80,079	76,695	81,585	86,721	89,950
6,092,989	5,868,623	4,943,264	4,410,782	4,180,653	4,150,897
551,523	493,064	455,765	413,055	422,270	392,744
7,727,557	7,397,038	6,398,164	5,755,949	5,471,305	5,373,629
(5,954,308)	(5,655,596)	(5,634,140)	(5,735,254)	(5,302,383)	(5,166,803)
2,688,093	2,468,798	2,507,368	2,655,399	2,522,806	2,374,801
2,483,908	2,376,891	2,487,944	2,544,356	2,618,936	2,509,664
444,555	449,274	444,496	456,223	462,732	456,223
927,922	903,113	815,206	790,010	785,213	760,431
43,232	52,809	82,681	172,081	162,603	96,369
343,874	330,397	286,173	274,730	247,395	370,352
(844,028)	(885,711)	(955,484)	(947,339)	(811,518)	(719,933)
(28,325)	(71,440)	(34,379)	(6,580)	(20,550)	
6,059,231	5,624,131	5,634,005	5,938,880	5,967,617	5,847,907
$ 104,923	$ (31,465)	$ (135)	$ 203,626	$ 665,234	$ 681,104

Continued on the following page

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

Continued from the previous page

	2015	2014	2013	2012
Business-Type				
Expenses				
Higher education	$ 3,676,886	$ 3,607,528	$ 3,499,550	$ 3,472,444
Workers' Compensation Commission	17,922	19,806	18,368	45,243
Department of Workforce Services	256,048	360,753	521,449	618,522
Office of the Arkansas Lottery (1)	337,072	331,471	352,063	379,139
War Memorial Stadium Commission	2,828	3,103	3,242	3,425
Public School Employee Health and Life Benefit Plan	266,650	287,165	306,798	286,331
Revolving loans	9,934	9,745	10,267	5,168
Total expenses	4,567,340	4,619,571	4,711,737	4,810,272
Program Revenues				
Charges for services				
Higher education	1,825,742	1,655,419	1,572,301	1,524,943
Workers' Compensation Commission	16,240	20,209	17,372	
Department of Workforce Services	327,907	421,348	454,253	
Office of the Arkansas Lottery (1)	409,214	410,627	440,105	473,624
War Memorial Stadium Commission	2,056	1,785	2,337	2,394
Public School Employee Health and Life Benefit Plan	303,474	275,969	277,390	275,639
Revolving loans	4,269	4,241	4,273	4,155
Operating grants	856,669	975,632	1,129,853	1,218,671
Capital grants and contributions	71,050	31,609	31,602	66,419
Total program revenues	3,816,621	3,796,839	3,929,486	3,565,845
Net (Expense) Revenue	(750,719)	(822,732)	(782,251)	(1,244,427)
Business-Type Revenues and Transfers				
Taxes				
Other	31,148	30,650	30,402	491,994
Investment earnings	30,869	62,242	37,655	28,051
Miscellaneous income	180,398	180,502	210,293	172,865
Transfers - internal activities	768,742	921,211	784,945	805,617
Restatement		(173,701)	(13,104)	
Total business-type revenues and transfers	1,011,157	1,020,904	1,050,191	1,498,527
Total Business-Type Activities Changes in Net Position	260,438	198,172	267,940	254,100
Total Primary Government Change in Net Position	$ 856,300	$ (1,148,172)	$ 273,715	$ 235,201

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

2011	2010	2009	2008	2007	2006
$ 3,362,705	$ 3,191,697	$ 3,021,439	$ 2,851,140	$ 2,628,963	$ 2,422,557
29,768	15,918	29,349	53,967	33,363	36,629
776,734	1,211,812	901,064	432,661	384,313	322,205
371,716	302,579	16			
3,545	3,439	2,585	3,990	3,293	4,310
275,743	260,194	259,385	232,252	240,944	219,544
12,940	18,675	3,941	4,203	4,406	4,603
4,833,151	5,004,314	4,217,779	3,578,213	3,295,282	3,009,848
1,471,639	1,529,344	1,424,219	1,345,783	1,196,351	1,160,194
465,075	384,565				
2,760	1,852	1,803	1,860	1,980	1,436
274,073	268,312	252,927	241,839	232,558	233,250
4,001	3,732	3,485	3,335	3,120	2,838
1,325,685	1,498,215	928,570	626,798	578,648	566,200
44,313	33,052	52,438	72,677	60,447	59,025
3,587,546	3,719,072	2,663,442	2,292,292	2,073,104	2,022,943
(1,245,605)	(1,285,242)	(1,554,337)	(1,285,921)	(1,222,178)	(986,905)
449,146	377,460	320,271	310,728	306,019	326,343
52,979	54,846	(8,628)	57,064	96,394	61,462
153,592	82,176	108,788	136,156	123,934	88,975
844,027	885,711	955,484	947,339	811,518	719,933
	(28,049)	6,223			
1,499,744	1,372,144	1,382,138	1,451,287	1,337,865	1,196,713
254,139	86,902	(172,199)	165,366	115,687	209,808
$ 359,062	$ 55,437	$ (172,334)	$ 368,992	$ 780,921	$ 890,912

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

	2015	2014	2013	2012
General Fund				
Nonspendable	$ 124,784	$ 322,476	$ 320,289	$ 288,814
Restricted	1,409,242	1,189,822	555,555	494,217
Committed	1,449,480	1,223,617	1,286,331	1,505,457
Assigned	267,283	387,191	205,204	252,590
Unassigned	811,336	581,395	952,630	714,519
Total General Fund	4,062,125	3,704,501	3,320,009	3,255,597
Total Fund Balances, Governmental Funds	$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597
General Fund				
Reserved				
Unreserved				
Total General Fund				
Total Fund Balances, Governmental Funds				

(1) Change in presentation beginning in fiscal year 2011 is due to implementation of GASB statement 54, Fund Balance Reporting and Governmental Fund Type Definitions. Restatement prior to fiscal year 2011 is not feasible.

	2011(1)	2010	2009	2008	2007	2006
	$ 306,275					
	553,509					
	1,555,139					
	382,308					
	685,463					
	3,482,694					
	$ 3,482,694					
		$ 1,838,326	$ 1,276,214	$ 1,257,856	$ 1,227,194	$ 954,015
		1,836,912	2,256,642	2,309,421	2,272,762	1,988,211
		3,675,238	3,532,856	3,567,277	3,499,956	2,942,226
		$ 3,675,238	$ 3,532,856	$ 3,567,277	$ 3,499,956	$ 2,942,226

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

	2015	2014	2013	2012
Revenues:				
Taxes:				
Personal and corporate income	$ 3,207,038	$ 3,002,722	$ 3,011,514	$ 2,798,083
Consumer sales and use	2,929,426	2,880,146	2,571,964	2,552,282
Gas and motor carrier	443,058	433,108	436,390	442,772
Other	1,005,951	997,563	956,482	944,406
Intergovernmental	7,564,360	6,584,513	6,232,982	6,402,940
Licenses, permits and fees	1,368,678	1,253,365	1,182,989	1,186,346
Investment earnings	40,471	70,578	(1,911)	40,374
Miscellaneous	334,145	308,919	324,745	352,317
Total revenues	16,893,127	15,530,914	14,715,155	14,719,520
Expenditures:				
Current:				
General government	1,535,963	1,537,466	1,410,902	1,426,718
Education	3,676,561	3,588,822	3,583,254	3,644,195
Health and human services	8,162,633	7,195,414	6,761,841	6,696,046
Transportation	508,716	455,070	422,153	379,278
Law, justice and public safety	768,521	766,498	718,798	763,725
Recreation and resources development	264,169	265,133	238,143	246,158
Regulation of business and professionals	128,769	145,026	120,715	117,450
Debt service:				
Principal retirement	165,416	124,425	125,590	83,111
Interest expense	71,526	63,393	46,206	44,865
Bond issuance costs	1,062	33	1,231	1,365
Capital outlay	899,502	817,693	725,445	744,000
Total expenditures	16,182,838	14,958,973	14,154,278	14,146,911
Excess (deficiency) of revenues over expenditures	710,289	571,941	560,877	572,609
Other financing sources (uses):				
Issuance of debt	374,709	717,036	264,159	85,170
Issuance of refunding bonds	135,155			39,565
Bond discounts/premiums	51,338	55,260	33,742	1,588
Payment to refunding escrow agent	(150,513)	(46,908)	(19,368)	(127,300)
Capital leases	1,478	4,757	6,325	3,869
Installment sales				
Sale of capital assets	3,880	3,617	3,596	3,011
Transfers in	179,278	183,161	304,538	216,443
Transfers out	(947,990)	(1,104,372)	(1,089,457)	(1,022,052)
Restatement				
Total other financing sources and uses	(352,665)	(187,449)	(496,465)	(799,706)
Net change in fund balances	357,624	384,492	64,412	(227,097)
Fund balances-beginning	3,704,501	3,320,009	3,255,597	3,482,694
Fund balances-ending	$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597
Debt Service as a percentage of noncapital expenditures:	1.55%	1.33%	1.28%	0.95%

	2011	2010	2009	2008	2007	2006
	$ 2,697,352	$ 2,471,420	$ 2,549,965	$ 2,644,852	$ 2,515,958	$ 2,374,853
	2,491,772	2,390,819	2,502,403	2,551,222	2,624,325	2,519,443
	444,232	449,754	444,573	456,216	463,362	456,569
	927,452	903,618	813,733	790,122	784,936	760,799
	6,642,135	6,364,695	5,394,538	4,832,649	4,594,212	4,540,408
	1,109,258	1,055,693	1,031,568	957,424	886,106	853,616
	43,232	52,809	82,681	172,081	162,603	96,369
	344,241	336,775	278,046	275,646	287,031	345,978
	14,699,674	14,025,583	13,097,507	12,680,212	12,318,533	11,948,035
	1,367,985	1,237,895	1,190,436	1,190,857	1,213,597	1,137,458
	3,764,814	3,600,560	3,333,875	3,286,143	3,149,468	3,044,735
	6,401,101	6,129,257	5,441,822	5,184,858	4,844,657	4,653,553
	391,019	365,980	348,665	338,062	297,816	320,417
	719,401	747,379	794,793	606,633	552,728	588,661
	330,301	258,322	225,461	228,663	187,970	186,137
	119,058	108,748	105,752	109,818	112,833	112,623
	204,701	95,924	101,054	107,070	103,782	97,583
	52,665	53,303	55,766	59,671	59,752	61,065
		1,675	406	345	1,317	818
	683,872	614,241	561,354	628,536	611,567	673,624
	14,034,917	13,213,284	12,159,384	11,740,656	11,135,487	10,876,674
	664,757	812,299	938,123	939,556	1,183,046	1,071,361
	11,391	324,745	18,721	35,417	38,320	71,993
					224,855	15,540
		21,045	(618)	(306)	5,248	1,967
		(174,165)		(4,523)	(107,806)	(24,371)
		19,520	3,892	32,047	22,855	2,223
				13,210		
	4,083	2,476	2,924	2,943	2,717	2,297
	188,947	160,402	72,467	82,277	60,316	47,254
	(1,032,902)	(1,046,121)	(1,027,604)	(1,033,300)	(871,821)	(767,047)
	(28,820)	22,181	(42,326)			
	(857,301)	(669,917)	(972,544)	(872,235)	(625,316)	(650,144)
	(192,544)	142,382	(34,421)	67,321	557,730	421,217
	3,675,238	3,532,856	3,567,277	3,499,956	2,942,226	2,521,009
	$ 3,482,694	$ 3,675,238	$ 3,532,856	$ 3,567,277	$ 3,499,956	$ 2,942,226
	1.93%	1.18%	1.35%	1.50%	1.55%	1.55%

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

	2015		2014		2013		2012	
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	$ 96,945	0.21%	$ 91,716	0.21%	$ 115,784	0.27%	$ 92,128	0.21%
Mining	213,038	0.45%	250,153	0.56%	258,330	0.59%	181,088	0.42%
Utilities	4,459,479	9.51%	4,759,648	10.59%	4,698,734	10.76%	4,452,417	10.30%
Construction	703,596	1.50%	660,847	1.47%	656,891	1.50%	688,112	1.59%
Manufacturing	3,966,593	8.46%	3,663,359	8.15%	3,460,971	7.93%	3,571,937	8.26%
Wholesale trade	4,465,509	9.53%	4,249,892	9.46%	4,218,855	9.66%	4,221,149	9.76%
Retail trade	21,183,817	45.18%	20,915,302	46.54%	20,157,488	46.16%	20,070,357	46.43%
Transportation and warehousing	287,545	0.61%	299,491	0.67%	224,173	0.51%	233,875	0.54%
Information	3,006,826	6.41%	2,200,618	4.90%	2,279,914	5.22%	2,241,656	5.19%
Finance and insurance	83,532	0.18%	69,464	0.16%	57,604	0.13%	56,659	0.13%
Real estate, rental and leasing	989,814	2.11%	882,398	1.96%	835,438	1.91%	828,549	1.92%
Professional, scientific and technical services	194,865	0.42%	158,906	0.35%	122,357	0.28%	145,274	0.34%
Management of companies and enterprises	4,691	0.01%	675	0.00%	61	0.00%	65	0.00%
Administrative, support, waste management and remediation services	852,431	1.82%	799,814	1.78%	758,810	1.74%	759,235	1.76%
Educational services	57,180	0.12%	40,810	0.09%	43,528	0.10%	46,640	0.11%
Health care and social services	85,280	0.18%	22,360	0.05%	86,618	0.20%	85,379	0.20%
Arts, entertainment and recreation	271,720	0.58%	264,002	0.59%	231,319	0.53%	186,121	0.43%
Accommodation and food services	4,293,021	9.16%	4,008,663	8.92%	3,900,648	8.93%	3,820,416	8.84%
Other services (except public administration)	1,631,985	3.48%	1,556,550	3.46%	1,519,925	3.48%	1,480,057	3.42%
Public administration	35,182	0.08%	42,316	0.09%	41,735	0.10%	65,628	0.15%
Total (1)	$ 46,883,049	100%	$ 44,936,984	100%	$ 43,669,183	100%	$ 43,226,742	100%
Direct sales tax rate	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 5.50% (Mfg Repair) 7/1/14 0.625% (Mfg Repair Appr. Project) 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)	

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

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

2011		2010		2009		2008		2007		2006	
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
$ 97,379	0.24%	$ 97,655	0.23%	$ 112,929	0.23%	$ 105,304	0.25%	$ 108,964	0.27%	$ 103,605	0.26%
163,822	0.40%	251,689	0.60%	311,266	0.62%	246,908	0.60%	224,806	0.55%	187,394	0.48%
4,095,947	9.93%	4,233,123	10.03%	5,493,990	11.00%	4,708,255	11.40%	4,532,525	11.06%	4,380,370	11.17%
589,146	1.43%	564,684	1.34%	612,122	1.23%	529,727	1.28%	493,295	1.20%	466,170	1.19%
3,404,998	8.25%	3,262,473	7.73%	3,864,172	7.73%	3,624,193	8.77%	3,670,740	8.96%	3,438,906	8.77%
3,974,829	9.64%	3,910,161	9.26%	4,645,027	9.30%	4,218,275	10.21%	4,205,431	10.26%	3,982,576	10.16%
19,055,734	46.20%	19,632,455	46.50%	21,901,249	43.85%	18,485,279	44.75%	18,655,946	45.51%	18,145,437	46.27%
277,598	0.67%	283,412	0.67%	417,326	0.84%	362,152	0.88%	384,758	0.94%	281,285	0.72%
2,590,266	6.28%	3,056,493	7.24%	5,253,774	10.52%	2,722,146	6.59%	2,653,893	6.47%	2,525,643	6.44%
55,309	0.13%	62,647	0.15%	67,089	0.13%	57,703	0.14%	47,903	0.12%	46,611	0.12%
877,160	2.13%	827,440	1.96%	957,993	1.92%	832,469	2.02%	803,267	1.96%	724,694	1.85%
144,678	0.35%	119,903	0.28%	143,516	0.29%	112,101	0.27%	108,423	0.26%	99,865	0.25%
483	0.00%	167	0.00%	56,835	0.11%	120	0.00%	293	0.00%	27	0.00%
689,466	1.67%	671,947	1.59%	653,184	1.31%	585,095	1.42%	550,851	1.34%	520,973	1.33%
44,236	0.11%	49,553	0.12%	36,476	0.07%	41,684	0.10%	41,719	0.10%	43,524	0.11%
56,141	0.13%	92,069	0.22%	72,416	0.14%	64,206	0.16%	62,036	0.15%	54,830	0.14%
167,512	0.41%	162,494	0.38%	177,186	0.35%	159,423	0.39%	161,053	0.39%	152,619	0.39%
3,515,932	8.52%	3,528,970	8.36%	3,754,045	7.52%	3,198,652	7.74%	3,117,969	7.61%	2,975,856	7.59%
1,374,149	3.33%	1,332,520	3.16%	1,342,494	2.69%	1,182,542	2.86%	1,102,308	2.69%	1,018,174	2.60%
75,043	0.18%	74,704	0.18%	74,436	0.15%	72,240	0.17%	65,026	0.16%	64,070	0.16%
$ 41,249,828	100%	$ 42,214,559	100%	$ 49,947,525 (2)	100%	$ 41,308,474	100%	$ 40,991,206	100%	$ 39,212,629	100%
6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.00% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.50% (Mfg util tax)		6.00% (General)		6.00% (General)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2006
(Expressed in thousands, except number of taxpayers)

	2015				2006	
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total
Agriculture, forestry, fishing and hunting	$ 6,180	0.225%	597	0.920%	$ 6,216	0.264%
Mining	13,603	0.496%	207	0.319%	11,244	0.478%
Utilities	276,671	10.086%	716	1.104%	262,822	11.171%
Construction	45,720	1.667%	2,466	3.801%	27,970	1.189%
Manufacturing	232,172	8.464%	4,816	7.423%	206,334	8.770%
Wholesale	282,521	10.299%	5,588	8.613%	238,955	10.156%
Retail trade	1,121,728	40.891%	24,346	37.527%	1,088,726	46.274%
Transportation and warehousing	18,643	0.680%	980	1.510%	16,877	0.717%
Information	195,436	7.124%	975	1.503%	151,539	6.441%
Finance and insurance	5,429	0.198%	382	0.589%	2,797	0.119%
Real estate, rental and leasing	64,276	2.343%	1,510	2.328%	43,482	1.848%
Professional, scientific and technical services	12,652	0.461%	2,029	3.128%	5,992	0.255%
Management of companies and enterprises	305	0.011%	25	0.039%	2	0.000%
Administrative, support, waste management and remediation services	55,398	2.020%	3,636	5.605%	31,258	1.329%
Educational services	3,714	0.135%	315	0.486%	2,612	0.111%
Health care and social services	5,499	0.201%	1,248	1.924%	3,290	0.140%
Arts, entertainment and recreation	17,240	0.628%	1,200	1.850%	9,157	0.389%
Accommodation and food services	277,770	10.126%	6,629	10.218%	178,551	7.589%
Other services (except public administration)	105,951	3.862%	7,143	11.010%	61,090	2.597%
Public administration	2,286	0.083%	67	0.103%	3,844	0.163%
Total	$ 2,743,194	100%	64,875	100%	$ 2,352,758	100%

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

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Governmental										
General obligation bonds	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402
Special obligations										205
Revenue bond guaranty fund	300	590	3,775	2,545	1,385		2,575	5,703	2,925	2,988
Add (deduct):										
Unamortized bond refunding loss (1)			(18,043)	(21,072)	(16,849)	(20,593)	(11,852)	(13,140)	(14,263)	(5,542)
Issuance premiums/(discounts)	123,199	84,980	43,406	17,438	21,287	28,002	12,614	15,786	18,689	15,814
Other debt instruments										
Notes payable to component unit	79,163	85,694	92,051	98,883	100,674	100,788	109,893	117,390	121,644	123,256
Notes payable to pension trust fund					2,685	5,172	7,474	9,606	11,580	13,408
Revolving loan fund					155					
Capital leases	2,581	2,947	3,245	3,576		692	1,874	4,586	3,520	4,420
Capital leases with component unit	123,076	129,017	129,855	128,540	131,468	137,949	123,800	131,792	111,450	97,824
Installment sale with component unit		10,340	10,870	11,380	11,870	12,340	12,795	13,210		
Total governmental activities debt	1,931,129	1,687,122	1,077,372	922,988	1,008,543	1,207,072	1,114,772	1,197,228	1,227,738	1,152,775
Business-Type										
Special obligation:										
War Memorial Stadium Commission	1,000	1,500	2,000	2,500	3,000	1,700				
Construction Assistance Revolving Loan Fund	35,295	40,220	52,020	63,340	41,995	57,910	65,120	72,965	78,775	83,955
Safe Drinking Water Revolving Loan Fund	22,800	24,065	24,375	24,375						
College & university revenue bonds	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226	1,402,967	1,314,295	1,246,075	1,197,070	1,155,673
Add (deduct): issuance premiums/(discounts)	97,062	77,148	55,914	27,663	15,635	9,214	8,364	9,307	8,912	8,803
Notes payable	92,045	98,305	118,465	66,170	56,988	45,092	47,285	32,016	22,920	17,930
Notes payable with component unit	134	561	1,083	1,509	2,046	2,550	3,042	3,518	5,857	6,666
Capital leases	39,327	38,308	52,110	43,537	46,178	40,408	45,002	42,002	29,737	25,092
Capital leases with component unit				358	420	620	810	995	1,174	1,354
Total business-type activities debt	2,167,490	2,139,502	2,112,393	1,880,677	1,760,488	1,560,461	1,483,918	1,406,878	1,344,445	1,299,473
Total Primary Government Debt	4,098,619	3,826,624	3,189,765	2,803,665	2,769,031	2,767,533	2,598,690	2,604,106	2,572,183	2,452,248
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	3.53%	3.42%	2.94%	2.61%	2.76%	2.96%	2.83%	2.80%	2.90%	2.96%
Per capita (3)	$ 1,376	$ 1,290	$ 1,078	$ 950	$ 942	$ 946	$ 896	$ 905	$ 902	$ 868
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599	$ 912,295	$ 972,193	$ 900,402
Less: debt service funds	(284,330)	(140,020)	(146,234)	(146,247)	(136,092)	(243,153)	(183,325)	(255,139)	(248,143)	(111,587)
Net bonded debt	$ 1,318,480	$ 1,233,534	$ 665,979	$ 535,451	$ 619,776	$ 699,569	$ 672,274	$ 657,156	$ 724,050	$ 788,815
Per capita (3)	$ 443	$ 416	$ 225	$ 181	$ 211	$ 239	$ 232	$ 228	$ 254	$ 279
Supplementary Information										
Component Unit Debt										
Arkansas Student Loan Authority:										
Revenue bonds payable	$ 231,562	$ 282,792	$ 332,463	$ 213,547	$ 241,281	$ 521,450	$ 612,400	$ 691,150	$ 753,780	$ 753,780
Less: unamortized bond issuance cost	(1,247)	(1,347)	(5,135)	(5,428)						
Notes payable	18,421	23,113		183,866	217,373	252,700				
Arkansas Development Finance Authority:										
Bonds payable	578,430	782,091	767,035	822,034	954,340	1,153,676	1,080,671	1,084,940	1,133,632	1,114,118
Notes payable	52,000	1,469	1,223	39,527	13,634	4,236		205,723	220,751	312,307
Add (deduct): issuance premiums/(discounts)	315	642	555	854	1,318	1,756	2,232	2,951	2,686	(517)
U of A Foundation annuity obligations	15,068	16,259	15,204	14,804	15,967	16,669	15,443	18,362	19,606	18,524
Total Component Unit Debt	894,549	1,105,019	1,111,345	1,269,204	1,443,913	1,950,487	1,710,746	2,003,126	2,130,455	2,198,212
Total Debt	$ 4,993,168	$ 4,931,643	$ 4,301,110	$ 4,072,869	$ 4,212,944	$ 4,718,020	$ 4,309,436	$ 4,607,232	$ 4,702,638	$ 4,650,460
Debt Ratios										
Ratio of total debt to personal income (2)	4.30%	4.40%	3.96%	3.79%	4.21%	5.04%	4.70%	4.95%	5.29%	5.61%
Per capita (3)	$ 1,677	$ 1,662	$ 1,453	$ 1,381	$ 1,433	$ 1,614	$ 1,486	$ 1,601	$ 1,649	$ 1,647

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

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

Colleges and Universities	Gross Revenue (1)	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Coverage
Refunding Bonds							
2015	$ 482,896	$ 1,657	$ 481,239	$ 18,055	$ 14,683	$ 32,738	14.70
2014	438,139	1,547	436,592	15,866	13,867	29,733	14.68
2013	219,191	3,642	215,549	9,406	6,228	15,634	13.79
2012	182,428	3,876	178,552	8,772	6,367	15,139	11.79
2011	161,448	6,173	155,275	12,380	6,747	19,127	8.12
2010	139,163	5,210	133,953	7,629	5,663	13,292	10.08
2009	78,002	3,361	74,641	6,086	4,016	10,102	7.39
2008	76,479	12,134	64,345	5,300	3,659	8,959	7.18
2007	63,172	8,086	55,086	4,700	3,023	7,723	7.13
2006	60,064	7,344	52,720	3,925	2,295	6,220	8.48
Housing Bonds							
2015	$ 49,479	$ 8,049	$ 41,430	$ 6,840	$ 9,149	$ 15,989	2.59
2014	55,863	7,817	48,046	7,269	10,332	17,601	2.73
2013	31,803	8,483	23,320	5,013	7,387	12,400	1.88
2012	35,424	9,768	25,656	4,650	7,908	12,558	2.04
2011	54,774	23,103	31,671	4,380	7,532	11,912	2.66
2010	48,552	27,908	20,644	3,785	6,940	10,725	1.92
2009	60,375	34,186	26,189	3,105	6,410	9,515	2.75
2008	55,512	35,237	20,275	3,075	5,766	8,841	2.29
2007	27,940	16,486	11,454	2,190	4,627	6,817	1.68
2006	24,456	17,323	7,133	1,400	3,899	5,299	1.35
Facilities Bonds							
2015	$ 1,196,485	$ 555,976	$ 640,509	$ 38,710	$ 50,003	$ 88,713	7.22
2014	1,099,298	546,220	553,078	36,326	50,194	86,520	6.39
2013	1,223,066	700,715	522,351	39,196	55,601	94,797	5.51
2012	1,234,078	689,269	544,809	37,213	50,729	87,942	6.20
2011	1,176,401	713,340	463,061	29,904	46,107	76,011	6.09
2010	1,096,180	695,688	400,492	39,707	47,211	86,918	4.61
2009	1,055,983	651,507	404,476	30,189	45,362	75,551	5.35
2008	1,077,972	786,420	291,552	26,310	40,342	66,652	4.37
2007	804,021	615,582	188,439	29,260	33,068	62,328	3.02
2006	719,119	530,582	188,537	15,529	25,911	41,440	4.55
General Revenue and Other Bonds							
2015	$ 19,377	$ 0	$ 19,377	$ 3,585	$ 4,040	$ 7,625	2.54
2014	20,785	0	20,785	2,665	3,624	6,289	3.31
2013	10,277	0	10,277	2,575	3,047	5,622	1.83
2012	10,266	0	10,266	1,900	3,460	5,360	1.92
2011	7,898	1,338	6,560	1,975	2,312	4,287	1.53
2010	12,442	5,249	7,193	2,000	1,552	3,552	2.03
2009	11,991	6,631	5,360	1,710	1,986	3,696	1.45
2008	11,200	5,978	5,222	1,645	2,048	3,693	1.41
2007	8,042	3,427	4,615	1,585	1,708	3,293	1.40
2006	6,042	1,755	4,287	1,310	2,171	3,481	1.23

Continued on the following page

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

Continued from the previous page

Arkansas Student Loan Authority	Gross Revenue (1)	Direct Operating Expense	Net Revenue Available for Debt Service	Principal	Interest	Total Debt Service	Coverage
2015	$ 67,807	$ 6,959	$ 60,848	$ 55,923	$ 2,825	$ 58,748	1.04
2014	54,029	3,467	50,562	49,671	2,571	52,242	0.97
2013	55,955	4,174	51,781	41,784	3,279	45,063	1.15
2012	88,453	5,306	83,147	27,733	3,047	30,780	2.70
2011	77,732	4,610	73,122	26,219	5,023	31,242	2.34
2010	76,356	6,271	70,085	90,950	4,204	95,154	0.74
2009	94,811	6,144	88,667	78,750	14,967	93,717	0.95
2008	122,316	5,986	116,330	62,630	36,842	99,472	1.17
2007	164,085	5,405	158,680	0	29,956	29,956	5.30
2006	138,668	5,316	133,352	30,520	19,493	50,013	2.67

(1) Gross Revenues include student tuition and fees, housing fees, rent, athletic fees, millage revenue and other auxiliary revenues.

Source: Colleges and Universities; Arkansas Student Loan Authority

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

Calendar year	Total population (in thousands)	Total personal income (in millions)	Per capita personal income	Unemployment rate
2015 (1)	2,978	$ 116,068	$ 38,981	5.7%
2014	2,967	111,984	37,737	6.1%
2013	2,960	108,603	36,695	7.2%
2012	2,950	107,443	36,417	7.5%
2011	2,939	100,172	34,078	8.0%
2010	2,924	93,562	32,001	7.9%
2009	2,900	91,672	31,609	7.5%
2008	2,877	93,073	32,350	5.4%
2007	2,852	88,831	31,149	5.3%
2006	2,824	82,918	29,359	5.3%

(1) Projected numbers

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

Schedule 10
Principal Employers (Unaudited)
Current Year as Compared to 2006

2015	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	56,956	4.7%
2	Wal-Mart Stores, Inc.	50,096	4.1%
3	Tyson Foods, Inc.	23,000	1.9%
4	U.S. Federal Government	20,200	1.6%
5	Baptist Health	8,083	0.7%
6	Community Health Systems, Inc.	5,700	0.5%
7	Mercy	4,950	0.4%
8	CHI St Vincent	4,691	0.4%
9	Arkansas Children's Hospital	4,337	0.4%
10	Kroger Company	4,102	0.3%
		182,115	15.0%

2006	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	52,723	4.4%
2	Wal-Mart Stores, Inc.	45,769	3.8%
3	Tyson Foods, Inc.	23,700	2.0%
4	U.S. Federal Government	20,700	1.7%
5	Baptist Health	7,707	0.6%
6	Sisters of Mercy Health System	4,896	0.4%
7	Whirlpool Corp.	4,600	0.4%
8	Triad Hospitals	4,345	0.4%
9	Pilgrim's Pride Corp	4,100	0.4%
10	Georgia Pacific Corp.	4,000	0.3%
		172,540	14.4%

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

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

Full-Time Employees

	2015	2014	2013	2012
General Government				
Department of Finance and Administration - Revenue	1,385	1,389	1,415	1,425
Department of Workforce Services	941	1,023	1,066	1,115
All other	2,705	2,757	2,755	2,781
Education				
Department of Career Education	472	479	468	493
Department of Education	401	394	399	381
All other	812	849	863	849
Health and Human Services				
Department of Human Services	7,852	7,878	7,923	7,948
Department of Health	2,633	2,657	2,724	2,725
All other	650	675	566	664
Transportation				
Department of Highway and Transportation	3,634	3,531	3,511	3,567
Law, Justice and Public Safety				
Department of Correction	4,102	4,011	4,169	4,158
Arkansas State Police	995	971	958	956
All other	3,185	2,857	2,801	2,758
Recreation and Resources Development				
Department of Parks and Tourism	1,393	1,339	1,339	1,344
Arkansas Game and Fish Commission	671	711	702	636
All other	961	842	841	837
Regulation of Business and Professionals				
Department of Insurance	190	201	199	189
All other	938	1,070	1,076	1,077
Proprietary Funds				
Colleges and Universities	22,861	23,107	23,442	22,593
Workers' Compensation Commission	101	104	107	108
Office of the Arkansas Lottery (1)	64	81	80	85
War Memorial Stadium Commission	10	18	17	16
State Total	56,956	56,944	57,421	56,705

(1) Commenced operations in 2010

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

2011	2010	2009	2008	2007	2006
1,426	1,423	1,473	1,443	1,420	1,370
1,178	1,221	1,102	976	907	852
2,816	2,868	2,913	2,816	2,764	2,741
511	491	490	493	494	498
372	387	384	371	346	359
893	914	914	979	965	954
7,891	8,011	7,755	7,617	7,524	7,324
2,863	2,867	2,926	2,907	2,887	2,763
674	669	548	473	458	458
3,587	3,558	3,587	3,576	3,614	3,676
4,056	3,950	3,890	3,750	3,792	3,745
963	971	972	985	966	934
2,731	2,727	2,784	2,786	2,553	2,546
1,308	1,323	1,321	1,291	1,298	1,214
627	621	679	647	649	634
868	887	890	1,010	988	990
194	190	192	189	185	192
1,064	1,061	1,057	941	922	909
22,491	22,727	21,846	19,529	20,269	19,088
113	119	123	127	135	137
83	84	N/A	N/A	N/A	N/A
42	40	25	32	25	21
56,751	57,109	55,871	52,938	53,161	51,405

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

	2015	2014	2013	2012
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	893,069	930,474	789,172	799,564
Registered vehicles	4,149,491	4,082,014	3,990,259	3,904,307
Income Tax Administration				
Total electronic tax filers	1,106,280	1,059,101	991,465	971,603
EFT estimate payments by corporations	5,616	5,200	4,399	3,475
EFT withholding payments	539,549	435,403	460,028	411,925
Education				
Department of Education				
All school districts				
Average daily membership	473,443	461,597	460,019	457,737
Number of certified personnel (1)	N/A	36,380	36,436	36,290
Average salary of K-12 classroom full-time employees (1)	N/A	$ 48,060	$ 47,316	$ 46,946
Per pupil expenditures (1)	N/A	$ 9,457	$ 8,918	$ 9,379
Foundation aid per student	$ 6,584	$ 6,521	$ 6,267	$ 6,144
Assessed valuation (in millions)	$ 45,163	$ 44,335	$ 43,027	$ 41,877
Higher Education				
Public institutions				
Net enrollment	151,356	153,804	157,132	158,606
Undergraduate degrees awarded	27,467	31,924	29,163	28,955
Graduate degrees awarded	5,222	5,684	6,027	5,976
Private institutions				
Fall net enrollment	16,497	16,104	16,605	17,351
Undergraduate degrees awarded	2,363	2,709	2,490	2,621
Graduate degrees awarded	601	605	568	560
Health and Human Services				
Department of Human Services				
Foster care recipients	7,686	7,513	7,701	7,739
Percent of population	0.25%	0.25%	0.26%	0.26%
Food stamp recipients	659,887	685,812	696,343	693,564
Percent of population	21.24%	22.54%	23.13%	23.55%
Medicaid recipients	933,033	902,378	777,922	776,050
Percent of population	30.03%	29.66%	25.83%	26.35%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)	149,536	152,902	160,723	165,795
Percent of population	4.81%	5.03%	5.34%	5.63%
Doses of vaccine administered (2)	665,550	630,304	580,498	534,759
In-home patients served	14,919	19,411	20,722	23,907

(1) Fiscal year 2015 figures not available as of print date
(2) Commenced Flu Vaccine Program in 2008; in 2010 had H1N1 Pandemic

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

2011	2010	2009	2008	2007	2006
778,521	852,998	820,155	728,893	734,555	727,765
3,818,476	3,700,308	3,619,926	3,363,504	3,272,311	2,993,975
878,471	791,646	777,486	762,741	676,504	620,490
2,342	1,961	1,769	1,697	1,662	1,501
211,129	231,209	161,404	170,071	140,678	125,999
457,717	458,172	457,566	459,460	459,865	457,490
35,637	36,050	36,201	36,194	36,112	35,371
$ 46,663	$ 46,601	$ 45,862	$ 45,393	$ 44,493	$ 43,088
$ 9,315	$ 9,112	$ 8,308	$ 8,256	$ 7,992	$ 7,687
$ 6,023	$ 5,905	$ 5,789	$ 5,719	$ 5,662	$ 5,528
$ 40,484	$ 39,567	$ 38,667	$ 35,970	$ 33,438	$ 31,275
155,881	149,312	140,393	135,521	131,442	127,419
30,729	26,294	23,523	21,180	19,930	19,038
5,412	4,811	4,141	3,873	3,613	3,585
16,500	15,507	14,952	14,496	13,981	13,536
2,425	2,425	2,295	2,284	2,286	2,420
501	522	532	520	491	455
7,959	7,491	7,446	6,974	7,194	6,809
0.27%	0.26%	0.26%	0.24%	0.25%	0.24%
678,358	643,420	577,329	556,735	553,618	558,521
23.22%	22.27%	20.09%	19.54%	19.60%	19.94%
770,792	755,607	747,851	744,269	742,965	729,800
26.38%	26.16%	26.03%	26.13%	26.30%	26.06%
169,732	169,789	187,880	163,766	160,687	158,393
5.81%	5.88%	6.54%	5.75%	5.69%	5.66%
688,116	1,144,245	888,011	503,185	414,971	420,359
26,683	24,391	24,140	26,393	26,732	27,374

Continued on the following page

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

Continued from the previous page

	2015	2014	2013	2012
Transportation				
Highway and Transportation Department				
Miles of state highway maintained (3)	N/A	16418	16,411	16,398
Law, Justice and Public Safety				
Department of Correction				
Custody population count	15,410	14,558	14,061	14,151
Inmate cost per day	$ 63	$ 64	$ 63	$ 60
Operating capacity	14,397	13,794	13,467	13,919
Inmate care/custody operating expenses (in thousands)	$ 336,640	$ 324,189	$ 318,689	$ 316,659
Arkansas State Police				
Commissioned officers	553	528	524	535
Number of homicides investigated	246	198	239	219
Total citations issued	230,655	227,756	232,158	207,651
Total motorist assists	26,552	30,374	30,447	24,002
Total number of traffic accidents	17,853	20,983	16,050	14,813
Total criminal investigations	1,870	2,614	2,818	4,017
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,466	54,372	54,358	54,374
Game and Fish Commission				
Fishing licenses sold	644,213	689,698	667,536	722,041
Hunting licenses sold	514,609	502,568	488,217	467,167
Lifetime licenses sold	28,643	28,922	29,380	27,721
Other licenses sold	36,347	36,291	35,776	39,193
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	119,066	110,192	101,089	88,910
Total consumer complaints received	2,417	2,376	2,100	2,387
Total consumer complaints closed	2,310	2,209	1,923	2,221
Total dollars recovered for consumers (in thousands)	$ 3,173	$ 3,578	$ 4,174	$ 3,982

(3) Fiscal year 2015 figures not available as of print date

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

2011	2010	2009	2008	2007	2006
16,414	16,416	16,443	16,428	16,438	16,440
14,129	13,908	13,237	13,293	12,828	12,690
$ 62	$ 60	$ 60	$ 57	$ 53	$ 52
13,496	13,133	12,723	12,723	12,552	12,403
$ 304,658	$ 288,609	$ 277,491	$ 272,844	$ 253,888	$ 243,208
536	546	542	550	544	527
211	227	214	199	219	196
246,417	266,764	269,080	271,125	243,234	244,649
28,838	26,660	22,708	21,380	21,069	21,167
14,977	16,320	16,306	16,759	16,561	16,556
4,152	3,038	3,367	3,251	2,688	2,119
54,343	54,161	54,166	54,623	53,741	53,402
663,426	701,805	698,071	680,770	748,184	719,411
454,794	448,625	462,164	417,560	408,253	375,834
25,379	26,360	27,734	23,241	21,997	19,467
34,243	32,989	28,879	21,774	24,268	22,880
85,865	83,231	82,123	77,310	66,987	60,933
2,352	3,008	2,881	2,976	3,080	2,850
2,167	3,111	3,021	3,068	2,927	2,901
$ 4,678	$ 10,608	$ 11,632	$ 8,768	$ 5,161	$ 5,913

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

	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
General Government										
Dept of Finance and Administration - Revenue										
Vehicles	191	179	172	174	180	182	181	177	180	188
Education										
Department of Education										
Vehicles (1)	5	5	216	217	202	216	219	207	217	255
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	444	442	446	448	444	442	446	449	459	457
Vehicles	606	572	595	582	560	516	516	496	486	482
Department of Health										
Buildings	7	7	7	7	7	7	7	7	7	7
Vehicles	139	137	142	138	135	131	154	134	148	142
Transportation										
Highway and Transportation Department										
Passenger vehicles	1,761	1,738	1,729	1,743	1,808	1,761	1,777	1,801	1,705	1,753
Law, Justice and Public Safety										
Department of Correction										
Correctional units	21	19	19	19	20	20	20	20	20	20
Vehicles	422	429	417	428	411	419	430	384	399	406
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	921	943	829	820	809	877	855	885	854	860
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	400	385	396	372	353	356	355	342	331	362
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	961	945	918	890	895	1,038	979	960	1,025	1,029
Boats	569	569	585	599	589	580	576	572	568	570
Regulation of Business and Professionals										
Vehicles	120	121	120	129	118	120	119	105	98	94

(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; Department of Finance and Administration Office of Accounting; Department of Education; Department of Higher Education; Department of Correction; Department of Parks and Tourism, and Department of Insurance

Schedule 14
Miscellaneous Statistics (Unaudited)

State Capitol	Little Rock
Statehood	June 15, 1836
Nickname	The Natural State
State Motto	Regnat populus (The people rule)
Land Area	34,036,700 Acres
Counties	75
Largest Cities	Little Rock, Fort Smith, Fayetteville, Springdale, Jonesboro
Highest Point	Mount Magazine, 2,753 feet
Lowest Point	Ouachita River, 54 feet
State Seal	Adopted in its basic form in 1864, and in its present form in 1907

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

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

State Flag — Adopted by the General Assembly of 1913

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

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

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

Source: Arkansas Secretary of State


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE