ARKANSAS

The Natural State

Comprehensive

Annual

Financial

Report

Fiscal Year Ended
June 30, 2018

ARKANSAS

Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2018

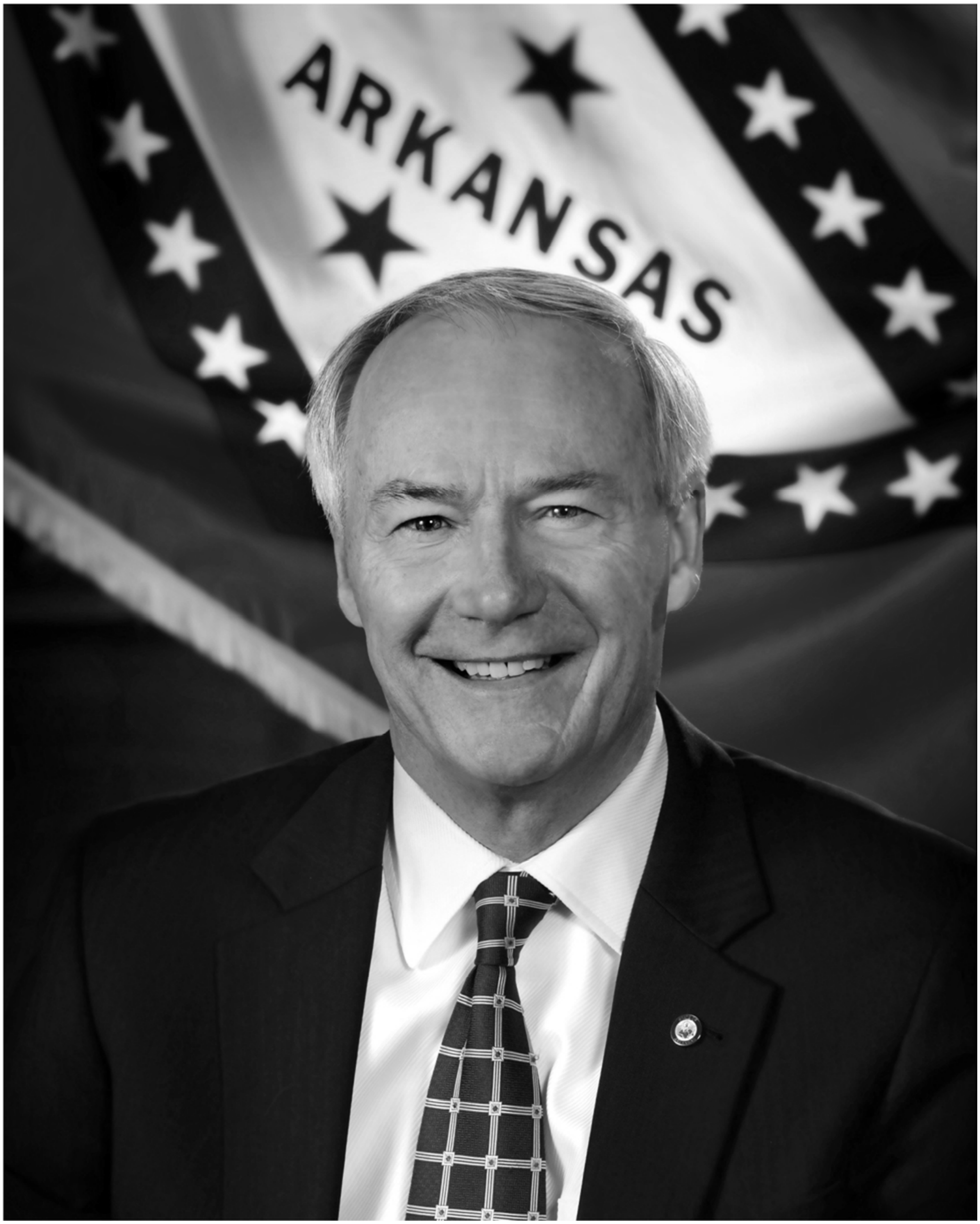
Asa Hutchinson
Governor

Larry W. Walther
Director
Department of Finance and Administration

Prepared By
The Department of Finance and Administration
Office of Accounting

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

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



Governor Asa Hutchinson

STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

January 31, 2019

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

I am pleased to submit the Fiscal Year 2018 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 2018 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 2017 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award twenty 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 2018 report for your review.

Sincerely,

Asa Hutchinson

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

ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2018

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Introductory Section


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

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January 31, 2019

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

In accordance with the requirements set forth in Arkansas Code of 1987 (Ark. Code Ann.) § 19-4-517, it is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2018.

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

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

Arkansas Legislative Audit performed the audit for the fiscal year ended June 30, 2018. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

The Management's Discussion and Analysis (MD&A) introduces the basic financial statements and provides an analytical overview of the government's financial activities. This letter of transmittal complements the MD&A and should be read in conjunction with it. The State's MD&A can be found in the financial section immediately following the report of the independent auditor.

PROFILE OF THE GOVERNMENT

Originally part of the Louisiana Purchase of 1803, Arkansas was organized into a territory in 1819 with the same northern, eastern, and southern borders it shares today. In 1836, Arkansas became the 25th state of the United States of America with a new border on the west. It currently stands as the 29th state in size with an area of 53,179 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 3.0 million, propagating industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear waters, and abundance of natural wildlife.

The Constitution of the State provides for three distinct branches of government: executive, legislative, and judicial. The executive branch is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State, and State Land Commissioner, all of whom are elected by state-wide vote to serve four-year terms. The legislative branch is comprised of 35 state senators and 100 state representatives. Known collectively as the General Assembly, the senators and representatives begin the Regular Legislative Session in every odd-numbered year and the Fiscal Legislative Session in every even-numbered year. The judicial branch is comprised of three levels of courts: the District Courts, the Circuit Courts, and the Appellate Courts, which are the Court of Appeals and the Supreme Court.

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

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

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

FACTORS AFFECTING ECONOMIC CONDITION

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

Local Economy

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

Arkansas is very proud of the six Fortune 500 companies that got their start and are headquartered here: Wal-Mart (ranked #1), Tyson Foods, Murphy USA, J.B. Hunt Transport Services, Dillard's, and Windstream Holdings. This year, the State has continued to attract new businesses and grow current businesses. During fiscal year 2018, the Arkansas Economic Development Commission (AEDC) signed incentive agreements with 42 existing businesses that proposed the investment of $1 billion and the creation of 1,560 new jobs. The top five projects among existing industries included Caterpillar, Inc., Nucor Steel, Bank of the Ozarks, Southern Aluminum, and Multi-Craft Contractors. AEDC also signed incentive agreements for 37 new projects that proposed investment of $615 million and the creation of 3,586 new jobs. There were major new projects at Simmons Foods, TY Garments USA, DBG Conway, Conifex Timber, and Advance Marine Performance (Vexus).

Targeted business incentives provide start-up companies a 33% transferable income tax credit for research and development. Businesses targeted are those that grow knowledge-based businesses from intellectual property that is primarily generated by the State's research universities. For the 2017 Tax Year, nine companies received a total of $1.4 million in Research and Development Tax Credits. To date, 40 businesses have signed financial incentive agreements with the State, bringing in a total investment of over $20.6 million.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy continued a positive trend in fiscal year 2018. Personal income, wage disbursements, and employment all increased in fiscal year 2018 as compared to fiscal year 2017.

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 $125.7 billion in fiscal year 2018. This represented an increase of $4.6 billion, or 3.8%, over fiscal year 2017. Fiscal year 2019 is estimated at $130.2 billion (current dollars), an increase of $4.5 billion, or 3.6%, over fiscal year 2018.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $56.9 billion in fiscal year 2018, an increase of $1.9 billion, or 3.4%, from fiscal year 2017. Fiscal year 2019 is estimated at $59.3 billion, an increase of $2.4 billion, or 4.2%, from fiscal year 2018.

Employment: In fiscal year 2018, revised payroll employment in Arkansas averaged 1.2 million jobs. This represented an increase of approximately 8,000 jobs, or 0.6%, compared to fiscal year 2017. In fiscal year 2019, payroll employment is expected to average 1.3 million jobs. This represents a projected increase of approximately 13,000 jobs, or 1.0%, from fiscal year 2018.

Fiscal Year 2018 Net Available General Revenues: Actual net available general revenues collected totaled $5.5 billion, $41.7 million above forecast. The net available collected was $146.1 million, or 2.7%, above the net available in fiscal year 2017. Fiscal year 2019 net available general revenue collections are estimated at $5.7 billion, an increase of $195.3 million, or 3.6%, above fiscal year 2018 and equal to net available distribution.

Selected Special Revenues: Effective July 1, 2004, a sales tax on selected services went into effect in addition to an increase in vending machine decal fees. Act 94 of 2003 increased the minimum corporate franchise tax and the tax rate, effective for calendar years beginning January 1, 2004. Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. 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 2018, $504.8 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2019 net tax collections estimated to be $514.6 million. Act 757 of 2011 enables Arkansas to join in with many other states hosting an annual back-to-school sales tax holiday the first weekend in August. Amendment 91 to the Arkansas Constitution increased the State sales and use tax from 6.0% to 6.5% beginning July 1, 2013.

RELEVANT FINANCIAL POLICIES

Balanced Budget: Arkansas continues to maintain a budget surplus. This is because Arkansas Code Title 19 (Public Finance) provides for a balanced budget. Title 19 also requires the Director of DFA, who is the Chief Fiscal Officer (CFO) of the State, to be aware of the actual and estimated funds available at all times in order to ensure that they are sufficient to maintain the State on a sound financial basis without incurring a deficit. Additionally, there are requirements for the executive branch to report to the legislative branch on a regular basis regarding the status of the State's finances.

The Governor shall issue a general revenue forecast no later than 60 days prior to the convening of the General Assembly in regular session or by December 1 of the year preceding a fiscal session. This forecast is based upon the aggregate revenue forecasts of each individual agency. It identifies the expected level of general revenue collections and the net distributions of those revenues for the year, as required by the Revenue Stabilization Act. The General Assembly then authorizes the level of funded appropriation each year based upon the annual general revenue distribution along with other special and federal revenue sources. State spending is limited to available cash and available appropriation.

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

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

Tax Abatements: The State provides tax abatements through 12 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development, and other programs. The **Advantage Arkansas** program provides income tax abatements to encourage economic development through job creation. The **ArkPlus** program provides income tax and sales and use tax abatements to encourage economic development through job creation and capital investments. The **InvestArk** program provides for abatement of sales and use taxes to encourage economic development through retention of current Arkansas businesses. The **Tax Back** program provides for abatement of sales and use taxes to encourage economic development through job creation. The **In-House Research and Development** program provides for abatement of income taxes to encourage economic development through research activities. The **Targeted Research** program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The **Targeted Business Payroll** program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the State average hourly wage, if less. The **Tourism Development** program provides for abatement of income taxes and sales and use taxes to encourage the development of tourism attractions within the State. The **Water Resource Conservation and Development** program provides for abatement of income taxes to encourage investment in projects that increase the use of surface water and reduce agricultural irrigation water use. The **Wetland and Riparian Zone** program provides for abatement of income taxes to encourage landowners to restore and enhance existing wetlands and riparian zones or create new wetlands and riparian zones. The **Low Income Housing** program provides for abatement of income taxes to encourage the development of housing for individuals and families with low income. The **Major Maintenance and Improvement** program provides for abatement of sales and use taxes to assist manufacturing and processing facilities in remaining competitive and preserving jobs.

MAJOR INITIATIVES

Education: The Arkansas Department of Education (ADE) is working to transform Arkansas to lead the nation in student-focused education through various initiatives and by providing leadership, support, and service to schools, districts, and communities.

Arkansas's Computer Science Initiative continues to receive national recognition and serve as a best practice model for other states. The U.S. Department of Education approved Arkansas's Every Student Succeeds Act (ESSA) plan in January 2018. Since then, ADE has collaborated with educators, parents, students, and other stakeholders to provide information and support related to the implementation of Arkansas's plan. This will give schools the opportunity to use the latest data and information to make data-driven decisions that will improve student learning.

Since the launch of the R.I.S.E. Arkansas campaign (Reading Initiative for Student Excellence), approximately 200 reading specialists and classroom teachers have been certified through the R.I.S.E. train the trainer process. As a result, these instructors have trained almost 10,000 kindergarten through sixth-grade educators in reading instruction best practices. The program continues to grow through classroom instruction as well as family and community engagement programs.

Highway and Transportation: The Arkansas Department of Transportation's (ARDOT) mission is to provide safe and efficient transportation solutions to support Arkansas's economy and enhance the quality of life for generations to come. Efficient and orderly movement of goods and people is essential for a thriving population. With this aim in mind, ARDOT completed numerous construction projects across the State in fiscal year 2018. The Connecting Arkansas Program completed 11 projects totaling 62 miles of improvement while the Interstate Rehabilitation Program completed 38 projects totaling 224 miles of improvement. The projects included widening 18 miles of the roadway and reconstructing four bridges on U.S. Highway 70 between Interstate 30 and Hot Springs, making it a five-lane highway. The first segment of the four-lane U.S. Highway 412 Springdale Northern Bypass was opened to traffic connecting Interstate 49 and State Highway 112. Other projects included widening a 5.5-mile segment of U.S. Highway 64 in Crittenden County to five lanes and completion of Phases II and III of the Searcy Bypass on State Highway 13. A new bypass also opened on State Highway 18 near Manila, widening a four-mile section of the highway from two to five lanes.

State Parks: Arkansas's 52 State Parks, encompassing 54,643 acres of wetlands, forests, fish and wildlife habitats, recreational facilities, and unique historic and cultural resources, provide a hands-on opportunity to experience why Arkansas is the Natural State. Within the parks are historic structures, exhibit buildings, campsites, picnic sites, lodges, fully equipped cabins, group lodging facilities, gift shops and/or park stores, playgrounds, boat launches, fishing piers, swimming beaches, marinas, swimming pools, restaurants, 18- and 27-hole golf courses, and an assortment of hiking, mountain bike, backpack, equestrian, and multi-use trails covering 435 miles. Over 7 million visitors came to the State Parks, with visitors participating in educational/recreational programs and special events throughout the park system, in fiscal year 2018.

The new Arkansas State Parks website (www.ArkansasStateParks.com) is a powerhouse and allows visitors to navigate seamlessly no matter what device they are using. It has consolidated all of the websites into one, improving the user experience by allowing them to browse parks, events and accommodations and to book online easily.

Ten construction projects and over 100 major renovation projects totaling $8.8 million were completed during fiscal year 2018, including the rebuilding of a fire damaged employee residence at Cossatot River State Park; lodge laundry and maintenance area improvements at DeGray Lake Resort State Park; interior rehab of the Historic Borden House at Prairie Grove Battlefield State Park; and reroofing projects at Historic Washington State Park and Mount Magazine State Park.

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

The State's tourism industry continues to expand with several new high-profile projects this year and the launch of the new Arkansas.com, designed to improve user experience and drive more people to visit the

Natural State. In Hot Springs, the Walton Family Foundation provided a generous gift for construction of a significant mountain biking trail complex north of town. Arkansas State Parks also unveiled a renovated new Hampson Archaeological State Park Museum in Wilson; Arkansas State University is expanding the Johnny Cash Boyhood Home project with the addition of several key outbuildings; and the Harrison Welcome Center on U.S. Highway 65 has opened its spacious new facility.

There are also several key tourism projects still in development. The Arkansas Arts Center recently announced a multimillion-dollar expansion. In Fayetteville, a multimillion-dollar TheatreSquared expansion is projected to open in 2019, with major work already taking place over the past year. Fundraising also continues for the United States Marshals Museum in Fort Smith, which will provide a major boost for the State.

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

Human Services: The Arkansas Department of Human Services (DHS) has more than 7,000 employees who served more than 1.4 million Arkansans last year. DHS leadership is focused on creating a strategic plan that will continue to ensure DHS is an agency of innovation and commitment to customer service. The goals and strategies are ambitious and reinforce the commitment to the people of Arkansas to make DHS the best agency it can be. That commitment is recognized in the adoption of a new agency motto that embodies its goals moving forward: "We care. We act. We change lives."

At the start of 2018, Arkansas was the first in the nation to begin the implementation of a new organized care service model for DHS beneficiaries with developmental/intellectual disabilities and behavioral health needs known as the Provider-led Arkansas Shared Savings Entity (PASSE) model. DHS also started the Outpatient Behavioral Health Services (OBHS) program that will create more accessibility for beneficiaries and offer a wider array of services to help beneficiaries manage their mental and behavioral health needs. Arkansas became the first state in the country to implement a work and community engagement requirement for the Arkansas Works expanded Medicaid population. To truly build a stronger foundation for DHS, the agency also began the work of using process mapping and dashboards to improve workflows, which should provide accurate data and statistics within the programs and services it offers, allowing DHS to address problems, create efficiencies, and give employees the tools they need to better serve customers throughout the process.

Information Technology: The Arkansas Department of Information Systems (DIS) is the information technology products and solutions provider for the State and public entities. DIS provides over $80.0 million in IT products and solutions to approximately 1,500 governmental sites throughout the State including State agencies, boards and commissions, K-12 public schools, business and administrative departments of higher education, cities and counties, and public safety organizations. As a cost recovery agency, DIS charges the entities it serves for the products and solutions acquired from DIS, but the agency is legislatively prohibited from making a profit.

A priority for DIS is to use the State's buying power to generate cost savings and efficiencies and to strengthen security. It is home to the State Cybersecurity Office that safeguards citizen and government data flowing across the network by ensuring the data are kept secure, private, and confidential and are inaccessible to hackers. DIS hosts some of the State's most critical applications, including the State's web portal, Arkansas.gov. This portal allows citizens to access online public services and showcases the State's economic benefits and exceptional quality of life to visitors to the State, as well as prospective business and industry.

Arkansas Scholarship Lottery: The voters passed an amendment to the Arkansas Constitution in November 2008 authorizing the Legislature to establish a lottery. The net proceeds of the lottery are used to fund scholarships for Arkansas students to in-state two-year and four-year higher education institutions. The Office of the Arkansas Lottery (OAL) under the Administrative Services division of DFA oversees the operation and regulates the State lotteries.

The OAL commenced sales of instant scratch-off tickets on September 28, 2009; Powerball® on October 31, 2009; Cash 3 on December 14, 2009; Mega Millions® on January 31, 2010; Cash 4 on July 12, 2010; Fast Play games on October 25, 2010; Natural State Jackpot on August 27, 2012; and Lucky for Life on January 27, 2015. For the fiscal year 2018, OAL had operating revenues of $500.5 million, paid gaming prizes of $341.9 million, paid selling and cashing commissions to Arkansas retailers of $28.2 million, and provided $91.8 million in scholarship funds, after payment of other lottery expenses.

Health: The Arkansas Department of Health (ADH) continues its mission to protect the health and well-being of all Arkansans. New challenges that pose obstacles to healthy living in today's world are the obesity epidemic, tobacco use, teen pregnancy, poor dental health, high infant mortality, and abuse and misuse of prescription opioids. Arkansas's public health workforce is working daily at the local level through a statewide service network to provide prevention services and to address threats to the public's health.

ADH's strategic plan has six focus areas: childhood obesity, hypertension, immunizations, mental and community wellness, teen pregnancy, and tobacco use. Efforts with ADH's partners to address childhood obesity factors range from working with community and business partners to provide breastfeeding spaces to nursing moms to community events encouraging walkable communities and multimodal transportation policies. ADH's hypertension team-based care program is being offered through five Local Health Units through trained ADH hypertension nurse care managers who work with community physicians. To address mental and community wellness, ADH launched a substantial suicide prevention media campaign and began operation of a state call center for calls made to the National Suicide Prevention Lifeline. Set to operate 24 hours a day and answer a majority of calls made in Arkansas, the call center allows in-state call-takers to speak with those in crisis to guide them to local help. ADH has already surpassed the objectives set to reduce the rate of teen births and is setting new objectives and priorities. ADH worked in fiscal year 2018 to establish Be Well Arkansas, a new wellness counseling service that will connect Arkansans to resources to help them quit tobacco, control high blood pressure, and manage diabetes.

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

Arkansans, protect the public from epidemics, and provide preventive health services in Arkansas communities.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2017. This was the twentieth consecutive year that the State has achieved this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

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

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

Sincerely,

Larry W. Walther
Director

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

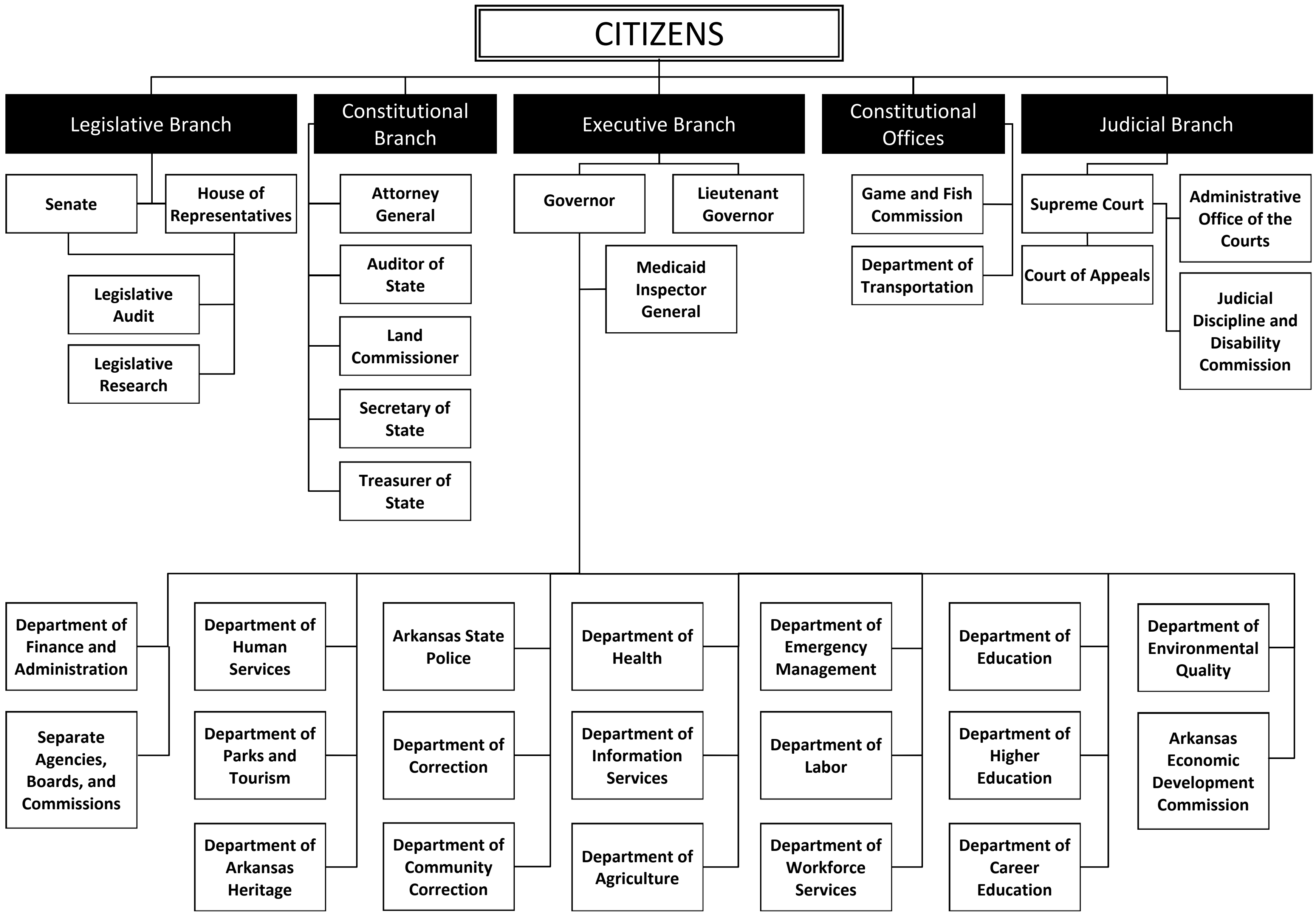
For its Comprehensive Annual Financial Report for the Fiscal Year Ended

June 30, 2017

Christopher P. Morrill

Executive Director/CEO

ARKANSAS
Organizational Chart



Principal Officials

Elected Officials

Governor

Asa Hutchinson

Lieutenant Governor

Tim Griffin

Attorney General

Leslie Rutledge

Auditor of State

Andrea Lea

Land Commissioner

John Thurston

Secretary of State

Mark Martin

Treasurer of State

Dennis Milligan

Legislative Branch

President Pro Tempore

Senator Jonathan Dismang

Speaker of the House

Representative Jeremy Gillam

Supreme Court

Chief Justice

John Dan Kemp

Associate Justice

Robin F. Wynne

Associate Justice

Courtney Hudson Goodson

Associate Justice

Josephine L. Hart

Associate Justice

Shawn A. Womack

Associate Justice

Karen R. Baker

Associate Justice

Rhonda K. Wood

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Financial Section

GREAT SEAL OF THE STATE OF ARKANSAS

Arkansas

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

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

The Honorable Asa Hutchinson, Governor
and Members of the Legislative Joint Auditing Committee
State of Arkansas:

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the State's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 15% of the assets and 35% of the revenues of the business-type activities opinion unit and 20% of the assets and 50% of the revenues of the Higher Education major enterprise fund opinion unit.
- The Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds) which, on a combined basis, represent 8% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as they relate to the amounts included for the aforementioned funds and entities, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the University of Arkansas Foundation, Inc. and the University of Arkansas Fayetteville Campus Foundation, Inc. (discretely presented component units) were not audited in accordance with *Government Auditing Standards.*

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas, as of June 30, 2018; 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 2018 the State adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than 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, which considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We and the other auditors have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 31, 2019 on our consideration of the State of Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. That report will be issued under separate cover in the *State of Arkansas Single Audit Report*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Arkansas's internal control over financial reporting and compliance.

DIVISION OF LEGISLATIVE AUDIT

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

Little Rock, Arkansas
January 31, 2019
CAFR00118


GREAT SEAL OF THE STATE OF ARKANSAS
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JUSTICE

Management's Discussion and Analysis


GREAT SEAL OF THE STATE OF ARKANSAS
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MANAGEMENT'S DISCUSSION AND ANALYSIS (Introduction)

Management of the State of Arkansas (the State) provides this *Management's Discussion and Analysis* (MD&A) of the State's Comprehensive Annual Financial Report (CAFR) for readers of the State's financial statements. This narrative, overview and analysis of the financial activities of the State are for the year ended June 30, 2018. The State's June 30, 2018, financial statements received an unmodified opinion (see Independent Auditors' Report for more information). We believe that the State is making great strides in building a reporting structure that will produce more timely and accurate financial statements in the future. Management continues to aggressively address audit areas of concern by adding professional accounting staff, strengthening internal control, training agency staff, further defining processes, and implementing additional policies and procedures. We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal that can be found preceding this narrative and with the State's financial statements that follow this narrative. The first section of the MD&A is intended to familiarize readers with the accounting terminology and methods relevant to reporting financial information for the State. The second section of the MD&A is a summary of financial and statistical information that should be more meaningful because the readers have been exposed to the accounting terminology and methods used by the State.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

Net Position – Primary Government may serve over time as a useful indicator of a government's financial position. The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2018, by $15.7 billion (presented as "Total net position"). The net position of the State increased by $777.3 million during the year. The governmental activities net position increased by $523.4 million and the business-type activities increased by $253.9 million. Of the total net position, $13.6 billion (86.79%) reflects its investment in capital assets such as land, buildings, equipment, intangibles and infrastructure (roads, bridges and other immovable assets), less any related outstanding debt used to acquire these assets. An additional portion of the State's net position, $3.6 billion (23.07%), represents resources that are subject to restrictions on how they may be used and are, therefore, termed "restricted."

The remaining net position considered as unrestricted was a negative $1.5 billion. This is primarily due to the State's net postemployment benefits obligations that were recorded in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Long-term debt payable for bonds, capital leases, and notes as of June 30, 2018, was $3.9 billion. Additional debt totaling $327.7 million was entered into during the year. $22.5 million was attributable to the increase in notes payable, capital leases, and leases payable for governmental activities; $271.3 million was attributable to increases in college and university revenue bonds; and $33.9 million was attributable to the increase in business-type notes payable and capital leases.

Fund Highlights

As of the close of business on June 30, 2018, the State's General Fund reported a fund balance of $4.2 billion. As required by GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions,* $108.5 million (2.59%) of the total fund balance is nonspendable, $1.6 billion (38.13%) of the total fund balance is restricted, $2.0 billion (47.66%) of the total fund balance is committed, $73.0 million (1.74%) of the total fund balance is assigned and $414.5 million (9.88%) of the total fund balance is unassigned. The fund balance in the General Fund increased $40.0 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, 2018. The government-wide financial statements are prepared using the full accrual basis of accounting. This means methods used are similar to the methods used by most businesses. All assets, deferred outflows of resources, liabilities, deferred inflows of resources, revenues, and expenses associated with the year ended June 30, 2018, are accounted for, even if the cash involved was not received or paid by June 30, 2018. These statements include the *Statement of Net Position* and the *Statement of Activities*.

The *Statement of Net Position* presents all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources; the difference between these items is reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the overall financial position of the State is improving.

The *Statement of Activities* presents information showing how the State's net position changed during the year ended June 30, 2018, and a comparison between program revenues and direct expenses for each function of the State.

The *Statement of Net Position* and the *Statement of Activities* have separate sections for the three different types of State programs or activities: governmental activities, business-type activities, and discretely presented component units.

Governmental activities are primarily supported by taxes and intergovernmental revenues, also known as federal grants. Most services normally associated with State government fall into this category and include Education (elementary and secondary); Health and Human Services; Transportation; Law, Justice, and Public Safety; Recreation and Resources Development; General Government; and Regulation of Business and Professionals.

Business-type activities are the functions that operate more like those of commercial enterprises. These activities normally intend to recover all or a significant portion of their costs through user fees and charges to external users of goods and services and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include Higher Education, Workers' Compensation Commission, Department of Workforce Services, Office of the Arkansas Lottery, Public School Employees Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund, other Revolving Loan Funds, and other Enterprise Funds.

Discretely presented component units are legally separate organizations established for a specific purpose and managed independently with their powers generally vested in a governing board. Discretely presented component units are financially accountable to the State and include Arkansas Development Finance Authority (ADFA), University of Arkansas Foundation, Inc., and University of Arkansas Fayetteville Campus Foundation, Inc., Complete financial statements of ADFA, University of Arkansas Foundation, Inc., and

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

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

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

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

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

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

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

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements

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

GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Current assets	$ 5,638,224	$ 5,376,235	$ 2,959,461	$ 2,593,887	$ 8,597,685	$ 7,970,122
Noncurrent assets	206,485	272,892	1,118,777	1,228,838	1,325,262	1,501,730
Capital assets	12,677,925	12,103,310	4,094,585	3,977,902	16,772,510	16,081,212
Total assets	18,522,634	17,752,437	8,172,823	7,800,627	26,695,457	25,553,064
Deferred outlows of resources	1,225,311	1,498,480	128,402	121,298	1,353,713	1,619,778
Current liabilities	1,611,130	1,495,951	600,909	555,842	2,212,039	2,051,793
Long-term liabilities	6,898,911	7,258,347	2,874,327	2,823,480	9,773,238	10,081,827
Total liabilities	8,510,041	8,754,298	3,475,236	3,379,322	11,985,277	12,133,620
Deferred inflows of resources	324,577	106,677	48,651	19,187	373,228	125,864
Net position						
Net investment in capital assets	11,602,289	11,116,044	2,015,796	1,992,873	13,618,085	13,108,917
Restricted	2,426,386	2,318,037	1,193,250	1,132,263	3,619,636	3,450,300
Unrestricted	(3,115,348)	(3,044,139)	1,568,292	1,398,280	(1,547,056)	(1,645,859)
Total net position	$ 10,913,327	$ 10,389,942	$ 4,777,338	$ 4,523,416	$ 15,690,665	$ 14,913,358

The net position of the governmental activities increased $523.4 million. This is predominantly due to a continued increase in sales, gas and motor fuel, property assessments, and personal and corporate tax revenue as a result of continued economic growth. Additionally, there was a decrease in expenditures due to recalculation of the pension discount rate.

The net position of the business-type activities increased $253.9 million. This change is primarily due to an increase in cash and investment balances at the Department of Workforce Services as the result of a continued decrease in unemployment causing an increase in unemployment tax revenue. There was also a surplus in collected taxes due to economic growth. In addition, bonds were issued for construction and general improvement projects, and remaining proceeds were invested until needed.

The book value of capital assets as of June 30, 2018, was $12.7 billion for governmental activities and $4.1 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to fund these liabilities.

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

	Governmental Activities		Business-Type Activities		Totals	
	2018	2017 (as restated)	2018	2017 (as restated)	2018	2017 (as restated)
Revenues:						
Program revenues:						
Charges for services	$ 1,263,683	$ 1,262,738	$ 3,279,076	$ 3,257,413	$ 4,542,759	$ 4,520,151
Grants and contributions	8,258,092	8,472,654	908,843	830,998	9,166,935	9,303,652
General revenues:						
Personal and corporate taxes	3,237,048	3,163,104			3,237,048	3,163,104
Sales and use taxes	3,216,406	3,114,497			3,216,406	3,114,497
Gas and motor carrier	475,227	468,822			475,227	468,822
Other taxes	1,043,766	1,023,700	34,966	32,397	1,078,732	1,056,097
Other revenues:						
Investment earnings (loss)	61,087	60,201	66,185	68,636	127,272	128,837
Miscellaneous income	457,515	346,077	174,725	96,293	632,240	442,370
Disposal of operations		33,611		(664)		32,947
Total revenues	18,012,824	17,945,404	4,463,795	4,285,073	22,476,619	22,230,477
Expenses:						
Governmental expenses:						
General government	1,695,822	1,607,462			1,695,822	1,607,462
Education	3,755,721	3,751,603			3,755,721	3,751,603
Health and human services	8,872,832	8,949,631			8,872,832	8,949,631
Transportation	1,070,420	1,290,944			1,070,420	1,290,944
Law, justice and public safety	847,513	820,043			847,513	820,043
Recreation and resources development	289,991	277,979			289,991	277,979
Regulation of business and professionals	122,444	126,905			122,444	126,905
Interest expense	56,192	60,318			56,192	60,318
Business-type expenses:						
Higher education			4,125,923	3,971,283	4,125,923	3,971,283
Workers' Compensation Commission			18,410	12,115	18,410	12,115
Department of Workforce Services			130,895	147,061	130,895	147,061
Office of the Arkansas Lottery			409,282	366,200	409,282	366,200
War Memorial Stadium Commission				2,630		2,630
Public School Employee Health and Life Benefit Plan			297,257	270,234	297,257	270,234
Revolving loans			6,610	4,281	6,610	4,281
Total expenses	16,710,935	16,884,885	4,988,377	4,773,804	21,699,312	21,658,689
Increase (decrease) in net position before special items and transfers	1,301,889	1,060,519	(524,582)	(488,731)	777,307	571,788
Special items:						
Issuance of buy back agreement		(187,598)				(187,598)
Transfers - internal activities	(778,504)	(766,675)	778,504	766,675		
Restatements		(883,257)		(32,213)		(915,470)
Total special items and transfers	(778,504)	(1,837,530)	778,504	734,462		(1,103,068)
Increase (decrease) in net position	523,385	(777,011)	253,922	245,731	777,307	(531,280)
Net position - beginning (as restated)	10,389,942	11,166,953	4,523,416	4,277,685	14,913,358	15,444,638
Net position - ending	$ 10,913,327	$ 10,389,942	$ 4,777,338	$ 4,523,416	$ 15,690,665	$ 14,913,358

As is typical for governmental activities, program expenses exceeded program revenues. The excess program expenses of $7.2 billion were funded by normal state taxing activities.

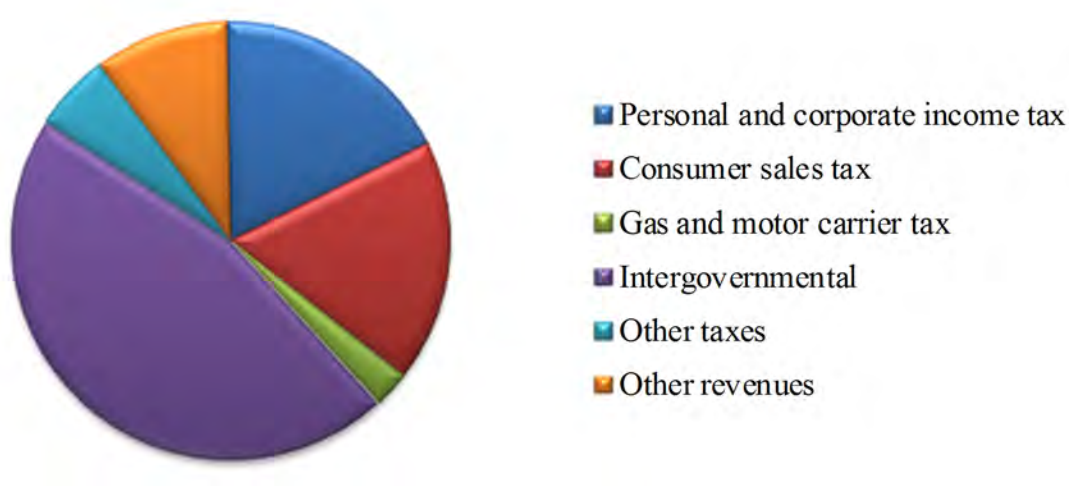
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenue in the General Fund are taxes and intergovernmental (i.e., federal grants). The State's most significant areas of expenditure from the General Fund are the areas of education and health and human services. The following charts present actual General Fund revenues and expenditures for the years ended June 30, 2018 and 2017 (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)

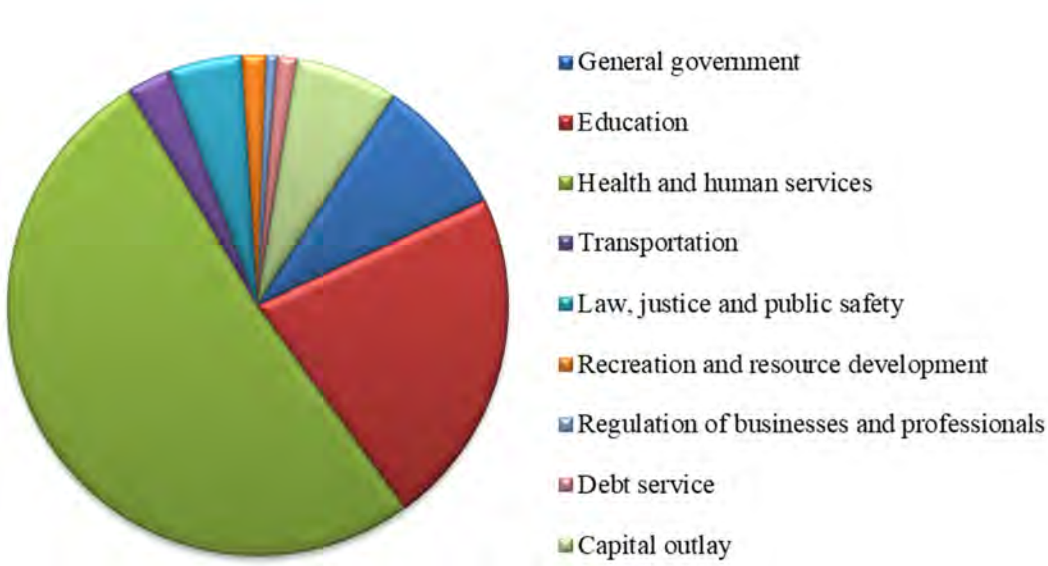
Revenues	2018	2017	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,232,455	$ 3,165,911	2.10%
Consumer sales tax	3,218,765	3,113,922	3.37%
Gas and motor carrier tax	475,225	469,542	1.21%
Intergovernmental	8,231,911	8,443,611	(2.51%)
Other taxes	1,044,078	1,023,060	2.05%
Other revenues	1,764,133	1,731,010	1.91%
Total	$ 17,966,567	$ 17,947,056	0.11%



Governmental revenues increased by 0.11%. Consumer sales tax revenue increased $104.8 million due to continued economic and market recovery. Intergovernmental activity decreased by $211.7 million as a result of a decrease in proceeds for highway construction and improvement and a reduction of federal grants. Revenue from other taxes increased $21.0 million primarily due to the increase in the assessed value of taxable property.

Expenditures by Function – General Fund (expressed in thousands)

Expenditures		2018		2017	Increase (Decrease) Percent
General government	$	1,536,902	$	1,446,481	6.25%
Education		3,752,555		3,748,403	0.11%
Health and human services		8,834,154		8,930,024	(1.07%)
Transportation		493,272		680,353	(27.50%)
Law, justice and public safety		814,586		789,376	3.19%
Recreation and resource development		265,003		257,494	2.92%
Regulation of businesses and professionals		119,428		125,232	(4.63%)
Debt service		223,402		180,028	24.09%
Capital outlay		1,136,524		1,133,099	0.30%
Total	$	17,175,826	$	17,290,490	(0.66%)



The State's expenditures decreased for the year ended June 30, 2018, by 0.66%. Transportation expenses decreased by $187.1 million primarily due to a recalculation of the pension discount rate for the Arkansas Department of Transportation. General government expenses increased by $90.4 million primarily due to the increase in the assessed value of taxable property and the increase in employee benefit claims. Debt service expenses increased by $43.3 million primarily due to bonds being paid off early.

Changes in Fund Balance – General Fund

The focus of the State's General Fund is to provide information on short-term inflows, outflows, and balances of resources that can be spent. Such information is useful in assessing the State's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at June 30, 2018.

At June 30, 2018, the State's General Fund reported an ending fund balance of $4.2 billion, which is an increase of $40.0 million in comparison to June 30, 2017. The increase is predominately related to the timely filing of Medicaid drug rebates.

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

Fund balance consisted of the following:

- Nonspendable, $108.5 million or 2.60%
- Restricted, $1.6 billion or 38.22%
- Committed, $2.0 billion or 47.49%
- Assigned, $73.0 million or 1.75%
- Unassigned, $414.5 million or 9.94%

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 $29.9 billion, and the accumulated depreciation was $13.1 billion at June 30, 2018. The net book value was $16.8 billion. Depreciation expense was $569.2 million for governmental activities and $272.1 million for business-type activities.

Major capital asset events during the current year ended June 30, 2018, included the following:

- Department of Human Services expended $36.9 million on various types of computer software and $0.9 million on vehicles and various other equipment.
- Arkansas Department of Correction expended $5.8 million on a capital lease energy savings contract and $3.4 million on vehicles and other equipment.
- Arkansas Military Department expended $5.8 million on renovations to various barracks and other buildings and $0.8 million on vehicles, tractors, and other equipment.
- Arkansas Game and Fish Commission expended $4.4 million on land purchases and improvements that included the Frog Bayou Williams Tract, Cypress Bayou Wilderness Management Area, and others. Game and Fish also spent $6.0 million on vehicles, boats, mowers, and other equipment.
- Arkansas Department of Parks and Tourism expended $9.3 million on improvements to various parks, $2.7 million on vehicles and other equipment, and $5.8 million on the construction of Jacksonport Visitor Center, DeGray Renovation on DeRoche Ridge Campground, and historic renovation on Brunson House.
- Arkansas Department of Transportation (ARDOT) constructed roads, bridges, and interchanges for $936 million and purchased right-of-ways for $25 million. ARDOT also spent $26.8 million on various types of equipment.

Major commitments concerning capital assets at June 30, 2018, included the following:

- ARDOT has $840.8 million committed to the construction of highways.

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

Debt Administration

The State issues both general obligation bonds and revenue bonds. General obligation bonds are backed by the full faith and credit of the State. Revenue bonds are backed by a revenue source and restricted funds as specified in the bond resolution. Revenue bonds are generally designed to be self-supporting from the revenue source related to the program financed. On November 8, 2016, voters passed an Amendment to the Arkansas Constitution Concerning Job Creation, Job Expansion and Economic Development (Issue No. 3, 2016). Provisions of this amendment removed the limitation on the principal amount of general obligation bonds, which were not to exceed 5.00% of general revenue as stated in Amendment 82 of the Arkansas Constitution, in order to attract large economic development projects. The provisions of this amendment also redefined the economic development financing restrictions as imposed by Amendment 62 of the Arkansas Constitution, which applies to Arkansas counties and municipalities.

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

Governmental Activities

The State's governmental activities had $1.6 billion in bonds, a loan payable, notes payable, and capital leases outstanding at June 30, 2018, compared to $1.7 billion at June 30, 2017. The net decrease is approximately $146.9 million.

For the year ended June 30, 2018, bonds payable had a net decrease of $150.4 million. Principal payments on these bonds totaled $137.0 million. Capital leases to outside entities had a net decrease of $392,000. Loan payable, notes payable, and capital leases payable to component units had a net increase of $3.9 million during the year ended June 30, 2018.

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

- The Arkansas State Police received $8.8 million from a note payable to a component unit for the design, acquisition, construction, and equipping of headquarters facilities.
- The Arkansas Department of Community Correction received a $4.2 million loan from a component unit for the purchase of a new headquarters.
- The Arkansas Department of Correction and the Arkansas Department of Community Correction received a capital lease of $9.0 million with a component unit for energy conservation projects.

The State's governmental activities had approximately $120.4 million of claims and judgments outstanding at June 30, 2018, compared to $118.2 million at June 30, 2017. Other obligations include $146.3 million for accrued sick leave and vacation pay, $16.7 million for pollution remediation and $167.5 million for recycling tax obligations at June 30, 2018. The State's governmental activities also had $2.1 billion recorded for other postemployment benefits obligations and $2.7 billion recorded for net pension liability at June 30, 2018.

Business-type Activities

The State's business-type activities had $2.3 billion in bonds, notes payable, and capital leases outstanding at June 30, 2018, and $2.2 billion at June 30, 2017. The net increase was approximately $92.5 million.

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

- Arkansas State University at Jonesboro issued $11.7 million in tax-exempt housing system revenue refunding bonds, Series 2017, to refund Series 2009 and 2010 bonds.
- Arkansas Tech University issued $21.9 million in tax-exempt housing system refunding revenue bonds, Series 2017A, to refund Series 2001, 2011, 2011A, 2012A, 2012B, and 2012C bonds and issued $7.5 million in tax-exempt student fee refunding revenue bonds, Series 2017A, to refund Series 2010, 2012A, 2012B, 2012C, and 2012D bonds.
- Henderson State University issued $7.0 million in tax-exempt auxiliary enterprises revenue secured refunding bonds, Series 2017A, to refund Series 2012A bonds.
- University of Arkansas at Little Rock issued $6.5 million in tax-exempt student fee revenue bonds, Series 2017, to finance capital improvements.
- University of Central Arkansas issued $27.4 million in tax-exempt student housing refunding bonds, Series 2017A, to finance capital improvements and to refund Series 2006F and 2007 bonds.
- University of Arkansas, Fayetteville issued $95.8 million in tax-exempt various facilities revenue bonds, Series 2017, for capital improvements.
- Southern Arkansas University issued $17.1 million in tax-exempt student fee refunding revenue bonds, Series 2018 A, for capital improvements and to refund Series 2007 bonds and $7.7 million in tax-exempt auxiliary enterprises secured bonds, Series 2018 B, for capital improvement and to refund Series 2005B, 2012 and 2013-C bonds.
- National Park College issued $21.4 million in tax-exempt general obligation refunding bonds, Series 2018, for capital improvements and to refund Series 2004 and 2008 bonds.
- Arkansas Northeastern College issued $7.3 million in tax-exempt general obligation refunding bonds, Series 2017, for capital improvements and to refund Series 2011 bonds.

The colleges and universities also entered into capital leases totaling $13.9 million and notes payable totaling $20.0 million. The State's business-type activities reduced bonds, notes payable, and capital leases by $212.8 million due to principal payments and refinancing made during the year.

The State's business-type activities had approximately $303.0 million of claims and judgments outstanding at June 30, 2018, compared to $270.8 million at June 30, 2017. Other obligations included accrued sick leave and vacation pay of $118.6 million at June 30, 2018. The State's business-type activities also had $142.6 million recorded for other postemployment benefits obligation and $226.6 million recorded for net pension liability at June 30, 2018.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Functions	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts
General government	$ 5,867,438	$ 5,930,223	$ 1,960,907
Education	4,330,500	4,400,579	3,840,106
Health and human services	9,613,986	9,119,792	8,541,702
Law, justice and public safety	1,003,038	1,036,480	818,805
Recreation and resources development	512,084	541,672	308,188
Regulation of business and professionals	192,892	193,196	117,422
Transportation	634,675	658,149	476,843
Debt service	162,158	194,646	128,903
Capital outlay	1,732,297	1,690,543	1,054,722
Total	$ 24,049,068	$ 23,765,280	$ 17,247,598

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 $283.8 million. The increase in general government is primarily due to the additional property tax relief revenue. The increase in education was primarily due to rainy day funds being released for public schools. 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 law, justice, and public safety was primarily due to unanticipated federal grants received by the State after the original budget was established. The increases/decreases in recreation and resource development, regulation of businesses and professionals, transportation, debt service, and capital outlay were primarily due to reallocation of appropriation for expenditures related to infrastructure, employee salaries, and the parks and tourism conservation districts.

REQUESTS FOR INFORMATION

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


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Basic Financial Statements

Statement of Net Position
June 30, 2018
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Assets				
Current assets:				
Cash and cash equivalents	$ 2,274,512	$ 1,834,887	$ 4,109,399	$ 156,113
Cash and cash equivalents-restricted		59,727	59,727	
Investments	1,857,033	632,006	2,489,039	4,011
Receivables, net:				
Accounts	203,939	317,686	521,625	801
Taxes	463,757		463,757	
Medicaid	272,562		272,562	
Loans	11,517	8,290	19,807	4,911
Leases	91		91	
Interest	14,226	3,513	17,739	6,257
Other	35,702	6,236	41,938	
Internal balances	43,803	(43,803)		
Due from other governments	342,646	53,428	396,074	
Prepaid items	26,568	24,316	50,884	
Inventories	75,038	36,640	111,678	
Deposits with trustee	16,830	8,285	25,115	
Other current assets		18,250	18,250	
Total current assets	5,638,224	2,959,461	8,597,685	172,093
Noncurrent assets:				
Cash and cash equivalents, restricted		188,750	188,750	
Deposits with component unit	25,026		25,026	
Deposits with bond trustee		178,162	178,162	
Deposits with Multi-State Lottery Association		2,166	2,166	
Investments	47	255,166	255,213	324,323
Receivables, net		36,061	36,061	
Loans and mortgages receivable	157,867	410,974	568,841	400,991
Loans and capital leases receivable from primary government				170,207
Capital leases receivable	411		411	
Due from other governments		1,860	1,860	
Irrevocable split-interest agreements		4,977	4,977	
Financial assurance instruments		11,202	11,202	
Other noncurrent assets	23,134	29,459	52,593	1,657
Total noncurrent assets	206,485	1,118,777	1,325,262	897,178
Capital assets (net of accumulated depreciation):				
Capital assets, non depreciable				
Land	1,000,167	171,703	1,171,870	670
Construction in progress	2,198,704	346,877	2,545,581	
Construction in progress - intangibles		2,578	2,578	
Other non depreciable assets	22,556	3,152	25,708	
Total capital assets, non depreciable	3,221,427	524,310	3,745,737	670
Capital assets, depreciable				
Land improvements	73,829		73,829	
Infrastructure	7,831,621	356,784	8,188,405	
Buildings	1,047,891	2,900,325	3,948,216	1,309
Equipment	240,775	167,300	408,075	590
Improvements other than building		17,035	17,035	
Intangibles	260,235	77,084	337,319	
Other capital assets	2,147	51,747	53,894	
Total capital assets, depreciable	9,456,498	3,570,275	13,026,773	1,899
Total capital assets, net of depreciation	12,677,925	4,094,585	16,772,510	2,569
Total noncurrent assets and capital assets	12,884,410	5,213,362	18,097,772	899,747
Total assets	18,522,634	8,172,823	26,695,457	1,071,840
Deferred outflows of resources				
Related to pensions	1,195,757	87,742	1,283,499	1,669
Related to other postemployment benefits	3,619	3,689	7,308	
Related to debt refundings	25,935	36,971	62,906	2,900
Total deferred outflows of resources	1,225,311	128,402	1,353,713	4,569
Total assets and deferred outflows of resources	$ 19,747,945	$ 8,301,225	$ 28,049,170	$ 1,076,409

Statement of Net Position
June 30, 2018
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Liabilities				
Current liabilities:				
Accounts payable	$ 75,965	$ 128,908	$ 204,873	$ 2,936
Prizes payable		18,476	18,476	
Accrued interest	6,774	16,674	23,448	4,243
Accrued and other current liabilities	246,912	90,743	337,655	
Medicaid payable	296,724		296,724	
Income tax refunds payable	356,876		356,876	
Due to other governments	95,340	1,743	97,083	
Workers' compensation benefits payable		14,313	14,313	
Funds held in trust for others		12,042	12,042	
Bonds, notes and leases payable	125,002	139,783	264,785	40,040
Claims, judgments, arbitrage and compensated absences	138,601	95,650	234,251	
Internal balances				5,251
Pollution remediation obligations	5,029	7,937	12,966	
Unearned gain on refinancing sale of asset				57
Rebate/refund incentives payable	14,885		14,885	
Recycling tax obligation payable	10,557		10,557	
Other postemployment benefits liability	63,607	5,077	68,684	114
Unearned revenue	174,858	69,563	244,421	
Total current liabilities	1,611,130	600,909	2,212,039	52,641
Long-term liabilities:				
Workers' compensation benefits payable		207,904	207,904	
Bonds, notes and leases payable	1,455,448	2,153,079	3,608,527	583,508
Claims, judgments, arbitrage and compensated absences	128,073	103,712	231,785	
Pollution remediation obligations	11,711		11,711	
Other postemployment benefits liability	2,083,587	137,480	2,221,067	3,692
Net pension liability	2,671,894	226,602	2,898,496	5,157
Deposits held on behalf of primary government				25,026
Other noncurrent liabilities	250,606	44,371	294,977	7,905
Unearned gain on refinancing sale of asset				186
Rebate/refund incentives payable	140,679		140,679	
Recycling tax obligation payable	156,913		156,913	
Unearned revenue		1,179	1,179	1,917
Total long-term liabilities	6,898,911	2,874,327	9,773,238	627,391
Total liabilities	8,510,041	3,475,236	11,985,277	680,032
Deferred inflows of resources				
Related to pensions	241,680	28,717	270,397	277
Related to other postemployment benefits	82,897	14,828	97,725	159
Related to debt refundings		129	129	
Related to irrevocable split-interest agreements		4,977	4,977	
Total deferred inflows of resources	324,577	48,651	373,228	436
Total liabilities and deferred inflows of resources	8,834,618	3,523,887	12,358,505	680,468
Net Position				
Net position:				
Net investment in capital assets	11,602,289	2,015,796	13,618,085	2,569
Restricted for:				
Expendable:				
Debt service	197,637	17,730	215,367	
Other capital projects	132,393	195,535	327,928	
Bond resolution and programs				280,293
Program requirements	1,201,788		1,201,788	
Lottery	70,352		70,352	
Tobacco settlement	130,757		130,757	
Transportation	693,459		693,459	
Scholarships and fellowships		48,451	48,451	
Research		67,689	67,689	
Public service		691,949	691,949	
Other		67,730	67,730	
Non-expendable - endowment		104,166	104,166	
Non-expendable - minority interest				82
Unrestricted	(3,115,348)	1,568,292	(1,547,056)	112,997
Total net position	10,913,327	4,777,338	15,690,665	395,941
Total liabilities, deferred inflows of resources and net position	$ 19,747,945	$ 8,301,225	$ 28,049,170	$ 1,076,409

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, 2018
(Expressed in thousands)

Assets		
Contributions receivable, net	$	27,275
Interest receivable		2,984
Cash value of life insurance		1,492
Land		257
Investments		1,164,639
Total assets	$	1,196,647
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	2,405
Annuity obligations		15,458
Total liabilities		17,863
Net assets:		
Unrestricted		106,304
Temporarily restricted		178,340
Permanently restricted		894,140
Total net assets		1,178,784
Total liabilities and net assets	$	1,196,647

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, 2018
(Expressed in thousands)

Assets		
Contributions receivable, net	$	7,862
Investments		565,081
Total assets	$	572,943
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	944
Total liabilities		944
Net assets:		
Temporarily restricted		46,640
Permanently restricted		525,359
Total net assets		571,999
Total liabilities and net assets	$	572,943

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

Statement of Activities
For the Year Ended June 30, 2018
(Expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,695,822	$ 433,410	$ 243,223	$ 810
Education	3,755,721	5,011	615,012	
Health and human services	8,872,832	408,368	6,478,257	1,966
Transportation	1,070,420	123,462	1,910	771,154
Law, justice and public safety	847,513	95,302	100,329	1,940
Recreation and resources development	289,991	98,008	35,111	4,730
Regulation of business and professionals	122,444	100,122	3,650	
Interest expense	56,192			
Total governmental activities	16,710,935	1,263,683	7,477,492	780,600
Business-type activities:				
Higher education	4,125,923	2,247,823	778,393	112,104
Workers' Compensation Commission	18,410	19,409		
Department of Workforce Services	130,895	198,337	7,851	
Office of the Arkansas Lottery	409,282	500,484		
Public School Employee Health and Life Benefit Plan	297,257	310,412		
Revolving loans	6,610	2,611	10,495	
Total business-type activities	4,988,377	3,279,076	796,739	112,104
Total primary government	$ 21,699,312	$ 4,542,759	$ 8,274,231	$ 892,704
Component unit:				
Arkansas Development Finance Authority	$ 39,593	$ 46,470	$ 4,220	
Total component unit	$ 39,593	$ 46,470	$ 4,220	

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, special items and transfers

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

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

Net Revenue (Expense)			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
$ (1,018,379)	$	$ (1,018,379)	
(3,135,698)		(3,135,698)	
(1,984,241)		(1,984,241)	
(173,894)		(173,894)	
(649,942)		(649,942)	
(152,142)		(152,142)	
(18,672)		(18,672)	
(56,192)		(56,192)	
(7,189,160)		(7,189,160)	
	(987,603)	(987,603)	
	999	999	
	75,293	75,293	
	91,202	91,202	
	13,155	13,155	
	6,496	6,496	
	(800,458)	(800,458)	
(7,189,160)	(800,458)	(7,989,618)	
			$ 11,097
			11,097
3,237,048		3,237,048	
3,216,406		3,216,406	
475,227		475,227	
1,043,766	34,966	1,078,732	
7,972,447	34,966	8,007,413	
61,087	66,185	127,272	(10,228)
457,515	174,725	632,240	
(778,504)	778,504		
7,712,545	1,054,380	8,766,925	(10,228)
523,385	253,922	777,307	869
10,389,942	4,523,416	14,913,358	395,072
$ 10,913,327	$ 4,777,338	$ 15,690,665	$ 395,941

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2018
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$ 16,300	$ 41,104	$ 130,957	$ 188,361
Interest and dividends	4,103	6,162	463	10,728
Net realized and unrealized gains on investments	5,026	25,782	45,846	76,654
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	45,394	(45,394)		
Total revenues, gains and other support	70,823	27,654	177,266	275,743
Expenses and losses:				
Program services:				
Construction	8,000			8,000
Research	12,463			12,463
Faculty/staff support	17,996			17,996
Scholarships and awards	13,775			13,775
Public/staff relations	1,788			1,788
Equipment	2,710			2,710
Sponsored programs	934			934
Other	8,968			8,968
Total program services	66,634			66,634
Supporting services:				
Management and general	944			944
Fundraising	2,275			2,275
Change in value of split-interest agreements	10	1	(434)	(423)
Provision for loss on uncollectible pledges	331	423	76	830
Total supporting services	3,560	424	(358)	3,626
Total expenses and losses	70,194	424	(358)	70,260
Change in net assets	629	27,230	177,624	205,483
Net assets - beginning	105,675	151,110	716,516	973,301
Net assets - ending	$ 106,304	$ 178,340	$ 894,140	$ 1,178,784

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, 2018
(Expressed in thousands)

	Unrestricted	Temporarily Restricted	Permanently Restricted	Total
Revenues, gains and other support:				
Contributions	$	$ 9,891	$	$ 9,891
Interest and dividends		3,491		3,491
Net realized and unrealized gains on investments		16,170	28,037	44,207
Net asset reclassifications, including release from restrictions - satisfaction of restrictions and change in donor restriction	19,315	(19,315)		
Total revenues, gains and other support	19,315	10,237	28,037	57,589
Expenses and losses:				
Program services:				
Research	1,052			1,052
Faculty/staff support	3,071			3,071
Scholarships and awards	13,468			13,468
Equipment and technology	1,277			1,277
Other	447			447
Total program services	19,315			19,315
Change in net assets		10,237	28,037	38,274
Net assets - beginning		36,403	497,322	533,725
Net assets - ending	$	$ 46,640	$ 525,359	$ 571,999

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

Balance Sheet
Governmental Fund
June 30, 2018
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	2,274,512
Deposit with trustee		16,829
Investments		1,857,080
Receivable, net:		
Accounts		203,922
Taxes		463,757
Medicaid		272,562
Loans		169,384
Leases		502
Interest		14,226
Other		35,702
Due from other funds		73,001
Due from other governments		342,646
Advances to other funds		5,681
Prepaid items		26,449
Inventories		75,038
Deposits with component unit		25,026
Other assets		23,134
Total assets	$	5,879,451
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	72,838
Accrued and other current liabilities		258,627
Unearned income		174,858
Income tax refunds payable		356,876
Due to other governments		95,340
Due to other funds		34,594
Advances from other funds		3,395
Medicaid claims payable		296,724
Total liabilities		1,293,252
Deferred inflows of resources		
Related to revenues		414,235
Total liabilities and deferred inflows of resources		1,707,487
Fund balance:		
Nonspendable:		
Prepaid items		26,448
Inventories		75,038
Loans		6,584
Leases		502
Restricted		1,594,604
Committed		1,981,386
Assigned		72,964
Unassigned		414,438
Total fund balance		4,171,964
Total liabilities, deferred inflows of resources and fund balance	$	5,879,451

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, 2018
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 4,171,964
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	$ 1,194,709	
Infrastructure assets	15,736,575	
Other capital assets	5,172,812	
Accumulated depreciation	(9,426,171)	
Net capital assets		12,677,925
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.		119
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.		414,235
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	$ (241,680)	
Total outflows	1,195,757	954,077
Deferred inflows and outflows of resources related to the State's OPEB obligations are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.		
Total inflows	$ (82,897)	
Total outflows	3,619	(79,278)
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.		25,935
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	$ (1,485,797)	
Claims, judgments, arbitrage and compensated absences	(254,958)	
Other non-current liabilities	(250,606)	
Refund/Rebate incentives payable	(155,564)	
Recycling Tax Obligation	(167,470)	
Net OPEB obligation	(2,147,194)	
Pollution remediation obligation	(16,740)	
Unamortized bond issue premiums	(95,172)	
Accrued interest on bonds, notes, installment sales payable and leases	(6,774)	
Unamortized bond issue discounts	519	
Net pension liabilities	(2,671,894)	
Total long-term liabilities		(7,251,650)
Net position of governmental activities		$ 10,913,327

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

Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,232,455
Consumers sales and use		3,218,765
Gas and motor carrier		475,225
Other		1,044,078
Intergovernmental		8,231,911
Licenses, permits and fees		1,293,003
Investment earnings		61,087
Miscellaneous		410,043
Total revenues		17,966,567
Expenditures:		
Current:		
General government		1,536,902
Education		3,752,555
Health and human services		8,834,154
Transportation		493,272
Law, justice and public safety		814,586
Recreation and resources development		265,003
Regulation of business and professionals		119,428
Debt service:		
Principal retirement		155,947
Interest		67,455
Capital outlay		1,136,524
Total expenditures		17,175,826
Excess of revenues over expenditures		790,741
Other financing sources (uses):		
Issuance of debt		13,428
Issuance of capital leases		9,047
Sale of capital assets		4,420
Transfers in		203,878
Transfers out		(983,431)
Total other financing sources and uses		(752,658)
Special items:		
Disposal of operations (1)		1,950
Net change in fund balance		40,033
Fund balance - beginning		4,131,931
Fund balance - ending	$	4,171,964

(1) Final installment of the Fiscal Year 2017 disposal of the Arkansas Department of Health In Home Services.

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, 2018
(Expressed in thousands)

Net change in fund balance-governmental fund		$	40,033
Amounts reported for governmental activities in the Statement of Activities are different because:			
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:			
Capital outlay	$ 1,136,524		
Depreciation expense	(569,189)		
Excess of capital outlay over depreciation expense			567,335
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to increase net position.			12,244
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.			(13,428)
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.			(9,047)
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			155,947
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.			73,263
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:			
Increase in claims, judgments, arbitrage and compensated absences	$ (33,690)		
Amortization of bond premiums and discounts	13,388		
Amortization of bond insurance costs	(22)		
Amortization of deferred outflows of resources related to debt refunding	(2,671)		
Decrease in pollution remediation obligations	11,593		
Loss on sale of capital assets	(3,871)		
Net change in pension related accounts	(193,573)		
Adoption subsidy	(23,797)		
Decrease in accrued interest	568		
Increase in other postemployment benefits obligations	(70,887)		
Total additional expenditures			(302,962)
Change in net position of governmental activities		$	523,385

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

Statement of Net Position
Proprietary Funds
June 30, 2018
(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	$ 650,870	$ 71,064	$ 723,615	$ 3,451	$ 385,887	$ 1,834,887
Cash and cash equivalents - restricted				59,727		59,727
Investments	521,506	43,515	5,009		61,976	632,006
Receivables:						
Accounts receivable, net	235,391	8,525	58,784	12,317	2,664	317,681
Loans and notes receivable, net	7,685				605	8,290
Interest	2,278	141	33		1,061	3,513
Other current receivables	6,236					6,236
Due from other funds	18,312	643	1,001	11,711	188	31,855
Due from other governments	52,160		1,268			53,428
Advances to other funds	659				1,216	1,875
Inventories	36,640					36,640
Prepaid items	24,033	56		227		24,316
Deposits with bond trustee	8,285					8,285
Other current assets	18,250					18,250
Total current assets	1,582,305	123,944	789,710	87,433	453,597	3,036,989
Noncurrent assets:						
Cash and cash equivalents - restricted	168,084			20,666		188,750
Deposits with Multi-State Lottery Association				2,166		2,166
Investments:						
Endowment	175,057					175,057
Restricted	6,957				7,158	14,115
Unrestricted	65,994					65,994
Receivables:						
Loans and notes receivable, net	30,256					30,256
Other noncurrent receivables	5,805					5,805
Capital assets:						
Land	171,123	580				171,703
Infrastructure	623,626					623,626
Buildings	5,309,690	2,272	4,000	493		5,316,455
Equipment	858,267	618	15	946	94	859,940
Easements	2,675					2,675
Improvements other than building	33,515					33,515
Art/History treasures	970					970
Library holdings	227,423	129				227,552
Intangible assets	229,668	430				230,098
Construction in progress - intangible	2,578					2,578
Construction in progress	345,949			28	900	346,877
Other depreciable assets	14,545				1,938	16,483
Other non-depreciable assets	477					477
Less accumulated depreciation	(3,731,089)	(3,000)	(1,621)	(1,122)	(1,532)	(3,738,364)
Due from other governments	1,860					1,860
Advances to other funds	2,249				6,141	8,390
Loans receivable - restricted					410,974	410,974
Deposits with bond trustee	178,162					178,162
Irrevocable split interest agreements	4,977					4,977
Financial assurance instruments		11,202				11,202
Other noncurrent assets	29,459					29,459
Total noncurrent assets	4,758,277	12,231	2,394	23,177	425,673	5,221,752
Total assets	6,340,582	136,175	792,104	110,610	879,270	8,258,741
Deferred Outflows of Resources						
Deferred outflows related to pensions	83,608	2,462		1,672		87,742
Deferred outflows related to OPEB	3,689					3,689
Deferred outflows related to debt refunding	36,971					36,971
Total deferred outflows of resources	124,268	2,462		1,672		128,402
Total assets and deferred outflows of resources	$ 6,464,850	$ 138,637	$ 792,104	$ 112,282	$ 879,270	$ 8,387,143

Statement of Net Position
Proprietary Funds
June 30, 2018
(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	$ 99,752	$ 30	$ 22,031	$ 71	$ 7,024	$ 128,908
Prizes payable				18,476		18,476
Accrued interest	16,584				90	16,674
Accrued and other current liabilities	88,482	251		1,943	67	90,743
Advances from other funds	2,435	53				2,488
Due to other funds	2,115	7	42	70,878	325	73,367
Due to other governments	429		1,314			1,743
Funds held in trust for others	12,042					12,042
Workers' compensation benefits payable		14,313				14,313
Bonds, notes and leases payable	134,658				5,125	139,783
Claims, judgments and compensated absences	66,579	107		54	28,910	95,650
Total other postemployment benefits liability	4,771	201		105		5,077
Unearned revenue	68,767	461	79	239	17	69,563
Pollution remediation - current	7,937					7,937
Total current liabilities	504,551	15,423	23,466	91,766	41,558	676,764
Noncurrent liabilities:						
Workers' compensation benefits payable		207,904				207,904
Advances from other funds	9,785	278				10,063
Bonds, notes and leases payable	2,114,562				38,517	2,153,079
Total other postemployment benefits liability	127,538	6,533		3,409		137,480
Net pension liability	213,941	7,551		5,110		226,602
Claims, judgments and compensated absences	102,733	592		297	90	103,712
Unearned revenue	1,179					1,179
Other noncurrent liabilities	33,169	11,202				44,371
Total noncurrent liabilities	2,602,907	234,060		8,816	38,607	2,884,390
Total liabilities	3,107,458	249,483	23,466	100,582	80,165	3,561,154
Deferred Inflows of Resources						
Deferred inflows related to pensions	27,539	712		466		28,717
Deferred inflows related to OPEB	14,399	282		147		14,828
Deferred inflows related to debt refundings	129					129
Deferred inflows related to irrevocable split interest agreements	4,977					4,977
Total deferred inflows of resources	47,044	994		613		48,651
Total liabilities and deferred inflows of resources	3,154,502	250,477	23,466	101,195	80,165	3,609,805
Net Position						
Net investment in capital assets	2,010,629	1,028	2,394	345	1,400	2,015,796
Restricted for:						
Expendable						
Scholarships and fellowships	48,451					48,451
Debt service	17,730					17,730
Capital projects	195,535					195,535
Research	67,689					67,689
Public service	15,500			21,000	655,449	691,949
Other	64,798			2,932		67,730
Nonexpendable - endowments	104,166					104,166
Unrestricted (deficit)	785,850	(112,868)	766,244	(13,190)	142,256	1,568,292
Total net position	3,310,348	(111,840)	768,638	11,087	799,105	4,777,338
Total liabilities, deferred inflows of resources and net position	$ 6,464,850	$ 138,637	$ 792,104	$ 112,282	$ 879,270	$ 8,387,143

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, 2018
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Operating revenues:						
Charges for sales and services	$ 2,247,823	$	$	$	$ 310,412	$ 2,558,235
Lottery collections				499,708		499,708
Licenses, permits and fees				776	2,611	3,387
Grants and contributions	328,595					328,595
Insurance taxes		19,409				19,409
Unemployment taxes			198,337			198,337
Other operating revenues	164,346	26	9,185	6		173,563
Total operating revenues	2,740,764	19,435	207,522	500,490	313,023	3,781,234
Operating expenses:						
Cost of sales and services				50,165		50,165
Lottery prize payments				341,896		341,896
Compensation and benefits	2,276,058	7,660		5,092		2,288,810
Supplies and services	1,117,564	686		7,078	26,214	1,151,542
General and administrative expenses	182,949	350		4,947	479	188,725
Federal financial assistance					6,171	6,171
Scholarships and fellowships	151,086					151,086
Benefit and aid payments	38,702	9,624	130,762		270,502	449,590
Depreciation and amortization	271,268	90	133	104	501	272,096
Total operating expenses	4,037,627	18,410	130,895	409,282	303,867	4,900,081
Operating income (loss)	(1,296,863)	1,025	76,627	91,208	9,156	(1,118,847)
Nonoperating revenues (expenses):						
Investment earnings	36,108	1,097	14,699	1,269	13,205	66,378
Net (decrease) fair value investments					(193)	(193)
Taxes	34,966					34,966
Grants and contributions	449,798		7,851		10,495	468,144
Interest and amortization expense	(74,113)				(1,332)	(75,445)
Loss on sale of capital assets	(588)				(64)	(652)
Pollution and contamination remediation	(13,595)					(13,595)
Other nonoperating revenue	2,558					2,558
Total nonoperating revenues (expenses)	435,134	1,097	22,550	1,269	22,111	482,161
Income (loss) before transfers and contributions	(861,729)	2,122	99,177	92,477	31,267	(636,686)
Transfers in	966,832	1		16,598		983,431
Transfers out	(83,821)		(7,511)	(108,443)	(4,103)	(203,878)
Capital grants and contributions	111,953					111,953
Capital donations to governmental activities	(1,049)					(1,049)
Other	151					151
Change in net position	132,337	2,123	91,666	632	27,164	253,922
Total net position - beginning (as restated)	3,178,011	(113,963)	676,972	10,455	771,941	4,523,416
Total net position - ending	$ 3,310,348	$ (111,840)	$ 768,638	$ 11,087	$ 799,105	$ 4,777,338

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, 2018
(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	$ 1,842,895	$	$	$ 500,126	$ 310,430	$ 2,653,451
Cash received from other government agencies	315,703					315,703
Auxiliary enterprise charges	305,360					305,360
Compensation and benefits	(2,287,635)	(21,642)	(134,782)	(4,784)	(268,602)	(2,717,445)
Payments to suppliers	(1,116,587)	(1,000)		(56,769)	(24,892)	(1,199,248)
Insurance taxes		19,429				19,429
Unemployment taxes			215,716			215,716
Payments for lottery prizes				(342,722)		(342,722)
Principal and interest on loans received (paid)	7,041					7,041
Loan administration received (paid)					908	908
Loans issued to students	(5,005)					(5,005)
Federal grant funds expended					(18)	(18)
Scholarships and fellowships	(127,687)					(127,687)
Other operating receipts (payments)	41,787	(27)	9,185	(5,526)	1,372	46,791
Net cash provided by (used in) operating activities	(1,024,128)	(3,240)	90,119	90,325	19,198	(827,726)
Cash flows from noncapital financing activities:						
Direct lending receipts	557,245					557,245
Direct lending payments	(555,015)				(4,110)	(559,125)
Direct lending interest					(2,098)	(2,098)
Taxes	31,894					31,894
Grants and contributions	447,535		7,851		10,598	465,984
Other noncapital financing receipts (payments)	(5,120)					(5,120)
Transfers in	965,783	1		4,887		970,671
Transfers out	(83,821)		(7,511)	(83,500)	(4,361)	(179,193)
Net cash provided by (used in) noncapital financing activities	1,358,501	1	340	(78,613)	29	1,280,258
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(106,446)					(106,446)
Interest paid on capital debts and leases	(82,188)					(82,188)
Acquisition and construction of capital assets	(321,602)	(7)		(36)	(308)	(321,953)
Proceeds from long-term borrowings	181,637					181,637
Proceeds from sale of capital assets	371					371
Other capital and related financing receipts (payments) (1)	59,851					59,851
Net cash used in capital and related financing activities	(268,377)	(7)		(36)	(308)	(268,728)
Cash flows from investing activities:						
Purchase of investments	(304,792)				(3,104)	(307,896)
Proceeds from sale and maturities of investments	251,545	4,337	13		68,910	324,805
Interest and dividends on investments	8,281	1,124	14,679	1,269	6,435	31,788
Loan disbursements					(37,484)	(37,484)
Principal repayments on loans					29,101	29,101
Interest received on loans					6,868	6,868
Federal grant funds expended					(6,141)	(6,141)
Net cash provided by (used in) investing activities	(44,966)	5,461	14,692	1,269	64,585	41,041
Net increase in cash and cash equivalents	21,030	2,215	105,151	12,945	83,504	224,845
Cash and cash equivalents - beginning	797,924	68,849	618,464	70,899	302,383	1,858,519
Cash and cash equivalents - ending	$ 818,954	$ 71,064	$ 723,615	$ 83,844	$ 385,887	$ 2,083,364

Continued on the following page

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018
(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)	$ (1,296,863)	$ 1,025	$ 76,627	$ 91,208	$ 9,156	$ (1,118,847)
Adjustments to reconcile operating income (loss) to net cash used in operating activities:						
Depreciation	271,268	90	133	104	501	272,096
Pension expense				186		186
Other postemployment benefits expense				112		112
Federal grants expended					6,141	6,141
Other operating activities	(587)					(587)
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(11)	(15)	17,379	(280)	131	17,204
Loans receivable	290					290
Inventory	1,604					1,604
Prepaid items	(4,558)	11		(37)		(4,584)
Deposits with Multi-State Lottery Association				(217)		(217)
Other current assets	8,911					8,911
Current liabilities	(1,046)					(1,046)
Accounts payable and other accrued liabilities	(13,051)	(4,888)	(4,020)	(670)	3,269	(19,360)
Total other postemployment benefits liabilities	7,099	(67)				7,032
Net pension liability	1,635	(71)				1,564
Deferred outflows related to pensions	(24)	224				200
Deferred inflows related to pensions	313	176				489
Deferred inflows related to OPEB		282				282
Compensated absences	1,376	(7)		3		1,372
Unearned revenue	(484)			(84)		(568)
Net cash provided by (used in) operating activities	$ (1,024,128)	$ (3,240)	$ 90,119	$ 90,325	$ 19,198	$ (827,726)
Non-cash investing, capital and financing activities:						
Donated capital assets/gifts	$ 19,697					$ 19,697
Assets acquired by capital lease	18,487					18,487
Payment of bond issuance cost and other fees from bond proceeds and reserves	391					391
Deposit of bond proceeds with trustee, including accrued interest and reserves	238,824					238,824
Payment of debt service directly from trustee	235					235
Earnings on investments with trustee	2,159					2,159
Amortization of cost associated with debt issuance and refundings	(41)					(41)
Capital assets purchased with bond proceeds held by trustee	1,602					1,602
Net increase/decrease in the fair value of investments	1,938					1,938
Net gain/loss on the disposal of assets	2,325					2,325
Valuation adjustment to capital assets	1,443					1,443
Amortization of bond premium	317					317
Amortization of bond discount	(47)					(47)
Trade-in allowance for equipment	207					207
Donated scholarships from the foundation	186					186
Unearned revenue from skybox purchase	85					85
Value of assets received from vendors for sponsorship agreements	3,508					3,508
Impairment Loss	(1,126)					(1,126)

(1) Includes items such as capital allocation of property taxes, bond escrow activity and capital gifts and contributions.

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2018
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	$ 751,036	$ 18,369	$ 151,166
Receivables:			
Employee	9,137		
Employer	32,123		
Investment principal	105,815		
Interest and dividends	37,556	28	52
Other	6,964		1
Due from other funds	3,127		
Total receivables	194,722	28	53
Investments at fair value:			
Certificates of deposit			22,360
U.S. government securities	382,986	17	
Bonds, notes, mortgages and preferred stock	844,040		1,750
Common stock	7,206,711		
Real estate	1,056,439		
International investments	8,645,681		
Mutual funds	21,364		
Pooled investment funds	2,846,416		
Corporate obligations	803,184		
Asset and mortgage-backed securities	141,686		
State recycling tax credits	208,000		
Other	5,214,758		
Total investments	27,371,265	17	24,110
Other assets			
Securities lending collateral	1,514,566		
Financial assurance instruments			227,590
Capital assets	18,912		
Other assets	380		
Total other assets	1,533,858		227,590
Total assets	29,850,881	18,414	402,919
Liabilities			
Accounts payable and other liabilities	25,402	1	6,381
Investment principal payable	161,893		
Obligations under securities lending	1,505,529		
Total other postemployment benefit liability	10,191		
Due to other governments			144,718
Due to other funds	22		
Due to third parties			251,820
Total liabilities	1,703,037	1	402,919
Net Position			
Net position restricted for pensions	28,147,844		
Net position - amounts held in trust for pool participants		18,413	
Total net position	$ 28,147,844	$ 18,413	$

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, 2018
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds
Additions:		
Contributions:		
Members	$ 213,788	$
Employers	729,308	
Pool participants (deposits)		18,341
Supplemental contributions	12,740	
Title fees	4,664	
Court fees	1,562	
Reinstatement fees	1,606	
Total contributions	963,668	18,341
Investment income:		
Net increase in fair value of investments	2,673,159	13
Interest, dividends and other	257,087	60
Other investment income	8,649	
Securities lending income	8,738	
Total investment income	2,947,633	73
Less investment expense	87,788	
Net investment income	2,859,845	73
Miscellaneous	6,266	
Total additions	3,829,779	18,414
Deductions:		
Benefits paid to participants or beneficiaries	1,842,030	
Refunds of employee/employer contributions	25,454	
Administrative expenses	18,703	1
Total deductions	1,886,187	1
Change in net position held in trust for employees' pension benefits	1,943,592	
Change in net position held in trust for pool participants		18,413
Net position - beginning (as restated)	26,204,252	
Net position - ending	$ 28,147,844	$ 18,413

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

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Notes to the Financial Statements
For the Year Ended June 30, 2018

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

(b) Reporting Entity

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

(c) Component Units

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

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

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

ADFA was established pursuant to Act 1062 of 1985, as amended. ADFA provides financing through the issuance of taxable and tax-exempt bonds and other debt instruments for economic development, homeownership, and affordable rental housing. The affairs of ADFA are governed by a Board of Directors composed of the State Treasurer, the Director of DFA, 11 public members appointed by the Governor, and the President of the Authority (non-voting). Each appointed public member may be removed from office by the Governor for cause after a public hearing. The Board has the authority to employ a president who serves at the will of the Governor.

On July 1, 2017, the Arkansas Student Loan Authority (ASLA) merged with ADFA in accordance with Act 824 of 2017. In the prior fiscal year, ASLA was a component unit of the State. Pursuant to Act 824, the ASLA Board of Directors was dissolved, and governance responsibility was moved to the ADFA Board of Directors. ASLA now operates as a division of ADFA.

Complete financial statements of ADFA can be obtained by contacting:

ADFA 900 West Capitol, Suite 310, Little Rock, AR 72201 http://adfa.arkansas.gov

The Governmental Fund of the State has significant transactions with ADFA. During the 2018 fiscal year, the Governmental Fund paid $10.2 million to ADFA for loan payments and $2.6 million for interest on loans. Additional information on loans and notes payable to Component Unit can be found in Note 8. The Governmental Fund paid $8.3 million for lease payments and $4.6 million for interest on leases. Additional information on leases payable to Component Unit can be found in Note 11. The Governmental Fund paid $5.0 million to ADFA for the Tobacco Settlement Debt Service Account. Additional information on this transaction can be found in Note 18. ADFA paid the Governmental Fund $328,000 for Employee Benefits and $294,000 for rent/lease of office space.

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

The University of Arkansas Foundation, Inc., operates for charitable and educational purposes, including administering and investing gifts and other amounts received directly or indirectly for the benefit of the University of Arkansas. The Board of Directors of the foundation has 22 members, four of whom are current or previous members of the University of Arkansas Board of Trustees.

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

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

The University of Arkansas
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 No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (OPEB), in the fiscal year ended June 30, 2018. Statement 75 is required to be implemented retroactively for the cumulative effects of implementation. Implementation required reporting a beginning total OPEB liability and a beginning deferred outflows of resources related to OPEB. GASB Statement 75 requires the total OPEB liability to be reported as the actuarial present value of projected benefit payments that are attributed to past periods of employee service. In addition, deferred outflows of resources and deferred inflows of resources related to OPEB will be reported. The net cumulative effect of implementing Statement 75 on beginning net position as previously reported on June 30, 2017, is as follows (expressed in thousands):

Governmental Activities	
Beginning net position	$ 11,273,199
Prior year GASB 45:	
Net OPEB obligation	1,272,328
Current year GASB 75:	
Beginning total OPEB liability and deferred outflows related to OPEB	(2,155,585)
Change in beginning net position	(883,257)
Beginning net position, restated	$ 10,389,942
Component Unit - ADFA	
Beginning net position	$ 396,479
Prior year GASB 45:	
Net OPEB obligation	2,438
Current year GASB 75:	
Beginning total OPEB liability and deferred outflows related to OPEB	(3,845)
Change in beginning net position	(1,407)
Beginning net position, restated	$ 395,072
Business-type Activities	
Beginning net position	$ 4,555,629
Prior year GASB 45:	
Net OPEB obligation	114,828
Current year GASB 75:	
Beginning total OPEB liability and deferred outflows related to OPEB	(147,041)
Change in beginning net position	(32,213)
Beginning net position, restated	$ 4,523,416
Pension Trust Funds	
Beginning net position	$ 26,207,632
Prior year GASB 45:	
Net OPEB obligation	6,912
Current year GASB 75:	
Beginning total OPEB liability and deferred outflows related to OPEB	(10,292)
Change in beginning net position	(3,380)
Beginning net position, restated	$ 26,204,252

(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 unit. Under this accounting basis, revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Significant revenues susceptible to accrual include individual and corporate income taxes, sales and use taxes, gas and other taxes, federal reimbursements, federal grants, and other reimbursements for use of materials and services. In general, tax revenue is recognized on the government-wide statement of activities when assessed or levied.

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

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

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

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

(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 unit. Primary government activities are identified as either governmental or business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed, in whole or in part, by fees charged to external parties for goods or services.

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

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

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

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

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

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

(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 that are not accounted for in other funds.

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

Proprietary Funds

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

Higher Education Fund

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

Workers' Compensation Commission Fund

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

Department of Workforce Services – Unemployment Insurance Fund

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

Department of Finance and Administration – Office of the Arkansas Lottery Fund

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

Non-Major Enterprise Funds

The Non-Major Enterprise Funds consist of the Construction Assistance Revolving Loan Fund, which is responsible for providing a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities, and the Public School Employee Health and Life Benefit Plan, which is responsible for providing health and life insurance along with a prescription drug benefit to participating public school employees. Other Non-Major Enterprise Funds include activities that are responsible for the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation of water systems; for the financing of capitalizable educational and general projects for community and technical colleges; for the financing of energy efficiency and conservation projects for residential homes; for the establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; to incentivize development of affordable assisted living housing in Arkansas and to strengthen the financial feasibility of such developments; to finance energy efficiency retrofits and green energy implementation for industries; and to hold equity investments made by the Risk Capital Matching Fund.

Fiduciary Funds

Fiduciary Funds are used to account for resources held for the benefit of parties outside of State government. Fiduciary Funds are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. These funds include Pension Trust, Investment Trust, and Agency Funds. The Pension Trust Funds account for the activities of the Arkansas Judicial Retirement System, the Arkansas State Highway Employees Retirement System, the Arkansas Teacher Retirement System, the Arkansas Public Employees Retirement System, and the Arkansas State Police Retirement System, which accumulate resources required to be held in trust for members and beneficiaries of the respective plans. The Investment Trust fund accounts for activities of the external investment pool of the State Treasury Money Management Trust (STMMT). Ark. Code Ann. § 19-3-601 authorizes other governmental entities to participate in the STMMT. Agency Funds are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection and disbursement of sales and use taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies, and for other miscellaneous accounts for the benefit of other parties.

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

Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less. All short-term investments are stated at fair value.

Investments

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

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

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

The University of Arkansas System and the University of Arkansas (UA) Foundation have established an external investment pool (the Pool). The investments in the Pool are managed by the UA Foundation. The University of Arkansas Board of Trustees and the University of Arkansas Foundation, Inc., Board of Trustees are the sponsors of this investment pool and are responsible for its operation and oversight. Participation in the Pool is voluntary. At June 30, 2018, seven campuses and six foundations participated in the Pool. The foundations hold approximately $2.1 billion (external portion) of the investments in the Pool. The Pool issues a publicly available financial report, which may be obtained by writing the University of Arkansas Foundation, 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

Interfund Receivables and Payables

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

Inventories and Prepaid Items

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

Noncurrent Cash and Investments

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

Capital Assets

Methods Used to Value Capital Assets

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

Capitalization Policies

All land and other non-depreciable assets are capitalized regardless of cost. Buildings and building improvements are capitalized when the cost of the building, or an improvement which becomes an integral part of a building, exceeds $100,000. All other tangible assets, including equipment, are capitalized when the cost of an individual item exceeds $5,000 and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State's policy to capitalize when the individual item's cost exceeds $1.0 million for internally generated software or $5,000 for all other intangible assets, and the estimated useful life exceeds one year.

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

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

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

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

Items Not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings, etc. GASB Statement No. 34 does not require these items to be capitalized because (1) the items are held for reasons other than financial gain, (2) the items are protected, kept unencumbered, cared for and preserved, and (3) the items are subject to a State policy requiring the proceeds from the sales of collection items be used to acquire other items for collections. The State also acts as an agent for the tracking and disbursement of federal surplus property. The assigned value of this property at June 30, 2018, was $29.9 million and is not reflected in the financial statements.

Depreciation and Useful Lives

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

Assets	Useful Life
Equipment	5 to 20 years
Buildings and building improvements	20 to 50 years
Infrastructure	10 to 40 years
Land improvements	10 to 100 years
Other tangible and intangibles	5 to 20 years
Art/Historical treasures/Library holdings	15 years

Accrued and Other Current Liabilities

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

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

Income Tax Refunds Payable

Income tax refunds are accounted for as a reduction in the appropriate tax revenue category. The amount reported as income tax refunds payable at June 30, 2018, is related to projected refund estimates attributable to fiscal year 2018 tax revenues.

Compensated Absences

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Bond-Related Items

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

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

Net Position/Fund Balance

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

Fund Balance Classifications

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

Non-spendable fund balance

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

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

This amount is the residual classification for the General Fund.

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

See Note 13 for additional information about fund balances.

Restricted Assets/Net Position

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

Reclassifications

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

(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. 83, *Certain Asset Retirement Obligations,* provides guidance for accounting and financial reporting for asset retirement obligations (ARO). An ARO is a legally enforceable liability related to the retirement of a tangible capital asset. A government having legal obligations to perform future asset retirement activities related to a tangible capital asset should recognize a liability and a corresponding deferred outflow of resources using the guidance in this Statement. If all or some of an ARO is not recognized because the liability is not reasonably estimable, the government is required to disclose that fact and reasons that an estimate cannot be made. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (i.e., fiscal year 2019).

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

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

GASB Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements,* provides guidance on debt information that is to be disclosed in the notes to governmental financial statements. The Statement clarifies which liabilities are to be included in the disclosures and requires additional information to be disclosed. In addition, the Statement requires information about debt incurred through direct borrowings or direct placements to be disclosed separately from other debt. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018 (i.e., fiscal year 2019).

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

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

(2) Deposits and Investments

The deposits and investments of the State are exposed to risks that have the potential to result in losses. The following information discloses risks related to custodial credit, interest rate, credit, and foreign currency, as well as policies related to these risks. The higher education component units are not included in the following information. The Foundations are private nonprofit organizations that report under Financial Accounting Standards Board (FASB) standards and are not required to report under Governmental Accounting Standards Board (GASB) standards. As such, the Foundations are not required to report deposit and investment risks.

(a) Deposits

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

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

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

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

The SBF policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. § 19-3-510. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed the FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

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

At June 30, 2018, the reported bank balances of the general fund were $1,080,835,508. Of this amount, $12,342,313 was uninsured and uncollateralized.

At June 30, 2018, the reported bank balances of the enterprise funds were $1,109,623,853. Of this amount, $55,796 was uninsured and uncollateralized.

At June 30, 2018, the reported bank balances of the fiduciary funds were $666,445,159. Of this amount, $658,848 was uninsured and uncollateralized, and $4,896,068 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2018, the reported bank balances of the component unit were $7,800,000. Of this amount, $357,000 was uninsured and uncollateralized.

(b) Investments

Interest Rate Risk

Interest rate risk is defined as the risk that changes in interest rates will adversely affect the fair value of an investment. The length of the term of a debt investment determines how sensitive the fair market price is to a change in interest rates.

The State Treasury's interest rate risk policy is that the average maturity of the total portfolio will not exceed 10 years and the expected maturity of any security will not exceed 10 years except for (1) securities used as collateral in repurchase agreements, Arkansas Capital Corporation Bonds, and SBF and State Building Services Certificates of Indebtedness and (2) U.S. Agency mortgage-backed securities, collateralized mortgage obligations, and municipal bonds that return principal in scheduled payments prior to final maturity shall not have, at the time of purchase, an average life exceeding 10 years using average life assumptions while employing Prepayment Speed Assumption (PSA) and/or Conditional Prepayment Rate (CPR) analysis models. The average life at the time of purchase shall be used as opposed to maturity. The investment policy for funds managed by the State Treasurer for the State Treasury Money Management Trust (STMMT) states that the average maturity of the portfolio will not exceed 60 days, and the stated maturity of any security will not exceed 397 days, with the exception of (1) securities used as collateral in repurchase agreements and (2) U.S. Agency mortgage-backed securities, collateralized mortgage obligations and municipal bonds that return principal in scheduled payments prior to final maturity shall not have, at the time of purchase, an average life exceeding 397 days using average life assumptions while employing PSA and/or CPR analysis models. Securities for which average life at the time of purchase is used shall not have a stated final maturity beyond two years. The SBF requires that every effort be made to match maturity of investments with expenditure requirements. The institutions of higher education and the retirement systems do not have formal investment policies that limit the investment maturities as a means of managing the exposure to fair value losses arising from increased interest rates.

As of June 30, 2018, 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	$ 21,836	$ 2,103	$ 18,751	$ 277	$ 705
Commercial paper	1,637,063	1,637,063			
Domestic securities	72				72
Government securities	15,144	10,840	3,478	81	745
Money market mutual funds	14,560	14,560			
Mortgage-backed securities	1,538,610	345			1,538,265
Negotiable certificates of deposit	18,966	16,298	2,668		
Subtotal	3,246,251	1,681,209	24,897	358	1,539,787
Enterprise funds					
Bonds	40,468	6,657	30,882	2,407	522
Commercial paper	218,047	218,047			
Commingled funds	137,619	137,619			
External investment pools	4,197	4,197			
Money market mutual funds	83,236	83,236			
Mortgage-backed securities	51,911	137			51,774
Negotiable certificates of deposit	6,368	3,050	2,741	577	
U.S. government agencies	137,844	100,400	30,776	3,417	3,251
U.S. treasuries	187,014	116,670	63,585	6,748	11
Subtotal	866,704	670,013	127,984	13,149	55,558

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Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10
Fiduciary funds					
Commercial paper and loans	90,363	59,226	10,047	21,090	
Commingled funds	2,013,753		711,534	1,302,219	
Corporate bonds and notes	2,620,776	467,012	811,336	1,015,350	327,078
External investment pools	506,400	505,187		1,213	
Floating rate bond fund	21,363			21,363	
Fixed income exchange traded fund	50,393				50,393
Global corporate fixed income	25,098		25,098		
High yield income funds	31,509		31,509		
Mortgage-backed securities	327,850	126,272	116,243	4,954	80,381
Municipal bonds	13,066	1,456	5,842	4,219	1,549
Short-term investments	485,996	485,996			
State recycling tax credits	208,000	16,000	64,000	80,000	48,000
U.S. government agencies	180,031	3,941	35,327	10,742	130,021
U.S. treasuries	196,685	3,487	71,787	55,063	66,348
Subtotal	6,771,283	1,668,577	1,882,723	2,516,213	703,770
Component unit					
Commingled funds	34,154	34,154			
Guaranteed investment contracts	4,406				4,406
Money market mutual funds	114,592	114,592			
Mortgage-backed securities	220,463		1,896	13,716	204,851
Mutual bond funds	6,954			6,954	
Negotiable certificates of deposit	1,900	1,424	476		
U.S. government agencies	37,495	5,956	31,539		
U.S. treasuries	18,918	7,275	11,643		
Subtotal	438,882	163,401	45,554	20,670	209,257
Total	$ 11,323,120	$ 4,183,200	$ 2,081,158	$ 2,550,390	$ 2,508,372

Corporate Bonds

As of June 30, 2018, the Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS), and Arkansas State Highway Employees Retirement System (ASHERS) all held corporate bonds with fair values of $831,573,951, $250,356,509, and $224,783,236, 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, 2018, only the bonds held by ASHERS were considered sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2018, APERS and ATRS held convertible bonds with fair values of $236,370,852 and $474,242,229, 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, 2018, none of the retirement systems held convertible securities that were considered highly sensitive to changes in interest rates.

Promissory Notes

As of June 30, 2018, ATRS held promissory notes with a fair value of $52,632,775. Promissory notes are written promises to pay a stated sum at a specified date or on demand. Two unsecured promissory notes were issued to Big River Steel Holdings, LLC, and one secured note was issued to Highland Pellets, LLC. As of June 30, 2018, none of the retirement systems held promissory notes that were considered highly sensitive to changes in interest rates.

Credit Risk

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

The SBF policy is that bankers' acceptances and commercial paper carry an investment rating of A-1 or better by Standard and Poor's Ratings Services (S&P) and P-1 by Moody's Investors Service (Moody's) for maturities exceeding 90 days but not exceeding 180 days. For maturities not exceeding 90 days, the ratings for commercial paper should be A-2 or better by S&P and P-2 or better by Moody's. The Board's policy for corporate bonds of maturity of one year or less is that they should have ratings of A- or A3 or better by at least two of the credit ratings agencies (S&P, Moody's or Fitch Ratings Inc. (Fitch)), and bonds of maturity over one year should have ratings of AA- or better by each of the credit ratings agencies (S&P, Moody's or Fitch). The retirement systems and the institutions of higher education do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2018, is as follows (expressed in thousands):

Rating	Fair Value
General fund	
AAA	$ 15,265
AA+	15,144
AA	1,037
AA-	26
A+	19,892
A	107
A-	20
BBB	49
A-1	246,492
A-2	1,390,572
Unrated	1,557,724
Subtotal	3,246,328
Enterprise funds	
AAA	173,337
AA+	66,547
AA	8,735
AA-	134
A+	666
A	28,229
BBB	1,368
B	153
A-1	13,268
A-2	141,710
Unrated	215,446
Subtotal	649,593

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Rating		Fair Value
Fiduciary funds		
AAA	$	306,180
AA+		381,902
AA		36,070
AA-		204,719
A+		270,715
A		139,198
A-		550,068
BBB		510,068
BB		221,715
B		141,605
CCC or lower		62,301
A-1		37,973
A-2		50,530
Unrated		3,858,239
Subtotal		6,771,283
Component unit		
AAA		113,383
AA+		276,876
AA-		235
A+		4,301
A		349
A-		490
BBB		245
BB		445
Unrated		41,349
Subtotal		437,673
Total ratings	$	11,104,877

Custodial Credit Risk

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

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

At June 30, 2018, the reported amount of the enterprise funds' investments was $1,307,115,737. Of this amount, $1,698,703 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, 2018, the reported amount of the fiduciary funds' investments was $29,168,693,412. Of this amount, $1,022.625 was exposed to custodial credit risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5% or more of total investments. The State places no limit on the amount the State Treasury may invest in U.S. government agency securities. The SBF policy for corporate debt, including both commercial paper and bonded debt of an issuer, is that no investment with a maturity longer than one week shall be made in any single issuer which, at the time of purchase, exceeds 5% of the total assets of the Treasury or STMMT. The State's investments representing greater than 5% of total investments of the general fund included Federal Home Loan Mortgage Corporation (FHLMC) securities of $996,101,359 (30.68%), Federal National Mortgage Association (FNMA) securities of $532,257,511 (16.39%), Romulus Funding Corporation securities of $236,434,662 (7.28%), Banco de Credito securities of $222,544,920 (6.85%), China National Petroleum Corporation securities of $208,201,827 (6.41%), and Intesa Funding, LLC, securities of $182,115,475 (5.61%). The State's investments representing greater than 5% of total investments of the component unit included FNMA securities of $28,077,000 (6.42%). The State's investments representing greater than 5% of total investments of the enterprise funds included FHLMC securities of $78,442,815 (6.00%).

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, 2018, is as follows (expressed in thousands):

Currency	Fair Value	Fixed Income Securities	Equities	Forward Currency Contract (1)	Investment Principal - Receivable	Investment Principal - Payable	Accrued Income	Cash
Argentine Peso	$ 4,156	$ 3,874	$	$	$	$	$	$ 282
Australian Dollar	41,384		41,342				42	
Brazilian Real	13,467		13,402				20	45
British Pound Sterling	548,493		545,206	509	896	(2,062)	589	3,355
Canadian Dollar	86,069		85,911				158	
Chinese Yuan	(13,905)			(13,905)				
Columbian Peso	4,066	4,066						
Danish Krone	40,946		40,097	(167)	450	(284)	850	
Euro	452,520		451,328	4,121		(3,946)	846	171
Hong Kong Dollar	75,484		75,858	(258)		(116)		
Indian Rupee	475							475
Indonesian Rupiah	8,041		8,041					
Israeli Shekel	6,991		6,991					
Japanese Yen	296,154		294,393	1,307	284	(1,527)	966	731
Malaysian Ringgit	8,937		8,937					
Mexican Nuevo Peso	19,874	10,962	8,912					
New Taiwan Dollar	26,973		26,973					
New Zealand Dollar	12,381		12,381					
Norwegian Krone	20,857		21,276	(131)		(320)	32	
Phillipine Peso	2,293		2,293					
Singapore Dollar	18,055		18,055	233		(233)		
South African Rand	69,320	4,251	68,474	(3,439)			34	
South Korean Won	49,857		49,715			(80)	222	
Swedish Krona	91,344		91,343	512		(512)	1	
Swiss Franc	173,229		183,251	(12,087)		(677)	2,738	4
Thailand Baht	535		535					
Turkish Lira	719		719					
Total fair value	$ 2,058,715	$ 23,153	$ 2,055,433	$ (23,305)	$ 1,630	$ (9,757)	$ 6,498	$ 5,063

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

Depositary Receipts

A depositary receipt is a negotiable certificate issued by a bank to represent a foreign company's publicly traded securities. A custodian bank in the foreign country holds the actual shares, often in a form of an American Depository Receipt (ADR), which is listed and traded on exchanges based in the United States, or a Global Depository Receipt (GDR), which is traded in established non-U.S. markets. Indirectly, depository receipts are exposed to foreign currency risk since the non-U.S. company would be doing business in a foreign currency. At June 30, 2018, ASHERS had $29,435,683 invested in ADRs and $1,207,384 invested in GDRs.

Fair Value Measurement

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

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

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

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

The fair value amounts in the table below do not reflect all investments included in the amounts presented in the statements of net position. GASB Statement No. 72 provides reporting exceptions for specific investments including guaranteed investment contracts, money market mutual funds, certain state and local government agencies, and U.S. Treasury obligations.

The following table represents the State of Arkansas's investments and securities lending collateral measured at fair value on a recurring basis by valuation hierarchy as of June 30, 2018 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 21,836	$ 403	$ 21,433	$
Domestic equities	642	642		
Mutual funds	76	76		
Mortgage-backed securities	1,538,610		1,538,610	
Negotiable certificates of deposit	18,966		18,966	
Government securities	15,144	15,144		
Total investments at fair value	$ 1,595,274	$ 16,265	$ 1,579,009	$

Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 4,142	$ 3,287	$ 855	$
Cash and cash equivalents	21,972	21,938	34	
Commingled funds	144,693	6,060	138,633	
Domestic equities	6,825	6,479	346	
Exchange traded funds	7,452	7,379	73	
External investment pools	4,198	3,786		412
International equities	241	47	194	
Marketable alternatives	400	20		380
Mortgage-backed securities	51,911		51,911	
Mutual funds	7,833	7,833		
Negotiable certificates of deposit	31,740	25,935	5,805	
Non-marketable alternatives	4,056			4,056
Other	112			112
Other debt securities	131,235	10,167	121,068	
U.S. government agencies	298,620	78,671	217,054	2,895
U.S. treasuries	14,788	14,788		
Total investments at fair value	730,218	$ 186,390	$ 535,973	$ 7,855
Investments measured at net asset value (NAV)				
External investment pools - UA	389,257			
External investment pools - NAC:				
Intermediate Term Fund	693			
Multi-Strategy Equity Fund	155			
Multi-Strategy Bond Fund	87			
Total investments at NAV	390,192			
Total investments	$ 1,120,410			

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Fiduciary funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Asset and mortgage-backed securities	$ 201,552	$	$ 201,552	$
Bonds	1,476,136		1,423,503	52,633
Commercial loans	31,137			31,137
Convertible preferred stock	39,775	21,698	18,077	
Domestic equities	6,540,816	6,540,816		
International equities	2,077,144	2,077,144		
International obligations	83,348		83,348	
Investment derivatives	1,415	(301)	1,716	
Limited partnerships	142,652	72,240		70,412
Mutual and exhange traded funds	239,421	239,421		
Preferred stock	10,089	10,089		
Real estate	57,239			57,239
State recycling tax credits	208,000		208,000	
U.S. government agencies	129,231		129,231	
U.S. treasuries	247,485	188,844	58,641	
Total investments at fair value	11,485,440	$ 9,149,951	$ 2,124,068	$ 211,421

Investments measured at net asset value (NAV)	
Pooled investments:	
Commingled domestic equities	1,371,733
Commingled international equities	5,535,680
Commingled domestic fixed income	1,438,349
Commingled international fixed income	1,037,621
Diversified investment funds	238,589
Farmland funds	198,566
Fund of funds	175,082
Hedge funds	694,544
Infrastructure funds	190,268
Opportunistic funds	35,485
Partnership funds	109,256
Private equity funds	2,077,356
Real estate funds	2,207,270
Reinsurance funds	260,720
Timberland funds	369,650
Total investments at NAV	15,940,169
Total investments	$ 27,425,609

Securities lending collateral measured at fair value	Total	Level 1	Level 2	Level 3
Asset and mortgage-backed securities	$ 229,032	$	$ 229,032	$
Floating rate notes	462,431		462,431	
Repurchase agreements	316,703		316,703	
Total securities lending collateral at fair value	1,008,166	$	$ 1,008,166	$

Securities lending collateral measured at net asset value (NAV)	
Quality D short-term investment pool	506,401
Total securities lending collateral at NAV	506,401
Total securities lending collateral	$ 1,514,567

Component unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Commingled funds	$ 34,154	$	$ 34,154	$
Mortgage-backed securities	220,463		220,463	
Mutual bond funds	6,954		6,954	
Negotiable certificates of deposit	1,900		1,900	
U.S. agencies obligations	37,495		37,495	
U.S. treasury obligations	18,918		18,918	
Total investments at fair value	$ 319,884	$	$ 319,884	$

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

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

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

The following table represents the State of Arkansas's investments measured at fair value on a nonrecurring basis by valuation hierarchy as of June 30, 2018 (expressed in thousands):

Component Unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate owned	$ 1,527	$	$	$ 1,527

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

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

Investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the following table as of June 30, 2018 (expressed in thousands):

Enterprise Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
External investment pools - UA	$ 389,257		Daily	0-30 days written notice required if withdrawals exceed $25.0 M within any 30-day period
External investment pools - NAC:				
Intermediate Term Fund	693		Weekly	5 day
Multi-Strategy Equity Fund	155		Monthly	5 day
Multi-Strategy Bond Fund	87		Monthly	5 day
Total investments at NAV	$ 390,192			

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Fiduciary Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Pooled investments:				
Commingled domestic equities	$ 1,371,733	$	Daily-Monthly	T+1; T+3; 5 days
Commingled international equities	5,535,680		Daily-Quarterly	T+1; T+3; 2 to 65 days
Commingled domestic fixed income	1,438,349		Daily	T+3; 2 to 15 days
Commingled international fixed income	1,037,621		Daily-Monthly	1 to 10 days
Diversified investment funds	238,589		Daily-Monthly	T+2; T+3
Farmland funds	198,566	13,779	Daily-Quarterly	30 to 60 days
Fund of funds	175,082		Last day of each Quarter	1yr; 2yrs; 3yrs; >3yrs; 55% liquidity; then 20% then 15% then 10%
Hedge funds	694,544		Weekly-Annually	3 to 90 days
Infrastructure funds	190,268	159,964	N/A	90 days; N/A
Opportunistic funds	35,485	22,204	Quarterly; N/A	60 days; N/A
Partnership funds	109,256	45,282	Quarterly-Annually	65 to 90 days
Private equity funds	2,077,356	937,887	N/A	N/A
Real estate funds	2,207,270	561,501	Quarterly-7-year lock up; N/A	T+45; T+90; 45 to 90 days; N/A
Reinsurance funds	260,720		Semiannually-Annually	60 to 90 days
Special assets fund		30,000	N/A	N/A
Timberland funds	369,650	24,892	N/A	N/A
Total investments at NAV	$ 15,940,169	$ 1,795,509		

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

External investment pools – University of Arkansas (UA)

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

Intermediate Term Fund – North Arkansas College (NAC)

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

Multi-Strategy Equity Fund – NAC

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

Multi-Strategy Bond Fund – NAC

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

Pooled investments

Pooled investments are commingled funds that consist of assets from several accounts that are blended together to lower trading costs per dollar of investment. The State has funds invested in domestic and international equities, as well as domestic and international fixed income securities. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Diversified investment funds

This investment type includes a fund that uses an unleveraged, actively managed, unconstrained, multi-asset strategy and a fund that uses modest leverage with a broadly diversified portfolio. The value is based on each investor's proportionate share of the total underlying assets in the fund less any liabilities for client withdrawals, investment purchases, or other accrued expenses. Other funds use global strategies that incorporate valuations of both equities and bonds in a variety of global sectors to determine the best investment weightings by product and region.

Farmland funds

The State has two farmland funds. One fund is an open-ended fund comprised of units that represent the State's ownership of underlying agricultural related assets. This fund may be redeemed quarterly with proper notification to the fund manager. The other fund holds the State's direct investments in farmland and related assets. This fund may be redeemed daily with proper notification to the fund manager. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Distributions from the fund may be received in cash flows from operations or return of capital from sales of assets. The holding period is at the discretion of the fund manager based on the fund's purchase or sale of the underlying assets in the portfolio.

Fund of funds

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

Hedge funds

Hedge funds consist of three global macros, two credit funds that invest opportunistically across investment classes on a long and short basis, two funds that invest in alternative risk premia, and one fund that uses options designed to enhance the returns of the underlying global benchmarks. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Redemption ranges from weekly to annually depending on the manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Infrastructure funds

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

Opportunistic funds

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

Partnership funds

The State has two partnership funds that acquire enough shares of a company to gain a controlling interest in order to make corrections to potentially increase a stock's value. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed every year subject to redemption lockup restrictions and proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Private equity funds

Private equity funds include 40 buyout funds, three distressed debt funds, two growth equity funds, 10 hard asset funds, four mezzanine funds, one infrastructure fund, five multi-strategy funds, three structured capital funds, six turnaround funds, and 11 venture capital funds. The value of the investments in this type has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

Real estate funds

Real estate funds include eight core funds, 20 value added funds, and 20 opportunistic funds that invest primarily in the United States, Europe, and Asia. Fund investments can be made in the debt, equity, or a combination of both in real estate property ventures. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets in the real estate funds is 2 to 10 years.

Reinsurance funds

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

Special assets fund

The special assets fund primarily invests in mid-life and older narrow body commercial aircraft manufactured by Boeing and Airbus and related aircraft components. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Timberland funds

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

Securities lending collateral

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

(3) Derivatives

The State invests in various asset-backed securities, mortgage-backed securities, and 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, 2018, governmental activities, business-type activities, fiduciary funds, and component units held mortgage-backed securities with market values of $1.5 billion, $51.9 million, $228.9 million, and $220.5 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, 2018, no mortgage-backed securities were considered highly sensitive to changes in interest rates.

Asset-Backed Securities

As of June 30, 2018, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $323.4 million. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets. At June 30, 2018, 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, 2018, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $9.517 million, collectively. Market values of these outstanding contracts were $9.462 million, resulting in an unrealized loss of $55,000. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $42.072 million at June 30, 2018. Market values of these contracts were $40.309 million, resulting in an unrealized gain of approximately $1.763 million.

Derivative Instruments

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2018, 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, 2018	
Type	Classification	Amount	Classification	Amount
Foreign currency forwards	Net increase (decrease) in fair value of investments	$ 2,422,584	Investment derivatives	$ 1,708,101
Rights	Net increase (decrease) in fair value of investments	7,488	Investment derivatives	7,488
Futures	Net increase (decrease) in fair value of investments	(194,152)	Investment derivatives	(300,594)
TBA securities	Net increase (decrease) in fair value of investments	9,889,260	U.S. government and agency securities	19,905,022

Foreign Currency Forward	Fair Value		Notional Amount
Swiss Franc	$ 656,525	CHF	$ 12,948,000
Chinese Yuan Renminbi	622,391	CNY	(92,712,571)
British Pound Sterling	(4,625)	GBP	466,025
Hong Kong Dollar	(41)	HKD	2,938,363
Japanese Yen	113,655	JPY	(515,588,827)
Norwegian Krone	(899)	NOK	3,668,221
United States Dollar	(45,006)	USD	8,798,622
South African Rand	366,101	ZAR	54,385,000
Total foreign currency forwards	$ 1,708,101		$ (525,097,167)
Rights	$ 7,488	USD	$ 299,500
Futures	$ (300,594)	USD	$ 40,800,000
TBA securities	$ 19,905,022	USD	$ 19,880,000

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs as authorized by Arkansas Code and the Boards of Trustees' policies whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents, letters of credit, securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the fair value of the securities loaned for ATRS and equal to at least 102% for domestic loans and 105% for international loans for APERS. The programs are administered by custodial agent banks. The types of securities on loan at June 30, 2018, 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, 2018, the carrying value and fair value of the underlying securities was $1.5 billion. At June 30, 2018, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers was less than the amounts the borrowers owed the pension systems or because the custodian's indemnification eliminated the credit risk.

(5) Receivables

Receivables at June 30, 2018, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes (1)	Employee/ Employer	Medicaid	Capital Lease Receivable (2)	Loans	Investment-Related	Other Receivables	Allowance for Uncollectibles	Total
General Fund	$ 339,175 (3)	$ 810,170	$	$ 272,562	$ 502	$ 267,871	$ 14,226	$ 37,559	$ (582,010)	$ 1,160,055
Higher Education Fund	589,141					44,502	2,278	12,041	(360,311)	287,651
Workers' Compensation Commission	8,525 (3)						141			8,666
Department of Workforce Services	137,721						33		(78,937)	58,817
Office of the Arkansas Lottery	12,317									12,317
Non-major enterprise funds	2,802					411,579	1,061		(138)	415,304
Pension trust			41,260				143,371	6,964		191,595
Investment trust							28			28
Agency							52	35	(34)	53
Total	$ 1,089,681	$ 810,170	$ 41,260	$ 272,562	$ 502	$ 723,952	$ 161,190	$ 56,599	$ (1,021,430)	$ 2,134,486

(1) Receivable balances of $3,282 are not expected to be collected within one year of the date of the financial statements.

(2) See Note 11 - Leases.

(3) $17, $3 and $2 Interfund receivables due to the General Fund, Higher Education Fund and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

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Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Development Finance Authority	$ 801	$ 544,800 (1)	$ 110,746	$ 6,257	$	$ (79,437)	$ 583,167
University of Arkansas Foundation				2,984	28,185	(910)	30,259
University of Arkansas Fayetteville Campus Foundation					7,862		7,862
Total	$ 801	$ 544,800	$ 110,746	$ 9,241	$ 36,047	$ (80,347)	$ 621,288

(1) The financial statements for ADFA for the year ending June 30, 2018, incorporate the financial statements of the Venture Capital Investment Trust Fund, a component unit of ADFA, for the fiscal year ending December 31, 2017. ADFA reports receivables of $21.3 million in loans made to the component unit that were made after December 31, 2017. As a result, the receivables are not matched by corresponding payables of the component unit.

(6) Intergovernmental Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From							
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 1,750	$ 7	$ 25	$ 70,877	$ 325	$ 17 (1)	$ 73,001
Higher Education Fund	18,292			17			3 (1)	18,312
Workers' Compensation Commission	275	365			1		2 (1)	643
Department of Workforce Services	1,001							1,001
Office of the Arkansas Lottery	11,711							11,711
Non-major Enterprise Funds	188							188
Pension trust	3,127 (2)							3,127
Total	$ 34,594	$ 2,115	$ 7	$ 42	$ 70,878	$ 325	$ 22	$ 107,983

(1) $17, $3 and $2 Interfund receivables due to the General Fund, Higher Education and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

(2) $3,127 Interfund payables due from the General Fund to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Position.

Interfund receivables and payables include (1) $18.3 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $1.0 million due from the General Fund to the Department of Workforce Services for unemployment contributions; (3) $11.7 million due from the General Fund to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued; (4) $3.1 million due from the General Fund to the Pension Trust for employers' contributions; (5) $1.8 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 (6) $70.9 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing, and administrative costs. All amounts are expected to be repaid within one year.

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

	Advances From			
Advances To	General Fund	Higher Education Fund	Non-Major Enterprise Funds	Total
General Fund	$	$ 2,908	$ 487	$ 3,395
Higher Education Fund	5,350		6,870	12,220
Workers' Compensation Commission	331			331
Total	$ 5,681	$ 2,908	$ 7,357	$ 15,946

Advances include (1) an outstanding balance of $5.4 million loaned from the General Fund (i.e., Department of Finance and Administration – Division of Building Authority) to Higher Education for the Sustainable Building Design Program used to pay for energy improvements; (2) an outstanding balance of $2.9 million loaned from the University of Arkansas for Medical Sciences to the Department of Human Services used in the construction of the West Central Power Plant; and (3) an outstanding balance of $6.9 million loaned from the Community/Technical College Revolving Loan program providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

Transfers (expressed in thousands):

	Transfers In				
Transfers Out	General Fund	Higher Education	Workers' Compensation Commission	Office of the Arkansas Lottery	Total
General Fund	$	$ 966,832	$ 1	$ 16,598	$ 983,431
Higher Education	83,821				83,821
Department of Workforce Services	7,511				7,511
Office of the Arkansas Lottery	108,443				108,443
Non-major Enterprise Funds	4,103				4,103
Total	$ 203,878	$ 966,832	$ 1	$ 16,598	$ 1,187,309

Transfers include (1) $83.8 million transferred from the Higher Education Fund to the General Fund, which includes $76.7 million of State funding provided to the University of Arkansas Medical Sciences transferred to the Department of Human Services for the Medicaid Program; (2) $7.5 million transferred from Department of Workforce Services to the General Fund, which includes $2.6 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; (3) $108.4 million transferred from the Office of the Arkansas Lottery to the General Fund for the 2018/2019 academic school year; (4) $4.1 million transferred to the General Fund from the Non-Major Enterprise Funds, which includes $3.4 million transferred from the Safe Drinking Water Revolving Loan Fund to the Arkansas Department of Health for administration of the program; (5) $966.8 million transferred from the General Fund to the Higher Education Fund, which includes $965 million for state funding of higher education institutions and $1.8 million in fund balance from Crowley's Ridge Technical Institute transferred to East Arkansas Community College in accordance with Ark. Code Ann. § 6-51-1104; and (6) $16.6 million transferred from the General Fund back to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2018, was as follows (expressed in thousands):

	Balance June 30, 2017	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2018
Governmental activities:					
Capital assets, not being depreciated/amortized:					
Land	$ 963,118	$ (118)	$ 37,322	$ (155)	$ 1,000,167
Construction in progress	2,054,649	(834,695)	978,750		2,198,704
Construction in progress - intangibles	418	(418)			
Other non-depreciable/amortizable assets	22,350	(156)	362		22,556
Total capital assets, not being depreciated/amortized	3,040,535	(835,387)	1,016,434	(155)	3,221,427
Capital assets, being depreciated/amortized:					
Land improvements	189,800	2,319	2,427	(4)	194,542
Infrastructure	15,176,532	615,575	3,558	(59,090)	15,736,575
Buildings	1,733,901	25,499	12,975	(5,285)	1,767,090
Equipment	779,069	4,888	59,828	(46,592)	797,193
Intangibles	144,592	197,062	41,246	(5,097)	377,803
Other depreciable/amortizable assets	9,458	5	56	(53)	9,466
Total capital assets, being depreciated/amortized	18,033,352	845,348	120,090	(116,121)	18,882,669
Subtotal	21,073,887	9,961	1,136,524	(116,276)	22,104,096
Less accumulated depreciation/amortization for:					
Land improvements	(113,524)	(239)	(6,954)	4	(120,713)
Infrastructure	(7,495,440)	(1,336)	(467,267)	59,089	(7,904,954)
Buildings	(691,696)	3,238	(33,938)	3,197	(719,199)
Equipment	(552,596)	512	(48,650)	44,316	(556,418)
Intangibles	(110,408)	(192)	(11,938)	4,970	(117,568)
Other depreciable/amortizable assets	(6,913)		(442)	36	(7,319)
Total accumulated depreciation/amortization	(8,970,577)	1,983	(569,189)	111,612	(9,426,171)
Governmental activities capital assets, net	$ 12,103,310	$ 11,944	$ 567,335	$ (4,664)	$ 12,677,925

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

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		Balance June 30, 2017		Adjustments/ Transfers (1)		Additions		Deletions		Balance June 30, 2018
Business-type activities:										
Capital assets, not being depreciated/amortized:										
Land	$	165,590	$	(114)	$	7,585	$	(1,358)	$	171,703
Construction in progress		151,533		(70,047)		267,754		(2,363)		346,877
Construction in progress - intangibles		2,673		(1,797)		1,783		(81)		2,578
Easements		2,675								2,675
Other tangible assets				510		72		(105)		477
Total capital assets, not being depreciated/amortized		322,471		(71,448)		277,194		(3,907)		524,310
Capital assets, being depreciated/amortized:										
Improvements other than building		32,964		304		247				33,515
Buildings		5,213,746		57,493		52,205		(6,989)		5,316,455
Equipment		837,489		1,161		51,291		(30,001)		859,940
Infrastructure		602,920		13,621		7,173		(88)		623,626
Intangibles		190,281		37,676		2,141				230,098
Art/historic treasures		970								970
Library holdings		225,786				5,489		(3,723)		227,552
Other depreciable assets		52,381		(34,824)		31		(1,105)		16,483
Total capital assets, being depreciated/amortized		7,156,537		75,431		118,577		(41,906)		7,308,639
Subtotal		7,479,008		3,983		395,771		(45,813)		7,832,949
Less accumulated depreciation/amortization for:										
Improvements other than building		(15,920)		1,018		(1,578)				(16,480)
Buildings		(2,251,086)		(1,185)		(167,648)		3,789		(2,416,130)
Equipment		(669,347)		(1,015)		(51,063)		28,785		(692,640)
Infrastructure		(234,739)		(3,251)		(28,917)		65		(266,842)
Intangibles		(123,062)		(15,537)		(14,415)				(153,014)
Art/historic treasures		(20)		20						
Library holdings		(183,628)		3		(7,375)		3,718		(187,282)
Other depreciable/amortizable assets		(23,304)		17,575		(1,100)		853		(5,976)
Total accumulated depreciation/amortization		(3,501,106)		(2,372)		(272,096)		37,210		(3,738,364)
Business-type activities capital assets, net	$	3,977,902	$	1,611	$	123,675	$	(8,603)	$	4,094,585

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

Component Units

Activity for ADFA for the year ended June 30, 2018, was as follows (expressed in thousands):

		Balance June 30, 2017 (2)		Adjustments/ Transfers (1)		Additions		Deletions		Balance June 30, 2018
ADFA:										
Capital assets not being depreciated										
Land	$	670	$		$		$		$	670
Capital assets being depreciated:										
Building		2,032								2,032
Equipment		1,613				6				1,619
Intangibles		10,629								10,629
Total capital assets being depreciated/amortized		14,274				6				14,280
Subtotal		14,944				6				14,950
Less accumulated depreciation/amortization for:										
Building		(660)				(63)				(723)
Equipment		(989)				(40)				(1,029)
Intangibles		(10,612)				(17)				(10,629)
Total accumulated depreciated/amortization		(12,261)				(120)				(12,381)
ADFA capital assets, net	$	2,683	$		$	(114)	$		$	2,569

(1) Includes transfers within ADFA, assets that were not previously reported, accounting errors, and other changes.
(2) Restated to include the acquisition of Arkansas Student Loan Authority.

Activity for U of A Foundation, Inc., for the year ended June 30, 2018, was as follows (expressed in thousands):

	Balance June 30, 2017	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2018
U of A Foundation Inc.:					
Capital assets not being depreciated:					
Land	$ 552	$	$	$ (295)	$ 257

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

Depreciation and Amortization

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

Primary Government

Governmental Activities:	
Education	$ 3,314
Health and human services	13,626
Transportation	480,762
Law, justice and public safety	28,274
Recreation and resources development	24,182
General government	17,965
Regulation of business and professionals	1,066
Total depreciation and amortization expense	$ 569,189
Business-type Activities:	
Enterprise funds	$ 272,096
Total depreciation and amortization expense	$ 272,096

Component Unit

ADFA	$ 120
Total depreciation and amortization expense	$ 120

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2018, are summarized as follows (expressed in thousands):

	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due within One Year	Due Greater Than One Year
Governmental Activities:						
Bonds payable:						
General obligation	$ 1,447,370	$	$ 137,025	$ 1,310,345	$ 89,865	$ 1,220,480
Add (deduct):						
Issuance premium (discount):						
General obligation	105,757		12,935	92,822	12,934	79,888
Debt to component unit	2,285		453	1,832	283	1,549
Total bonds payable	1,555,412		150,413	1,404,999	103,082	1,301,917
Loan payable to component unit		4,200		4,200	4,200	
Notes payable to component unit	60,514	9,228	10,175	59,567	8,413	51,154
Capital leases	1,891	53	445	1,499	460	1,039
Capital leases with component unit	109,493	8,994	8,302	110,185	8,847	101,338
Total loan, notes and leases payable	171,898	22,475	18,922	175,451	21,920	153,531
Total bonds, loan, notes and leases payable	1,727,310	22,475	169,335	1,580,450	125,002	1,455,448
Recycling tax obligation (1)	177,695		10,225	167,470	10,557	156,913
Claims, judgments and arbitrage (1)	118,165	318,412	316,195	120,382	116,148	4,234
Compensated absences (1)	139,937	113,486	107,131	146,292	22,453	123,839
Total claims, judgments, arbitrage and compensated absences	258,102	431,898	423,326	266,674	138,601	128,073
Pollution remediation (1)	28,333	598	12,191	16,740	5,029	11,711
Total OPEB liability (1)(2)	2,155,585		8,391	2,147,194	63,607	2,083,587
Net pension liability (1)	2,887,441	90,466	306,013	2,671,894		2,671,894
Governmental activities total	$ 7,234,466	$ 545,437	$ 929,481	$ 6,850,422	$ 342,796	$ 6,507,626

(1) The various long-term liabilities other than debt are all paid from the general fund.
(2) Beginning balance restated for the implementation of GASB Statement No. 75.

Continued on the following page

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		Balance June 30, 2017		Additions		Reductions		Balance June 30, 2018		Due Within One Year		Due Greater Than One Year
Business-type Activities:												
Bonds payable:												
Special obligation:												
Construction Assistance												
Revolving Loan Fund	$	25,485	$		$	2,345	$	23,140	$	2,920	$	20,220
Safe Drinking Water												
Revolving Loan Fund		19,185				1,765		17,420		2,205		15,215
College and University												
Revenue Bonds		1,898,326		248,400		173,395		1,973,331		98,843		1,874,488
Add:												
Issuance premiums (discounts)		119,742		22,920		8,600		134,062		7,938		126,124
Total bonds payable		2,062,738		271,320		186,105		2,147,953		111,906		2,036,047
Notes payable		66,945		19,997		17,787		69,155		18,290		50,865
Notes payable with												
component unit		9,921				455		9,466		468		8,998
Total notes payable		76,866		19,997		18,242		78,621		18,758		59,863
Capital leases		60,808		13,928		8,448		66,288		9,119		57,169
Total bonds, notes and leases payable		2,200,412		305,245		212,795		2,292,862		139,783		2,153,079
Claims and judgments		270,814		499,455		467,246		303,023		95,029		207,994
Compensated absences		117,232		90,202		88,878		118,556		14,934		103,622
Total claims, judgments and compensated absences		388,046		589,657		556,124		421,579		109,963		311,616
Total OPEB liability (1)		152,543				9,986		142,557		5,077		137,480
Net pension liability		226,821		307		526		226,602				226,602
Business-type activities total	$	2,967,822	$	895,209	$	779,431	$	3,083,600	$	254,823	$	2,828,777

(1) Restated beginning balance due to GASB Statement No. 75.

		Balance June 30, 2017		Additions		Reductions		Balance June 30, 2018		Due Within One Year		Due Greater Than One Year
Component units:												
Arkansas Development												
Finance Authority (1):												
Bonds payable	$	625,743	$	41,725	$	73,513	$	593,955	$	24,969	$	568,986
Notes payable		82,656		45,290		98,505		29,441		15,071		14,370
Add: issuance premiums (discounts)		(1,046)		1,198				152		12		140
Total bonds and notes payable ADFA		707,353		88,213		172,018		623,548		40,052		583,496
Total OPEB liability (2)		3,845				39		3,806		114		3,692
Net pension liability		4,960		197				5,157				5,157
U of A Foundation												
Annuity obligations		14,069		3,583		2,194		15,458		1,397		14,061
Component units total	$	730,227	$	91,993	$	174,251	$	647,969	$	41,563	$	606,406

(1) Beginning balances restated due to the combination of ADFA and Student Loan Authority .
(2) OPEB beginning balance restated by $1,407 due to GASB Statement No. 75.

Primary Government

Governmental Activities

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

General obligation bonds outstanding at June 30, 2018, 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	$ 138,420
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	126,640
2014 Series Federal Highway G.O.Bonds	2027	5.00	156,800
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00	457,895
Arkansas Economic Development Commission Bonds:			
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11	62,885
Arkansas Natural Resources Commission Bonds:			
2010A Series Water, Waste and Pollution	2020	2.00 - 4.50	1,225
2010B Series Water, Waste and Pollution	2021	1.00 - 4.10	8,500
2010C Series Water, Waste and Pollution	2021	2.00 - 3.00	2,090
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30	19,530
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00	37,815
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30	17,255
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	8,440
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	18,560
2016A Series Water, Waste and Pollution	2034	3.00 - 5.00	27,350
2017A Series Water, Waste and Pollution	2028	2.00 - 2.80	18,185
2017B Series Water, Waste and Pollution	2040	2.13 - 5.00	17,665
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00 - 4.25	125,880
2016 Series, G.O. Bonds	2022	2.00 - 4.25	65,210
Total			$ 1,310,345

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 89,865	$ 51,421	$ 141,286
2020	124,410	47,984	172,394
2021	223,175	42,906	266,081
2022	230,890	32,469	263,359
2023	236,150	24,393	260,543
2024-2028	313,980	46,611	360,591
2029-2033	56,105	12,192	68,297
2034-2038	18,540	4,799	23,339
2039-2043	10,495	2,456	12,951
2044-2048	6,735	639	7,374
Total	$ 1,310,345	$ 265,870	$ 1,576,215

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds – Act 511 of 2007 and a statewide election conducted November 8, 2011, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act authorizes the bonds to be issued in several series of various principal amounts, provided that the total principal amount of bonds outstanding does not exceed $575.0 million. The bonds were issued to pay the cost of reconstructing and renovating the interstate highways and related facilities in the State of Arkansas. No bonds were issued under this act in the 2018 fiscal year. The bonds are payable primarily from Federal Interstate Maintenance Funds (FIMF) and by State revenues derived from the tax on diesel fuel at the rate of four cents per gallon. Current and prior-year revenues and apportionments and projected revenues and apportionments for these bonds are as follows (expressed in thousands):

Designated Revenues for GARVEE Bonds

Revenues and Apportionments			Projected Revenues and Apportionments		
Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF	Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF
2014	$ 16,206	$ 93,325 (1)	2019	$ 16,500	$ 105,135
2015	16,315	97,303 (1)	2020	16,500	107,238
2016	16,730	99,311	2021	16,500	109,383
2017	17,534 (1)	100,927	2022	16,500	111,571
2018	18,039	103,074	2023	16,500	113,802

(1) Corrected

General Obligation Four-Lane Highway Construction and Improvement Bonds – Amendment 91 to the State Constitution was approved by a vote of the people on November 6, 2012. This amendment authorized the State to issue State of Arkansas General Obligation Four-Lane Highway Construction and Improvement Bonds. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Amendment limited the aggregate total principal amount to $1.3 billion to be issued in several series of various principal amounts. The bonds are issued for the purpose of construction and improvement of four-lane highways in the State of Arkansas.

No bonds were issued under this act in the 2018 fiscal year. The bonds are payable primarily from a 1/2 cent sales tax collection authorized under the Amendment. Current revenue for these bonds is as follows (expressed in thousands):

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

Year ending June 30:		Sales Tax Collections
2014	$	151,253
2015		165,449
2016		171,611
2017		175,419
2018		187,427

General Obligation Amendment 82 Bonds – Amendment 82 to the State Constitution was approved by a vote of the people in 2004 and modified by Amendment 90, which was approved by a vote of the people in 2010. The amendment authorized the issuance of general obligation bonds for the purpose of financing the costs of infrastructure or other needs to attract large economic development projects. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The amendment limits the bonds to be issued to an amount up to 5.00% of State general revenues collected during the most recent year. The 2014 series, the first issuance under this authority, is for a total of $125.0 million to provide $70.0 million in infrastructure improvements, $50.0 million in a loan, and $5.0 million for issuance costs. No bonds were issued under this act in the 2018 fiscal year.

State Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds – Act 607 of 1997 authorized the Arkansas Soil and Water Conservation Commission (subsequently the Arkansas Natural Resources Commission) and Act 631 of 2007 authorized the Arkansas Natural Resources Commission to issue Water, Waste Disposal, and Pollution Abatement Facilities General Obligation Bonds. All bonds issued under the authority of these acts are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. Each act limits the total principal amount to approximately $300.0 million, with no more than $60.0 million being issued during any fiscal biennium for nonrefunding purposes unless the General Assembly of the State by law authorizes a greater principal amount to be issued. The bonds were issued to provide financing for the development of water, waste disposal, pollution abatement, drainage and flood control, irrigation, and wetland preservation facilities projects in the State. Repayment of financial assistance provided for the development of the projects is first used to repay the bonds; any remaining debt service requirement is paid from general revenues. No bonds were issued under this act in the 2018 fiscal year.

Higher Education General Obligation Bonds – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The act limited the total principal amount to approximately $250.0 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and the College Savings Bond Act of 1989 shall not have scheduled debt service payments on a combined basis in excess of $24.0 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for State institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2018 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, 2018, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $22.3 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, 2018, the equity interest in vacant industrial facilities totaled approximately $2.5 million. No bonds are outstanding in the 2018 fiscal year.

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

Future amounts required to pay principal and interest on notes payable to component unit at June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 8,413	$ 2,327	$ 10,740
2020	5,776	2,102	7,878
2021	4,215	1,960	6,175
2022	4,330	1,837	6,167
2023	4,179	1,718	5,897
2024-2028	15,310	4,770	20,080
2029-2033	8,713	1,974	10,687
2034-2038	7,193	885	8,078
2039-2043	1,438	43	1,481
Total	$ 59,567	$ 17,616	$ 77,183

Loan Payable to Component Unit – A loan was made with ADFA for the purchase of a new headquarters for the Department of Community Correction. Principal and interest payments are made from specifically dedicated fees and other revenues.

Future amounts required to pay principal and interest on the loan payable to component unit at June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 4,200	$ 51	$ 4,251

The loan was repaid in fiscal year 2019 from the proceeds of the bonds issued by ADFA.

Recycling Tax Obligation – The Waste Reduction and Recycling Equipment Credit is authorized under Ark. Code Ann. § 26-51-506. Act 748 of 1991, as amended by Act 654 of 1993, authorizes an income tax credit equal to 30% of the cost of waste reduction, reuse, or recycling equipment, including the cost of installation of such machinery and equipment. The credit used for a taxable year may not exceed the individual or corporation income tax due. Any unused credit may be carried over for a maximum of three consecutive years, unless the business is a qualified steel mill that has invested more than $200.0 million and then the carry forward period is 14 years. In fiscal year 2017, Arkansas Teacher Retirement System (ATRS), an investor in Big River Steel, negotiated an agreement with the State and Big River Steel. This agreement allowed ATRS to purchase the tax credits totaling $300.0 million from Big River Steel for $161.8 million and sell them back to the State at the rate of $20.0 million in tax credits per year at a discounted price of $16.0 million. As a result of this agreement, which was incorporated into State law, the State considers this a structured payout and has used a discount rate of 3.25% to record an obligation of $187.6 million to ATRS as of the agreement date.

Future amounts required to pay principal and interest on the recycling tax obligation at June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 10,557	$ 5,443	$ 16,000
2020	10,900	5,100	16,000
2021	11,255	4,745	16,000
2022	11,620	4,380	16,000
2023	11,998	4,002	16,000
2024-2028	66,099	13,901	80,000
2029-2033	45,041	2,959	48,000
Total	$ 167,470	$ 40,530	$ 208,000

Business-Type Activities

Special Obligation Bonds – Special Obligation Bonds outstanding at June 30, 2018, issued pursuant to specific statutory provisions enacted by the Legislature and paid from specifically dedicated fees and other revenues generated by a particular program that does not constitute general debt of the State, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Construction Assistance Revolving Loan Fund	2028	3.25-5.00	$ 23,140
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	17,420
Total			$ 40,560

Details of the Special Obligation Bonds outstanding are as follows:

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

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

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized premiums of approximately $1.8 million for the CA fund and $1.3 million for the SDW Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 5,125	$ 1,891	$ 7,016
2020	4,810	1,635	6,445
2021	4,625	1,395	6,020
2022	4,425	1,164	5,589
2023	4,430	943	5,373
2024-2028	17,145	1,704	18,849
Total	$ 40,560	$ 8,732	$ 49,292

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

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $131.0 million. At June 30, 2018, business-type activity revenue bonds outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Beebe	2039	1.00-4.00	$ 29,765
Arkansas State University – Jonesboro	2044	0.70-5.78	130,340
Arkansas State University – Midsouth	2042	1.00-4.70	20,030
Arkansas State University – Mountain Home	2033	0.67-4.25	5,440
Arkansas State University – Newport	2033	0.66-3.82	3,970

(1) Fiscal year

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	Final Maturity Date (1)	Interest Rates %	Balance
University of Arkansas - System			
Cossatot Community College of the University of Arkansas	2035	1.00-3.65	$ 3,325
Phillips Community College of the University of Arkansas	2039	2.00-4.00	10,290
University of Arkansas – Fayetteville	2048	0.85-5.00	764,860
University of Arkansas – Fort Smith	2039	2.00-5.00	64,795
University of Arkansas – Little Rock	2038	0.53-5.00	108,640
University of Arkansas – Monticello	2042	1.00-5.00	27,825
University of Arkansas – Pine Bluff	2036	1.88-5.00	14,860
University of Arkansas – Pulaski Technical College	2041	2.00-5.00	84,125
University of Arkansas Community College – Batesville	2019	1.00-3.25	285
University of Arkansas Community College – Hope	2039	1.00-4.00	3,250
University of Arkansas Community College – Morrilton	2046	2.00-5.00	10,750
University of Arkansas Community College – Rich Mountain	2042	1.00-4.15	5,860
University of Arkansas for Medical Sciences	2036	1.00-5.00	223,140
Other Institutions			
Arkansas Northeastern College	2047	1.95-4.00	7,280
Arkansas Tech University	2044	3.00-4.00	75,380
Black River Technical College	2044	2.00-4.00	9,676
East Arkansas Community College	2040	2.00-3.63	3,260
Henderson State University	2040	1.00-3.75	50,870
National Park College	2048	3.00-4.00	21,395
North Arkansas College	2037	1.00-3.88	6,690
Northwest Arkansas Community College	2035	2.00-7.00	28,930
Ozarka College	2043	1.00-3.95	5,510
South Arkansas Community College	2039	2.00-4.05	3,095
Southern Arkansas University – Magnolia	2048	1.00-4.75	87,740
Southern Arkansas University Tech – Camden	2043	1.70-4.50	5,175
University of Central Arkansas	2047	1.00-6.13	156,780
Total			$ 1,973,331

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 98,843	$ 81,813	$ 180,656
2020	85,188	79,245	164,433
2021	86,634	75,945	162,579
2022	86,056	72,448	158,504
2023	87,598	69,791	157,389
2024-2028	436,400	289,910	726,310
2029-2033	458,827	193,477	652,304
2034-2038	384,396	98,078	482,474
2039-2043	185,485	33,411	218,896
2044-2048	63,904	6,595	70,499
Total	$ 1,973,331	$ 1,000,713	$ 2,974,044

Business-type activity notes payable outstanding at June 30, 2018, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Jonesboro	2024	2.97	$ 5,709
Arkansas State University – Midsouth	2038	3.30	1,538
Arkansas State University – Newport	2028	3.75	1,021
University of Arkansas - System			
University of Arkansas – Fayetteville	2024	1.95-5.50	20,124
University of Arkansas for Medical Sciences	2026	1.13-3.20	31,347
University of Arkansas Community College – Rich Mountain	2023	2.00	408
Other Institutions			
Henderson State University	2037	2.75-5.74	14,317
North Arkansas College	2031	2.63-3.74	1,630
Southern Arkansas University – Magnolia	2027	3.55	491
University of Central Arkansas	2028	3.94	2,036
Total			$ 78,621

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

Future amounts required to pay principal and interest on business-type activity notes payable as of June 30, 2018, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 18,758	$ 1,978	$ 20,736
2020	11,559	1,670	13,229
2021	9,733	1,423	11,156
2022	9,500	1,179	10,679
2023	8,180	948	9,128
2024-2028	13,883	2,822	16,705
2029-2033	4,546	1,123	5,669
2034-2038	2,462	222	2,684
Total	$ 78,621	$ 11,365	$ 89,986

Component Units

Arkansas Development Finance Authority (ADFA) – Pursuant to Act 1062 of 1985, ADFA is authorized and empowered to issue bonds and various other debt instruments for the purpose of financing qualified agricultural business enterprises, capital improvement facilities, educational facilities, health care facilities, housing developments, and industrial enterprises.

Bonds and other debt instruments issued by ADFA are special obligations of ADFA, payable solely from and collateralized by a first lien on the proceeds, monies, revenues, rights, interests, and collections pledged therefore under the resolutions authorizing the particular issues. The State is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State is pledged to the payment of the principal, redemption price, or interest on the bonds and other debt instruments. ADFA has no taxing power.

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

During the normal course of business, ADFA issues economic development revenue bonds and multi-family housing revenue bonds on behalf of private companies within the State of Arkansas. The bonds are payable solely from and secured by a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, are not obligations of ADFA or the State of Arkansas. At June 30, 2018, the bonds outstanding issued under these programs aggregated $813.0 million.

Pursuant to Act 824 of 2017, the Arkansas Student Loan Authority (ASLA) merged with ADFA as of July 1, 2017. The fiscal year 2018 beginning balances for ADFA include the amounts previously reported under ASLA.

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

Bonds and notes payable at June 30, 2018, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %		Balance
Single family bonds payable	2043	2.49-5.50	$	113,055
Federal housing note payable	2045	1.00		2,702
Bond guaranty program	2040	1.62-6.0		46,299
State facilities bonds and note payable	2040	1.55-6.30		218,221
General fund note payable	2018	2.09		15,000
Tobacco bonds payable	2046	4.77-5.25		78,219
Student Loan Program bonds	2044	.45-.90		150,052
Total			$	623,548

The principal amount shown below differs from the amount on the balance sheet due to accreted interest of $65.6 million and unamortized premiums and discounts of $152,000. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2018, were as follows (expressed in thousands):

		Principal		Interest		Total
Year ending June 30:						
2019	$	40,040	$	22,897	$	62,937
2020		22,981		21,163		44,144
2021		32,578		19,724		52,302
2022		28,747		18,299		47,046
2023		26,510		16,907		43,417
2024-2028		125,760		59,955		185,715
2029-2033		155,924		26,592		182,516
2034-2038		84,034		11,302		95,336
2039-2043		41,687		4,412		46,099
2044-2048		130,760		59		130,819
Total	$	689,021	$	201,310	$	890,331

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, 2018, were $470,000 including interest ranging from 3.00% to 11.00%.

Aggregate annual maturities of annuity obligations at June 30, 2018, were as follows (expressed in thousands):

		Principal
Year ending June 30:		
2019	$	1,397
2020		1,378
2021		1,185
2022		1,098
2023		1,039
2024-2028		3,854
2029-2033		3,312
2034-2038		1,422
2039-2043		671
2044-2048		94
2049-2053		8
Total	$	15,458

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

Prior Defeasances

Primary Government

Governmental Activities

In prior years, the State defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of approximately $24.2 million were considered defeased at June 30, 2018.

Higher Education

On April 5, 2016, the University of Arkansas-Fayetteville (U of A Fayetteville) issued $93.6 million in Various Facility Revenue Bonds, Refunding and Improvement Series 2016A, and $15.3 million in Various Facility Revenue Bonds, Refunding Series 2016B. The Series 2016A bonds, with interest rates of 3.00% to 5.00%, were issued to provide funds to finance various construction and renovation projects on the University campus and to refund $38.2 million of outstanding bonds dated October 2, 2007, (Series 2007) with interest rates of 4.00% to 5.00%, and $35.5 million of outstanding bonds dated August 1, 2008, (Series 2008A) with interest rates of 4.00% to 5.00%. Net bond proceeds and premiums of $28.5 million were available to finance construction of a civil engineering research and education center, a library storage building, campus entrance signs, intramural sports playing fields, an addition to the Pat Walker Student Health Center, and renovations of student housing, and to continue renovations of Kimpel Hall and Discovery Hall. The Series 2016B bonds with interest rates of 0.87% to 3.25% were issued on a taxable basis to refund $13.5 million of outstanding bonds dated August 1, 2008, (Series 2008B) with interest rates of 5.10% to 6.38%. Net bond proceeds and premiums from Series 2016A and Series 2016B of $94.7 million along with $1.9 million of cash from the University were deposited into an escrow account to retire the bonds. The refundings of the bonds dated October 2, 2007, and August 1, 2008, were advance refundings. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $5.8 million for the Series 2016A bonds and $1.7 million for the Series 2016B bonds. These differences, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2039 for Series 2016A and fiscal year 2029 for Series 2016B. U of A Fayetteville completed the refunding to reduce its total debt service payments over the next 23 years by $13.5 million and to obtain an economic gain of $10.1 million. The escrow balance as of June 30, 2018, was $47.2 million. The bonds will have regularly scheduled principal and interest payments made from the escrow account until the bond call dates of November 1, 2017, for Series 2007 and November 1, 2018, for Series 2008A and Series 2008B, at which times the remaining balances of each defeased bond issue will be refunded. On November 1, 2017, the remaining outstanding Series 2007 bonds were called in full. The remaining balance of the defeased bonds as of June 30, 2018, was $33.7 million for Series 2008A, and $12.5 million for Series 2008B.

On October 20, 2016, the University of Arkansas-Fort Smith (U of A Fort Smith) issued refunding bonds of $19.5 million, with interest rates of 2.00% to 5.00%, to advance refund $21.4 million of outstanding bonds dated May 1, 2009, with interest rates of 2.00% to 5.00%. Bond proceeds of $22.0 million, debt service reserve funds of $858,000, and deposit with trustee funds of $781,000 were deposited in the advance refunding fund to retire the 2009 bonds. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.2 million. The difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. U of A Fort Smith completed the refunding to reduce its total debt service payments over the next 18 years by $1.9 million and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of $1.7 million. The bonds will be fully paid by June 1, 2019. The escrow balance at June 30, 2018, was $20.6 million, and the remaining balance of the defeased bonds was $19.9 million.

On April 6, 2016, the University of Arkansas at Little Rock (UALR) issued $24.5 million in Series 2016 Auxiliary Revenue Refunding Bonds, with interest rates of 2.00% to 5.00%, to advance refund $25.6 million of the Series 2009 Auxiliary Revenue Bonds, with interest rates of 4.00% to 5.00%. Bond proceeds and premium of $28.6 million were deposited into an escrow account with the trustee for defeasance of the prior bond. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $2.5 million. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2035 using the straight-line method. UALR completed the refunding to reduce its total debt service requirements by $1.7 million over the next 19 years and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of $1.2 million. The bonds will be fully paid by October 1, 2019. The balance in the escrow account at June 30, 2018, was $25.1 million, and the remaining balance of the defeased bonds was $22.7 million.

Component Unit

In prior years, the Arkansas Development Finance Authority (ADFA) defeased certain bonds by placing the proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, these trust account assets and the liability for the defeased bonds are not included in these financial statements. 2009 Series A ADFA Correctional Facilities Revenue Bond with a total outstanding amount of approximately $24.2 million was considered defeased at June 30, 2018.

Current Refundings

Primary Government

Higher Education

On December 20, 2017, Arkansas State University-Jonesboro (ASU Jonesboro) issued $11.7 million in tax-exempt refunding bonds for the Jonesboro campus with interest rates of 3.00% to 4.00% to refund $4.4 million of outstanding bonds, with an unamortized discount of $17,000, dated December 7, 2010, with interest rates of 2.00% to 4.13%, and to advance refund $7.9 million of outstanding bonds, with an unamortized discount of $62,000, dated March 19, 2009, with interest rates of 3.00% to 5.10%. Net proceeds of $12.1 million, after payment of $178,000 for bond issuance costs and a premium of $580,000 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $594,000 was transferred from the debt service reserve of the 2009 issue. U.S. Treasury obligations of $12.7 million, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this advanced refunding, the 2009 Series bonds and the 2010 Refunding Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2010 bonds were called on January 22, 2018, and the 2009 bonds will be called on March 1, 2019. ASU Jonesboro refunded the bonds to reduce its total debt service payments by $2.5 million over the next 20 years and to obtain an economic gain of $1.3 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $685,000. 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. Additionally, the 2010 Refunding Series had an unamortized difference between the reacquisition price and the net carrying amount of $92,000. This will continue to be amortized through the year 2031 using the straight-line method.

On December 28, 2017, Arkansas Northeastern College (ANC) issued General Obligation Refunding and Improvement Bonds, Series 2017, in the amount of $7.3 million with interest rates of 1.95% to 4.00%. $3.3 million of the proceeds were to refund $3.4 million of the Series 2011 General Obligation Refunding Bonds, with interest rates of 2.50% to 4.13%. $4.0 million of the proceeds are to finance the acquisition, construction, and equipping of a facility to be known as the Center for Allied Technologies. The refunding resulted in bond proceeds of $3.3 million and refunded bonds reserve funds of $257,000 being deposited into an escrow account with the trustee for defeasance of the prior bond. The refunding of the bonds was a current refunding, with the Series 2011 bonds being called on January 18, 2018. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $133,000. This difference, reported in the accompanying financial statements as deferred inflows of resources, will be amortized through the fiscal year 2031 using the straight-line method. ANC debt service payments increased by $133,000 over the next 17 years and realized an economic gain of $92,000.

On December 21, 2017, Arkansas Tech University (ATU) issued $34.2 million (four separate issues) in Revenue Bonds with interest rates ranging from 3.00%-4.00% to refund $36.0 million of outstanding 2001, 2007, 2008, 2010, 2011, 2012 Housing, Student Fee, and Athletic Revenue Bonds with an interest rate range of 1.00% to 5.25%. Bond proceeds and net premium of $35.0 million (after payment of debt issuance cost of $224,000 and underwriter's discount of $291,000), along with the remaining debt service reserve funds of $1.2 million, were deposited with an escrow agent to refund the bonds. The bonds were called December 21, 2017. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $169,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being amortized through the year 2042. ATU issued the refunding to reduce its total debt service payments by $5.9 million and to obtain an economic gain (difference between the present value of the old debt and new debt service payments) of $3.5 million.

On September 19, 2017, Henderson State University (HSU) issued Auxiliary Enterprises Revenue Secured Refunding Bonds, Series 2017A, in the amount of $7.0 million with interest rates of 2.00% to 3.25% to refund $7.1 million of the Series 2012A Auxiliary Enterprises Revenue Secured Refunding Bonds, with interest rates of 2.00% to 4.13%. HSU also issued Auxiliary Enterprises Revenue Secured Refunding Bonds, Series 2017B, in the amount of $3.3 million with interest rates of 2.00% to 3.25% to refund $3.4 million of the Series 2012B Auxiliary Enterprises Revenue Secured Refunding Bonds, with interest rates of 2.00% to 4.13%. The combined refunding resulted in bond proceeds of $10.1 million and refunded bonds reserve funds of $406,000 being deposited into an escrow account with the trustee for defeasance of the prior bond. The refunding of the bonds was a current refunding, with the Series 2012A bonds being called on September 19, 2017, and the Series 2012B bonds being called on October 3, 2017. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $91,000. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through fiscal year 2036 using the straight-line method. HSU refunded the bonds to reduce its total debt service payments by $1.2 million over the next 18 years and to obtain an economic gain of $505,000.

On April 17, 2018, National Park College (NPC) issued General Obligation Refunding and Improvement Bonds, Series 2018, in the amount of $21.4 million with interest rates of 3.00% to 4.00%. $8.8 million of the proceeds were to refund $3.1 million of the Series 2008 Student Fee Refunding Bonds, with interest rates of 4.00% to 4.60%, and $6.0 million of the Series 2004 General Obligation Refunding and Improvement Bonds, with interest rates of 3.85% to 4.70%. $12.6 million of the proceeds are to finance the acquisition, construction, and equipping of various educational facilities. The refunding resulted in bond proceeds of $8.8 million and refunded bonds reserve funds of $202,000 being deposited into an escrow account with the trustee for defeasance of the prior bonds. The refunding of the bonds was a current refunding, with the Series 2008 and Series 2004 bonds being called on April 17, 2018. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $27,000. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2033 using the straight-line method. NPC refunded the bonds to reduce its total debt service payments by $555,000 over the next 30 years and to obtain an economic gain of $667,000.

On February 6, 2018, Southern Arkansas University Tech - Camden (SAU Tech) issued Student Fee Secured Refunding Bonds, Series 2017A, in the amount of $4.3 million, with interest rates of 1.70% to 3.85%, to refund $4.4 million of the Series 2012 Student Fee Revenue Bonds, with interest rates of 2.00% to 4.00%. SAU Tech also issued Student Fee Secured Refunding Bonds, Taxable Series 2017B, in the amount of $865,000, with an interest rate of 4.50%, to refund $890,000 of the Series 2013 Taxable Student Fee Revenue Bonds, with interest rates of 2.37% to 5.25%. The combined refunding resulted in bond proceeds of $5.1 million and refunded bonds reserve funds of $345,000 being deposited into an escrow account with the trustee for defeasance of the prior bond. The refunding of the bonds was a current refunding, with the Series 2012 and Series 2013 bonds being called on March 1, 2018. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $130,000. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through fiscal year 2043 using the straight-line method. SAU Tech refunded the bonds to reduce its total debt service payments by $605,000 over the next 25 years and to obtain an economic gain of $90,000.

On September 27, 2017, the University of Central Arkansas (UCA) issued Student Housing System Revenue Refunding and Improvement Bonds, Series 2017A, in the amount of $27.5 million, with interest rates of 3.00% to 5.00%. $20.2 million of the proceeds were to refund $20.4 million of the Series 2006F and 2007C Housing System Revenue Bonds, with interest rates of 4.00% to 5.00%. $9.3 million of the proceeds are to finance the acquisition, construction, and equipping of various educational facilities. UCA also issued Auxiliary Revenue Refunding Bonds, Series 2017B, in the amount of $3.8 million with interest rates of 3.00% to 5.00%. $4.1 million of the proceeds were to refund $4.0 million of the Series 2012A Auxiliary Revenue Capital Improvement Bonds, with interest rates of 4.00% to 5.00%. The combined refunding resulted in bond proceeds of $24.3 million being deposited into an escrow account with the trustee for defeasance of the prior bond issues. The refunding of the bonds was a current refunding, with the Series 2006F and Series 2012A bonds being called on September 29, 2017, while Series 2007C was called on November 1, 2017. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $434,000. This difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through fiscal year 2035 using the straight-line method. UCA refunded the bonds to reduce its total debt service payments by $3.0 million over the next 17 years and to obtain an economic gain of $2.8 million.

(9) Pledged Revenues

Primary Government

Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2018 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
License plate fees	Construction of prison facilities	2039	$ 33,854	38.79%	$ 4,156	$ 1,622
Court filing fees	Construction of building	2030	6,551	55.14%	990	792
Rental income	Purchase of building	2030	16,356	71.07%	1,918	1,314
Vital records fees	Construction of health lab facilities	2020	1,412	27.19%	2,596	2,603
State park revenue	Construction of state park facilities	2024	14,199	49.67%	4,765	2,582
Permit fees	Construction of building	2041	24,800	5.37%	20,098	1,097
Drivers license revenue	Construction of building	2035	16,041	7.83%	12,044	1,193

(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, 2018 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2048	$ 989,576	7.83%	$ 421,192	$ 47,006
	Athletic fees	Construction of facilities and refunding of prior issues	2037	210,884	12.02%	92,345	12,138
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	86,215	10.40%	39,481	7,670
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2038	82,134	5.50%	74,681	5,571
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2037	64,154	19.24%	17,550	3,984
University of Arkansas at Monticello	Student fee & various facility revenue	Construction of facilities and refunding of prior issues	2042	31,956	4.75%	28,026	1,245
	Various facilities revenue	Refunding of prior issues and capital improvements	2042	10,638	6.43%	6,895	903
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2036	310,468	1.99%	868,209	16,180
	Parking fees	Construction of facilities and refunding of prior issues	2035	11,406	14.15%	4,741	1,601
University of Arkansas at Pine Bluff	Various facilities revenue	Refunding of prior issues and capital improvements	2036	20,927	3.51%	33,169	1,415
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2035	4,504	6.78%	3,908	266
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	14,307	24.04%	2,834	677
University of Arkansas Community College at Batesville	Student fees	Construction of facilities and refunding of prior issues	2019	289	8.82%	3,277	288
University of Arkansas Community College at Hope	Student fees	Construction of facilities and refunding of prior issues	2039	4,191	6.01%	3,320	684
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	17,886	9.72%	6,574	1,015
University of Arkansas - Pulaski Technical College	Student fees	Construction and renovation of facilities and refunding of prior issues	2041	138,904	25.14%	24,018	5,809
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	6,551	62.75%	435	271
	Student tuition & fee revenue	Capital improvements	2042	2,524	4.62%	2,276	104
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	51,787	2.17%	91,671	2,555
	Housing fees	Construction of facilities and refunding of prior issues	2042	109,346	37.54%	12,137	6,315
	Student union fees	Refunding of prior issues	2025	7,513	43.95%	2,442	1,201
	Parking fees	Refunding of prior issues	2025	2,560	26.66%	1,372	409
	Recreation center fees	Construction of facilities	2037	18,027	55.48%	1,710	945
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	30,108	16.32%	10,249	1,859
	Housing fees	Construction of facilities and refunding of prior issues	2039	10,271	65.56%	746	494
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	31,351	44.71%	2,922	1,305
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	7,042	11.32%	4,149	517
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	4,813	4.25%	7,551	423
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	45,109	20.36%	9,633	2,465
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	48,024	2.64%	70,078	2,713
	Athletic/food service/ bookstore revenues	Construction of facilities	2043	15,206	4.49%	13,550	676
Henderson State University	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	59,765	19.21%	14,145	3,061
	Student recreation center revenue	Construction of student recreation center	2032	7,677	74.10%	740	356
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2027	3,053	5.05%	6,716	957
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2048	76,635	7.48%	34,135	1,968
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2048	62,323	17.17%	12,097	2,218

(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	Pledged Revenue	Principal and Interest
Southern Arkansas University - Tech Branch	Student tuition & fee revenue	Capital improvements and refunding of prior issue	2043	$ 7,932	6.71%	$ 4,729	$ 204
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2044	59,057	2.62%	86,722	3,489
	Housing fees	Construction of facilities and refunding of prior issues	2047	142,380	26.73%	18,368	4,822
	Auxillary revenue	Construction of facilities and refunding of prior issues	2042	34,890	5.82%	24,975	2,235
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	4,650	68.40%	309	99
National Park College	Millage revenue	Capital improvements and refunding of prior issue	2048	36,385	82.23%	1,475	889
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2047	12,027	62.08%	668	191
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2037	9,230	56.29%	863	486
South Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2039	4,521	56.51%	381	216
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	40,283	49.16%	4,820	2,376
	Student tuition	Land purchase	2035	2,793	1.02%	16,165	170
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	13,832	10.05%	5,292	657
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	7,867	8.76%	3,593	374

(1) Fiscal year

(10) Arbitrage Rebate and Excess Earnings Liability

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

(11) Leases

Capital Lease Receivables

In February 2009, a capital lease receivable was entered into with the Arkansas Development Finance Authority (ADFA), a discretely presented component unit of the State, and the Arkansas Economic Development Commission (AEDC), a department of the State of Arkansas, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927,000, which includes buildings, all movable property, fixtures, furniture and equipment located on the premises. In December of 2012, another capital lease receivable was entered into with AEDC, as lessor, and Fiberglass Fabricators, Inc., as lessee. The capital lease expires December 1, 2022, and bears an interest rate of 5.00%. The original amount of the lease was $250,000, which includes buildings, structures and other improvements located on the premises. There are no contingent rentals or unearned income on either lease at June 30, 2018.

Future amounts to be received as of June 30, 2018, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2019	$ 91	$ 6	$ 97
2020	92	4	96
2021	94	3	97
2022	95	2	97
2023	81		81
2024-2028	49		49
Total	$ 502	$ 15	$ 517

Capital Lease Obligations

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

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

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

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

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

Assets acquired through capital leases as of June 30, 2018, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / infrastructure	$	$ 4,601
Construction in progress	8,994	19,551
Buildings	189,809	16,737
Machinery and equipment	148	74,837
Other		10,025
Less: Accumulated depreciation	(40,159)	(49,997)
Total	$ 158,792	$ 75,754

Future minimum commitments under operating and capital leases by fund type as of June 30, 2018, were as follows (expressed in thousands):

Capital Leases		
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2019	$ 501	$ 11,432
2020	514	8,268
2021	511	6,924
2022	51	5,605
2023		3,973
2024-2028		17,947
2029-2033		17,172
2034-2038		10,314
Total minimum lease payments	1,577	81,635
Less: Interest	(78)	(15,347)
Present value of future minimum lease payments	$ 1,499	$ 66,288

Continued on the following page

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Capital Leases with Component Unit	**Governmental Activities**
Year ending June 30:	
2019	$ 12,824
2020	13,205
2021	11,443
2022	11,464
2023	11,495
2024-2028	46,442
2029-2033	23,994
2034-2038	10,264
2039-2043	3,027
Total minimum lease payments	144,158
Less: Interest	(33,973)
Present value of future minimum lease payments	$ 110,185

Operating Leases	**Governmental Activities**	**Business-Type Activities**
Year ending June 30:		
2019	$ 31,070	$ 12,050
2020	17,493	7,943
2021	8,224	5,852
2022	6,283	3,579
2023	4,542	2,991
2024-2028	11,102	11,086
2029-2033	476	5,955
2034-2038	515	146
2039-2043		121
2044-2048		123
2049-2053		125
2054-2058		127
2059-2063		130
2064-2068		112
Total minimum lease payments	$ 79,705	$ 50,340
Total rental expenditure/ expense (2018)	$ 33,771	$ 20,703

(12) Pollution Remediation

Primary Government

Governmental Activities

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

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

	2018	2017
Balance, beginning of year	$ 28,333	$ 29,472
Incurred claims		
Payments	(12,191)	(694)
Adjustments	598	(445)
Balance, end of year	$ 16,740	$ 28,333
Current portion	$ 5,029	$ 17,604
Noncurrent portion	11,711	10,729
	$ 16,740	$ 28,333

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

Of the above-mentioned obligations, $10 million is covered by the Hazardous Substance Remedial Action Trust Fund (HSRATF), which was established by Ark. Code Ann. § 19-5-930 pursuant to the Arkansas Remedial Action Trust Fund Act (RATFA), and Ark. Code Ann. § 8-7-501, which provides the State with the funds and authority to investigate, control, prevent, abate, treat, or contain releases of hazardous substances for the protection of human health and the environment. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA if required. The HSRATF had a cash and cash equivalent balance of $8.1 million at June 30, 2018.

Of the above mentioned obligations, $6.8 million is covered by the Landfill Post Closure Trust Fund (LPCTF), which was established by Ark. Code Ann. § 19-5-979. Funding for LPCTF is generated mostly by landfill disposal fees. The LPCTF had a cash and cash equivalent balance of $6.8 million at June 30, 2018. While the largest part of the Nabors project was completed, there will be ongoing expenses related to testing and ground water monitoring. Phase I of the DAMCO project was completed in fiscal year 2018, and bids for Phase II of the DAMCO are underway in fiscal year 2019. The completion of these milestones marks a significant decrease in the current liability.

Business-Type Activities

The University of Arkansas, Fayetteville reported a $7.6 million pollution remediation obligation subsequent to the execution of a contract on May 18, 2018. The University is to provide technical services on a voluntary basis for deconstruction and green fielding of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. To date, the University has received total funds for remediation costs of $18.4 million from the United States Department of Energy (DOE). The University expects to continue remediation of the SEFOR site as funding becomes available. An additional $5.6 million was authorized in August 2018 by the DOE to continue remediation of the SEFOR site. The project will be completed once Phase 3 is finalized.

North Arkansas College reported a $371,000 pollution remediation. In June 2018, during a window repair and sheetrock replacement at the South Campus library, black mold was detected behind the sheetrock. The College believes that the black mold was the result of significant long-term moisture leakage. The College will be performing an in-depth mold remediation, which will include, but is not limited to, the removal and cleaning of all contents of the library and cleaning the heating and air systems and ductwork. Additionally, all ceiling tile, carpeting, internal sheet rock, and insulation on the interior walls will be replaced. Further investigation revealed deterioration of the exterior wall foundation seal and the need for better exterior rainwater drainage to avoid further moisture issues. It was also determined that, before any of the remediation work could be performed, the weather seal and flashing between the roofline and the top of the exterior wall should be redesigned and all building gutters replaced. Work was started in fiscal year 2018, and completion is expected by October 2018.

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

	2018	2017
Balance, beginning of year	$ 2,372	$
Incurred claims	13,595	9,648
Payments	(8,030)	(7,276)
Balance, end of year	$ 7,937	$ 2,372
Current portion	$ 7,937	$ 2,372
Noncurrent portion		
	$ 7,937	$ 2,372

(13) Fund Balance/Net Position

Governmental Fund Balances – Restricted, Committed and Assigned

The State's fund balances represent (1) Restricted Purposes, which include balances that are legally restricted for specific purposes due to constraints that are externally imposed by creditors, grantors, and contributors; laws or regulations of other governments; by law through constitutional provisions or enabling legislation; (2) Committed Purposes, which include balances that can only be used for specific purposes pursuant to constraints imposed by formal action of the Legislature; and (3) Assigned Purposes, which include balances that are constrained by the government's intent to be used for specific purposes but are neither restricted nor committed.

A summary of the nature and purpose of these fund balances by fund type at June 30, 2018, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 92,398	$ 17,150	$ 22,142
Debt service	207,907		
Program requirements	525,488	553,694	
Lottery funds	70,352		
Tobacco settlement	5,000	97,227	
Transportation programs	693,459	434,794	
Disaster Assistance		2,296	
State Employee Insurance		111,066	
Other		765,159	50,822
Total	$ 1,594,604	$ 1,981,386	$ 72,964

The State's fund balance includes (1) $525.5 million in federal program revenue, private grants, and revenue restricted by enabling legislation for specific programs, of which 44.21% is held by the general government function of the State to be used for administrative costs that are federally funded, 11.97% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management, and 34.83% is held by the health and human services function of the State; (2) $693.5 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of Amendment 97; (3) $553.7 million in revenue committed by the Arkansas General Assembly through legislation for State programs (i.e., Arkansas long-term reserve, health and human services, education, operations of the Oil and Gas Commission, Arkansas natural and cultural resources, and sustainable building design) as specified in Arkansas Code; (4) $434.8 million in revenue provided to the Arkansas Department of Transportation committed for maintenance, operation, and improvement of State highways as specified in Arkansas Code; and (5) $765.2 million committed for various reasons as specified in Arkansas Code, including education assistance, Medicaid reserve, and risk financing activities.

Net Position Restricted by Enabling Legislation

Enabling legislation is limited to legislation that the government itself approves. It establishes restriction if it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. "Legally enforceable" means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purpose specified by the legislation. At June 30, 2018, the government-wide statement of net position reported $2.4 billion in restricted net position for governmental activities, of which $0.9 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $47.8 million on investments that are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Position in accordance with the restriction of the gift instrument. Arkansas Code outlines the restrictions placed on the endowment fund and the net appreciation. Ark. Code Ann. § 28-69-804 states, "Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution."

Deficit Net Position

The Workers' Compensation Commission (WCC) had a $111.8 million deficit in net position as of June 30, 2018. The deficit is due to a change in actuarial assumptions during the fiscal year ended June 30, 1997. During 1987, the structure of the law changed by tying workers' compensation payments to the State's average weekly wage, beginning on January 1, 1989. However, the threshold at which the agency's Permanent and Total Disability Trust Fund takes over indemnity payments was not changed and remained static at $75,000 from 1982 to 2008, although the state maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, is the primary contributor to the deficit. A major step toward reducing the deficit was taken during the 2007 legislative session with the passage of Act 1599, which sets the threshold to 325 times the maximum total disability rate, or $219,000 for 2018. The resulting reductions in claims paid have not been sufficient to cover the added liability caused by a change in the actuarial assumptions increasing the assumed life expectancy of claimants. Therefore, Act 5 of the Third Extraordinary Session of 2016 was passed. It provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. § 11-9-502, the current premium tax rate of 3% will change to 1.5%.

(14) Pensions

Defined Benefit Plans

Plan descriptions

The State provides pension benefits through the following plans:

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

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

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

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

Benefits Provided

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

APERS

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

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

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

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

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual or reciprocal service who have not attained age 60 may receive an annuity reduced by 0.42% (7/1/16-3/31/17) or 0.5% (4/1/17-6/30/17), based upon the date of retirement, multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Final average salary is based on the highest three years of salary.

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

Survivor benefits are payable to qualified survivors upon the death of an active, vested member. Eligible spouse survivors receive a survivor annuity that is based on the member's years of service credit prior to their death, and minor child survivors receive a percentage of the member's highest salary earned. A lump sum death benefit is provided for active and retired members with 10 years of actual service.

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

AJRS

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

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

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

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

ASPRS

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

Noncontributory members are eligible for full retirement benefits at any age with 30 years of actual service, at age 52 with five years of actual service for Tier One, or at age 65 with five years of actual service for Tier Two. For Tier One, the age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. The age requirement for Tier Two is reduced by 75% of a month for each actual month of service but not below age 55. Noncontributory members are eligible for a reduced benefit after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment for Tier One noncontributory members.

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

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

The ASPRS also provides disability and survivor benefits.

ASHERS

Members are eligible for full retirement benefits as follows:

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

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

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

The ASHERS also provides disability and survivor benefits.

Employees Covered by Benefit Terms

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

	AJRS (2018)	**ASPRS (2018)**	**ASHERS (2017)**
Inactive employees or beneficiaries currently receiving benefits	147	729	3,379
Inactive employees entitled to but not yet receiving benefits	5	84	217
Active employees	139	467	3,663
Total	291	1,280	7,259

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, 2017, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 26.5%. Contributions to APERS from the State were $180.5 million for the year ended June 30, 2018.

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, 2017, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the State were $15.2 million for the year ended June 30, 2018.

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 2018 was $5.1 million.

Employee contribution rates are 6% of the annual salary for Tier One contributory members and 5% of the annual salary for Tier Two contributory members. A Tier One member no longer has to contribute when a judge is certified eligible for retirement. A Tier Two member no longer has to contribute when the member has sufficient service to receive the maximum benefit permitted by plan provisions.

ASPRS

Employer contributions are 22% of active member payroll. In addition, the State makes an annual transfer to the plan based on the actuarially-determined employer rate in the most recent annual actuarial valuation less the employer statutory contribution, reduced by the driver's license reinstatement fees. The State's supplemental contribution for fiscal year 2018 was $7.1 million.

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

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

ASHERS

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

The statutory employer contribution rate is 12.9% of the pay of each covered employee not in the deferred retirement option program (DROP). Employer contributions are not made on the pay of employees in Tier One DROP. Employer contributions are 6.9% on the pay of employees in Tier Two DROP.

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

Net Pension Liability

At June 30, 2018, the State reported the following liabilities and assets for the various plans (expressed in thousands):

Primary Government

	Measurement Date	Net Pension Liability
APERS	June 30, 2017	$ 1,697,153
ATRS	June 30, 2017	159,386
AJRS	June 30, 2018	22,667
ASPRS	June 30, 2018	121,940
ASHERS	June 30, 2017	897,350
Total		$ 2,898,496

Component Unit - APERS

	Measurement Date	Net Pension Liability
Arkansas Development Finance Authority	June 30, 2017	$ 5,157

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 2017 fiscal year of all participating employers. At June 30, 2017, the State's proportion was 65.68% for APERS and 3.79% for ATRS, a decrease of 1.07% and 0.15%, respectively.

Actuarial assumptions

The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods included in the measurement. If the actuarial valuation date is prior to the measurement date, the actuarial valuation was updated to the measurement date using roll forward procedures.

	APERS	ATRS	AJRS	ASPRS	ASHERS
Actuarial valuation date	June 30, 2015 (excluding District Judges) June 30, 2016 (District Judges)	June 30, 2017	June 30, 2016	June 30, 2017	June 30, 2016
Inflation rate	3.25% wages, 2.50% prices	2.50%	2.50%	2.50%	2.50%
Salary increases (1)	3.25% to 9.85%	2.75%	3.25%	3.25% to 10.25%	3.50% to 10.50%
Investment rate of return (1)	7.50%	7.50%	6.25% `	7.15%	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-2014 Healthy Annuitant, Disabled Annuitant and Employee Mortality headcount weighted tables for males and females	RP-2000 Mortality Tables projected to 2020 using projection scale BB	RP-2000 Combined Healthy Mortality Table, projected to 2020 using Projection Scale BB, set forward two years for males and one year for females, with an approximate 14% margin for future mortality improvement	Male: RP-2000 Combined Healthy for males with blue collar adjustments, scaled at 105% with no setback. Female: RP-2000 Combined Healthy for males with blue collar adjustments, scaled at 100% with no setback.
Actuarial experience study dates	July 1, 2007 - June 30, 2012	July 1, 2010 - June 30, 2015	July 1, 2006 - June 30, 2011, updated in conjuction with an Economic Assumption review dated August 6, 2015.	July 1, 2012 - June 30, 2017	July 1, 2008 - June 30, 2014, updated for the 2015 valuation

(1) Includes assumed inflation

Investment Rate of Return

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

APERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2017 to 2026 were provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	5.97%
International equity	24.00%	6.54%
Real assets	16.00%	4.59%
Absolute return	5.00%	3.15%
Domestic fixed	18.00%	0.83%
Total	100.00%	

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, 2017, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	50.0%	5.0%
Fixed income	20.0%	1.2%
Alternatives	5.0%	4.8%
Real assets	15.0%	3.7%
Private equity	10.0%	6.5%
Cash equivalents	0.0%	0.3%
Total	100.0%	

AJRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 to 2027 were based on capital market assumptions provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	5.97%
International equity	15.00%	6.07%
Real estate	8.00%	4.59%
Domestic fixed	40.00%	0.83%
Cash equivalents	0.00%	0.02%
Total	100.00%	

ASPRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2018 to 2027 were based on capital market assumptions provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2018, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	5.97%
International equity	24.00%	6.07%
Real assets	16.00%	4.59%
Absolute return	5.00%	3.15%
Domestic fixed	18.00%	0.83%
Total	100.00%	

ASHERS

The plan operates with an asset allocation of 20% to 80% equity and 20% to 80% fixed income. Because the asset classes are not set in a specific target range, the actuary used the expected return rate of 8%.

Discount rate

The discount rate for each plan was determined as follows:

APERS

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the

APERS pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ATRS

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 14% of payroll. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

AJRS

A single discount rate of 5.75% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 5.75%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ASPRS

A single discount rate of 7.15% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.15%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially-determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

ASHERS

A single discount rate of 5.16% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 8% and the municipal bond rate of 3.56% based on Fidelity's 20-Year Municipal General Obligation AA Index. The projection of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the projected future contribution rates, assuming that ASHERS annually earns 8% on its market value of assets and that the number of active members remains constant in the future. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members until 2045. As a result, the long-term expected rate of return on pension plan investments was applied to projected benefit payments through the year 2045, and the municipal bond rate was applied to all benefit payments after that date.

Changes in the Net Pension Liability

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

		Increase (Decrease)	
ASPRS	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balances, June 30, 2017	$ 437,870,023	$ 299,525,117	$ 138,344,906
Changes for the year:			
Service cost	6,577,148		6,577,148
Interest	30,678,211		30,678,211
Differences between expected and actual experience	467,389		467,389
Changes in assumptions	(4,529,133)		(4,529,133)
Contributions – employer		21,003,650	(21,003,650)
Net investment income		28,823,332	(28,823,332)
Benefit payments, including refunds of employee contributions	(24,185,418)	(24,185,418)	
Administrative expense		(228,430)	228,430
Net changes	9,008,197	25,413,134	(16,404,937)
Balances, June 30, 2018	$ 446,878,220	$ 324,938,251	$ 121,939,969
AJRS			
Balances, June 30, 2017	$ 270,381,518	$ 240,819,648	$ 29,561,870
Changes for the year:			
Service cost	6,927,257		6,927,257
Interest	15,378,982		15,378,982
Differences between expected and actual experience	(743,902)		(743,902)
Contributions – employer		8,421,173	(8,421,173)
Contributions – employee		1,016,180	(1,016,180)
Net investment income		19,162,603	(19,162,603)
Benefit payments, including refunds of employee contributions	(12,769,175)	(12,769,175)	
Administrative expense		(142,311)	142,311
Other changes		12	(12)
Net changes	8,793,162	15,688,482	(6,895,320)
Balances, June 30, 2018	$ 279,174,680	$ 256,508,130	$ 22,666,550
ASHERS			
Balances, June 30, 2016	$ 2,480,200,334	$ 1,304,869,720	$ 1,175,330,614
Changes for the year:			
Service cost	42,816,372		42,816,372
Interest	110,543,661		110,543,661
Benefit changes	(101,042,380)		(101,042,380)
Changes in assumptions	(137,435,476)		(137,435,476)
Contributions – employer		19,175,401	(19,175,401)
Contributions – employee		9,143,408	(9,143,408)
Differences between expected and actual experience	(31,506,816)		(31,506,816)
Net investment income		133,167,344	(133,167,344)
Benefit payments, including refunds of employee contributions	(111,904,597)	(111,904,597)	
Administrative expense		(130,076)	130,076
Net changes	(228,529,236)	49,451,480	(277,980,716)
Balances, June 30, 2017	$ 2,251,671,098	$ 1,354,321,200	$ 897,349,898

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

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

Primary Government

	1% Lower Than Current Discount Rate		Current Discount Rate		1% Higher Than Current Discount Rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
APERS	6.15%	$ 2,584,546	7.15%	$ 1,697,153	8.15%	$ 960,311
ATRS	6.50%	255,297	7.50%	159,386	8.50%	79,875
AJRS	4.75%	56,925	5.75%	22,667	6.75%	(6,274)
ASPRS	6.15%	175,872	7.15%	121,940	8.15%	77,118
ASHERS	4.16%	1,189,102	5.16%	897,350	6.16%	656,979

Component Unit - APERS

	1% Lower Than Current Discount Rate		Current Discount Rate		1% Higher Than Current Discount Rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
Arkansas Development Finance Authority	6.15%	$ 7,853	7.15%	$ 5,157	8.15%	$ 2,918

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, 2018, the State recognized pension expense of $218.1 million and reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
APERS		
Differences between expected and actual experience	$ 32,900	$ 33,379
Changes of assumptions	273,069	
Net differences between projected and actual earnings on pension plan investments	71,116	
Changes in proportion and differences between State contributions and proportionate share of contribution	31,625	56,949
State contributions subsequent to the measurement date	180,533	
Total	$ 589,243	$ 90,328
ATRS		
Differences between expected and actual experience	$ 2,209	$ 3,907
Changes of assumptions	42,589	
Net differences between projected and actual earnings on pension plan investments		11,258
Changes in proportion and differences between State contributions and proportionate share of contribution	3,648	15,653
State contributions subsequent to the measurement date	15,213	
Total	$ 63,659	$ 30,818
AJRS		
Differences between expected and actual experience	$	$ 2,788
Changes of assumptions	943	
Net differences between projected and actual earnings on pension plan investments		5,791
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	$ 943	$ 8,579

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		Deferred Outflows of Resources		Deferred Inflows of Resources
ASPRS				
Differences between expected and actual experience	$	1,058	$	2,282
Changes of assumptions		10,639		3,540
Net differences between projected and actual earnings on pension plan investments				1,325
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	11,697	$	7,147
ASHERS				
Differences between expected and actual experience	$	19,765	$	24,902
Changes of assumptions		490,528		108,623
Net differences between projected and actual earnings on pension plan investments		88,369		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date		19,295		
Total	$	617,957	$	133,525
Total				
Differences between expected and actual experience	$	55,932	$	67,258
Changes of assumptions		817,768		112,163
Net differences between projected and actual earnings on pension plan investments		159,485		18,374
Changes in proportion and differences between State contributions and proportionate share of contribution		35,273		72,602
State contributions subsequent to the measurement date		215,041		
Total	$	1,283,499	$	270,397

Component Unit – APERS

		Deferred Outflows of Resources		Deferred Inflows of Resources
Arkansas Development Finance Authority				
Differences between expected and actual experience	$	100	$	102
Changes of assumptions		830		
Net differences between projected and actual earnings on pension plan investments		216		
Changes in proportion and differences between State contributions and proportionate share of contribution		29		175
State contributions subsequent to the measurement date		494		
Total	$	1,669	$	277

$215.0 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Primary Government

Year ended June 30:		APERS		ATRS		AJRS		ASPRS		ASHERS		Total
2019	$	81,799	$	(891)	$	(1,073)	$	6,567	$	180,136	$	266,538
2020		154,506		10,027		(1,164)		2,586		200,622		366,577
2021		98,429		6,455		(4,161)		(2,583)		118,051		216,191
2022		(16,351)		(1,609)		(1,230)		(2,020)		(33,671)		(54,881)
2023				3,645		(8)						3,637

Component Unit – APERS

Year ended June 30:		Arkansas Development Finance Authority
2019	$	235
2020		447
2021		273
2022		(57)

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 Ark. Code Ann. § 23-96-101- 121, and liability for losses due to failure or nonperformance of contractual obligations due to impairment or insolvency of member insurers was insured under this act, to the extent of $100,000 per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300,000 per participating employee.

The assets of the plan are held in trust by the custodian, Voya Institutional Trust Company (VITC) of New York, NY, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is also administered by VITC, acting under contract in an agency capacity for the Department of Finance and Administration – Employee Benefits Division to provide investment direction, asset transfer or withdrawal instruction, or other instruction to the custodian. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the State's financial statements. According to the custodian, plan assets totaled $795.6 million at June 30, 2018.

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 2018, total employer contributions to VALIC, TIAA-CREF, and Fidelity were \$130.7 million, while contributions to other plans were \$902,000. Employee contributions to VALIC, TIAA-CREF, and Fidelity were \$140.0 million, while contributions to other plans were \$730,000.

(15) Postemployment Benefits Other Than Pensions

Governmental Activities

(a) Plan Descriptions

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

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

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

- Arkansas State Police Medical and Rx Plan (ASP)
  - Arkansas State Police Commission
  - Ark. Code Ann. § 12-8-210
- Arkansas State Employee Health Plan (ASE)
  - State and Public School Life and Health Insurance Board
  - Ark. Code Ann. § 21-5-401

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

Benefits Provided

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

ASP

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

ASE

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by each plan:

	ASP	ASE
Inactive employees or beneficiaries currently receiving benefits	873	15,707
Inactive employees entitled to but not yet receiving benefits		9,284
Active employees	645	31,236
Total	1,518	56,227

(b) Total OPEB Liability

At June 30, 2018, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Primary Government

	Measurement Date	Total OPEB Liability
ASP	June 30, 2018	$ 168,590
ASE	June 30, 2018	2,015,733
Total		$ 2,184,323

Component Unit - ADFA

	Measurement Date	Total OPEB Liability
ASE	June 30, 2018	$ 3,806

Actuarial Assumptions and Other Inputs

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

	ASP		ASE (3)	
Actuarial valuation date	June 30, 2017		June 30, 2018	
Inflation rate	3.00%			
Discount rate	2.98%	(1)	3.87%	(2)
Salary increase			3.00%	
Healthcare cost trend rates	8.0% initial; 5.0% Ultimate		5.00% initial; 3.80% Ultimate	
Mortality rate	RP 2000 Mortality Table projected to the year 2020.		RP 2000 Combined Healthy mortality table, projected to 2020 using Projection Scale BB, set-forward 2 years for males and 1 year for females	
Retirees' share of benefit-related costs	29.83%		42% - 66%	
Actuarial experience study dates	N/A		July 1, 2007 through June 30, 2012	

(1) The discount rate was determined by using the S&P Municipal Bond 20 Year High Grade Bond Index.
(2) The discount rate was determined by using the Bond Buyer 20-Bond GO Index, a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average credit rating of AA/Aa or higher.
(3) Participants of the National Park College are not included in this valuation because the college is scheduled to withdraw from the Plan effective June 30, 2019.

(c) Changes in the Total OPEB Liability

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

Primary Government	Total OPEB Liability ASP	Total OPEB Liability ASE
Balance, June 30, 2017 (1)	$ 157,182	$ 2,036,211
Changes for the current fiscal year:		
Service cost	6,114	69,996
Interest	4,959	73,092
Changes of benefit terms		
Differences between expected and actual experience		(13,267)
Changes in assumptions or other inputs	3,949 (2)	(92,281) (3)
Benefit payments	(3,614)	(58,018)
Net changes	11,408	(20,478)
Balance, June 30, 2018	$ 168,590	$ 2,015,733

Component Unit - ADFA	Total OPEB Liability ASE
Balance, June 30, 2017 (1)	$ 3,845
Changes for the current fiscal year:	
Service cost	132
Interest	137
Changes of benefit terms	
Differences between expected and actual experience	(55)
Changes in assumptions or other inputs	(144) (3)
Benefit payments	(109)
Net changes	(39)
Balance, June 30, 2018	$ 3,806

(1) Beginning balance restated for the implementation of GASB Statement No. 75.
(2) The discount rate used was 3.13% at June 30, 2017, and 2.98% at June 30, 2018.
(3) The discount rate used was 3.58% at June 30, 2017, and 3.87% at June 30, 2018.

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

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

Primary Government

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASP	1.98%	$ 196,552	2.98%	$ 168,590	3.98%	$ 145,926
ASE	2.87%	2,360,632	3.87%	2,015,733	4.87%	1,738,610

Component Unit – ADFA

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	2.87%	$ 4,458	3.87%	$ 3,806	4.87%	$ 3,283

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

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

Primary Government

	Total OPEB Liability		
	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate (1)	1% Increase in Health Care Cost Trend Rate
ASP	$ 141,387	$ 168,590	$ 204,552
ASE	1,710,385	2,015,733	2,405,561

Component Unit – ADFA

	Total OPEB Liability		
	1% Decrease in Health Care Cost Trend Rate	Current Health Care Cost Trend Rate (1)	1% Increase in Health Care Cost Trend Rate
ASE	$ 3,230	$ 3,806	$ 4,543

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

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

For the year ended June 30, 2018, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Primary Government

	Total OPEB Expense
ASP	$ 11,402
ASE	121,978
Total	$ 133,380

Component Unit – ADFA

	Total OPEB Expense
ASE	$ 230

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

Primary Government

	ASP		ASE		TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance, July 1, 2017	$ 3,949	$	$	$	$ 3,949	$
Difference between expected and actual experience				10,638		10,638
Changes of assumptions and other inputs	(329)			73,801	(329)	73,801
State payments subsequent to the measurement date						
Ending balance, June 30, 2018	$ 3,620	$	$	$ 84,439	$ 3,620	$ 84,439

Component Unit – ADFA

	ASE	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance, July 1, 2017	$	$
Difference between expected and actual experience		20
Changes of assumptions and other inputs		139
State payments subsequent to the measurement date		
Ending balance, June 30, 2018	$	$ 159

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

Primary Government

	Year ended June 30:						
	2019	2020	2021	2022	2023	Thereafter	Total
ASP	$ 329	$ 329	$ 329	$ 329	$ 329	$ 1,975	$ 3,620
ASE	(21,109)	(21,109)	(21,109)	(21,112)			(84,439)

Component Unit – ADFA

	Year ended June 30:						
	2019	2020	2021	2022	2023	Thereafter	Total
ASE	$ (40)	$ (40)	$ (40)	$ (39)	$	$	$ (159)

Business-Type Activities

Higher Education

(a) General Information

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

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

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

The State contributed to the following defined postemployment benefit plans that provide postemployment healthcare benefits to eligible employees of the respective higher education institutions. The plans are affiliated with and administered by the Arkansas Higher Education Consortium (AHEC), a multiple employer defined benefit healthcare plan:

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

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

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

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

Benefits Provided

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

Arkansas State University (ASU)

The plan offers postemployment medical and life insurance benefits to employees of Arkansas State University System who retire after attaining the earlier of age 55 with at least 70 points (age plus continuous full-time service) or age 60 with at least 10 years of continuous full-time service. Certain employees who retire under a voluntary retirement window approved by the Board of Trustees of Arkansas State University are also eligible for benefits. The spouse of the retiree may continue coverage when the retiree dies or becomes eligible for Medicare but must pay 100% of the premium. Life insurance benefits are provided to the beneficiary of a retiree who dies prior to age 65 up to a maximum of $50,000.

Arkansas Tech University (ATU)

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

Henderson State University (HSU)

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

Northwest Arkansas Community College (NWACC)

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

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

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

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

- An employee whose age and service total at least 75, with minimum service of 15 years, can receive health insurance, and SAUT/SAU will pay the same percentage of the premium as it pays for active employees.

University of Arkansas (U of A)

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

- Cossatot Community College – Employees must be at least age 60 and have five years of service under the plan.
- Community College at Morrilton – Employees must be at least age 60 and have 10 years of service under the plan.
- Rich Mountain Community College – Employees must be at least age 60 and have 12 years of service or must be at least 55 and have 72 points.
- Pulaski Technical Campus – Employees must be at least age 55 and have 15 years of service under the plan.
- All other campuses – Employees must have at least 10 consecutive years of service immediately prior to retirement and have at least 70 points.

University of Central Arkansas (UCA)

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

Arkansas Northeastern College (ANC)

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

Black River Technical College (BRTC)

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

East Arkansas Community College (EACC)

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

National Park College (NPC)

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

North Arkansas College (NAC)

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

Ozarka College (OC)

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

South Arkansas Community College (SACC)

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

Employees Covered by Benefit Term

At June 30, 2018, the following employees were covered by benefit terms of each plan:

Plan	Inactive employees or beneficiaries currently receiving benefit payments	Inactive employees entitled to but not yet receiving benefit payments	Active Employees	Total
ASU	92		484	576
ATU	58		903	961
HSU	37		411	448
NWACC			399	399
SAUT	9		144	153
SAU	9		407	416
U of A	2,206		20,102	22,308
UCA	150		1,267	1,417
ANC	12		154	166
BRTC	13		140	153
EACC	4		118	122
NPC	4		201	205
NAC	6		164	170
OC	4		96	100
SACC	2		148	150
Total	2,606		25,138	27,744

(b) Total OPEB Liability

At June 30, 2018, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Primary Government

	Measurement Date	Total OPEB Liability
ASU	June 30, 2018	$ 20,153
ATU	July 01, 2017	9,001
HSU	June 30, 2018	4,934
NWACC	June 30, 2018	1,091
SAUT	June 30, 2018	1,368
SAU	June 30, 2018	1,935
U of A	June 30, 2017	68,805
UCA	June 30, 2018	3,007
ANC	June 30, 2018	552
BRTC	June 30, 2018	1,675
EACC	June 30, 2018	558
NPC	June 30, 2018	659
NAC	June 30, 2018	597
OC	June 30, 2018	691
SACC	June 30, 2018	593
Total		$ 115,619

Actuarial Assumptions and Other Inputs

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

	ASU	ATU	HSU	NWACC	SAUT
Actuarial valuation date	July 1, 2017	July 1, 2017	June 30, 2018	June 30, 2017	June 30, 2018
Inflation rate	2.20%	3.25%	2.50%	3.00%	3.00%
Salary increases	2.50%	6.6% initial; .7% Ultimate	N/A	N/A	N/A
Discount rate	3.49% (1)	3.56% (2)	3.00% (5)	2.98% (3)	2.98% (3)
Healthcare cost trend rates	7.00% Initial; 5.00% Ultimate	8.00% Initial; 5.00% Ultimate	8.0% Initial; 4.0% Ultimate	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate
Retirees' share of benefit-related costs	50%	80% to 100%	21%	19% to 22%	95.67% to 98.92%
Mortality rates	RP 2014 headcount weighted adjusted to 2006 with generational projection according to Scale MP-2017	RPH-2017 Total Dataset Mortality Table fully generational using Scale MP-2017	RP-2014 Mortality Table with Improvement Scale MP-2017	RP 2014 Mortality Table	RP 2014 Mortality Table
Actuarial experience study dates	June 30, 2016, based on census data from 2013 to 2016	N/A	N/A	N/A	N/A

	SAU	U of A	UCA	ANC	BRTC
Actuarial valuation date	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2018	June 30, 2018
Inflation rate	2.50%	2.20%	2.50%	3.00%	3.00%
Salary increases	N/A	4.00%	N/A	N/A	N/A
Discount rate	3.00% (5)	3.58% (4)	3.00% (5)	2.98% (3)	2.98% (3)
Healthcare cost trend rates	7.00% Initial; 4.00% Ultimate	6.75% Initial; 4.00% Ultimate	9.0% Initial; 4.5% Ultimate	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate
Retirees' share of benefit-related costs	11%	0% to 100%	16% to 100%	9% to 80%	0% to 13%
Mortality rates	RP-2014 Mortality Table with Improvement Scale MP-2017	RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014	RP-2014 Mortality Table with Improvement Scale MP-2016	RP-2014 Mortality Table	RP-2014 Mortality Table
Actuarial experience study dates	N/A	N/A	N/A	N/A	N/A

	EACC	NPC	NAC	OC	SACC
Actuarial valuation date	June 30, 2018	July 1, 2017	June 30, 2017	June 30, 2017	June 30, 2017
Inflation rate	3.00%	3.00%	3.00%	3.00%	3.00%
Salary increases	N/A	N/A	N/A	N/A	N/A
Discount rate	2.98% (3)	2.98% (3)	2.98% (3)	2.98% (3)	2.98% (3)
Healthcare cost trend rates	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate	10.0% Initial; 5.0% Ultimate
Retirees' share of benefit-related costs	0% to 75%	0% to 35.8%	100%	15% to 100%	0% to 75%
Mortality rates	RP-2014 Mortality Table	RP-2014 Mortality Table	RP-2014 Mortality Table	RP-2014 Mortality Table	RP-2014 Mortality Table
Actuarial experience study dates	N/A	N/A	N/A	N/A	N/A

(1) ‘The discount rate was based upon an average of three 20-year municipal bond indices as of June 30, 2018: Bond Buyer 20-Bond GO Index, S&P Municipal Bond 20 Year High Grade Rate Index, and Fidelity GO AA-20 Year Index.
(2) ‘The discount rate was based upon the Fidelity 20-Year Go Municipal Bond Index.
(3) ‘The discount rate was based upon the S&P Municipal Bond 20 Year High Grade Rate Index.
(4) ‘The discount rate is based upon the Bond Buyer 20-Bond GO Index.
(5) The discount rate was based upon market data using several bond indices, including the Bond Buyer 11-Bond GO Index.

(c) Changes in the Total OPEB Liability

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

	ASU	ATU	HSU
Balance, June 30, 2017 (1)	$ 18,672	$ 11,067	$ 5,083
Changes for the current fiscal year:			
Service cost	1,433	655	425
Interest cost	671	331	147
Changes of benefit terms			
Differences between expected and actual experience		(274)	(569) (4)
Changes in assumptions or other inputs	325 (2)	(1,990) (3)	(3) (4)
Benefit payments	(948)	(788)	(149)
Net changes	1,481	(2,066)	(149)
Balance, June 30, 2018	$ 20,153	$ 9,001	$ 4,934

	NWACC	SAUT	SAU
Balance, June 30, 2017 (1)	$ 992	$ 1,247	$ 2,092
Changes for the current fiscal year:			
Service cost	52	105	160
Interest cost	32	40	60
Changes of benefit terms			
Differences between expected and actual experience			(360) (4)
Changes in assumptions or other inputs	15 (5)	13 (5)	(1) (4)
Benefit payments		(37)	(16)
Net changes	99	121	(157)
Balance, June 30, 2018	$ 1,091	$ 1,368	$ 1,935

	U of A	UCA	ANC
Balance, June 30, 2017 (1)	$ 77,909	$ 2,976	$ 566
Changes for the current fiscal year:			
Service cost	4,589	198	29
Interest cost	2,321	85	17
Changes of benefit terms			
Differences between expected and actual experience		(191) (4)	
Changes in assumptions or other inputs	(13,905) (6)		5 (5)
Benefit payments	(2,109)	(61)	(65)
Net changes	(9,104)	31	(14)
Balance, June 30, 2018	$ 68,805	$ 3,007	$ 552

	BRTC	EACC	NPC
Balance, June 30, 2017 (1)	$ 1,578	$ 517	$ 610
Changes for the current fiscal year:			
Service cost	98	40	42
Interest cost	50	16	20
Changes of benefit terms			
Differences between expected and actual experience			
Changes in assumptions or other inputs	15 (5)	6 (5)	7 (5)
Benefit payments	(66)	(21)	(20)
Net changes	97	41	49
Balance, June 30, 2018	$ 1,675	$ 558	$ 659

	NAC	OC	SACC
Balance, June 30, 2017 (1)	$ 550	$ 639	$ 528
Changes for the current fiscal year:			
Service cost	21	35	52
Interest cost	18	20	17
Changes of benefit terms			
Differences between expected and actual experience			
Changes in assumptions or other inputs	8 (5)	10	7 (5)
Benefit payments		(13)	(11)
Net changes	47	52	65
Balance, June 30, 2018	$ 597	$ 691	$ 593

(1) Restated for the implementation of GASB Statement No.75.

(2) The discount rate was updated to reflect recent high quality municipal bond rates. The mortality project scales were updated based upon recent research by the Society of Actuaries. The inflation assumption was updated to reflect anticipated future experience. Medical trend rates were updated based on current expectations of future cost increases.

(3) The discount rate used was 2.97% at July 1, 2016, and 3.56% at July 1, 2017. The mortality table was updated from SOA RPH-2015 Total Dataset Mortality fully generational with Scale MP-2015. The actuarial cost method was updated from Projected Unit Credit with linear proration to decrement to Entry Age Normal Level % of Salary. Payroll growth was updated based on the most recent APERS GASB report.

(4) The mortality table improvement scale was updated from MP-2016 to MP-2017.

(5) The discount rate used was 3.13% at June 30, 2017, and 2.98% at June 30, 2018.

(6) The discount rate used was 2.85% at June 30, 2016, and 3.58% at June 30, 2017.

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

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

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASU	2.49%	$ 21,852	3.49%	$ 20,153	4.49%	$ 18,612
ATU	2.56%	9,826	3.56%	9,001	4.56%	8,296
HSU	2.00%	5,342	3.00%	4,934	4.00%	4,563
NWACC	1.98%	1,202	2.98%	1,091	3.98%	992
SAUT	1.98%	1,458	2.98%	1,368	3.98%	1,283
SAU	2.00%	2,077	3.00%	1,935	4.00%	1,803
U of A	2.58%	77,960	3.58%	68,805	4.58%	61,269
UCA	2.00%	3,208	3.00%	3,007	4.00%	2,820
ANC	1.98%	587	2.98%	552	3.98%	519
BRTC	1.98%	1,782	2.98%	1,675	3.98%	1,574
EACC	1.98%	600	2.98%	558	3.98%	519
NPC	1.98%	703	2.98%	659	3.98%	617
NAC	1.98%	653	2.98%	597	3.98%	546
OC	1.98%	763	2.98%	691	3.98%	627
SACC	1.98%	640	2.98%	593	3.98%	550

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

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

	Total OPEB Liability		
	1% Decrease	Current Healthcare Cost Trend Rate (1)	1% Increase
ASU	$ 17,596	$ 20,153	$ 23,489
ATU	8,491	9,001	9,588
HSU	4,482	4,934	5,458
NWACC	958	1,091	1,252
SAUT	1,220	1,368	1,546
SAU	1,933	1,935	1,936
U of A	63,960	68,805	74,445
UCA	3,007	3,007	3,007
ANC	500	552	614
BRTC	1,506	1,675	1,876
EACC	492	558	639
NPC	591	659	741
NAC	528	597	678
OC	600	691	802
SACC	518	593	686

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

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

For the year ended June 30, 2018, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

		Total OPEB Expense
ASU	$	2,153
ATU		797
HSU		508
NWACC		85
SAUT		147
SAU		194
U of A		4,465
UCA		266
ANC		47
BRTC		149
EACC		57
NPC		62
NAC		40
OC		57
SACC		70
Total	$	9,097

At June 30, 2018, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

	ASU		ATU		HSU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience				251		569
Changes of assumptions and other inputs	276			1,824		3
State benefit payments subsequent to the measurement date			383			
Ending balance	$ 276	$	$ 383	$ 2,075	$	$ 572

	NWACC		SAUT		SAU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience						360
Changes of assumptions and other inputs	14		12			1
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 14	$	$ 12	$	$	$ 361

Continued on the following page

Continued from the previous page

	U of A		UCA		ANC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience				191		
Changes of assumptions and other inputs		11,460			5	
State benefit payments and administrative expenses subsequent to the measurement date	2,019					
Ending balance	$ 2,019	$ 11,460	$	$ 191	$ 5	$

	BRTC		EACC		NPC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience						
Changes of assumptions and other inputs	14		5		6	
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 14	$	$ 5	$	$ 6	$

	NAC		OC		SACC	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**	**Deferred Outflow of Resources**	**Deferred Inflow of Resources**
Beginning balance	$	$	$	$	$	$
Difference between expected and actual experience						
Changes of assumptions and other inputs	7		9		7	
State benefit payments and administrative expenses subsequent to the measurement date						
Ending balance	$ 7	$	$ 9	$	$ 7	$

	TOTAL	
	Deferred Outflow of Resources	**Deferred Inflow of Resources**
Beginning balance	$	$
Difference between expected and actual experience		1,371
Changes of assumptions and other inputs	355	13,288
State benefit payments and administrative expenses subsequent to the measurement date	2,402	
Ending balance	$ 2,757	$ 14,659

$2.4 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

	Fiscal Year-ended June 30: 2019	2020	2021	2022	2023	Thereafter	Total
ASU	$ 49	$ 49	$ 49	$ 49	$ 49	$ 31	$ 276
ATU	(189)	(189)	(189)	(189)	(189)	(1,130)	(2,075)
HSU	(64)	(64)	(64)	(64)	(64)	(252)	(572)
NWACC	1	1	1	1	1	9	14
SAUT	1	1	1	1	1	7	12
SAU	(25)	(25)	(25)	(25)	(25)	(236)	(361)
U of A	(2,445)	(2,445)	(2,445)	(2,398)	(1,558)	(169)	(11,460)
UCA	(18)	(18)	(18)	(18)	(18)	(101)	(191)
ANC	1	1	1	1	1		5
BRTC	1	1	1	1	1	9	14
EACC	1	1	1	1	1		5
NPC	1	1	1	1	1	1	6
NAC	1	1	1	1	1	2	7
OC	1	1	1	1	1	4	9
SACC	1	1	1	1	1	2	7

(16) Additional Information – Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments (Federal Law: 100-4) to the 1972 Clean Water Act (Federal Law: 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

The Safe Drinking Water Revolving Loan Fund Program was created pursuant to the 1996 Amendments (Federal Law: 104-182) to the 1974 Safe Drinking Water Act (Federal Law: 93-523) to provide a perpetual fund for financing the construction of water treatment facilities for municipalities and other public entities.

Condensed Statement of Net Position (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Assets		
Current assets	$ 154,969	$ 104,349
Noncurrent assets	258,031	160,588
Total assets	$ 413,000	$ 264,937
Liabilities		
Current liabilities	$ 3,247	$ 2,741
Noncurrent liabilities	21,978	16,539
Total liabilities	25,225	19,280
Net position		
Restricted	387,775	245,657
Total net position	387,775	245,657
Total liabilities and net position	$ 413,000	$ 264,937

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

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Operating revenue/expenses:		
Licenses, permits and fees	$ 1,618	$ 993
Operating expenses	(727)	(5,845)
Operating income (loss)	891	(4,852)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	6,028	4,102
Grants and contributions	766	9,729
Amortization of bond discounts and premiums	(760)	(572)
Nonoperating revenue	6,034	13,259
Transfers in (out), net		(3,410)
Change in net position	6,925	4,997
Total net position, beginning of year	380,850	240,660
Total net position, end of year	$ 387,775	$ 245,657

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Net cash provided by:		
Operating activities	$ 1,412	$ 917
Noncapital financing activities	(2,838)	3,560
Investing activities	30,654	27,516
Net increase	29,228	31,993
Cash and cash equivalents, beginning	93,085	41,597
Cash and cash equivalents, ending	$ 122,313	$ 73,590

(17) Risk Management Programs

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

Primary Government

Governmental Activities

(a) Health and Life Plans

State Employee Health and Life Benefit Plan

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

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

A basic group term life insurance and accidental death and dismemberment coverage is offered to all State employees. Basic life insurance is provided to all full-time active State employees and is paid from the insurance trust fund. Costs are based on a set rate without regard to the age of the employee. Supplemental coverage is offered to State employees for employee and dependent coverage. Supplemental life insurance premiums are based upon age and amount of coverage.

Health plan claim liabilities for claims submitted after the close of the plan year or after plan termination of the self-insured medical health insurance plan and the prescription drug plan for State employees are based on actuarial estimates of the ultimate cost of claims that have been incurred (both reported and unreported) and are recorded in the general fund.

An analysis of changes in aggregate liabilities for claims and claims adjustment expenses for the current and prior fiscal year are as follows (expressed in thousands):

	2018	2017
Claim liability, beginning of year	$ 27,700	$ 29,700
Incurred claims:		
Provision for insured events of current year	271,715	240,830
Payments:		
Claims payments attributed to insured events of current year	253,156	228,447
Claims payments attributed to insured events of prior years	19,159	14,383
Total payments	272,315	242,830
Claim liability, end of year	$ 27,100	$ 27,700

Arkansas State Police Health Insurance Plan

Pursuant to Ark. Code Ann. § 12-8-210, the Arkansas State Police (ASP) offers healthcare benefits to active uniformed members and retirees. The ASP Human Resource section serves as Plan Administrator. A contracted third-party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the plan. Healthcare benefits are funded by employer and retired employee contributions and Act 1500 of 2001. Act 1500 stipulates that for every Arkansas driver's license sold, $12 of the license fee is used to fund the ASP Health Plan. The plan is partially self-funded; reinsurance stop loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the ASP with final approval by the ASP Commission. The ASP Commission is authorized by Ark. Code Ann. § 12-8-210 to direct the plan. The current monthly budgeted premium, set on July 1, 2017, is $862 per budgeted commissioned position.

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

Liabilities for claims incurred but not reported are included in the ASP Insurance Plan. These liabilities exist because the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the agency cross reporting periods.

The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2018, are as follows (expressed in thousands):

	2018	2017
Claim liability, beginning of year	$ 675	$ 1,074
Incurred claims:		
Provision for insured events of current year	13,328	14,270
Increase (decrease) in provision for insured events of prior years	176	596
Total incurred claims and claim adjustment expense	13,504	14,866
Payments:		
Claims payments attributed to insured events of current year	12,308	13,595
Claims payments attributed to insured evens of prior years	851	1,670
Total payments	13,159	15,265
Claim liability, end of year	$ 1,020	$ 675

(b) State Claims Commission

The State Claims Commission (the Commission) was established by State law to hear and adjudicate all claims against the State and its agencies and component unit, excluding those arising from workers' compensation law, employment security law, and the acts of the various retirement plans. The Commission may authorize awards up to $15,000 without further approval (unless State-provided death and disability benefits for specified public employees are involved), while amounts exceeding $15,000 must be approved by the State General Assembly. The claim liability is determined by review of pending claims and estimation of the ultimate cost to settle such claims and is recorded in the government-wide financial statements. The amount of claims awarded/allowed and awaiting review and approval to be paid by the General Assembly at June 30, 2018, is $319,000. This liability is included in Note 18 Governmental Activities (a) as part of litigation.

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

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

The Program is self-insured and is administered by the Public Employees Claims Division of the State Insurance Department. Each State agency is responsible for contributing to the Program each year an amount based on past claims experience. This amount is determined by the Department of Finance and Administration. Due to legislation ending new claims to the Death and Permanent Total Disability Trust Fund at June 30, 2019, it is anticipated that there will be increases in the claim liability for the State. It is anticipated that the increases will be small initially, increase each year, and eventually result in a cost to the Program of approximately $1.2 million per year by the year 2034.

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

	2018	2017
Claim liability, beginning of year	$ 79,684	$ 78,865
Incurred claims:		
Provision for insured events of current year	18,270	15,555
Increase (decrease) in provision for insured events of prior years	(3,211)	(1,960)
Total incurred claims and claim adjustment expense	15,059	13,595
Payments:		
Claims payments attributed to insured events of current year	5,861	4,424
Claims payments attributed to insured events of prior years	7,230	8,352
Total payments	13,091	12,776
Claim liability, end of year	$ 81,652	$ 79,684

(d) Petroleum Storage Tank Trust Fund

The Petroleum Storage Tank Trust Fund (Storage Tank Fund) was established to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund, it must be registered with all fees paid and meet certain other requirements at the time of the release. The Storage Tank Fund reimburses tank owners up to $1.5 million per occurrence, with an $8,000 deductible, as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with an $8,000 deductible. The Storage Tank Fund is funded by an environmental assurance fee, collected at the wholesale level, of three-tenths of a cent for each gallon of fuel. The first party claim liability is determined through the use of the responsible party's consulting estimates of the remaining corrective action for each site. The third-party claim liability for a release is estimated at one half the plan limits (less the $8,000 deductible) once a third-party claim is filed until actual damages are determined and the liability is recorded in Governmental Activities.

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

	2018	2017
Claim liability, beginning of year	$ 9,888	$ 10,988
Incurred claims:		
Provision for insured events of current year	5,578	5,672
Payments:		
Claims payments attributed to insured events of current year	5,279	6,772
Claim liability, end of year	$ 10,187	$ 9,888

(e) Risk Management Office

The State established the Risk Management Office (RISK) in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for losses. The University of Arkansas System has its own program that the State Risk Management Office does not oversee.

For those State buildings covered by commercial insurance, the building and contents are generally insured for replacement cost subject to a $2.5 million deductible from the Arkansas Multi-Agency Trust Fund (AMAIT), Act 1762 of 2003, and varying deductible amounts up to $100,000 per occurrence for the State agency involved. The total annual payout by AMAIT is capped at $2.5 million. Losses arising from earth movement are generally insured for the full amount of losses and subject to a deductible of 5% of the building and content total value. Due to market conditions, limited availability, and excessive cost, total earth movement coverage is limited to $100 million in earthquake zones 2 and 3 and $200 million for zones 4 and 5. The State has secured domestic and foreign terrorism insurance coverage. Certain State agencies have chosen not to purchase commercial insurance on certain buildings, and as such, losses for these buildings are recorded as expenditures in the General Fund when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Limits vary from $30 million in a Special Flood Hazard Zone, with a $1 million deductible, to $100 million in Zone X, with a $100,000 deductible. Both earthquake and flood coverage limits are annual aggregate total maximum limits for the State.

The State does not purchase commercial general liability insurance coverage for claims arising from third party losses on State property as the State relies on sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission. Act 1188 of 2015 amended the Trust Fund Act to allow for cyber security insurance. Cyber liability insurance coverage for all participating governmental entities became effective on August 14, 2018.

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

For those State vehicles covered by commercial business auto insurance, each participating agency determines which, if any, vehicles to insure for physical damage and is subject to a deductible of $500 or $1,000. Also, such commercial business auto insurance generally provides coverage against liability losses up to $250,000 per occurrence in-state and $5 million per occurrence out-of-state. Twenty-one higher education institutions and State agencies have elected to purchase $1 million liability coverage in-state. Two State agencies have elected not to purchase commercial business auto insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

Business-Type Activities

(a) Health and Life Plans

Higher Education Health Plans

The Board of Trustees of the University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. All UA System campuses participate in the health plan. All campuses, except Cossatot Community College of the University of Arkansas, Phillips Community College of the University of Arkansas, University of Arkansas Community College at Hope, and University of Arkansas Community College at Rich Mountain, participate in the dental plan. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center, and the University of Arkansas Technology Development Foundation. All ASU campuses participate in the health insurance programs, which are administered by Cigna.

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

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

	2018	2017
Claim liability, beginning of year	$ 16,587	$ 19,279
Incurred Claims:		
Provision for insured events of current year	184,322	165,247
Increase (decrease) in provision for insured events of prior years	(331)	(4,297)
Total incurred claims and claim adjustment expense	183,991	160,950
Payments:		
Claims payments attributed to insured events of current year	165,266	148,664
Claims payments attributed to insured events of prior years	16,256	14,978
Total Payments	181,522	163,642
Claim liability, end of year	$ 19,056	$ 16,587

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $1 million and $275,000 for the UA System and ASU, respectively.

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

Public School Employee Health and Life Benefit Plan

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

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured, and the life component remained fully insured. The pharmacy plan has been self-insured since the inception of the plan. While the health plan was fully insured, most plan participants' premiums for health, life, and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and EBD, respectively. Premiums for certain retirees and COBRA participants were collected by EBD, and the health and life components were paid to the health and life insurance companies, respectively. Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts, with school district match being at least $158 in plan year 2018. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Ark. Code Ann. § 6-17-1117 so that the contribution rate increases annually by the same percentage that the Legislature increases the salary and benefit component of the per-student foundation funding amount under Ark. Code Ann. § 6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1, 2017, Ark. Code Ann. § 6-17-1117 authorizes the Department of Education (DOE) to pay an additional matching amount of $55 million per fiscal year to EBD. Effective July 1, 2009, Act 1421 of 2009 authorizes the DOE to pay an additional matching amount of $15 million per fiscal year, for a total of $70 million, to EBD.

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

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

	2018	2017
Claim liability, beginning of year	$ 27,100	$ 31,100
Incurred claims:		
Provision for insured events of current year	271,486	241,903
Payments:		
Claims payments attributed to insured events of current year	242,694	229,447
Claims payments attributed to insured events of prior years	26,892	16,456
Total payments	269,586	245,903
Claim liability, end of year	$ 29,000	$ 27,100

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

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

Death and Permanent Total Disability Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Generally, employers are liable for medical services and supplies for injured employees. Ark. Code Ann. § 11-9-502 provides for the first $75,000 of weekly benefits (the indemnity threshold) for death or permanent total disability to be paid by the employer or its insurance carrier. Act 1599 of 2007 amended Ark. Code Ann. § 11-9-502 to move the indemnity threshold up to 325 times the maximum total disability rate, or $219,000 for 2018. Accordingly, the Disability Trust Fund was established. The taxation rate is determined by the Workers' Compensation Commission in accordance with Ark. Code Ann. § 11-9-306, which limits the tax rate to 3% of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance. Act 5 of the Third Extraordinary Session of 2016, provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. §11-9-502, the current maximum tax rate of 3% will change to 1.5%.

Claim liabilities are established based on the present value of future benefits for known cases currently receiving benefits, known cases to receive benefits in the future and claims incurred but not reported.

The following represents the changes in claim liabilities for the fund during the last two fiscal years (expressed in thousands):

	2018	2017
Claim liability, beginning of year	$ 226,839	$ 238,333
Incurred claims:		
Provision for insured events of current year	7,334	7,334
Increase (decrease) in provision for insured events of prior years	(8,479)	(14,974)
Increase due to decrease in discount period	10,979	11,532
Total incurred claims and claim adjustment expense	9,834	3,892
Payments:		
Claims payments attributed to insured events of prior years	14,485	15,386
Claim liability, end of year	$ 222,188	$ 226,839

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

Second Injury Trust Fund

Initiated Act 4 of 1948, as amended, established the workers' compensation laws to provide for the timely payment of temporary and permanent disability payments to all legitimately injured workers who suffer injury or disease arising out of their employment. Employers are required to provide coverage for compensation with insurance carriers authorized to write workers' compensation insurance or to pay benefits directly as a self-insurer. Ark. Code Ann. § 11-9-525 provides that an employer employing a disabled person will not, in the event the employee suffers an injury on the job, be held liable for a greater disability or impairment than actually occurred while the employee was employed. The Second Injury Fund pays the injured worker the difference between the employer's liability and the balance of his or her disability or impairment that result from all disabilities or impairments combined. Accordingly, the Workers' Compensation Commission, in accordance with Ark. Code Ann. § 11-9-306, limits the tax rate to 3% of written manual premiums of workers' compensation insurance written on all risks within the State. Similarly, self-insured employers and public employers are taxed based on what they would have to pay if they were covered by insurance. Act 1415 of 2007 amended Ark. Code Ann. § 11-9-525 by prohibiting claims for second injuries being made under the provisions of Ark. Code Ann. § 11-9-525 after January 1, 2008. In effect, this act has eliminated the Second Injury Fund with regard to claims made after December 31, 2007.

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

	2018	2017
Claim liability, beginning of year	$ 288	$ 307
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	(274)	(25)
Increase due to decrease in discount period	14	15
Total incurred claims and claim adjustments expense	(260)	(10)
Payments:		
Claims payments attributed to insured events of prior years	0	9
Claim liability, end of year	$ 28	$ 288

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

(18) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, its agencies, and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs and other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law, and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $421,000 for the payment of such claims. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $9.6 million.

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

	2018	2017
Litigation, beginning of year	$ 218	$ 1,226
Incurred litigation	12,557	671
Litigation payments/dismissals	(12,354)	(1,679)
Litigation, end of year	$ 421	$ 218

(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, 2018, the amount of expenditures that may be disallowed by the grantor resulting from financial and compliance audits was $74.1 million.

(c) Loan Forgiveness

A settlement was reached during fiscal year 2014 ordering all prior agreements under the Little Rock School District desegregation case settlement agreement of 1989 to cease as of June 30, 2014, forgiving the State's loan receivable and obligating the State to pay the Pulaski County Special School District, the Little Rock School District, and the North Little Rock School District $65.8 million each year through June 30, 2018. In fiscal year 2018, the final payment was made, and as per the settlement agreement, the State's obligation has been satisfied.

(d) Construction and Other Commitments

At June 30, 2018, the State had commitments of approximately $888.4 million for construction and other contracts and approximately $177.1 million for professional service contracts. The Arkansas Natural Resource Commission has approved $37.0 million in loans for projects for water systems, waste water, and pollution abatement that have not been disbursed at June 30, 2018.

(e) Bond Guarantees

In accordance with the Venture Capital Investment Act of 2001, the State of Arkansas has guaranteed loans obtained by the Arkansas Institutional Fund (AIF) through the Bond Reserve Guarantee Fund and in the form of income tax credits to be issued by the Department of Finance and Administration. The tax credits can only be used to offset payment of reported state income tax liability and are not refundable. The guarantee extends through maturity of the loans with the last maturity date being March 2020. The Bond Reserve Guarantee Fund provides a guarantee for the first $10 million in loans and the balance is guaranteed by the pledge of tax credits. In the event AIF is unable to make the required payments on the loans, the State is required to issue tax credits to the creditor for any balances not covered by the Bond Reserve Guarantee Fund. The maximum amount of tax credits that can be issued is $60 million, not to exceed $10 million per fiscal year. As of June 30, 2018, there were 11 approved investments totaling $37.2 million, of which $4.5 million had yet to be funded, that are anticipated to become a part of the AIF.

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, 2018, total bonds guaranteed by the AEDC Bond Guarantee Reserve Fund were approximately $22.3 million. During fiscal year 2018, $4.0 million of these were in default.

(f) Tobacco Settlement

In November 1998, Arkansas joined 46 states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $206.0 billion over 25 years and continues in perpetuity. For 2002 and thereafter, the first $5.0 million must be distributed to the Tobacco Settlement Debt Service Account, and the amounts remaining are distributed to the Tobacco Settlement Program Account.

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

In fiscal year 2006, the Arkansas Development Finance Authority (ADFA) issued $36.8 million in Tobacco Settlement Revenue Bonds. ADFA has made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10%, and principal and accumulated interest are payable beginning in 2021 through 2031 for $22.2 million of serial bonds and beginning in 2036 through 2046 for $14.6 million of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a Loan Agreement dated June 1, 2006, between the UA Board and ADFA, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the Debt Service Revenues are insufficient to make such payments. Management believes the Debt Service Revenues will be sufficient to service the entire principal and interest due. The latest *Global Insights USA, Inc.*, report, prepared in August 2006 on the *Forecast of U.S. Cigarette Consumption (2004-2046),* indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received $60.1 million from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046, with the first $5.0 million dedicated to pay the debt service on the above bond issue. If Debt Service Revenues would have been considered insufficient at June 30, 2018, the University would have incurred a liability of $66.4 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 2018. In fiscal year 2018, the State recorded a total of $57.0 million, with $5.0 million being transferred to the Authority for the Tobacco Settlement Debt Service Account.

(g) Federal Employment Taxes

In December 2018, the Internal Revenue Service (IRS) proposed an adjustment of $12.3 million for not withholding employment taxes on bonuses paid by the State to public school teachers who achieved national certification. The IRS contends the bonus paid to the teachers was for services of which the State and local school districts are the beneficiary. The State is contesting the assessment.

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, 2018, there were no accrued liabilities involving litigation for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate that there is no liability at June 30, 2018.

(b) Settlements

Higher Education

The University of Arkansas for Medical Sciences (UAMS) has contractual agreements with governmental and other third-party payors that provide for reimbursements at amounts different from their established rates. At June 30, 2018, UAMS had an estimated net settlement payable of approximately $34.4 million. These settlements are initially paid out for cost-reimbursable items at a tentative rate, with the final settlement determined after submission of an annual cost report by the hospital and an external audit.

(c) Construction and Other Commitments

Higher Education

At June 30, 2018, the State had commitments in its business-type activities of approximately $231.5 million for construction and other contracts and approximately $5.7 million for professional service contracts.

Office of the Arkansas Lottery

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) contracts with two vendors for its online lottery game services, instant ticket lottery game services, and gaming system. These services are incurred as a percentage of sales, and as such, future obligations cannot be easily determined. OAL has multi-year contracts with both vendors that expire in fiscal year 2027. Total fees paid on these contracts for the fiscal year ended June 30, 2018, were $22.0 million.

OAL has a contract with a third vendor to provide a business plan and other consultancy services that will expire on June 30, 2020. The base compensation costs are $536,000 per year, and reimbursable travel costs will not exceed $100,000 per year. Incentive compensation costs are incurred as a percentage of operating income, and as such, future obligations cannot be easily determined. In fiscal year 2018, $3.1 million incentive compensation costs and $27,000 travel costs were paid by OAL.

Component Unit Activities

Construction and Other Commitments

Arkansas Development Finance Authority

ADFA has $42.5 million recorded as cash and investments in the statement of net position that may be disbursed under loan and lease agreements closed prior to June 30, 2018.

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, 2018, was $18.1 million. There were 11 approved investments as of June 30, 2018, totaling $37.2 million, of which $4.5 million has yet to be funded, that are anticipated to become part of the AIF.

Outstanding commitments to various funds/companies were $8.0 million for the year ending June 30, 2018.

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

(19) Business Incentives

(a) Create Rebate Program

The Create Rebate Program is authorized by the Consolidated Incentives Act of 2003 (Ark. Code Ann. §§ 15-4-2701 – 2714.). Financial incentive agreements are offered to non-retail, for-profit businesses in highly competitive circumstances at the discretion of the director of the Arkansas Economic Development Commission. The agreements can be offered for a period of up to 10 years. Cash payments are based on a company's annual payroll for new, full-time permanent employees. To be eligible, a company is required to maintain a minimum payroll of $2.0 million annually for new, full-time permanent employees and file a claim with the Department of Finance and Administration (DFA). No claims may be filed until the minimum annual payroll of $2.0 million is met. The threshold must be met within 24 months of inception of the agreement. The State has accrued liabilities in the approximate amount of $150.2 million for the Create Rebate business incentive.

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

	2018	2017
Create Rebate business incentives, beginning of year	$ 114,575	$ 113,866
Incurred Create Rebate business incentives, net of allowance	48,231	8,054
Create Rebate business incentives payments/dismissals	(12,598)	(7,345)
Create Rebate business incentives, end of year	$ 150,208	$ 114,575
Current Create Rebate business incentives	$ 11,716	$ 11,361
Noncurrent Create Rebate business incentives	138,492	103,214

(b) Tax Back Program

The Tax Back Program is authorized under Ark. Code Ann. § 15-4-2706(d). The program provides sales and use tax refunds on the purchase of building materials, machinery, and equipment to qualifying businesses that create new jobs as a result of construction, expansion, or facility modernization projects in Arkansas. All claims for refunds must be filed with the Revenue Division of DFA within three years from the date of purchase. The State has accrued liabilities in the approximate amount of $5.4 million for the Tax Back business incentive. For more information on the Tax Back Program, refer to Note 20.

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

	2018	2017
Tax Back business incentives, beginning of year	$ 4,316	$ 5,974
Incurred Tax Back business incentives, net of allowance	4,567	1,329
Tax Back business incentives payments/dismissals	(3,527)	(2,987)
Tax Back business incentives, end of year	$ 5,356	$ 4,316
Current Tax Back business incentives	$ 3,169	$ 3,117
Noncurrent Tax Back business incentives	2,187	1,199

(20) Tax Abatements

As of June 30, 2018, the State provides tax abatements through 12 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development, and other programs.

(a) Advantage Arkansas Program

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

(b) ArkPlus Program

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

- A business other than a technology-based entity is eligible for a tax abatement through an income tax credit equal to 10% of the total investment in land, buildings, equipment and costs related to licensing and protection of intellectual property. Eligibility for the income tax credit is based upon a minimum investment and minimum annual payroll. The investment thresholds must be reached within four years of the date the financial incentive agreement is signed, except for certain lease payments. The eligible business shall certify eligible project costs annually at the end of each tax year to the Revenue Division. Upon verification of eligible costs, the Revenue Division shall authorize the income tax credit. The amount of income tax credit taken each tax year cannot exceed 50% of the business' income tax liability resulting from the project or facility. Unused credits may be carried forward up to nine years after the year earned.

- A technology-based entity may receive a tax abatement by electing to receive either an income tax credit or a sales and use tax credit equal to a percentage of the investment based upon the amount to be invested. The entity must elect either the income tax credit or sales and use tax credit at time of application. To be eligible, the entity must create a new payroll that meets minimums in amount and average hourly wage. The tax credit is a percentage of the project cost, ranging from 2% to 8%, based upon the project cost estimate at the time the financial incentive agreement is signed. All investments must be made within four years of the date of the signed agreement. After receiving an approved financial incentive agreement from AEDC, the business shall certify eligible project costs at the end of each tax year during the agreement to the Revenue Division. The tax credits authorized may offset a percentage the entity's tax liability based on the average hourly wage paid. Any unused credits may be carried forward up to nine years after the year first earned.

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

(c) InvestArk Program

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

(d) Tax Back Program

The Tax Back Program provides for abatement of sales and use taxes to encourage economic development through job creation. The program is authorized under Ark. Code Ann. § 15-4-2706(d). To be eligible, a business must be endorsed by the governing authority of the municipality, county, or both in whose jurisdiction the business will be located; propose a minimum investment of $100,000; and sign a job creation financial incentive agreement under Ark. Code Ann. § 15-4-2705 or Ark. Code Ann. § 15-4-2707. An eligible business must apply for this program prior to the start of eligible activities. A refund of sales and use taxes paid on eligible purchases shall be authorized by the Revenue Division after verification. All claims for refunds must be filed with the Revenue Division within three years from the date of purchase. No refunds are made for sales and use taxes dedicated to the Educational Adequacy Fund and the Conservation Tax Fund. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(e) In-House Research and Development Program

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

(f) Targeted Research Program

The Targeted Research Program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The program is authorized under Ark. Code Ann. § 15-4-2708(c) and (d). Targeted businesses must be in one of six business sectors as determined by the AEDC. Areas of strategic value are fields having long-term economic or commercial value to the State and identified in the research and development plan approved by the executive director of the AEDC. Eligible businesses must apply with the AEDC prior to the start of research activities. The income tax credit is equal to 33% of qualified expenditures and may be used to offset 100% of an eligible business' annual income tax liability. Targeted businesses may sell unused credits as authorized by Ark. Code Ann. § 15-4-

2709. Unused credits provided for research in areas of strategic value may be carried forward up to nine years. The maximum amount of credits awarded to an eligible business for research in areas of strategic value is $50,000. A financial incentive agreement under this program may not exceed five years. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(g) Targeted Business Payroll Program

The Targeted Business Payroll Program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the State average hourly wage, if less. The program is authorized under Ark. Code Ann. § 15-4-2709. To be eligible, a business must be identified by the AEDC as being in a business sector targeted for growth under Ark. Code Ann. § 15-4-2703(43). An eligible business must apply for this program prior to the start of eligible activities. The eligible business must meet annual payroll requirements as well as average hourly wage requirements. The term of the financial incentive agreement cannot exceed five years. An income tax credit is earned equal to 10% of the targeted business' annual payroll but not to exceed $100,000 in any one year. Any unused credits may be carried forward up to nine years after the year the credit is earned. The targeted business may apply to the AEDC for permission to sell unused credits. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program. No income taxes were abated under this program for the fiscal year ended June 30, 2018.

(h) Tourism Development Program

The Tourism Development Program provides for abatement of income taxes and sales and use taxes to encourage the development of tourism attractions within the State. The program is authorized by Ark. Code Ann. §§ 15-11-501 – 15-11-511. To be eligible, the business must agree to make a minimum investment in a tourism attraction project and have a marketing plan that targets at least 25% of its visitors from out-of-state. The business must apply for the program with the AEDC prior to the start of eligible activities. The eligible project must be completed within two years, unless an extension is granted. The term of the financial incentive agreement shall not exceed 10 years. Tax abatements are made as follows:

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

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

(i) Water Resource Conservation and Development Program

The Water Resource Conservation and Development Program provides for abatement of income taxes to encourage investment in projects that increase the use of surface water and reduce agricultural irrigation water use. The program is authorized under Ark. Code Ann. §§ 26-51-1001 – 26-51-1014. To be eligible, an entity must agree to undertake a project that meets standards established by the Arkansas Natural Resource Commission (ANRC). An eligible entity must apply for this program prior to the start of eligible activities. The project is required to be completed within three years and be maintained for 10 years after completion. Taxes are abated using an income tax credit equal to a percentage of the estimated cost of the project, up to a set maximum, based on the type of project. The percentage and maximum depend on the type of project proposed. The income tax credits can begin to be taken in the year the project is started. Credits taken are limited to the entity's income tax liability for the tax year or a maximum amount, depending on the type of project, whichever is less. Any unused credits may be carried forward up to a set number of years depending on the type of project. If the project is not completed within three years, all income tax credits used shall be repaid. If the project is not maintained for 10 years after completion, a pro rata share of the income tax credits used shall be recaptured based on the number of years since completion. The total amount of tax credits that can be taken by all awarded entities cannot cumulatively exceed $10 million. In the calendar year when the cumulative amount of credits taken reaches $10 million, any remaining unused credits shall expire as of December 31 of that year. No other commitments are made by the State under this program.

(j) Wetland and Riparian Zone Program

The Wetland and Riparian Zone Program provides for abatement of income taxes to encourage landowners to restore and enhance existing wetlands and riparian zones or create new wetlands and riparian zones. The program is authorized under Ark. Code Ann. §§ 26-51-1501 – 26-51-1510. To be eligible, the landowner must agree to undertake a project that meets standards established by the ANRC. An eligible entity must apply for this program prior to the start of eligible activities. The project is required to be completed within three years and be maintained for 10 years after completion. Taxes are abated using an income tax credit equal to project costs up to a maximum of $50,000. If the project is not completed within three years, all income tax credits used shall be repaid. If the project is not maintained for 10 years after completion, a pro rata share of the income tax credits used shall be recaptured, based on the number of years since completion. In the calendar year when the cumulative amount of credits taken by all landowners awarded credits under this program reaches $500,000, any remaining unused credits shall expire as of December 31 of that year. No other commitments are made by the State under this program.

(k) Low Income Housing Program

The Low Income Housing Program provides for abatement of income taxes to encourage the development of housing for individuals and families with low income. The program is authorized under Ark. Code Ann. §§ 26-51-1701 – 26-51-1705. To be eligible, the taxpayer must own an interest in a qualified project in Arkansas, be eligible for the federal low income housing tax credit, and be approved by the Arkansas Development Finance Authority. An eligible entity must apply for this program prior to the start of eligible activities. Taxes are abated using an income tax credit equal to 20% of the federal low income housing tax credit approved. The amount of credit taken in any one tax year cannot exceed the state income taxes due from the taxpayer. Any unused credits may be carried forward up to five years. If a portion of the federal income tax credit is required to be recaptured, the taxpayer must repay a portion of the related State income tax credit. The maximum amount of State income tax credits that can be awarded under this program each year cannot exceed $250,000. No other commitments are made by the State under this program.

(l) Major Maintenance and Improvement Program

The Major Maintenance and Improvement Program provides for abatement of sales and use taxes to assist manufacturing and processing facilities in remaining competitive and preserving jobs. The program is authorized under Ark. Code Ann. § 15-4-3501. To be eligible, a business enters into a financial incentive agreement with the AEDC. An eligible business must agree to invest at least $3 million into the project. A refund of 100% of sales and use taxes paid on eligible purchases and expenditures shall be authorized by DFA after verification. All claims for refunds must be filed with the Revenue Division before July 1, 2022. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

A summary of the taxes abated by tax abatement program for fiscal year ended June 30, 2018, is as follows (expressed in thousands):

Tax Abatement Program		2018
Income Tax Abatements		
ArkPlus Program	$	5,049
In-House Research and Development Program		4,616
Advantage Arkansas Program		3,958
Targeted Research Program		1,021
Water Resource Conservation and Development Program		691
Low Income Housing Program		691
Wetland and Riparian Zone Program		253
Sales and Use Tax Abatements		
InvestArk Program		36,469
Tax Back Program		4,567
Tourism Development Program		2,814
Major Maintenance and Improvement Program		660

(21) Joint Ventures

GASB Statement No.14, *The Financial Reporting Entity*, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated, or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain (1) an ongoing financial interest or (2) an ongoing financial responsibility. During the fiscal year ended June 30, 2018, the Department of Finance and Administration (DFA) Office of the Arkansas Lottery (OAL) was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL).

Multi-State Lottery Association

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

As a member of the MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions®, which are maintained by MUSL. The prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prizes payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave the MUSL. As of June 30, 2018, the OAL had reserve fund deposits with MUSL of $2.2 million. MUSL does not maintain prize reserve funds for Lucky for Life®. Instead, each participating lottery is responsible for maintaining its own prize reserve funds for potential Lucky for Life® prize payments. A copy of the MUSL financial statements may be obtained by submitting a written request to the MUSL, Attn: Bret Toyne, Executive Director or Gene Schaller, Director of Finance, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2018, is summarized in the table below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 36,745	$ 17,404
Mega Millions®	19,598	9,503
Lucky for Life®	2,856	1,684

(22) Subsequent Events

Primary Government

Governmental Activities

Arkansas Community Correction

On September 24, 2018, the Arkansas Department of Community Correction donated land and a health unit building lying in Miller County, Arkansas, through a quitclaim deed to Miller County for the consideration of $10. The land and health unit had a net book value of $759,000.

In August 2018, the Arkansas Development Finance Authority (ADFA) issued $17.8 million in State Agency Facilities Revenue Bonds Series 2018. The purpose of the bonds is to finance the acquisition of facilities that will house the headquarters and other operations of the Arkansas Department of Community Correction.

Department of Human Services

On August 14, 2018, a lawsuit was filed in federal court for the District of Columbia challenging the work and community engagement requirements of the Arkansas Works Medicaid program. The litigation asks that the requirements be enjoined from implementation.

Arkansas State Police

On October 19, 2018, a claim was filed with the Claims Commission against the Arkansas State Police alleging the negligence of a police officer while operating a vehicle. Legal counsel has indicated that it is reasonably possible that a loss requiring disclosure will be incurred for this claim.

Business-Type Activities

Henderson State University

In July 2018, the Arkansas Higher Education Coordinating Board approved the economic feasibility of plans for Henderson State University to issue bonds not to exceed $1.0 million with a maximum term of three years at an estimated annual interest rate not to exceed 5.25%. Proceeds from the bond issue will be used to fund the renovation of Smith Hall residential facilities. The debt service on the bond issues will be supported by auxiliary revenues.

Effective September 30, 2018, the University terminated its contract with Aramark Educational Services, LLC, to provide facility services. The University entered into a contract with Southeast Service Corporation (SSC) on October 1, 2018, to begin providing facility services. The University will pay SSC $3.7 million per fiscal year, subject to inflationary adjustments. Each investment will be amortized over a seven-year period, beginning on the effective date of the contract. SSC will invest $800,000 in a one-time bonus.

Southern Arkansas University

In July and September of 2018, cash generated from the proceeds of Series 2018A Student Fee Secured Capital Improvement and Refunding Bonds and 2018B Auxiliary Enterprises Revenue Secured Capital Improvement and Refunding Bonds, issued in June of 2018, was used to repay $870,000 in outstanding bonds for Series 2005 Auxiliary Revenue Refunding Bonds, $11.2 million in outstanding Series 2007 Student Fee Refunding Bonds, $4.4 million in Series 2012 Auxiliary Revenue Refunding Bonds, and $1.8 million in outstanding 2013C Auxiliary Revenue Refunding Bonds.

Arkansas State University – Jonesboro

On July 25, 2018, the University entered into a loan agreement with the Department of Finance Administration (DFA) – Division of Building Authority for a roof replacement at the Armory building. The amount of the loan is $1.0 million with an interest rate of 0%. The term of the loan is 10 years with semi-annual payments commencing on November 1, 2018.

On August 1, 2018, The University entered into a lease agreement for Information and Technology (IT) equipment. The amount of the lease is $1.2 million with an interest rate of 0%. The term of the lease is five years with annual payments commencing during fiscal year 2019.

On September 12, 2018, a judge ordered the University and the University of Miami to use a third-party mediator to resolve a dispute over a football game that was canceled during 2017 because of concerns about Hurricane Irma. On November 14, 2018, both universities agreed to dismiss lawsuits related to the cancellation of the football game, and the University of Miami agreed to pay the University $400,000.

University of Arkansas – Fayetteville

On July 26, 2018, the Fayetteville campus closed on the Board of Trustees of the University of Arkansas Various Facility Revenue bonds, Tax-Exempt Series 2018A and Taxable Series 2018B, with par amounts of $20.4 million and $6.6 million, respectively. The bonds provide resources to renovate and reorganize the interior of Mullins Library; to construct and furnish the Student Success Center, storage buildings, the Civil Engineering Research and Education Center, and intramural sports facilities; and to construct the south campus steam and utility systems, a remote parking facility, and other qualifying capital projects.

University of Arkansas System

On October 26, 2018, the System closed on a 10-year loan with Regions Capital Advantage, Inc., for $27 million. The proceeds of the borrowing are for the purpose of configuring and installing an enterprise resource planning system. The interest rate on the loan is 3% per annum. The loan is a closed-end line of credit, with interest paid quarterly, through the conversion date of November 1, 2020, when it will convert to a permanent loan with quarterly principal and interest payments.

University of Central Arkansas

On December 7, 2018, the Board of Trustees authorized the issuance of bonds, in an amount not to exceed $57.3 million at a rate not to exceed 5.00%. This includes an estimated $37.5 million to finance the design, construction and equipping of the Integrated Health Sciences Building (Student Fee Revenue bonds), an estimated $7.7 million for Information Technology (Student Fee Revenue bonds), and an estimated $12.1 million to renovate State and Carmichael Halls and to make repairs to Bernard Hall (Housing System Revenue bonds).

North Arkansas College

On August 16, 2018, a report was received that indicated that mold spore levels were beyond recommended levels in parts of the Tower Building on the Center Campus and recommended that half of the 3rd floor and all of the 4th and 5th floors be vacated. All affected personnel and office operations were immediately relocated to areas in the Durand Center and to the South Campus. Repair and remediation cost estimates are being gathered, and initial reports suggest costs could range from $4.0 million to $10.0 million due to the 40-year age, design, and condition of the five-story building and its heating and air system. Preliminary estimates for total demolition of the building range from $500,000 to $1.0 million.

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

On September 6, 2018, the Arkansas Department of Higher Education (ADHE) refunded $11.7 million to the OAL for the fiscal year 2018. Additionally, at the request of ADHE, on October 10, 2018, a payment of $35.0 million was made from the Education Trust Account to ADHE, with an additional supplemental payment of $3.0 million made on November 30, 2018. On November 7, 2018, a payment of $1.0 million was made from the Workforce Challenge Trust Account to ADHE in order to fund the first disbursement of scholarships awarded for the 2018 Academic Year.

On August 24, 2018, a bonus amount of $2.2 million was paid to Scientific Games International. The bonus was generated from the Instant Games sales, which exceeded the pro-rated bonus calculation base by $49.1 million.

Component Unit

Arkansas Development Finance Authority

As part of the Governor’s Data Center Optimization Initiative to consolidate State agencies’ servers under the Department of Information Services, Arkansas Development Finance Authority will purchase up to $15.0 million of information technology hardware/software and lease it to the Department of Information Technology.

The General Fund note payable, in the amount of $15.0 million, was renewed on September 26, 2018, for a two-month term at an interest rate of 2.33%.

GREAT SEAL OF THE STATE OF ARKANSAS

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)

	2018	2017	2016	2015	2014-2009
Total Pension Liability					
Service cost	$ 6,927	$ 7,221	$ 7,230	$ 5,342	N/A
Interest	15,379	16,121	15,770	14,883	
Differences between expected and actual experience	(744)	(3,463)	(5,184)	12,970	
Changes of assumptions		2,369		24,290	
Benefit payments	(12,769)	(12,310)	(12,007)	(10,763)	
Refunds		(78)	(1)	(14)	
Net changes in total pension liability	8,793	9,860	5,808	46,708	
Total pension liability - beginning	270,382	260,522	254,714	208,006	
Total pension liability - ending (a)	$ 279,175	$ 270,382	$ 260,522	$ 254,714	
Plan Fiduciary Net Position					
Employer contributions	$ 8,421	$ 8,486	$ 5,561	$ 5,690	
Employee contributions	1,016	1,063	1,011	946	
Net investment income	19,162	28,044	(1,744)	9,972	
Benefit payments	(12,769)	(12,310)	(12,007)	(10,763)	
Refunds		(79)	(1)	(14)	
Administrative expense	(142)	(169)	(159)	(138)	
Other					
Net change in plan fiduciary net position	15,688	25,035	(7,339)	5,693	
Plan fiduciary net position - beginning	240,820	215,785	223,124	217,431	
Plan fiduciary net position - ending (b)	$ 256,508	$ 240,820	$ 215,785	$ 223,124	
State's net pension liability - ending (a-b)	$ 22,667	$ 29,562	$ 44,737	$ 31,590	
Plan fiduciary net position as a percentage of total pension liability	91.88%	89.07%	82.83%	87.60%	
Covered payroll	$ 23,435	$ 22,918	$ 22,308	$ 22,308	
Net pension liability as percentage of covered-employee payroll	96.72%	128.99%	200.54%	141.61%	

Notes to Schedule

N/A The State implemented GASB Statement No. 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)

	2018	2017	2016	2015	2014 to 2009
Total Pension Liability					
Service cost	$ 6,577	$ 5,474	$ 5,488	$ 6,102	N/A
Interest	30,678	30,323	29,470	29,219	
Differences between expected and actual experience	467	(3,053)	1,757	(3,107)	
Changes of assumptions	(4,529)	15,875		8,703	
Benefit payments	(24,185)	(24,632)	(26,035)	(23,359)	
Net changes in total pension liability	9,008	23,987	10,680	17,558	
Total pension liability - beginning	437,870	413,883	403,203	385,645	
Total pension liability - ending (a)	$ 446,878	$ 437,870	$ 413,883	$ 403,203	
Plan Fiduciary Net Position					
Employer contributions	$ 21,004	$ 19,961	$ 19,713	$ 19,784	
Employee contributions				95	
Net investment income	28,823	31,484	(210)	6,132	
Benefit payments	(24,185)	(24,632)	(26,035)	(23,359)	
Administrative expense	(229)	(208)	(206)	(196)	
Net change in plan fiduciary net position	25,413	26,605	(6,738)	2,456	
Plan fiduciary net position - beginning	299,525	272,920	279,658	277,202	
Plan fiduciary net position - ending (b)	$ 324,938	$ 299,525	$ 272,920	$ 279,658	
State's net pension liability - ending (a-b)	$ 121,940	$ 138,345	$ 140,963	$ 123,545	
Plan fiduciary net position as a percentage of total pension liability	72.71%	68.41%	65.94%	69.36%	
Covered payroll (1)	$ 29,593	$ 29,077	$ 29,449	$ 29,929	
Net pension liability as a percentage of covered-employee payroll	412.06%	475.79%	478.67%	412.79%	

Notes to Schedule

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

N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to this fiscal year.

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

	2018	2017	2016	2015	2014 to 2009
Total Pension Liability					
Service cost	$ 42,816	$ 18,935	$ 18,413	$ 16,863	N/A
Interest	110,544	126,829	115,441	112,962	
Benefit changes	(101,042)				
Differences between expected and actual experience	(31,507)	20,926	20,791		
Changes of assumptions	(137,435)	790,990	91,941		
Benefit payments, including refunds of employee contributions	(111,905)	(106,756)	(102,246)	(95,455)	
Net changes in total pension liability	(228,529)	850,924	144,340	34,370	
Total pension liability - beginning	2,480,200	1,629,276	1,484,936	1,450,566	
Total pension liability - ending (a)	$ 2,251,671	$ 2,480,200	$ 1,629,276	$ 1,484,936	
Plan Fiduciary Net Position					
Employer contributions	$ 19,175	$ 19,232	$ 19,059	$ 18,615	
Employee contributions	9,144	9,379	9,138	8,884	
Net investment income	133,168	(60,344)	25,384	234,209	
Benefit payments, including refunds of employee contributions	(111,905)	(106,756)	(102,246)	(95,455)	
Administrative expense	(130)	(118)	(91)	(43)	
Net change in plan fiduciary net position	49,452	(138,607)	(48,756)	166,210	
Plan fiduciary net position - beginning	1,304,869	1,443,476	1,492,232	1,326,022	
Plan fiduciary net position - ending (b)	$ 1,354,321	$ 1,304,869	$ 1,443,476	$ 1,492,232	
State's net pension liability - ending (a-b)	$ 897,350	$ 1,175,331	$ 185,800	$ (7,296)	
Plan fiduciary net position as a percentage of total pension liability	60.15%	52.61%	88.60%	100.49%	
Covered payroll (2)	$ 141,155	$ 141,906	$ 140,544	$ 137,262	
Net pension liability as a percentage of covered-employee payroll	635.72%	828.24%	132.20%	(5.32)%	

Notes to Schedule

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

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

N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to this fiscal year.

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

	2018	2017	2016
Actuarially determined contribution	$ 8,421	$ 8,485	$ 5,561
Contributions in relation to the actuarially determined contribution	8,421	8,485	5,561
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 23,435	$ 22,918	$ 22,308
Contributions as a percentage of covered payroll	35.93%	37.02%	24.93%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	27 years beginning July 1, 2017
Asset valuation method	4-year smoothed market, 25% corridor
Inflation	2.50% price inflation
Salary increases	3.25%
Investment rate of return	6.25%
Retirement age	Experience-based table of rates that are specific to the type of eligibility
Mortality	RP-2000 mortality tables projected to 2020 using projection scale BB

Other information:

There were no benefit changes reflected in the June 30, 2016, valuation.

	2015		2014		2013		2012		2011		2010		2009
$	5,690	$	6,117	$	5,672	$	5,465	$	5,221	$	4,668	$	4,467
	5,690		6,117		5,672		5,465		5,221		4,668		4,467
$	0	$	0	$	0	$	0	$	0	$	0	$	0
$	22,308	$	19,782	$	19,586	$	19,202	$	19,338	$	18,630	$	18,875
	25.51%		30.92%		28.96%		28.46%		27.00%		25.06%		23.67%

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

	2018	2017	2016
Actuarially determined contribution	$ 15,600	$ 14,100	$ 14,300
Contributions in relation to the actuarially determined contribution	21,000	20,000	19,700
Contribution deficiency (excess)	$ (5,400)	$ (5,900)	$ (5,400)
Covered payroll (1)	$ 30,000	$ 29,100	$ 29,400
Contributions as a percentage of covered payroll	70.00%	68.73%	67.01%

Notes to Schedule

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

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	22 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 two years for males and one year for females, with an approximate 14% margin for future mortality improvement.

Other information:

There were no benefit changes during the year.

	2015	2014	2013	2012	2011	2010	2009
	$ 14,200	$ 14,000	$ 13,600	$ 14,100	$ 12,600	$ 12,700	$ 10,500
	19,800	19,500	19,500	19,700	14,100	20,500	12,100
	$ (5,600)	$ (5,500)	$ (5,900)	$ (5,600)	$ (1,500)	$ (7,800)	$ (1,600)
	$ 29,900	$ 29,100	$ 28,100	$ 29,500	$ 28,200	$ 28,500	$ 27,600
	66.22%	67.01%	69.40%	66.78%	50.00%	71.93%	43.84%

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

	2018	2017	2016	2015	2014	2013 to 2009
Statutorily determined contribution	$ 19,294	$ 19,175	$ 19,232	$ 19,059	$ 18,615	N/A
Contributions in relation to the statutorily determined contribution	19,294	19,175	19,232	19,059	18,615	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	
Covered payroll (1)	$ 144,111	$ 141,155	$ 141,906	$ 140,544	$ 137,262	
Contributions as a percentage of covered payroll	13.39%	13.58%	13.55%	13.56%	13.56%	

Notes to Schedule

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

N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to 2014.

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

	2018	2017	2016	2015	2014 to 2009
State's proportion of the net pension liability (asset)	65.68%	66.75%	67.27%	67.64%	N/A
State's proportionate share of the net pension liability (asset)	$ 1,697,154	$ 1,596,332	$ 1,238,862	$ 959,763	
State's covered payroll (2)	$ 1,101,174	$ 1,125,557	$ 1,112,250	$ 1,105,688	
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	154.12%	141.83%	111.38%	86.80%	
Plan fiduciary net position as a percentage of the total pension liability	75.65%	75.50%	80.39%	84.15%	

Notes to Schedule

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.
(2) Restated to comply with GASB Statement No. 68: 46 and 81; Q&A 5.154.2 and 5.192.3.
N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to this fiscal year.

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

	2018	2017	2016	2015	2014 to 2009
State's proportion of the net pension liability (asset)	3.79%	3.96%	4.14%	4.29%	N/A
State's proportionate share of the net pension liability (asset)	$ 159,385	$ 174,692	$ 134,997	$ 112,517	
State's covered payroll (3)	$ 111,173	$ 115,753 (2)	$ 119,107	$ 121,357	
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	143.37%	150.92%	113.34%	92.72%	
Plan fiduciary net position as a percentage of the total pension liability	79.48%	76.75%	82.20%	84.98%	

Notes to Schedule

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.
(2) Restated to match actuary.
(3) Restated to comply with GASB-S68: 46 and 81; Q&A 5.154.2 and 5.192.3.
N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to this fiscal year.

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

	2018	2017	2016	2015	2014	2013 to 2009
Statutorily determined contribution	$ 180,533	$ 170,844	$ 174,479	$ 175,750	$ 177,950	N/A
Contributions in relation to the statutorily determined contribution	180,533	170,844	174,479	175,750	177,950	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	
Covered payroll	$ 1,179,780	$ 1,101,174	$ 1,125,557 (1)	$ 1,112,250 (1)	$ 1,105,688	
Contributions as a percentage of covered payroll	15.30%	15.51%	15.50%	15.80%	16.09%	

Notes to Schedule

(1) Restated to match actuary.

N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to fiscal year 2014.

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

	2018	2017	2016	2015	2014	2013 to 2009
Statutorily determined contribution	$ 15,213	$ 15,619	$ 16,337	$ 17,118	$ 17,352	N/A
Contributions in relation to the statutorily determined contribution	15,213	15,619	16,337	17,118	17,352	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	
Covered payroll	$ 109,372	$ 111,173	$ 115,753 (1)	$ 119,107 (1)	$ 121,357	
Contributions as a percentage of covered payroll	13.91%	14.05%	14.11%	14.37%	14.30%	

Notes to Schedule

(1) Restated to match actuary.
N/A The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to fiscal year 2014.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2018
(Expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures (1)				
Current:				
General government	$ 5,867,438	$ 5,930,223	$ 1,960,907	$ 3,969,316
Education	4,330,500	4,400,579	3,840,106	560,473
Health and human services	9,613,986	9,119,792	8,541,702	578,090
Law, justice and public safety	1,003,038	1,036,480	818,805	217,675
Recreation and resource development	512,084	541,672	308,188	233,484
Regulation of business and professionals	192,892	193,196	117,422	75,774
Transportation	634,675	658,149	476,843	181,306
Debt service	162,158	194,646	128,903	65,743
Capital outlay	1,732,297	1,690,543	1,054,722	635,821
Total expenditures	$ 24,049,068	$ 23,765,280	$ 17,247,598	$ 6,517,682

(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, 2018

(a) Budgetary Basis of Accounting

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

(b) Budgetary Basis Reporting – Budgetary Process

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

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

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

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding line item expenditure appropriations in order to comply with the State law prohibiting deficit spending. The Governor may restrict spending to a level below appropriation amounts. The State uses specific funds (i.e., general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all general revenue receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department, and judges), their staffs, and DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DFA, and 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs, and DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

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

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

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

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

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

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

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

Total GAAP basis expenditures General Fund	$	17,175,826
Less non-cash expenditures		(567,622)
Less non-appropriated expenditures		(7,347,660)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		7,373,101
Plus refunds treated as reduction of revenue for financial statements purposes		742,964
Less basis of accounting differences		(129,011)
Total statutory basis expenditures General Fund	$	17,247,598

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

	2018	2017	2016	2015
Premium and investment revenues:				
Premium income	$ 309,752,545	$ 305,452,670	$ 301,501,278	$ 301,894,264
Investment interest income	2,525,713	1,167,240	292,270	181,804
Totals	$ 312,278,258	$ 306,619,910	$ 301,793,548	$ 302,076,068
Unallocated expenses:				
Operating costs	$ 8,243,569	$ 9,037,550	$ 10,579,867	$ 11,658,122
Estimated incurred claims and expenses, end of fiscal year	$ 271,486,000	$ 241,903,000	$ 253,985,000	$ 234,202,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	242,619,284	214,935,703	223,050,692	205,092,655
One year later		241,802,196	253,882,147	234,066,260
Two years later			253,952,179	234,171,258
Re-estimated incurred claims and expenses (2):				
End of fiscal year	271,486,000	241,903,000	253,985,000	234,202,000
One year later		241,903,000	253,985,000	234,202,000
Two years later			253,985,000	234,202,000
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	60,929	59,388	58,181	57,879

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

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

2014	2013	2012	2011	2010	2009
$ 274,117,377	$ 276,235,566	$ 273,702,538	$ 271,802,235	$ 265,671,434	$ 252,028,277
95,121	94,975	180,027	302,462	442,355	1,322,380
$ 274,212,498	$ 276,330,541	$ 273,882,565	$ 272,104,697	$ 266,113,789	$ 253,350,657
$ 8,533,361	$ 6,977,013	$ 6,374,870	$ 3,423,965	$ 3,788,158	$ 5,569,196
$ 256,961,000	$ 280,127,000	$ 259,784,000	$ 251,536,000	$ 237,226,000	$ 235,781,000
227,823,740	250,689,890	232,820,863	224,266,659	209,386,000	211,281,000
256,700,395	279,891,538	259,449,420	251,226,738	236,679,328	235,244,450
256,930,541	280,097,026	259,757,662	251,508,249	237,198,903	235,757,056
256,961,000	280,127,000	259,784,000	251,536,000	237,226,000	235,781,000
256,961,000	280,127,000	259,784,000	251,536,000	237,226,000	235,781,000
256,961,000	280,127,000	259,784,000	251,536,000	237,226,000	235,781,000
0	0	0	0	0	0
0	0	0	0	0	0
58,253	57,087	54,866	53,347	52,094	50,277

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

	2018	2017	2016	2015
Premium and investment revenues:				
Premium income	$ 9,753,376	$ 10,074,701	$ 9,519,983	$ 8,642,283
Investment interest income	1,333,563	1,395,741	718,453	515,618
Totals	$ 11,086,939	$ 11,470,442	$ 10,238,436	$ 9,157,901
Unallocated expenses:				
Operating costs (2)	$ 270,595	$ 277,340	$ 220,142	$ 227,326
Estimated incurred claims and expenses, end of fiscal year	$ 7,334,183	$ 7,334,041	$ 6,864,888	$ 6,706,673
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	2,940,203	1,242,119	2,754,013	2,600,334
One year later		2,260,839	4,978,108	4,457,931
Two years later			5,441,589	4,575,545
Three years later				4,561,986
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	(4,393,980)	(5,073,202)	(1,423,299)	(2,144,687)
Number of fund participants receiving benefits at end of year	1,265	1,333	1,369	1,403

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

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

2014	2013	2012	2011	2010	2009
$ 5,588,765	$ 8,867,656	$ 10,462,123	$ 7,390,622	$ 8,226,832	$ 9,075,784
573,589	731,425	970,017	1,701,541	2,315,616	3,590,255
$ 6,162,354	$ 9,599,081	$ 11,432,140	$ 9,092,163	$ 10,542,448	$ 12,666,039
$ 247,135	$ 248,942	$ 274,375	$ 257,079	$ 285,513	$ 271,386
$ 7,593,766	$ 7,037,748	$ 7,645,295	$ 6,413,633	$ 5,640,789	$ 6,619,914
0	0	0	0	0	0
0	0	0	0	0	20,000
0	0	0	0	0	20,000
0	0	50,000	20,000	0	20,000
0	0	50,000	0	0	20,000
	0	50,000	0	3,268	20,000
		108,153	70,500	111,825	35,164
			302,306	457,019	192,006
				837,517	418,679
					680,524
1,416,083	1,268,529	3,312,740	3,904,725	2,546,952	2,675,997
3,051,235	3,500,691	4,740,760	7,110,289	6,118,056	4,215,186
4,304,721	4,863,077	5,986,391	8,706,668	6,897,305	5,837,915
5,263,245	4,913,891	5,202,993	8,585,328	7,219,746	5,718,497
4,684,459	4,138,525	6,372,372	9,497,819	8,159,307	5,673,165
	3,770,078	5,485,430	9,237,490	8,192,191	2,800,589
		6,892,816	8,023,104	8,129,987	3,129,967
			9,103,467	8,723,859	5,253,531
				9,569,223	6,158,256
					6,329,002
(2,909,307)	(3,267,670)	(752,479)	2,689,834	3,928,434	(290,912)
1,442	1,474	1,481	1,501	1,454	1,349

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

	2018	2017	2016	2015
Premium and investment revenues:				
Premium taxes	$ 0	$ 0	$ 0	$ 0
Interest income	22,971	13,028	6,783	3,600
Totals	$ 22,971	$ 13,028	$ 6,783	$ 3,600
Unallocated expenses:				
Operating costs (2)	$ 251,556	$ 256,492	$ 333,837	$ 343,313
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount	$ 0	$ 0	$ 0	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Number of fund participants receiving benefits at end of year	0	1	1	0

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

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

2014	2013	2012	2011	2010	2009
$ 0	$ 0	$ 0	$ 0	$ 659,098	$ 1,082,496
3,311	4,315	5,512	9,679	18,800	35,500
$ 3,311	$ 4,315	$ 5,512	$ 9,679	$ 677,898	$ 1,117,996
$ 361,793	$ 396,593	$ 483,246	$ 526,189	$ 531,955	$ 582,490
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
	0	0	0	0	0
		0	0	0	0
			0	0	0
				0	0
					0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
	0	0	0	0	0
		0	0	0	0
			0	0	0
				0	0
					0
0	0	0	0	0	0
0	3	3	3	2	109

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

Plan	Fiscal Year	Service Cost	Interest Cost	Change of Benefit Terms	Difference Between Expected and Actual Experience
Primary Government					
Arkansas State Police	2018	$ 6,114	$ 4,959		$
Arkansas Employee Benefits Plan	2018	69,996	73,092		(13,267)
Component Unit					
Arkansas Employee Benefits Plan	2018	132	137		(55)
Higher Education					
Arkansas Northeast College	2018	29	17		
Arkansas State University	2018	1,433	671		
Arkansas Tech University	2018	655	331		(274)
Black River Technical College	2018	98	50		
East Arkansas Community College	2018	40	16		
Henderson State University	2018	425	147		(569)
North Arkansas College	2018	21	18		
National Park College	2018	42	20		
Northwest Arkansas Community College	2018	52	32		
Ozarka College	2018	35	20		
South Arkansas Community College	2018	52	17		
Southern Arkansas University - Technical Branch	2018	105	40		
Southern Arkansas University	2018	160	60		(360)
University of Arkansas System Self-Funded Plan	2018	4,589	2,321		
University of Central Arkansas	2018	198	85		(191)
	2017 to 2009 (1)				

Notes to Schedule

(1) The State implemented GASB Statement No. 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.

Note No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for any of the plans above.

Changes in Assumptions	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability Beginning	Total OPEB Liability Ending	Covered Employee Payroll	Total OPEB Liability as a Percentage of Covered Employee Payroll
$ 3,949	$ (3,614)	$ 11,408	$ 157,182	$ 168,590	$ 33,508	503.13%
(92,281)	(58,018)	(20,478)	2,036,211	2,015,733	1,403,276	143.64%
(144)	(109)	(39)	3,845	3,806	3,394	112.14%
5	(65)	(14)	566	552	8,382	6.59%
325	(948)	1,481	18,672	20,153	117,068	17.21%
(1,990)	(788)	(2,066)	11,067	9,001	43,684	20.60%
15	(66)	97	1,578	1,675	6,980	24.00%
6	(21)	41	517	558	6,613	8.44%
(3)	(149)	(149)	5,083	4,934	20,614	23.94%
8		47	550	597	6,955	8.58%
7	(20)	49	610	659	10,496	6.28%
15		99	992	1,091	20,606	5.29%
10	(13)	52	639	691	3,854	17.93%
7	(11)	65	528	593	23,815	2.49%
13	(37)	121	1,247	1,368	6,071	22.53%
(1)	(16)	(157)	2,092	1,935	7,786	24.85%
(13,905)	(2,109)	(9,104)	77,909	68,805	1,320,436	5.21%
	(61)	31	2,976	3,007	82,107	3.66%


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE

Combining Financial Statements


GREAT SEAL OF THE STATE OF ARKANSAS
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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:

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

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

Other Revolving Loan Funds – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping, and/or rehabilitation for water systems; financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; incentivizing development of affordable assisted living housing in Arkansas and strengthening the financial feasibility of such developments; financing of energy efficiency retrofits and green energy implementation for industries; and providing funding for communities to address affordable housing needs in metropolitan and rural areas in Arkansas.

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2018
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 122,313	$ 175,469	$ 88,105	$ 385,887
Investments	31,915	128	29,933	61,976
Receivables:				
Accounts	265	1,821	578	2,664
Loans			605	605
Interest	476	285	300	1,061
Due from other funds		188		188
Advances to other funds			1,216	1,216
Total current assets	154,969	177,891	120,737	453,597
Noncurrent assets:				
Investments - restricted	3,201		3,957	7,158
Capital assets:				
Equipment		94		94
Other depreciable/amortizable assets		1,938		1,938
Assets under construction		900		900
Less accumulated depreciation/amortization		(1,532)		(1,532)
Advances to other funds	487		5,654	6,141
Loans receivable, restricted	254,343		156,631	410,974
Total noncurrent assets	258,031	1,400	166,242	425,673
Total assets	$ 413,000	$ 179,291	$ 286,979	$ 879,270

Combining Statement of Net Position
Non-major Enterprise Funds
June 30, 2018
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Liabilities				
Current liabilities:				
Accounts payable	$ 237	$ 6,618	$ 169	$ 7,024
Accrued interest	90			90
Accrued and other current liabilities			67	67
Due to other funds			325	325
Loans and bonds payable	2,920		2,205	5,125
Claims, judgments and compensated absences		28,910		28,910
Unearned revenue		17		17
Total current liabilities	3,247	35,545	2,766	41,558
Noncurrent liabilities:				
Loans and bonds payable	21,978		16,539	38,517
Claims, judgments and compensated absences		90		90
Total noncurrent liabilities	21,978	90	16,539	38,607
Total liabilities	25,225	35,635	19,305	80,165
Net Position				
Net investment in capital assets		1,400		1,400
Restricted for:				
Program requirements	387,775		267,674	655,449
Unrestricted		142,256		142,256
Total net position	387,775	143,656	267,674	799,105
Total liabilities and net position	$ 413,000	$ 179,291	$ 286,979	$ 879,270

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Operating revenues:				
Charges for sales and services	$	$ 310,412	$	$ 310,412
Licenses, permits and fees	1,618		993	2,611
Total operating revenues	1,618	310,412	993	313,023
Operating expenses:				
Supplies and services		26,214		26,214
General and administrative expenses	258	40	181	479
Benefits and aid payments		270,502		270,502
Federal financial assistance	469		5,702	6,171
Depreciation and amortization		501		501
Total operating expenses	727	297,257	5,883	303,867
Operating income (loss)	891	13,155	(4,890)	9,156
Nonoperating revenues (expenses):				
Investment earnings	6,028	2,629	4,548	13,205
Grants and contributions	766		9,729	10,495
Interest and amortization expense	(760)		(572)	(1,332)
Net increase in fair value of investments			(193)	(193)
Loss on sale of fixed assets		(64)		(64)
Total nonoperating revenues (expenses)	6,034	2,565	13,512	22,111
Income (loss) before transfers and contributions	6,925	15,720	8,622	31,267
Transfers out		(693)	(3,410)	(4,103)
Change in net position	6,925	15,027	5,212	27,164
Total net position - beginning	380,850	128,629	262,462	771,941
Total net position - ending	$ 387,775	$ 143,656	$ 267,674	$ 799,105

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Cash flows from operating activities:				
Cash received from customers	$	$ 310,430	$	$ 310,430
Payments of benefits		(268,602)		(268,602)
Payments to suppliers		(24,892)		(24,892)
Loan administration received			908	908
Federal grant funds expended			(18)	(18)
Other operating receipts (payments)	1,412	(40)		1,372
Net cash provided by (used in) operating activities	1,412	16,896	890	19,198
Cash flows from noncapital financing activities:				
Direct lending payments	(2,345)		(1,765)	(4,110)
Direct lending interest	(1,197)		(901)	(2,098)
Grants and contributions	704		9,894	10,598
Transfers out		(693)	(3,668)	(4,361)
Net cash provided by (used in) noncapital financing activities	(2,838)	(693)	3,560	29
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(308)		(308)
Cash flows from investing activities:				
Purchase of investments	(3,104)			(3,104)
Proceeds from sale and maturities of investments	41,200	3,674	24,036	68,910
Interest and dividends on investments	2,280	2,411	1,744	6,435
Loan disbursements	(32,056)		(5,428)	(37,484)
Principal repayments on loans	18,849		10,252	29,101
Interest received on loans	3,954		2,914	6,868
Federal grant funds expended	(469)		(5,672)	(6,141)
Net cash provided by (used in) investing activities	30,654	6,085	27,846	64,585
Net increase (decrease) in cash and cash equivalents	29,228	21,980	32,296	83,504
Cash and cash equivalents - beginning	93,085	153,489	55,809	302,383
Cash and cash equivalents -ending	$ 122,313	$ 175,469	$ 88,105	$ 385,887
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 891	$ 13,155	$ (4,890)	$ 9,156
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:				
Depreciation and amortization		501		501
Federal grants expended	469		5,672	6,141
Net changes in assets, liabilities and deferred outflows/inflows:				
Accounts receivable	24	18	89	131
Inventory				
Accounts payable and other accrued liabilities	28	3,222	19	3,269
Net cash provided by (used in) operating activities	$ 1,412	$ 16,896	$ 890	$ 19,198

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations, or other governments and/or funds. The trust and agency funds consist of the following:

Pension Trust Funds – These funds are accounted for in essentially the same manner as proprietary funds and include the Public Employees Retirement System (which also administers the State Police Retirement System and the Judicial Retirement System), the Teacher Retirement System, and the State Highway Employees Retirement System.

Agency Funds – These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2018
(Expressed in thousands)

	Public Employees Retirement System	State Police Retirement System	Judicial Retirement System	Teacher Retirement System	State Highway Employees Retirement System	Total
Assets						
Cash and cash equivalents	$ 239,122	$ 16,397	$ 6,970	$ 318,616	$ 169,931	$ 751,036
Receivables:						
Employee	506			8,385	246	9,137
Employer	8,986	1	161	22,548	427	32,123
Investment principal	49,488	1,832	706	53,789		105,815
Interest and dividends	19,320	715	816	14,987	1,718	37,556
Other	945	133		249	5,637	6,964
Due from other funds				3,127		3,127
Total receivables	79,245	2,681	1,683	103,085	8,028	194,722
Investments at fair value:						
U.S. government securities	275,961	10,215	27,546	10,932	58,332	382,986
Bonds, notes, mortgages and preferred stock	64,364	2,383	4,585	547,925	224,783	844,040
Common stock	3,286,095	121,643	101,278	2,775,406	922,289	7,206,711
Real estate	941,755	34,861	22,584	57,239		1,056,439
International investments	2,117,339	78,378	46,884	6,305,345	97,735	8,645,681
Mutual funds	20,601	763				21,364
Pooled investment funds	1,070,243	39,618	14,488	1,722,067		2,846,416
Corporate obligations	470,605	17,421	35,322	279,836		803,184
Asset and mortgage-backed securities	98,656	3,652	426	38,952		141,686
State recycling tax credit				208,000		208,000
Other	450	16	(32)	5,214,324		5,214,758
Total investments	8,346,069	308,950	253,081	17,160,026	1,303,139	27,371,265
Other assets						
Securities lending collateral	972,178	35,987		506,401		1,514,566
Capital assets	18,734			178		18,912
Other assets	305			75		380
Total other assets	991,217	35,987		506,654		1,533,858
Total assets	9,655,653	364,015	261,734	18,088,381	1,481,098	29,850,881
Liabilities						
Accounts payable and other liabilities	8,288	533	327	15,663	591	25,402
Investment principal payable	77,695	2,876	4,899	68,389	8,034	161,893
Obligations under securities lending	963,552	35,668		506,309		1,505,529
Postemployment benefit liability	4,803			5,388		10,191
Due to other funds	18			4		22
Total liabilities	1,054,356	39,077	5,226	595,753	8,625	1,703,037
Net position						
Net position restricted for pensions	$ 8,601,297	$ 324,938	$ 256,508	$ 17,492,628	$ 1,472,473	$ 28,147,844

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2018
(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	$ 64,708	$ 134	$ 1,016	$ 138,767	$ 9,163	$ 213,788
Employers	276,252	6,515	2,759	424,488	19,294	729,308
Supplemental contributions	555	7,110	5,075			12,740
Title fees		4,664				4,664
Court fees		975	587			1,562
Reinstatement fees		1,606				1,606
Total contributions	341,515	21,004	9,437	563,255	28,457	963,668
Investment income:						
Net increase in fair value of investments	696,050	25,629	14,579	1,749,046	187,855	2,673,159
Interest, dividends and other	114,517	4,239	5,854	106,577	25,900	257,087
Other investment income	1,026	27		7,596		8,649
Securities lending income, net of expenses	3,533	130		5,075		8,738
Total investment income	815,126	30,025	20,433	1,868,294	213,755	2,947,633
Less investment expense	32,799	1,202	1,271	44,259	8,257	87,788
Net investment income	782,327	28,823	19,162	1,824,035	205,498	2,859,845
Miscellaneous	6,206			60		6,266
Total additions	1,130,048	49,827	28,599	2,387,350	233,955	3,829,779
Deductions:						
Benefits paid to participants or beneficiaries	530,861	24,185	12,769	1,160,738	113,477	1,842,030
Refunds of employee/employer contributions	13,728			9,455	2,271	25,454
Administrative expenses	10,816	229	142	7,461	55	18,703
Total deductions	555,405	24,414	12,911	1,177,654	115,803	1,886,187
Change in net position held in trust for employees' pension benefits	574,643	25,413	15,688	1,209,696	118,152	1,943,592
Net position - beginning (as restated)	8,026,654	299,525	240,820	16,282,932	1,354,321	26,204,252
Net position - ending	$ 8,601,297	$ 324,938	$ 256,508	$ 17,492,628	$ 1,472,473	$ 28,147,844

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2018
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 5,070	$ 146,096	$ 151,166
Receivables:			
Interest and dividends	2	50	52
Other		1	1
Total receivables	2	51	53
Investments at fair value:			
Certificates of deposit	600	21,760	22,360
Bonds, government securities, notes and mortgages		1,750	1,750
Total investments	600	23,510	24,110
Financial assurance instruments	226,210	1,380	227,590
Total assets	$ 231,882	$ 171,037	$ 402,919
Liabilities			
Accounts payable and other liabilities	$	$ 6,381	$ 6,381
Due to other governments		144,718	144,718
Due to third parties	231,882	19,938	251,820
Total liabilities	$ 231,882	$ 171,037	$ 402,919

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in thousands)

	Insurance Department			
	Balance July 1, 2017	**Additions**	**Reductions**	**Balance June 30, 2018**
Assets				
Cash and cash equivalents	$ 4,978	$ 105	$ 13	$ 5,070
Receivables:				
Interest and dividends	1	1		2
Investments at fair value:				
Certificates of deposit	620		20	600
Financial assurance instruments	233,218		7,008	226,210
Total assets	$ 238,817	$ 106	$ 7,041	$ 231,882
Liabilities				
Due to third parties	$ 238,817	$ 106	$ 7,041	$ 231,882
Total liabilities	$ 238,817	$ 106	$ 7,041	$ 231,882

	Other Agencies			
	Balance July 1, 2017	**Additions**	**Reductions**	**Balance June 30, 2018**
Assets				
Cash and cash equivalents	$ 138,313	$ 2,554,155	$ 2,546,372	$ 146,096
Receivables:				
Interest and dividends	15	36	1	50
Other	5	30	34	1
Investments at fair value:				
Certificates of deposit	22,638	2	880	21,760
Bonds, government securities, notes, mortgages and preferred stock	2,258	1,750	2,258	1,750
Financial assurance instruments	1,412	144	176	1,380
Total assets	$ 164,641	$ 2,556,117	$ 2,549,721	$ 171,037
Liabilities				
Accounts payable and other liabilities	$ 6,650	$ 20,136	$ 20,405	$ 6,381
Due to other governments	138,402	122,457	116,141	144,718
Due to third parties	19,589	96,542	96,193	19,938
Total liabilities	$ 164,641	$ 239,135	$ 232,739	$ 171,037

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2018
(Expressed in thousands)

	Total - All Agency Funds			
	Balance July 1, 2017	Additions	Reductions	Balance June 30, 2018
Assets				
Cash and cash equivalents	$ 143,291	$ 2,554,260	$ 2,546,385	$ 151,166
Receivables:				
Interest and dividends	16	37	1	52
Other	5	30	34	1
Investments at fair value:				
Certificates of deposit	23,258	2	900	22,360
Bonds, government securities, notes, mortgages and preferred stock	2,258	1,750	2,258	1,750
Financial assurance instruments	234,630	144	7,184	227,590
Total assets	$ 403,458	$ 2,556,223	$ 2,556,762	$ 402,919
Liabilities				
Accounts payable and other liabilities	$ 6,650	$ 20,136	$ 20,405	$ 6,381
Due to other governments	138,402	122,457	116,141	144,718
Due to third parties	258,406	96,648	103,234	251,820
Total liabilities	$ 403,458	$ 239,241	$ 239,780	$ 402,919

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Statistical Section

GREAT SEAL OF THE STATE OF ARKANSAS

REGNAT POPULUS

JUSTICE

Statistical Section – Table of Contents

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

The Statistical Section is divided into 6 sections as follows:

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Financial Trends 190

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. Fund perspective schedules are presented for the last 10 years, except where noted.

Revenue Capacity Information 200

These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information 203

These schedules contain trend information to help the reader understand the State's outstanding debt and the capacity to repay that debt.

Demographic and Economic Information 205

These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.

Operating Information 210

These schedules contain service and infrastructure data in relation to the services the State provides and the activities it performs.

Other Information 215

This schedule provides miscellaneous information about the State.

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

	2018	2017 (1)	2016	2015
Primary government				
Governmental activities				
Net investment in capital assets	$ 11,602,289	$ 11,116,044	$ 10,573,154	$ 10,418,250
Restricted	2,426,386	2,318,037	2,142,787	1,627,433
Unrestricted	(3,115,348)	(3,044,139)	(1,548,988)	(1,406,667)
Total governmental activities net position	10,913,327	10,389,942	11,166,953	10,639,016
Business-type activities				
Net investment in capital assets	2,015,796	1,992,873	1,997,666	1,995,542
Restricted	1,193,250	1,132,263	1,046,934	1,049,397
Unrestricted	1,568,292	1,398,280	1,233,085	1,019,309
Total business-type activities net position	4,777,338	4,523,416	4,277,685	4,064,248
Total primary government				
Net investment in capital assets	13,618,085	13,108,917	12,570,820	12,413,792
Restricted	3,619,636	3,450,300	3,189,721	2,676,830
Unrestricted	(1,547,056)	(1,645,859)	(315,903)	(387,358)
Total primary government activities net position	$ 15,690,665	$ 14,913,358	$ 15,444,638	$ 14,703,264

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

2014	2013	2012	2011	2010	2009
$ 9,441,544	$ 9,714,929	$ 9,632,774	$ 9,296,899	$ 8,886,979	$ 8,766,290
2,098,642	1,319,560	1,256,134	1,175,983	1,253,570	734,837
(1,402,681)	449,360	589,166	1,024,091	1,251,501	1,922,388
10,137,505	11,483,849	11,478,074	11,496,973	11,392,050	11,423,515
1,966,036	1,929,075	1,889,473	1,805,096	1,757,523	1,690,161
1,008,203	928,743	892,101	849,209	760,352	726,800
829,571	747,820	556,124	429,293	311,584	325,596
3,803,810	3,605,638	3,337,698	3,083,598	2,829,459	2,742,557
11,407,580	11,644,004	11,522,247	11,101,995	10,644,502	10,456,451
3,106,845	2,248,303	2,148,235	2,025,192	2,013,922	1,461,637
(573,110)	1,197,180	1,145,290	1,453,384	1,563,085	2,247,984
$ 13,941,315	$ 15,089,487	$ 14,815,772	$ 14,580,571	$ 14,221,509	$ 14,166,072

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

	2018	2017 (1)	2016	2015
Governmental expenses				
General government	$ 1,695,822	$ 1,607,462	$ 1,553,087	$ 1,581,265
Education	3,755,721	3,751,603	3,718,585	3,677,244
Health and human services	8,872,832	8,949,631	8,461,524	8,119,737
Transportation	1,070,420	1,290,944	954,670	909,171
Law, justice and public safety	847,513	820,043	829,280	789,477
Recreation and resources development	289,991	277,979	275,987	283,446
Regulation of business and professionals	122,444	126,905	134,567	132,211
Interest on long-term debt	56,192	60,318	61,920	61,106
Total expenses	16,710,935	16,884,885	15,989,620	15,553,657
Program revenues				
Charges for services				
General government	433,410	433,652	415,138	431,891
Education	5,011	5,632	5,092	2,111
Health and human services	408,368	414,670	413,515	471,443
Transportation	123,462	122,438	120,004	121,225
Law, justice and public safety	95,302	67,948	95,585	88,904
Recreation and resources development	98,008	101,985	97,925	119,160
Regulation of business and professionals	100,122	116,413	116,206	106,167
Operating grants	7,477,492	7,691,132	7,333,883	7,043,670
Capital grants and contributions	780,600	781,522	572,654	520,477
Total program revenues	9,521,775	9,735,392	9,170,002	8,905,048
Net (expense)	(7,189,160)	(7,149,493)	(6,819,618)	(6,648,609)
General revenues, special items and transfers				
Taxes				
Personal and corporate income	3,237,048	3,163,104	3,222,351	3,209,528
Consumer sales and use	3,216,406	3,114,497	3,028,285	2,932,562
Gas and motor carrier	475,227	468,822	463,126	443,413
Other	1,043,766	1,023,700	989,901	1,006,692
Investment earnings	61,087	60,201	84,100	40,471
Miscellaneous income	457,515	346,077	335,198	380,547
Special items:				
Disposal of operations		33,611		
Issuance of tax credits		(187,598)		
Transfers - internal activities	(778,504)	(766,675)	(775,406)	(768,742)
Restatement		(883,257)		(94,351)
Total general revenues, special items and transfers	7,712,545	6,372,482	7,347,555	7,150,120
Total governmental activities change in net position	$ 523,385	$ (777,011)	$ 527,937	$ 501,511

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

2014	2013	2012	2011	2010	2009
$ 1,676,440	$ 1,538,578	$ 1,559,775	$ 1,477,309	$ 1,356,657	$ 1,310,341
3,595,660	3,587,503	3,648,068	3,769,004	3,605,065	3,338,002
7,195,051	6,769,015	6,709,730	6,411,416	6,144,706	5,457,305
867,095	823,616	766,297	759,872	731,317	699,737
797,423	747,845	794,165	748,590	779,374	820,960
284,506	258,084	265,156	350,530	277,402	243,419
148,008	124,065	118,934	120,320	105,968	107,347
52,805	41,036	39,852	44,824	52,145	55,193
14,616,988	13,889,742	13,901,977	13,681,865	13,052,634	12,032,304
392,937	349,146	348,130	336,193	325,072	276,112
3,413	5,537	6,372	6,675	6,469	18,637
453,436	427,284	427,079	385,693	362,532	303,174
114,417	110,722	113,081	110,831	107,818	147,267
73,989	83,600	79,734	75,051	73,601	70,262
85,792	83,163	81,637	81,076	79,780	106,988
100,084	86,797	97,271	87,526	80,079	76,695
6,010,077	5,642,584	5,756,464	6,092,989	5,868,623	4,943,264
590,791	609,062	644,621	551,523	493,064	455,765
7,824,936	7,397,895	7,554,389	7,727,557	7,397,038	6,398,164
(6,792,052)	(6,491,847)	(6,347,588)	(5,954,308)	(5,655,596)	(5,634,140)
3,000,440	3,013,345	2,794,097	2,688,093	2,468,798	2,507,368
2,877,342	2,570,848	2,543,873	2,483,908	2,376,891	2,487,944
431,725	437,310	442,658	444,555	449,274	444,496
995,644	955,369	945,773	927,922	903,113	815,206
70,578	(1,911)	40,374	43,232	52,809	82,681
304,621	313,003	367,531	343,874	330,397	286,173
(921,211)	(784,945)	(805,617)	(844,028)	(885,711)	(955,484)
(1,313,431)	(5,397)		(28,325)	(71,440)	(34,379)
5,445,708	6,497,622	6,328,689	6,059,231	5,624,131	5,634,005
$ (1,346,344)	$ 5,775	$ (18,899)	$ 104,923	$ (31,465)	$ (135)

Continued on the following page

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

Continued from the previous page

	2018	2017 (1)	2016	2015
Business-type expenses				
Higher education	$ 4,125,923	$ 3,971,283	$ 3,806,452	$ 3,676,886
Workers' Compensation Commission	18,410	12,115	19,905	17,922
Department of Workforce Services	130,895	147,061	216,398	256,048
Office of the Arkansas Lottery (2)	409,282	366,200	368,085	337,072
War Memorial Stadium Commission (3)		2,630	3,419	2,828
Public School Employee Health and Life Benefit Plan	297,257	270,234	284,984	266,650
Revolving loans	6,610	4,281	4,848	9,934
Total expenses	4,988,377	4,773,804	4,704,091	4,567,340
Program revenues				
Charges for services				
Higher education	2,247,823	2,234,590	2,039,020	1,825,742
Workers' Compensation Commission	19,409	19,905	17,864	16,240
Department of Workforce Services	198,337	242,692	301,567	327,907
Office of the Arkansas Lottery (2)	500,484	449,911	456,317	409,214
War Memorial Stadium Commission (3)		1,639	2,279	2,056
Public School Employee Health and Life Benefit Plan	310,412	306,087	302,445	303,474
Revolving loans	2,611	2,589	4,024	4,269
Operating grants	796,739	784,516	826,300	856,669
Capital grants and contributions	112,104	46,482	31,627	71,050
Total program revenues	4,187,919	4,088,411	3,981,443	3,816,621
Net (expense)	(800,458)	(685,393)	(722,648)	(750,719)
Business-type revenues, special items and transfers				
Taxes				
Other	34,966	32,397	31,935	31,148
Investment earnings	66,185	68,636	21,217	30,869
Miscellaneous income	174,725	96,293	107,527	180,398
Special items:				
Disposal of operations		(664)		
Transfers - internal activities	778,504	766,675	775,406	768,742
Restatement		(32,213)		
Total business-type revenues, special items and transfers	1,054,380	931,124	936,085	1,011,157
Total business-type activities change in net position	253,922	245,731	213,437	260,438
Total primary government change in net position	$ 777,307	$ (531,280)	$ 741,374	$ 761,949

(1) Fiscal year 2017 balance restated in fiscal year 2018.
(2) The Arkansas Lottery was created in 2009; operations commenced in 2010.
(3) War Memorial Stadium Commission was merged with Dept. of Parks and Tourism in 2018.

2014	2013	2012	2011	2010	2009
$ 3,607,528	$ 3,499,550	$ 3,472,444	$ 3,362,705	$ 3,191,697	$ 3,021,439
19,806	18,368	45,243	29,768	15,918	29,349
360,753	521,449	618,522	776,734	1,211,812	901,064
331,471	352,063	379,139	371,716	302,579	16
3,103	3,242	3,425	3,545	3,439	2,585
287,165	306,798	286,331	275,743	260,194	259,385
9,745	10,267	5,168	12,940	18,675	3,941
4,619,571	4,711,737	4,810,272	4,833,151	5,004,314	4,217,779
1,655,419	1,572,301	1,524,943	1,471,639	1,529,344	1,424,219
20,209	17,372				
421,348	454,253				
410,627	440,105	473,624	465,075	384,565	
1,785	2,337	2,394	2,760	1,852	1,803
275,969	277,390	275,639	274,073	268,312	252,927
4,241	4,273	4,155	4,001	3,732	3,485
975,632	1,129,853	1,218,671	1,325,685	1,498,215	928,570
31,609	31,602	66,419	44,313	33,052	52,438
3,796,839	3,929,486	3,565,845	3,587,546	3,719,072	2,663,442
(822,732)	(782,251)	(1,244,427)	(1,245,605)	(1,285,242)	(1,554,337)
30,650	30,402	491,994	449,146	377,460	320,271
62,242	37,655	28,051	52,979	54,846	(8,628)
180,502	210,293	172,865	153,592	82,176	108,788
921,211	784,945	805,617	844,027	885,711	955,484
(173,701)	(13,104)			(28,049)	6,223
1,020,904	1,050,191	1,498,527	1,499,744	1,372,144	1,382,138
198,172	267,940	254,100	254,139	86,902	(172,199)
$ (1,148,172)	$ 273,715	$ 235,201	$ 359,062	$ 55,437	$ (172,334)

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

	2018	2017	2016	2015
General fund				
Nonspendable	$ 108,481	$ 106,448	$ 100,632	$ 124,784
Restricted	1,594,604	1,488,099	1,507,742	1,409,242
Committed	1,981,386	1,837,219	1,489,615	1,449,480
Assigned	72,964	152,890	337,504	267,283
Unassigned	414,529	547,275	788,136	811,336
Total general fund	$ 4,171,964	$ 4,131,931	$ 4,223,629	$ 4,062,125

General fund	
Reserved	
Unreserved	
Total general fund	

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

2014	2013	2012	2011(1)	2010	2009
$ 322,476	$ 320,289	$ 288,814	$ 306,275		
1,189,822	555,555	494,217	553,509		
1,223,617	1,286,331	1,505,457	1,555,139		
387,191	205,204	252,590	382,308		
581,395	952,630	714,519	685,463		
$ 3,704,501	$ 3,320,009	$ 3,255,597	$ 3,482,694		
				$ 1,838,326	$ 1,276,214
				1,836,912	2,256,642
				$ 3,675,238	$ 3,532,856

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

	2018		2017	2016	2015
Revenues:					
Taxes:					
Personal and corporate income	$ 3,232,455		$ 3,165,911	$ 3,219,066	$ 3,207,038
Consumer sales and use	3,218,765		3,113,922	3,031,524	2,929,426
Gas and motor carrier	475,225		469,542	462,761	443,058
Other	1,044,078		1,023,060	989,962	1,005,951
Intergovernmental	8,231,911		8,443,611	7,888,337	7,564,360
Licenses, permits and fees	1,293,003		1,291,699	1,327,225	1,368,678
Investment earnings	61,087		60,201	84,100	40,471
Miscellaneous	410,043		347,449	330,258	334,145
Total revenues	17,966,567		17,915,395	17,333,233	16,893,127
Expenditures:					
Current:					
General government	1,536,902		1,446,481	1,468,346	1,535,963
Education	3,752,555		3,748,403	3,715,057	3,676,561
Health and human services	8,834,154		8,930,024	8,458,304	8,162,633
Transportation	493,272		680,353	521,237	508,716
Law, justice and public safety	814,586		789,376	796,987	768,521
Recreation and resources development	265,003		257,494	255,074	264,169
Regulation of business and professionals	119,428		125,232	131,865	128,769
Debt service:					
Principal retirement	155,947		102,397	99,689	165,416
Interest expense	67,455		77,568	76,631	71,526
Bond issuance costs			63	63	1,062
Capital outlay	1,136,524		1,133,099	875,513	899,502
Total expenditures	17,175,826		17,290,490	16,398,766	16,182,838
Excess of revenues over expenditures	790,741		624,905	934,467	710,289
Other financing sources (uses):					
Issuance of debt	13,428		22,199	892	374,709
Issuance of refunding debt			131,840	28,495	135,155
Bond discounts/premiums			9,846	1,665	51,338
Payment to refunding escrow agent			(140,877)	(43,636)	(150,513)
Lease proceeds	9,047		2,807	11,323	1,478
Installment sales					
Sale of capital assets	4,420		4,922	3,707	3,880
Transfers in	203,878		180,819	174,908	179,278
Transfers out	(983,431)		(959,820)	(950,317)	(947,990)
Restatement					
Total other financing uses	(752,658)		(748,264)	(772,963)	(352,665)
Special Items:					
Disposal of operations	1,950	(1)	31,661		
Net change in fund balances	40,033		(91,698)	161,504	357,624
Fund balances-beginning	4,131,931		4,223,629	4,062,125	3,704,501
Fund balances-ending	$ 4,171,964		$ 4,131,931	$ 4,223,629	$ 4,062,125
Debt service as a percentage of noncapital expenditures:	1.39%		1.11%	1.14%	1.55%

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

2014	2013	2012	2011	2010	2009
$ 3,002,722	$ 3,011,514	$ 2,798,083	$ 2,697,352	$ 2,471,420	$ 2,549,965
2,880,146	2,571,964	2,552,282	2,491,772	2,390,819	2,502,403
433,108	436,390	442,772	444,232	449,754	444,573
997,563	956,482	944,406	927,452	903,618	813,733
6,584,513	6,232,982	6,402,940	6,642,135	6,364,695	5,394,538
1,253,365	1,182,989	1,186,346	1,109,258	1,055,693	1,031,568
70,578	(1,911)	40,374	43,232	52,809	82,681
308,919	324,745	352,317	344,241	336,775	278,046
15,530,914	14,715,155	14,719,520	14,699,674	14,025,583	13,097,507
1,537,466	1,410,902	1,426,718	1,367,985	1,237,895	1,190,436
3,588,822	3,583,254	3,644,195	3,764,814	3,600,560	3,333,875
7,195,414	6,761,841	6,696,046	6,401,101	6,129,257	5,441,822
455,070	422,153	379,278	391,019	365,980	348,665
766,498	718,798	763,725	719,401	747,379	794,793
265,133	238,143	246,158	330,301	258,322	225,461
145,026	120,715	117,450	119,058	108,748	105,752
124,425	125,590	83,111	204,701	95,924	101,054
63,393	46,206	44,865	52,665	53,303	55,766
33	1,231	1,365		1,675	406
817,693	725,445	744,000	683,872	614,241	561,354
14,958,973	14,154,278	14,146,911	14,034,917	13,213,284	12,159,384
571,941	560,877	572,609	664,757	812,299	938,123
717,036	264,159	85,170	11,391	324,745	18,721
		39,565			
55,260	33,742	1,588		21,045	(618)
(46,908)	(19,368)	(127,300)		(174,165)	
4,757	6,325	3,869		19,520	3,892
3,617	3,596	3,011	4,083	2,476	2,924
183,161	304,538	216,443	188,947	160,402	72,467
(1,104,372)	(1,089,457)	(1,022,052)	(1,032,902)	(1,046,121)	(1,027,604)
			(28,820)	22,181	(42,326)
(187,449)	(496,465)	(799,706)	(857,301)	(669,917)	(972,544)
384,492	64,412	(227,097)	(192,544)	142,382	(34,421)
3,320,009	3,255,597	3,482,694	3,675,238	3,532,856	3,567,277
$ 3,704,501	$ 3,320,009	$ 3,255,597	$ 3,482,694	$ 3,675,238	$ 3,532,856
1.33%	1.28%	0.95%	1.93%	1.18%	1.35%

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

Industry	2018 Revenue base	2018 Percent of total	2017 Revenue base	2017 Percent of total	2016 Revenue base	2016 Percent of total	2015 Revenue base	2015 Percent of total
Agriculture, forestry, fishing and hunting	$ 94,688	0.19%	$ 92,103	0.19%	$ 97,579	0.21%	$ 96,945	0.21%
Mining	170,316	0.34%	127,753	0.26%	174,093	0.37%	213,038	0.45%
Utilities	5,150,000	10.19%	4,761,393	9.82%	4,690,082	10.02%	4,459,479	9.51%
Construction	848,747	1.68%	868,432	1.79%	811,057	1.73%	703,596	1.50%
Manufacturing	3,800,632	7.52%	3,960,281	8.17%	4,038,757	8.63%	3,966,593	8.46%
Wholesale trade	4,262,562	8.43%	3,882,947	8.01%	3,835,197	8.19%	4,465,509	9.53%
Retail trade	23,338,973	46.16%	22,165,564	45.71%	21,332,067	45.58%	21,183,817	45.18%
Transportation and warehousing	272,277	0.54%	286,595	0.59%	252,137	0.54%	287,545	0.61%
Information	2,886,407	5.71%	2,930,387	6.04%	2,632,096	5.62%	3,006,826	6.41%
Finance and insurance	102,196	0.20%	108,919	0.22%	94,030	0.20%	83,532	0.18%
Real estate, rental and leasing	1,288,153	2.55%	1,218,863	2.51%	1,123,616	2.40%	989,814	2.11%
Professional, scientific and technical services	216,562	0.43%	211,277	0.44%	213,535	0.46%	194,865	0.42%
Management of companies and enterprises	1,133	0.00%	715	0.00%	2,156	0.00%	4,691	0.01%
Administrative, support, waste management and remediation services	1,023,010	2.02%	960,065	1.98%	884,244	1.89%	852,431	1.82%
Educational services	69,919	0.14%	71,001	0.15%	64,333	0.14%	57,180	0.12%
Health care and social services	54,836	0.11%	71,528	0.15%	52,051	0.11%	85,280	0.18%
Arts, entertainment and recreation	279,755	0.55%	251,958	0.52%	289,079	0.62%	271,720	0.58%
Accommodation and food services	4,789,282	9.47%	4,629,764	9.55%	4,457,348	9.52%	4,293,021	9.16%
Other services (except public administration)	1,792,064	3.54%	1,762,280	3.64%	1,711,584	3.66%	1,631,985	3.48%
Public administration	114,991	0.23%	124,613	0.26%	50,447	0.11%	35,182	0.08%
Total (1)	$ 50,556,503	100.0%	$ 48,486,438	100.0%	$ 46,805,488	100.0%	$ 46,883,049	100.0%
Direct sales tax rate	6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 1.625% (Mfg util tax) 3.25% (Elec.) 1/1-12/31/14 1.625% (Elec.) 1/1/15 0.625% (Mfg Repair Appr. Project) 7/1/14 5.50% (Mfg Repair) 7/1/14	

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

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

2014		2013		2012		2011		2010		2009	
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
$ 91,716	0.21%	$ 115,784	0.27%	$ 92,128	0.21%	$ 97,379	0.24%	$ 97,655	0.23%	$ 112,929	0.23%
250,153	0.56%	258,330	0.59%	181,088	0.42%	163,822	0.40%	251,689	0.60%	311,266	0.62%
4,759,648	10.59%	4,698,734	10.76%	4,452,417	10.30%	4,095,947	9.93%	4,233,123	10.03%	5,493,990	11.00%
660,847	1.47%	656,891	1.50%	688,112	1.59%	589,146	1.43%	564,684	1.34%	612,122	1.23%
3,663,359	8.15%	3,460,971	7.93%	3,571,937	8.26%	3,404,998	8.25%	3,262,473	7.73%	3,864,172	7.73%
4,249,892	9.46%	4,218,855	9.66%	4,221,149	9.76%	3,974,829	9.64%	3,910,161	9.26%	4,645,027	9.30%
20,915,302	46.54%	20,157,488	46.16%	20,070,357	46.43%	19,055,734	46.20%	19,632,455	46.50%	21,901,249	43.85%
299,491	0.67%	224,173	0.51%	233,875	0.54%	277,598	0.67%	283,412	0.67%	417,326	0.84%
2,200,618	4.90%	2,279,914	5.22%	2,241,656	5.19%	2,590,266	6.28%	3,056,493	7.24%	5,253,774	10.52%
69,464	0.16%	57,604	0.13%	56,659	0.13%	55,309	0.13%	62,647	0.15%	67,089	0.13%
882,398	1.96%	835,438	1.91%	828,549	1.92%	877,160	2.13%	827,440	1.96%	957,993	1.92%
158,906	0.35%	122,357	0.28%	145,274	0.34%	144,678	0.35%	119,903	0.28%	143,516	0.29%
675	0.00%	61	0.00%	65	0.00%	483	0.00%	167	0.00%	56,835	0.11%
799,814	1.78%	758,810	1.74%	759,235	1.76%	689,466	1.67%	671,947	1.59%	653,184	1.31%
40,810	0.09%	43,528	0.10%	46,640	0.11%	44,236	0.11%	49,553	0.12%	36,476	0.07%
22,360	0.05%	86,618	0.20%	85,379	0.20%	56,141	0.13%	92,069	0.22%	72,416	0.14%
264,002	0.59%	231,319	0.53%	186,121	0.43%	167,512	0.41%	162,494	0.38%	177,186	0.35%
4,008,663	8.92%	3,900,648	8.93%	3,820,416	8.84%	3,515,932	8.52%	3,528,970	8.36%	3,754,045	7.52%
1,556,550	3.46%	1,519,925	3.48%	1,480,057	3.42%	1,374,149	3.33%	1,332,520	3.16%	1,342,494	2.69%
42,316	0.09%	41,735	0.10%	65,628	0.15%	75,043	0.18%	74,704	0.18%	74,436	0.15%
$ 44,936,984	100.0%	$ 43,669,183	100.0%	$ 43,226,742	100.0%	$ 41,249,828	100.0%	$ 42,214,559	100.0%	$ 49,947,525	100.0%
6.50% (General) 1.50% (Food) 3.25% (Mfg util tax) 3.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 5.25% (Electricity)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)		6.00% (General) 3.00% (Food) 4.00% (Mfg util tax)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2009
(Expressed in thousands, except number of taxpayers)

Industry	2018 Sales tax collected	2018 Percent of total	2018 Number of taxpayers	2018 Percent of total	2009 Sales tax collected	2009 Percent of total
Agriculture, forestry, fishing and hunting	$ 6,004	0.20%	545	0.84%	$ 6,738	0.24%
Mining	10,668	0.36%	181	0.28%	18,519	0.65%
Utilities	313,030	10.56%	709	1.08%	327,925	11.56%
Construction	55,157	1.86%	2,769	4.23%	36,711	1.29%
Manufacturing	218,277	7.36%	4,855	7.43%	222,285	7.83%
Wholesale	268,769	9.06%	5,453	8.34%	276,950	9.76%
Retail trade	1,258,715	42.45%	23,816	36.42%	1,169,858	41.22%
Transportation and warehousing	17,593	0.59%	878	1.34%	25,034	0.88%
Information	187,608	6.33%	1,009	1.54%	315,117	11.10%
Finance and insurance	6,642	0.22%	394	0.60%	4,025	0.14%
Real estate, rental and leasing	83,571	2.82%	1,612	2.47%	57,452	2.03%
Professional, scientific and technical services	14,058	0.47%	2,069	3.16%	8,611	0.30%
Management of companies and enterprises	74	0.00%	15	0.02%	3,410	0.12%
Administrative, support, waste management and remediation services	66,352	2.24%	3,807	5.82%	39,187	1.38%
Educational services	4,539	0.15%	327	0.50%	2,188	0.08%
Health care and social services	3,477	0.12%	1,137	1.74%	4,339	0.15%
Arts, entertainment and recreation	18,098	0.61%	1,340	2.05%	10,614	0.37%
Accommodation and food services	309,586	10.44%	7,200	11.01%	224,588	7.91%
Other services (except public administration)	116,252	3.92%	7,210	11.03%	80,483	2.84%
Public administration	6,989	0.24%	63	0.10%	4,264	0.15%
Total	$ 2,965,459	100.00%	65,389	100.00%	$ 2,838,298	100.00%

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

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
Governmental										
General obligation bonds	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599
Special obligations										
Revenue bond guaranty fund				300	590	3,775	2,545	1,385		2,575
Add (deduct):										
Unamortized bond refunding loss (1)						(18,043)	(21,072)	(16,849)	(20,593)	(11,852)
Issuance premiums	94,654	108,042	112,405	123,199	84,980	43,406	17,438	21,287	28,002	12,614
Other debt instruments										
Loan payable to component unit	4,200									
Notes payable to component unit	59,567	60,514	68,915	79,163	85,694	92,051	98,883	100,674	100,788	109,893
Notes payable to pension trust fund								2,685	5,172	7,474
Revolving loan fund								155		
Capital leases	1,499	1,891	2,202	2,581	2,947	3,245	3,576		692	1,874
Capital leases with component unit	110,185	109,493	114,926	123,076	129,017	129,855	128,540	131,468	137,949	123,800
Installment sale with component unit					10,340	10,870	11,380	11,870	12,340	12,795
Total governmental activities debt	1,580,450	1,727,310	1,816,596	1,931,129	1,687,122	1,077,372	922,988	1,008,543	1,207,072	1,114,772
Business-Type										
Special obligation:										
War Memorial Stadium Commission			500	1,000	1,500	2,000	2,500	3,000	1,700	
Construction Assistance Revolving Loan Fund	23,140	25,485	27,890	35,295	40,220	52,020	63,340	41,995	57,910	65,120
Safe Drinking Water Revolving Loan Fund	17,420	19,185	20,995	22,800	24,065	24,375	24,375			
College & university revenue bonds	1,973,331	1,898,326	1,836,895	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226	1,402,967	1,314,295
Add: issuance premiums	134,062	119,742	115,742	97,062	77,148	55,914	27,663	15,635	9,214	8,364
Notes payable	69,155	66,945	83,988	92,045	98,305	118,465	66,170	56,988	45,092	47,285
Notes payable with component unit	9,466	9,921	10,137	134	561	1,083	1,509	2,046	2,550	3,042
Capital leases	66,288	60,808	46,802	39,327	38,308	52,110	43,537	46,178	40,408	45,002
Capital leases with component unit							358	420	620	810
Total business-type activities debt	2,292,862	2,200,412	2,142,949	2,167,490	2,139,502	2,112,393	1,880,677	1,760,488	1,560,461	1,483,918
Total Primary Government Debt	$ 3,873,312	$ 3,927,722	$ 3,959,545	$ 4,098,619	$ 3,826,624	$ 3,189,765	$ 2,803,665	$ 2,769,031	$ 2,767,533	$ 2,598,690
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	3.08%	3.21%	3.34%	3.53%	3.40%	3.00%	2.63%	2.79%	2.98%	2.86%
Per capita (3)	$ 1,282	$ 1,307	$ 1,325	$ 1,377	$ 1,291	$ 1,079	$ 951	$ 942	$ 947	$ 897
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868	$ 942,722	$ 855,599
Less: debt service funds (5)	(197,637)	(245,864)	(58,985)	(235,713)	(287,305)	(299,325)	(273,434)	(274,725)	(235,092)	(174,979)
Net bonded debt	$ 1,112,708	$ 1,201,506	$ 1,459,163	$ 1,367,097	$ 1,086,249	$ 512,888	$ 408,264	$ 481,143	$ 707,630	$ 680,620
Per capita (3)	$ 368	$ 400	$ 488	$ 459	$ 366	$ 173	$ 138	$ 164	$ 242	$ 235
Supplementary Information										
Component Unit Debt										
Arkansas Development Finance Authority (6):										
Bonds payable	593,955	625,743	714,085	809,992	1,064,883	1,099,498	1,035,581	1,195,621	1,675,126	1,693,071
Notes payable	29,441	82,656	66,906	70,421	24,582	1,223	223,393	231,007	256,936	
Add: issuance premiums	152		104	315	642	555	854	1,318	1,756	2,232
Less: unamortized bond issuance cost		(1,046)	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)			
U of A Foundation annuity obligations	15,458	14,069	14,065	15,068	16,259	15,204	14,804	15,967	16,669	15,443
Total Component Unit Debt	639,006	721,422	794,014	894,549	1,105,019	1,111,345	1,269,204	1,443,913	1,950,487	1,710,746
Total Debt	$ 4,512,318	$ 4,649,144	$ 4,753,559	$ 4,993,168	$ 4,931,643	$ 4,301,110	$ 4,072,869	$ 4,212,944	$ 4,718,020	$ 4,309,436
Debt Ratios										
Ratio of total debt to personal income (2)	3.59%	3.79%	4.00%	4.30%	4.38%	4.04%	3.82%	4.24%	5.08%	4.74%
Per capita (3)	$ 1,494	$ 1,548	$ 1,591	$ 1,678	$ 1,663	$ 1,455	$ 1,381	$ 1,433	$ 1,615	$ 1,488

(1) Beginning in fiscal year 2014, the unamortized bond refunding loss was reclassified to a separately reported deferred outflow of resources in accordance with GASB Statement No. 65.
(2) Personal income data can be found in Schedule 9.
(3) Population can be found in Schedule 9.
(4) Bond detail can be found in Note 8 to the financial statements.
(5) As restated to reflect full accrual rather than modified accrual balances.
(6) As restated to reflect the merger of Student Loan Authority and Development Finance Authority in FY2018.

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

Colleges and Universities	Revenue Available for Debt Service (1)	Principal	Interest	Total Debt Service	Coverage
Refunding Bonds					
2018	$ 1,219,331	$ 22,950	$ 23,469	$ 46,419	26.27
2017	1,154,332	21,709	22,991	44,700	25.82
2016	1,109,845	22,100	23,213	45,313	24.49
2015	482,896	18,055	14,683	32,738	14.75
2014	438,138	15,866	13,867	29,733	14.74
2013	219,191	9,406	6,228	15,634	14.02
2012	182,429	8,771	6,367	15,138	12.05
2011	161,448	12,380	6,747	19,127	8.44
2010	139,163	7,629	5,663	13,292	10.47
2009	78,003	6,086	4,016	10,102	7.72
Housing Bonds					
2018	$ 87,884	$ 8,360	$ 9,070	$ 17,430	5.04
2017	72,549	9,264	9,816	19,080	3.80
2016	95,859	8,492	10,894	19,386	4.94
2015	49,479	6,840	9,149	15,989	3.09
2014	55,863	7,269	10,332	17,601	3.17
2013	31,803	5,013	7,387	12,400	2.56
2012	35,424	4,650	7,908	12,558	2.82
2011	54,774	4,380	7,532	11,912	4.60
2010	48,552	3,785	6,940	10,725	4.53
2009	60,375	3,105	6,410	9,515	6.35
Facilities Bonds					
2018	$ 779,721	$ 38,572	$ 46,107	$ 84,679	9.21
2017	757,397	38,645	41,486	80,131	9.45
2016	686,937	35,693	37,739	73,432	9.35
2015	1,196,485	38,710	50,003	88,713	13.49
2014	1,099,298	36,326	50,194	86,520	12.71
2013	1,223,066	39,196	55,601	94,797	12.90
2012	1,234,079	37,213	50,729	87,942	14.03
2011	1,176,401	29,904	46,107	76,011	15.48
2010	1,096,180	39,707	47,211	86,918	12.61
2009	1,055,983	30,189	45,362	75,551	13.98
General Revenue and Other Bonds					
2018	$ 10,398	$ 2,135	$ 2,809	$ 4,944	2.10
2017	17,005	3,035	3,075	6,110	2.78
2016	21,106	6,105	3,214	9,319	2.26
2015	19,377	3,585	4,040	7,625	2.54
2014	20,785	2,665	3,624	6,289	3.31
2013	10,277	2,575	3,047	5,622	1.83
2012	10,266	1,900	3,460	5,360	1.92
2011	7,898	1,975	2,312	4,287	1.84
2010	12,442	2,001	1,552	3,553	3.50
2009	11,991	1,710	1,986	3,696	3.24

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

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

Calendar year		Total Population (in thousands)		Total Personal Income (in millions)		Per Capita Personal Income	Unemployment rate
2018	(1)	3,021	$	125,691	$	41,602	3.8%
2017		3,004		122,546		40,791	3.7%
2016		2,988		118,698		39,722	3.9%
2015		2,976		116,228		39,060	5.0%
2014		2,965		112,683		38,007	6.0%
2013		2,957		106,466		36,007	7.2%
2012		2,949		106,665		36,167	7.6%
2011		2,939		99,297		33,790	8.3%
2010		2,922		92,914		31,801	8.2%
2009		2,897		90,880		31,372	7.8%

(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 2009

2018	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	61,559	4.9%
2	Wal-Mart Stores, Inc.	53,994	4.3%
3	Tyson Foods, Inc.	24,400	2.0%
4	U.S. Federal Government	19,800	1.6%
5	University of Arkansas for Medical Sciences (UAMS)	11,320	0.9%
6	Baptist Health	9,393	0.8%
7	Mercy	5,115	0.4%
8	CHI St. Vincent	5,093	0.4%
9	Arkansas Children's Hospital	4,431	0.4%
10	Kroger Company	4,355	0.3%
		199,460	16.00%

2009	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	55,871	4.8%
2	Wal-Mart Stores, Inc.	48,470	4.1%
3	Tyson Foods, Inc.	24,005	2.1%
4	U.S. Federal Government	20,939	1.8%
5	Baptist Health	7,400	0.6%
6	J.B. Hunt Transportation Services, Inc.	6,250	0.5%
7	Sisters of Mercy Health System	5,493	0.5%
8	Arkansas Children's Hospital	4,337	0.4%
9	Community Health Systems, Inc.	3,750	0.3%
10	Dillard's, Inc.	3,750	0.3%
		180,265	15.4%

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

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

Full-Time Employees

	2018	2017	2016	2015
General Government				
Department of Finance and Administration - Revenue	1,297	1,354	1,338	1,385
Department of Workforce Services	914	878	893	941
All other	2,551	2,594	2,622	2,705
Education				
Department of Career Education	541	548	549	561
Department of Education	369	383	374	401
All other	645	712	698	723
Health and Human Services				
Department of Human Services	7,882	8,039	7,772	7,852
Department of Health	2,028	2,117	2,362	2,633
All other	683	671	656	650
Transportation				
Department of Highway and Transportation	3,701	3,671	3,715	3,634
Law, Justice and Public Safety				
Department of Correction	4,098	4,072	4,143	4,102
Arkansas State Police	968	958	997	995
All other	3,115	3,246	3,508	3,185
Recreation and Resources Development				
Department of Parks and Tourism (3)	1,365	1,385	1,384	1,403
Arkansas Game and Fish Commission	689	677	694	671
All other	922	937	948	961
Regulation of Business and Professionals				
Department of Insurance	166	166	173	190
All other	892	907	936	938
Proprietary Funds				
Colleges and Universities (2)	28,577	27,050	26,893	22,861
Workers' Compensation Commission	90	89	96	101
Office of the Arkansas Lottery (1)	66	66	65	64
State Total	61,559	60,520	60,816	56,956

(1) Commenced operations in 2010.
(2) Commencing in 2016, the educational institutions included part-time faculty and graduate assistants in their employee counts.
(3) Fiscal years 2009-2016 restated to include War Memorial Stadium Commission, which merged with Parks and Tourism in 2017.

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

2014	2013	2012	2011	2010	2009
1,389	1,415	1,425	1,426	1,423	1,473
1,023	1,066	1,115	1,178	1,221	1,102
2,757	2,755	2,781	2,816	2,868	2,913
598	589	608	629	608	603
394	399	381	372	387	384
730	742	734	775	797	801
7,878	7,923	7,948	7,891	8,011	7,755
2,657	2,724	2,725	2,863	2,867	2,926
675	566	664	674	669	548
3,531	3,511	3,567	3,587	3,558	3,587
4,011	4,169	4,158	4,056	3,950	3,890
971	958	956	963	971	972
2,857	2,801	2,758	2,731	2,727	2,784
1,357	1,356	1,360	1,350	1,363	1,346
711	702	636	627	621	679
842	841	837	868	887	890
201	199	189	194	190	192
1,070	1,076	1,077	1,064	1,061	1,057
23,107	23,442	22,593	22,491	22,727	21,846
104	107	108	113	119	123
81	80	85	83	84	N/A
56,944	57,421	56,705	56,751	57,109	55,871

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

	2018	2017	2016	2015
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	863,312	932,555	912,820	893,069
Registered vehicles	4,377,091	4,334,774	4,252,854	4,149,491
Income Tax Administration				
Total electronic tax filers	1,218,689	1,152,797	1,137,497	1,106,280
EFT estimate payments by corporations	7,211	6,619	6,123	5,616
EFT withholding payments	647,558	613,249	577,097	539,549
Education				
Department of Education				
All school districts				
Average daily membership	459,275	459,774	459,858	460,693
Number of certified personnel (1)	N/A	36,238	36,028	36,260
Average salary of K-12 classroom full-time employees (1)	N/A	$ 49,104	$ 48,976	$ 48,575
Per pupil expenditures (1)	N/A	$ 9,807	$ 9,701	$ 9,365
Foundation aid per student	$ 6,713	$ 6,646	$ 6,584	$ 6,521
Assessed valuation (in millions)	$ 48,782	$ 47,605	$ 46,135	$ 45,163
Higher Education				
Public institutions				
Net enrollment	146,675	149,464	150,046	151,350
Undergraduate degrees awarded	32,982	32,839	33,079	32,914
Graduate degrees awarded	7,334	7,246	6,334	5,855
Private institutions				
Fall net enrollment	16,019	16,524	16,619	16,497
Undergraduate degrees awarded	2,454	2,757	2,675	2,845
Graduate degrees awarded	603	637	600	582
Health and Human Services				
Department of Human Services				
Foster care recipients	8,358	9,032	8,555	7,686
Percent of population	0.26%	0.28%	0.27%	0.25%
Food stamp recipients	508,171	537,536	642,571	659,887
Percent of population	15.82%	16.92%	20.46%	21.24%
Medicaid recipients (3)	824,868	1,164,197	1,085,787	933,033
Percent of population	25.68%	36.65%	34.57%	30.03%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)				
Recipients	136,003	141,694	148,441	149,536
Percent of population	4.23%	4.46%	4.73%	4.81%
Doses of vaccine administered (2)	504,859	554,079	663,689	665,550
In-home patients served (4)	0	1,998	9,146	14,919

(1) Fiscal year 2018 figures were not available as of print date.
(2) 2010 had H1N1 pandemic.
(3) In fiscal year 2016, the number of people who purchased health care through the Health Care Independence Act, commonly known as the Private Option, increased. As a result, the number of Medicaid recipients also increased as more people became eligible for Medicaid.
(4) In-home patients served decreased because the Department of Health sold its in-home services segment to a privation entity, effective August 1, 2016.

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

2014	2013	2012	2011	2010	2009
930,474	789,172	799,564	778,521	852,998	820,155
4,082,014	3,990,259	3,904,307	3,818,476	3,700,308	3,619,926
1,059,101	991,465	971,603	878,471	791,646	777,486
5,200	4,399	3,475	2,342	1,961	1,769
435,403	460,028	411,925	211,129	231,209	161,404
461,597	460,019	457,737	457,717	458,172	457,566
36,380	36,436	36,290	35,637	36,050	36,201
$ 48,060	$ 47,316	$ 46,946	$ 46,663	$ 46,601	$ 45,862
$ 9,457	$ 9,324	$ 9,379	$ 9,315	$ 9,112	$ 8,308
$ 6,393	$ 6,267	$ 6,144	$ 6,023	$ 5,905	$ 5,789
$ 44,335	$ 43,027	$ 41,877	$ 40,484	$ 39,567	$ 38,667
153,804	157,132	158,606	155,881	149,312	140,393
31,966	29,714	28,984	30,715	26,294	23,523
5,685	6,049	5,976	5,412	4,811	4,141
16,104	16,605	17,351	16,500	15,507	14,952
2,709	2,613	2,621	2,425	2,425	2,295
605	568	560	501	522	532
7,513	7,701	7,739	7,959	7,491	7,446
0.25%	0.26%	0.26%	0.27%	0.26%	0.26%
685,812	696,343	693,564	678,358	643,420	577,329
22.54%	23.13%	23.55%	23.22%	22.27%	20.09%
902,378	777,922	776,050	770,792	755,607	747,851
29.66%	25.83%	26.35%	26.38%	26.16%	26.03%
152,902	160,723	165,795	169,732	169,789	187,880
5.03%	5.34%	5.63%	5.81%	5.88%	6.54%
630,304	580,498	534,759	688,116	1,144,245	888,011
19,411	20,722	23,907	26,683	24,391	24,140

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

Continued from previous page

	2018	2017	2016	2015
Transportation				
Department of Transportation				
Miles of state highway maintained (5)	N/A	16,449	16,431	16,424
Law, Justice and Public Safety				
Department of Correction				
Custody population count	15,637	15,885	16,050	15,410
Inmate cost per day	$ 61	$ 60	$ 60	$ 63
Operating capacity	14,540	14,900	14,821	14,397
Inmate care/custody operating expenses (in thousands)	$ 351,613	$ 346,549	$ 338,441	$ 336,640
Arkansas State Police				
Commissioned officers	532	526	559	553
Number of homicides investigated (6)	63	73	200	246
Total citations issued	179,863	212,053	215,698	230,655
Total motorist assists	27,522	27,064	26,872	26,552
Total number of traffic accidents	18,778	19,862	18,962	17,853
Total criminal investigations	1,682	1,712	1,820	1,870
Recreation and Resources Development				
Department of Parks and Tourism				
Acres of state parks maintained	54,643	54,602	54,602	54,466
Game and Fish Commission				
Fishing licenses sold	648,985	647,888	681,493	653,598
Hunting licenses sold	615,322	506,497	505,058	515,307
Lifetime licenses sold	21,404	30,826	28,997	28,643
Other licenses sold (7)	15,954	21,349	36,873	36,347
Regulation of Business and Professionals				
Department of Insurance				
Number of active licensed insurance agents	138,665	130,144	123,313	119,066
Total consumer complaints received	2,270	2,409	2,437	2,417
Total consumer complaints closed	2,301	2,386	2,218	2,310
Total dollars recovered for consumers (in thousands)	$ 4,822	$ 3,200	$ 3,557	$ 3,173

(5) Fiscal year 2018 figures were not available as of print date

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

(7) In fiscal year 2016 and prior years, the quantity of reprinted license sales was reported as other licenses. In fiscal year 2017, a new process was implemented, and there is no longer a charge for reprinted licenses. As a result, the quantity of other licenses sold decreased.

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

2014	2013	2012	2011	2010	2009
16,418	16,411	16,398	16,414	16,416	16,443
14,558	14,061	14,151	14,129	13,908	13,237
$ 64	$ 63	$ 60	$ 62	$ 60	$ 60
13,794	13,467	13,919	13,496	13,133	12,723
$ 324,189	$ 318,689	$ 316,659	$ 304,658	$ 288,609	$ 277,491
528	524	535	536	546	542
198	239	219	211	227	214
227,756	232,158	207,651	246,417	266,764	269,080
30,374	30,447	24,002	28,838	26,660	22,708
20,983	16,050	14,813	14,977	16,320	16,306
2,614	2,818	4,017	4,152	3,038	3,367
54,372	54,358	54,374	54,343	54,161	54,166
689,698	667,536	722,041	663,426	701,805	698,071
502,568	488,217	467,167	454,794	448,625	462,164
28,922	29,380	27,721	25,379	26,360	27,734
36,291	35,776	39,193	34,243	32,989	28,879
110,192	101,089	88,910	85,865	83,231	82,123
2,376	2,100	2,387	2,352	3,008	2,881
2,209	1,923	2,221	2,167	3,111	3,021
$ 3,578	$ 4,174	$ 3,982	$ 4,678	$ 10,608	$ 11,632

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

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009
General Government										
Department of Finance and Administration - Revenue										
Vehicles	177	183	170	191	179	172	174	180	182	181
Education										
Department of Education										
Vehicles (1)	7	7	7	5	5	216	217	202	216	219
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	450	448	448	444	442	446	448	444	442	446
Vehicles	618	635	617	606	572	595	582	560	516	516
Department of Health										
Buildings	8	7	7	7	7	7	7	7	7	7
Vehicles	134	136	140	139	137	142	138	135	131	154
Transportation										
Department of Transportation										
Passenger vehicles	1,728	1,841	1,845	1,761	1,738	1,729	1,743	1,808	1,761	1,777
Law, Justice and Public Safety										
Department of Correction										
Correctional units	20	21	21	21	19	19	19	20	20	20
Vehicles	414	414	421	422	429	417	428	411	419	430
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	868	875	868	921	943	829	820	809	877	855
Recreation and Resources Development										
Department of Parks and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	430	406	393	400	385	396	372	353	356	355
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	892	962	948	961	945	918	890	895	1,038	979
Boats	585	569	581	569	569	585	599	589	580	576
Regulation of Business and Professionals										
Vehicles	115	115	118	120	121	120	129	118	120	119

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

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

Schedule 14
Miscellaneous Statistics (Unaudited)

State Capitol	Little Rock
Statehood	June 15, 1836
Nickname	The Natural State
State Motto	Regnat populus (The people rule)
Land Area	34,034,560 Acres
Counties	75
Largest Cities	Little Rock, Fort Smith, Fayetteville, Springdale, and Jonesboro
Highest Point	Mount Magazine, 2,753 feet
Lowest Point	Ouachita River, 55 feet
State Seal	Adopted in its basic form in 1864 and in its present form in 1907

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

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

State Flag — Adopted by the General Assembly of 1913

Flag Colors:

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

Meaning of Stars:

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

State Flower	Apple Blossom – Adopted by the General Assembly of 1901
State Bird	Mockingbird – Adopted by the General Assembly of 1929
State Tree	Pine Tree – Adopted by the General Assembly of 1939
State Gem	Diamond – Adopted by the General Assembly of 1967
State Insect	Honeybee – Adopted by the General Assembly of 1973
State Anthem	"Arkansas" – Adopted by the General Assembly of 1987
State Mammal	White-tailed Deer – Adopted by the General Assembly of 1993
State Grain	Rice – Adopted by the General Assembly of 2007
State Nut	Pecan – Adopted by the General Assembly of 2009
State Dinosaur	Arkansaurus Fridayi – Adopted by the General Assembly of 2017
State Book	The Bible – Adopted by the General Assembly of 2017

Source: Arkansas Secretary of State and Arkansas General Assembly


GREAT SEAL OF THE STATE OF ARKANSAS
REGNAT POPULUS
JUSTICE