ARKANSAS DEVELOPMENT FINANCE AUTHORITY
BOARD COMMITTEE MEETINGS &
PUBLIC BOARD MEETING

Happy Halloween

Sunday, October 31st

Thursday, October 20, 2016

Little Rock, Arkansas

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
BOARD COMMITTEE MEETINGS & PUBLIC MEETING
Thursday, October 20, 2016
9:30 a.m. Board Committee Meetings
1:00 p.m. – Asset Commitment Committee Session
(Bond Guaranty Loans)
2:00 p.m. - Public Board Meeting
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BOARD HOUSING REVIEW COMMITTEE (Baxter, Mims, Stanfill, Rose & Spillyards)
THURSDAY, OCTOBER 20, 2016 **9:30 A.M.**

BOARD AUDIT COMMITTEE (Cooley, Spillyards, Brooks, Green & Capp)
THURSDAY, SEPTEMBER 15, 2016 **10:30 A.M.**

BOARD INVESTMENT & ADMINISTRATION COMMITTEE **(Stanfill, Green, Brooks, Sweat & Mims)**	
THURSDAY, OCTOBER 20, 2016	**11:30 A.M.**

12:00 NOON Lunch will be served on the 3rd Floor.

12:30 Public Finance Orientation presented by Ro Arrington

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ARKANSAS DEVELOPMENT FINANCE AUTHORITY MEETING OF THE BOARD HOUSING REVIEW COMMITTEE SEPTEMBER 15, 2016

State Library, Bessie Moore Room, Little Rock at 8:30 A.M.

ADFA Board Housing Review Committee Members Present: Tom Spillyards, Seth Mims, and Stephen Rose were present.

Other Board Members Present: Dr. Richard Burnett, Stan Green, Denise Sweat, John Cooley, and Sara Capp were present. Ed Garner attended on behalf of Dennis Milligan.

ADFA Staff Present: Aaron Burkes, Ben Van Kleef, Lornea Wells, Alison Keator, Bob Hunt, Martha Washington, Patrick Patton, Cheryl Schluterman, Katherine Hall, Murray Harding, Susan Gardner, Barbara Whitaker, Kristy Cunningham, Tracy Green, Ruby Dean, Ro Arrington, Gary Arrington, Derrick Rose, Joey Walsh, and Jack Bell.

Others Present: Carla Boseman of Cabo Consulting, Skip Motensenbocker of F & J Ventures, Brent Lacefield of Strategic Realty, Lee Lane of Paris City, Jada Johnson of Metropolitan Housing Authority, Nona McVay from McVay Law Firm, Dennis Wiles from White River Regional Housing Development Corporation, Ed Wiles of EW of Consulting, Jeff Van Patten of Van Patten & Company, Angel Flournoy and Rod Baxter of USDA-RA, David Mann, Chris Klapsa, Amanda Raible, and Elizabeth Small of PDC, Kenneth Clerk of Metropolitan Housing Authority, Andrea Cooper of ANC Development, Andrea Frymire of Midwest Housing (MHEG), Andre Blakley, Tom Capp and Gary Gorman of Gorman & Company, Tom Embach and Thom Embach of Leisure Homes Corporation, and Arby Smith, Kristina Knight, and Traci Wallis of RichSmith Development.

Tom Spillyards called the meeting to order at 8:37 A.M. The meeting was conducted as a meeting of the Committee of the Whole.

A presentation by Gorman & Company was made in connection with the issuance of Multifamily Housing Bonds for the use of Cumberland Towers, Fred W. Parris Tower, and Jesse Powell Tower, in Little Rock, Arkansas.

Gorman & Company, Inc. and Metropolitan Housing Authority

Request for the Reservation of Tax Exempt Private Activity Volume Cap for Residential Rental Housing in the amount not to exceed $32,000,000 in Multifamily Housing Revenue Bonds and gap financing from ADFA for each development. Mr. Seth Mims made a motion to approve the request. Mr. Stephen Rose seconded the motion. The motion passed unanimously.

Minutes:

Mr. Spillyards asked for approval of the minutes from the August 18, 2016 meeting of the Housing Review Committee. Mr. Seth Mims made a motion to approve the minutes. Mr. Stephen Rose seconded the motion. The motion passed unanimously.

HOME:

The Application Spreadsheet was discussed.

Multifamily:

White River II, LP
Carr Hagan of LHP, LLC, on behalf of White River II, LP is asking for the approval of the transfer of the general partner's interest from Pelleaux Roads Partners LLC to New Providence Housing Partners, LLC. Mr. Stephen Rose made a motion to approve the request. Mr. Seth Mims seconded the motion. The motion passed unanimously

HOME:

Barbara Erby on behalf of Third Party Consultant Inc.-The Fluker Project
Request for an increase in project funds to correct a health and safety issue in a failed septic system and a request for the original reconstruction line item of $90,000 not exceed $101,297.84 in Settlement Funds for the Fluker Project. Mr. Seth Mims made a motion to approve the request. Mr. Stephen Rose seconded the motion. The motion passed unanimously.

Other:

A discussion of the revisions to the QAP/Guidelines was discussed by Mr. Ben Van Kleef, the members of the Board of Directors in attendance, and members of the audience. The developers participating in the discussion were: Arby Smith, Brent Lacefield, Tom Embach, Jeff Van Patten, Skip Motsenbocker, Chris Klapsa, Elizabeth Small, Andrea Fraymire.

At the close of the meeting, Mr. Spillyards adjourned the meeting at approximately 10:22 A.M.

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Aaron S. Burkes, President and Secretary

HOME Applications Pipeline Terms/Definitions

Pipeline Status	Definitions
Application Received	application received by ADFA but not currently being worked by Program Officer
Assigned to Program Officer	application assigned to Program Officer and is currently being worked; also applies to deficient applications in review process
Needs Committee Approval	application is fully-worked and waiting on Board Housing Review Committee approval
Board Approved	application is approved by ADFA Board of Directors and waiting on signed HOME agreement
Committed	signed HOME agreement has been received; entered into IDIS; working on signed loan documents
Loan Closed	signed loan documents (ex. Mortgage and Note Payable); entered into MITAS; awaiting or in construction phase
Fully Funded	approved amount of HOME funds fully drawn down and paid to project
Settlement Funds	application approved by ADFA Board of Directors to use funds available from the $9.0 million dollars allocated to ADFA from the Attorney General of the State of Arkansas as a portion of the settlement of the lawsuit styled *United States of Americ et al. v. Bank of America Corporation, et al,* of which the State of Arkansas received as a party to the lawsuit.
De-Obligated Funds	Downward adjustment of the obligations recorded in a contract document. It is caused by factors such as (1) termination of a part of the project, (2) reduction in material prices, (3) cost under-run, or (4) correction of recorded amounts.
Other Funding Sources-no HOME	application was approved for other funding rather than HOME (ex. Tax Credits only, CDBG, PRLF)
Tax Credit Application	application designated as a Tax Credit application; status will change if allocated HOME money
Application Withdrawn	deal fell through; HOME money no longer needed
Homeowner Drops	deal previously approved and agreements signed but no money ever disbursed (ex. death, contractor problems, etc.)
Denied	application denied for various reasons

Type of Funding	Definitions
ACQ-REHAB	Acquisition Rehab
HO-ACQ	Homeowner Acquisition
HO-ADMIN	Homeowner Program Administration
HO-RECON	Homeowner Re-Construction
HO-REHAB	Homeowner Rehab
HO-MH REPLACE	Homeowner Mobile Home Replacement
HO-NC	Homeowner New Construction
NC-AL	New Construction-Assisted Living
RNC	Rental New Construction
RR	Rental Rehab
RNC DETACHED	Rental New Construction Detached
SF DETACHED	Single Family Detached
TBRA	Tenant-Based Rental Assistance

Home Applications Pipeline Report
As of 10/10/2016

APPLICANT NAME	CONTACT	PROJECT NAME/CITY/COUNTY	TYPE OF CONSTRUCTION	# OF HOME UNITS / TENANTS	TOTAL REQUEST	FINAL REVIEW DATE	HRC STAFF RESULTS	BOARD REVIEW	HO-REHAB TOTAL of SUPPORTING PROJECTS	TOTAL APPROVED	PROGRAM OFFICER	PIPELINE STATUS	DATE OF STATUS	ER Complete Yes / No
HOME-CHDO SET ASIDE APPLICATIONS:														
IN-Affordable Housing, Inc.	Roma Isom, 501-920-2156, roma.isom@yahoo.com	Emerald Mountain Subdivision & Carrington Place Subdivision/Saline & Pulaski Counties	NC-SF DETACHED	10 UNITS	$990,000.00		REVIEW			$0.00	Michael	Assigned to Program Officer	5/19/2016	N/A
Carroll Partners, LP	Park-IAH Arkansas Development; Roma Isom (501) 221-2203; Clifton Bates (601)-321-7623	Carroll House-scattered sites/Berryville, Eureka Springs, Green Forrest/ Carroll County	ACQ-REHAB	10 HOME /64 TC UNITS	$900,000.00	8/8/2016	APPROVED W/TC	08/18/16		$900,000.00	Tax Credit	Board Approved	8/18/2016	N/A
Lofts at Texarkana LP	RichSmith Development, LLC Arby Smith 501-758-0050	Lofts/Texarkana/Miller County	ACQ-REHAB	50 UNITS	$900,000.00	5/6/2013	APPROVED-W/TC	05/16/13		$900,000.00	Tax Credit	Loan Closed	10/15/2014	YES
Crawford-Sebastian Community Development Council, Inc.	Karen Phillips, 479-785-2303 ext 124, kphillips@cscdccaa.org	Crawford-Sebastian Community Development Council, Inc. (Blue Bird Subdivision)/Fort Smith/Sebastian County	HO-NC	7 UNITS	$630,000.00	6/8/2015	APPROVED	06/18/15		$630,000.00	Michael	Loan Closed	9/1/2015	YES
Crawford-Sebastian Community Development Council, Inc.--Administration		Crawford-Sebastian Community Development Council, Inc. (Blue Bird Subdivision)/Fort Smith/Sebastian County	HO-ADMIN	7 UNITS	$63,000.00	6/8/2015	APPROVED	06/18/15		$63,000.00	Michael	Committed	9/1/2015	N/A
Van Buren Housing Partners, L.P.	Karen Phillips, 4831 Armour Ave, Fort Smith, AR 72904 (479) 785-2303	StoneBrook/Van Buren/Crawford County	NC DETACHED	7 HOME CHDO /40 TC UNITS	$630,000.00	8/10/2015	APPROVED-W/TC	08/20/15		$630,000.00	Tax Credit	Loan Closed	4/29/2016	YES
In Affordable Housing, Inc.	Roma Isom, 501-920-2156, roma.isom@yahoo.com	In Affordable - Greenwood Acres/Little Rock/Pulaski County	HO-NC	10 UNITS	$990,000.00		DENIED			$0.00	Michael	Denied	11/9/2015	N/A
Brinkley Housing Ptnrs, LP	Arkansas Land & Farm Development Co; Dr. Calvin King, Sr., (870) 734-1140; Jim Petty, Consultant (479) 262-6655	Pinewood/Brinkley/Monroe County	ACQ-REHAB	4 HOME /32 TC UNITS	$360,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Dardanelle Housing Ptnrs, LP	Universal Housing Development; Pat Atkinson, (479) 968-5001; Jim Petty, Consultant (479) 262-6655	Riverview/Dardanelle/Yell County	ACQ-REHAB	3 HOME /40 TC UNITS	$270,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Marion Housing Partners, LP	Arkansas Land & Farm Development Co; Dr. Calvin King, Sr., (870) 734-1140; Jim Petty, Consultant (479) 262-6655	StoneBrook/Sunset/Crittenden County	RNC DETACHED	9 HOME /32 TC UNITS	$810,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
HOME-CHDO SET ASIDE APPLICATIONS: Total					$6,543,000.00					$3,123,000.00				

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HOMEOWNER - CONSTRUCTION AND REHAB APPLICATIONS:														
Pulaski County Community Services	Shonda Stenhouse 501-340-8349	Phase II-various sites/Pulaski County	HO-REHAB/RECON	5 UNITS	$280,280.00		REVIEW			$0.00	Michael	Application Received	9/29/2016	N/A
CAPDD	Sue Bryan, 501-676-2721, sue.bryan@capdd.org	Phase III-various sites/Lonoke & Prairie Counties	HO-RECON	4 UNITS	$396,000.00		REVIEW			$0.00	Michael	Application Received	8/18/2016	N/A
Crittenden County-Phase III	Woody Wheeless, 870-739-3200 or Barbara Erby, 501-247-8118 bapps42@hotmail.com	Phase III-various sites/West Memphis/Crittenden County	HO-RECON	5 UNITS	$495,000.00		REVIEW			$0.00	Michael	Assigned to Program Officer	5/26/2016	N/A
Crittenden County-Phase IV	Woody Wheeless, 870-739-3200 or Barbara Erby, 501-247-8118 bapps42@hotmail.com	Phase IV-various sites/West Memphis/Crittenden County	HO-RECON	5 UNITS	$495,000.00		REVIEW			$0.00	Michael	Assigned to Program Officer	5/26/2016	N/A
Arkansas Land & Farm Development Corporation	Dr. Calvin R. King, Sr., 870-734-1140	various sites/Palestine, Marianna, Wynne/Lee, St. Francis & Cross Counties	HO-RECON	5 UNITS	$495,000.00		REVIEW			$0.00	Michael	Assigned to Program Officer	12/7/2015	N/A
Boys, Girls, Adults Community Development Center, Inc.	Valerie Hannesberry; 870-829-3276; Delta Comm. Development & Law Center-Michael Jackson; 501-246-4128; mjackson@thedeltacenter.org	various sites/Helena, Marvell, Poplar Grove/Phillips County	HO-REHAB/RECON	7 UNITS	$327,163.38		REVIEW			$0.00	Michael	Assigned to Program Officer	12/7/2015	N/A
Arkansas Land & Farm Development Corporation	Calvin R. King - 870-734-1140	various sites/ St. Francis County	HO-REHAB/RECON	7 UNITS	$478,500.00	2/8/2016	APPROVED	02/18/16	$478,500.00		Michael		2/18/2016	YES
Arkansas Land & Farm Development Corporation--Administration		various sites/ St. Francis County	HO-ADMIN							$43,500.00	Michael	Committed	4/29/2016	YES
Arkansas Land & Farm Development Corporation--Boyland, Jr., Kenneth		various sites/ St. Francis County	HO-RECON							$90,000.00	Michael	Loan Closed	7/27/2016	YES
Arkansas Land & Farm Development Corporation--Hicks, McAuther & Brenda		various sites/ St. Francis County	HO-RECON							$90,000.00	Michael	Committed	4/29/2016	YES
Arkansas Land & Farm Development Corporation--Kelly, Irene		various sites/ St. Francis County	HO-RECON							$90,000.00	Michael	Loan Closed	7/27/2016	YES
Arkansas Land & Farm Development Corporation--Walker, Opoetra		various sites/ St. Francis County	HO-RECON							$90,000.00	Michael	Committed	4/29/2016	YES
Arkansas Land & Farm Development Corporation--Anderson, Dennis & Doreen		various sites/ St. Francis County	HO-REHAB							$25,000.00	Michael	Committed	4/29/2016	YES
Arkansas Land & Farm Development Corporation--Carter, Susan		various sites/ St. Francis County	HO-REHAB							$25,000.00	Michael	Loan Closed	8/2/2016	YES
Arkansas Land & Farm Development Corporation--Cottrell, Murvin & Juanita		various sites/ St. Francis County	HO-REHAB							$25,000.00	Michael	Committed	4/29/2016	YES

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Eastern Arkansas Community Development Corp (EACODC)	Charles Eason, 870-732-3975, anthonyville2006@aol.com	Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON	5 UNITS	$495,000.00	2/8/2016	APPROVED	02/18/16	$495,000.00		Michael		2/25/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Administration		Various sites/West Memphis, Edmonson/Crittenden County	HO-ADMIN							$45,000.00	Michael	Committed	2/25/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--DeShazier, Harrel & Gendolyn		Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON							$90,000.00	Michael	Loan Closed	3/29/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Mayhew, Lucy Rattler		Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON							$90,000.00	Michael	Committed	2/25/2016	YES
Eastern Arkansas Community Development Corp (EACODC)-Jones, Joe--replaces Martin, Esther (deceased)		Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON							$90,000.00	Michael	Committed	2/25/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Allen, Glory replaces Bledsoe, Elna Gaye (withdrew)		Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON							$90,000.00	Michael	Committed	2/25/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Cross, Rita		Various sites/West Memphis, Edmonson/Crittenden County	HO-RECON							$90,000.00	Michael	Committed	2/25/2016	YES
Crawford-Sebastian Community Development Council, Inc.	Karen Phillips, 479-785-2303 ext 124, kphillips@cscdccaa.org	Various sites/Fort Smith/Sebastian County	HO-RECON/MH REPLACE	5 UNITS	$485,619.20	7/6/2015	APPROVED	07/16/15	$485,619.20		Michael		2/1/2016	YES
Crawford-Sebastian Community Development Council, Inc.--Administration		Various sites/Fort Smith/Sebastian County	HO-ADMIN							$35,703.70	Michael	Committed	2/1/2016	N/A
Crawford-Sebastian Community Development Council, Inc.--Liley, Monica		Various sites/Fort Smith/Sebastian County	HO-RECON							$90,000.00	Michael	Committed	2/1/2016	YES
Crawford-Sebastian Community Development Council, Inc.--Rogers, Joyce-withdrew but allocation will remain a contingency		Various sites/Fort Smith/Sebastian County	HO-RECON							$92,878.50	Michael	Committed	2/1/2016	YES
Crawford-Sebastian Community Development Council, Inc.--Weaver, Shirley		Various sites/Fort Smith/Sebastian County	HO-RECON							$89,160.00	Michael	Loan Closed	11/5/2015	YES
Crawford-Sebastian Community Development Council, Inc.--Wilson, Glen		Various sites/Fort Smith/Sebastian County	HO-RECON							$87,877.00	Michael	Committed	2/1/2016	YES
Crawford-Sebastian Community Development Council, Inc.--Turner (McFadden), Farrah		Various sites/Fort Smith/Sebastian County	HO-MH REPLACE							$90,000.00	Michael	Loan Closed	1/20/2016	YES
Lake View, City of	Darrin Davis, 870-827-6341, lakefrontfarm@yahoo.com	Various Sites/Phillips County	HO-RECON	5 UNITS	$99,000.00	6/7/2010 & 7/6/2015	APPROVED	6/17/2010 & 7/16/2015	$99,000.00		Michael			YES
Lake View, City of--Administration		Various Sites/Phillips County	HO-ADMIN							$9,000.00	Michael	Committed	1/5/2015	N/A
Lake View, City of--Johnson, Vandy (replaced O'Neal, Gloria J.-deceased)		Various Sites/Phillips County	HO-RECON							$90,000.00	Michael	Loan Closed	1/5/2015	YES
Arkansas Land & Farm Development Corp	Dr. Calvin R. King, Sr., 870-734-1140	Various Sites/Marianna&Haynes/Lee County	HO-REHAB/RECON	6 UNITS	$329,200.00	8/5/2013	APPROVED	08/15/13	$329,200.00		Michael		7/30/2013	YES
Arkansas Land & Farm Development Corp-Administration		Various Sites/Marianna&Haynes/Lee County	HO-ADMIN							$32,200.00	Michael	Committed	8/16/2013	N/A
Arkansas Land & Farm Development Corp-Brown, Gracie		Various Sites/Marianna&Haynes/Lee County	HO-RECON							$90,000.00	Michael	Loan Closed	9/12/2013	YES
Arkansas Land & Farm Development Corp-Rhone, Delilia		Various Sites/Marianna&Haynes/Lee County	HO-RECON							$90,000.00	Michael	Fully Funded	6/26/2015	YES
Arkansas Land & Farm Development Corp-Brooks, Ethel		Various Sites/Marianna&Haynes/Lee County	HO-RECON							$92,000.00	Michael	Fully Funded	2/24/2016	YES
Arkansas Land & Farm Development Corp-Vaccaro, Wohner		Various Sites/Marianna&Haynes/Lee County	HO-REHAB		$25,000.00					$0.00	Michael	De-Obligated Funds	1/8/2014	YES
Arkansas Land & Farm Development Corp-Jones, Kelly & Lela		Various Sites/Marianna&Haynes/Lee County	HO-REHAB							$25,000.00	Michael	Fully Funded	9/10/2014	YES

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Warren Housing Authority	Mike Jolley, 870-226-2600, warrenha@sbcglobal.net	Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB/RECON	7 UNITS	$335,500.00	11/10/2014	APPROVED	11/20/14	$337,092.00		Michael		2/4/2015	YES
Warren Housing Authority--Administration		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-ADMIN							$30,500.00	Michael	Committed	12/2/2014	N/A
Warren Housing Authority--Neeley, Shirley Ann (Collins)		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-RECON							$90,000.00	Michael	Fully Funded	5/25/2016	YES
Warren Housing Authority--Thompson, Cornelius		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-RECON							$90,000.00	Michael	Fully Funded	5/25/2016	YES
Warren Housing Authority--Marks, Willie L.		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB							$26,592.00	Michael	Loan Closed	4/8/2015	YES
Warren Housing Authority--McCoy, Norma		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB							$25,000.00	Michael	Fully Funded	7/6/2016	YES
Warren Housing Authority--Turner, Annetta & Wesley		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB							$25,000.00	Michael	Fully Funded	11/13/2015	YES
Warren Housing Authority--Smith, Sherry		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB							$25,000.00	Michael	Fully Funded	9/15/2015	YES
Warren Housing Authority--Wells, Maxine		Various sites/Warren, New Edinburg, Rison/Bradley, Cleveland Counties	HO-REHAB							$25,000.00	Michael	Fully Funded	4/18/2016	YES
Chicot County	Mack Ball, Jr., 870-865-8015, chicotjudge@gmail.com	Various sites/Eudora/Chicot County	HO-REHAB/RECON	6 UNITS	$519,487.20	2/9/2015	APPROVED	02/19/15	$519,487.20		Michael		2/27/2015	YES
Chicot County--Administration		Various sites/Eudora/Chicot County	HO-ADMIN							$49,081.20	Michael	Fully Funded	9/6/2016	YES
Chicot County--Butler, Doris		Various sites/Eudora/Chicot County	HO-RECON							$90,000.00	Michael	Fully Funded	1/7/2016	YES
Chicot County--Hopes, Lucell and Josephine		Various sites/Eudora/Chicot County	HO-RECON							$90,000.00	Michael	Loan Closed	2/27/2015	YES
Chicot County--Johnson, Lesia & Robert		Various sites/Eudora/Chicot County	HO-RECON							$90,000.00	Michael	Fully Funded	1/7/2016	YES
Chicot County--Smith, Elmyra		Various sites/Eudora/Chicot County	HO-RECON							$90,000.00	Michael	Fully Funded	1/7/2016	YES
Chicot County--Thompson, Ramona A.		Various sites/Eudora/Chicot County	HO-RECON							$90,000.00	Michael	Fully Funded	1/7/2016	YES
Chicot County--Kincade, Susan M.		Various sites/Eudora/Chicot County	HO-REHAB							$20,406.00	Michael	Fully Funded	11/23/2015	YES
Central Arkansas Planning and Development District, Inc.	Sue Bryan, 501-676-2721, sue.bryan@capdd.org	Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON	4 UNITS	$393,800.00	2/9/2015	APPROVED	02/19/15	$492,800.00		Michael		3/5/2015	YES
Central Arkansas Planning and Development District, Inc.--Administration		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-ADMIN							$35,800.00	Michael	Committed	3/5/2015	YES
Central Arkansas Planning and Development District, Inc.--Administration		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-ADMIN							$9,000.00	Michael	Board Approved	5/19/2016	YES
Central Arkansas Planning and Development District, Inc.--Petty, Bobbie		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON							$89,500.00	Michael	Fully Funded	2/24/2016	YES
Central Arkansas Planning and Development District, Inc.--Brewer, Jimmy & Carla		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON							$89,500.00	Michael	Fully Funded	2/17/2016	YES
Central Arkansas Planning and Development District, Inc.--Willyard, David & Sandra		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON							$89,500.00	Michael	Fully Funded	1/28/2016	YES
Central Arkansas Planning and Development District, Inc.--Polk, Carrie		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON							$89,500.00	Michael	Loan Closed	5/1/2015	YES
Central Arkansas Planning and Development District, Inc.--Artis, Essie B.		Various sites/Hazen, Clarendon, Coy, Scott/Prairie, Monroe, Lonoke Counties	HO-RECON			5/9/2016		05/19/16		$90,000.00	Michael	Board Approved	5/19/2016	YES
Dallas County Phase II	Jimmy Jones, 870-352-5656, james.jones@arkansas.gov	Various sites-Phase II/CarthageDallas County	HO-RECON	3 UNITS	$297,000.00	5/11/2015	APPROVED	05/21/15	$297,000.00		Michael		5/28/2015	YES
Dallas County Phase II--Administration		Various sites-Phase II/CarthageDallas County	HO-ADMIN							$27,000.00	Michael	Committed	5/28/2015	N/A
Dallas County Phase II--Erby, Mary Louise		Various sites-Phase II/CarthageDallas County	HO-RECON							$90,000.00	Michael	Fully Funded	7/19/2016	YES
Dallas County Phase II--Smith, Catherine		Various sites-Phase II/CarthageDallas County	HO-RECON							$90,000.00	Michael	Fully Funded	7/19/2016	YES
Dallas County Phase II--Whitaker, Demetress		Various sites-Phase II/CarthageDallas County	HO-RECON							$90,000.00	Michael	Loan Closed	6/1/2015	YES

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Crittenden County-Phase II	Woody Wheeless, 870-739-3200 or Barbara Erby, 501-247-8118	Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON	5 UNITS	$524,914.50	5/11/2015	APPROVED	05/21/15	$524,914.50		Michael		6/10/2015	YES
Crittenden County-Phase II--Administration		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-ADMIN							$47,719.50	Michael	Committed	6/10/2015	N/A
Crittenden County-Phase II--Green, Rupert & Bessie replaces Brown, Ola B. & Oliver, Fredonia		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON							$95,439.00	Michael	Committed	6/10/2015	YES
Crittenden County-Phase II--Clark, Annie Ruth		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON							$95,439.00	Michael	Loan Closed	9/23/2015	YES
Crittenden County-Phase II--Miller, Cora		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON							$95,439.00	Michael	Loan Closed	9/22/2015	YES
Crittenden County-Phase II--Milow, Cleola P.		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON							$95,439.00	Michael	Fully Funded	8/10/2016	YES
Crittenden County-Phase II--Suggs, Janet		Various sites-Phase II/Proctor & West Memphis/Crittenden County	HO-RECON							$95,439.00	Michael	Fully Funded	8/10/2016	YES
Eastern Arkansas Community Development Corp (EACODC)	Charles Eason, 870-732-3975, anthonyville2006@aol.com/Third Party Consulting, Inc., Barbara Erby, 501-247-8118, bapps42@hotmail.com	Various sites/Parkin/Cross County	HO-RECON	4 UNITS	$396,000.00	7/6/2015	APPROVED	07/16/15	$396,000.00		Michael		8/21/2015	YES
Eastern Arkansas Community Development Corp (EACODC)--Administration		Various sites/Parkin/Cross County	HO-ADMIN							$36,000.00	Michael	Committed	8/21/2015	N/A
Eastern Arkansas Community Development Corp (EACODC)--Bailey, James & Carolyn		Various sites/Parkin/Cross County	HO-RECON							$90,000.00	Michael	Fully Funded	8/10/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Collins, Edna		Various sites/Parkin/Cross County	HO-RECON							$90,000.00	Michael	Committed	8/21/2015	YES
Eastern Arkansas Community Development Corp (EACODC)--Hinton, Edna		Various sites/Parkin/Cross County	HO-RECON							$90,000.00	Michael	Committed	8/21/2015	YES
Eastern Arkansas Community Development Corp (EACODC)--Townsend, Rosetta Slaughter		Various sites/Parkin/Cross County	HO-RECON							$90,000.00	Michael	Fully Funded	8/10/2016	YES
Drew Co. Public Facilities Board	Samantha Berry, 870-367-3973, dcpfb@sbcglobal.net	DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-REHAB/RECON; MF HOME REPLACE	5 UNITS	$280,353.00	11/9/2015 & 1/11/2016	APPROVED	11/19/2015 & 1/21/2016	$280,353.00		Michael		2/10/2016	YES
Drew Co. Public Facilities Board--Administration		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-ADMIN							$25,353.00	Michael	Committed	2/10/2016	YES
Drew Co. Public Facilities Board--Bordeaux, Pattye F.		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-REHAB							$25,000.00	Michael	Loan Closed	3/22/2016	YES
Drew Co. Public Facilities Board--Forrest, Leroy and Joan		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-REHAB							$25,000.00	Michael	Loan Closed	3/22/2016	YES
Drew Co. Public Facilities Board--Thorne, Emma J.		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-REHAB							$25,000.00	Michael	Loan Closed	4/27/2016	YES
Drew Co. Public Facilities Board--Tatum, EC		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-RECON							$90,000.00	Michael	Loan Closed	3/23/2016	YES
Drew Co. Public Facilities Board--Block, Ervin		DCPFB - Phase I various sites-Monticello, Dumas-Drew and Desha Counties	HO-MF HOME REPLACE							$90,000.00	Michael	Loan Closed	3/22/2016	YES
Drew Co. Public Facilities Board	Samantha Berry, 870-367-3973, dcpfb@sbcglobal.net	DCPFB - Phase II various sites-Monticello-Drew County	HO-RECON	4 UNITS	$396,000.00	1/11/2016	APPROVED	01/21/16	$396,000.00		Michael		2/10/2016	YES
Drew Co. Public Facilities Board--Administration		DCPFB - Phase II various sites-Monticello-Drew County	HO-ADMIN							$36,000.00	Michael	Committed	2/10/2016	YES
Drew Co. Public Facilities Board--Canada, Lee		DCPFB - Phase II various sites-Monticello-Drew County	HO-RECON							$90,000.00	Michael	Loan Closed	3/22/2016	YES
Drew Co. Public Facilities Board--Porter, Jr., Arthur		DCPFB - Phase II various sites-Monticello-Drew County	HO-RECON							$90,000.00	Michael	Loan Closed	3/22/2016	YES
Drew Co. Public Facilities Board-Daniels, Dorothy replaces Ridgell, Deloris		DCPFB - Phase II various sites-Monticello-Drew County	HO-RECON							$90,000.00	Michael	Loan Closed	5/19/2016	YES
Drew Co. Public Facilities Board--Dodds, Harvey--replaces Rowlett, Lois		DCPFB - Phase II various sites-Monticello-Drew County	HO-RECON							$90,000.00	Michael	Loan Closed	5/19/2016	YES

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Eastern Arkansas Community Development Corp (EACODC)	Charles Eason, 870-732-3975 , anthonyville2006@aol.com	various sites-West Memphis-Crittenden County	HO-RECON	5 UNITS	$495,000.00	12/7/2015	APPROVED	12/17/15	$495,000.00		Michael		12/17/2015	N/A
Eastern Arkansas Community Development Corp (EACODC)--Administration		various sites-West Memphis-Crittenden County	HO-ADMIN							$45,000.00	Michael	Committed	12/28/2015	N/A
Eastern Arkansas Community Development Corp (EACODC)--Jones, Chevell & Marchell		various sites-West Memphis-Crittenden County	HO-RECON							$90,000.00	Michael	Loan Closed	1/27/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Thomas, Evella		various sites-West Memphis-Crittenden County	HO-RECON							$90,000.00	Michael	Loan Closed	1/27/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Turner, Pearl		various sites-West Memphis-Crittenden County	HO-RECON							$90,000.00	Michael	Loan Closed	1/27/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Thomas, Ruth		various sites-West Memphis-Crittenden County	HO-RECON							$90,000.00	Michael	Loan Closed	1/27/2016	YES
Eastern Arkansas Community Development Corp (EACODC)--Yates, Ruthie		various sites-West Memphis-Crittenden County	HO-RECON							$90,000.00	Michael	Fully Funded	8/25/2016	YES
City of Fordyce	John MacNichol, Mayor; 870-352-2198; Third Party Consulting, Barbara Erby;501-247-8118; bapps42@hotmail.com	various sites/Fordyce/Dallas County	HO-RECON	4 UNITS	$396,000.00	4/11/2016	APPROVED	04/21/16	$396,000.00		Michael		4/29/2016	YES
City of Fordyce--Administration		various sites/Fordyce/Dallas County	HO-ADMIN							$36,000.00	Michael	Committed	4/29/2016	YES
City of Fordyce--Blakley, Robert & Beatrice		various sites/Fordyce/Dallas County	HO-RECON							$90,000.00	Michael	Loan Closed	9/9/2016	YES
City of Fordyce--Crain, Josephine		various sites/Fordyce/Dallas County	HO-RECON							$90,000.00	Michael	Loan Closed	9/2/2016	YES
City of Fordyce--Rivers, James & Debra		various sites/Fordyce/Dallas County	HO-RECON							$90,000.00	Michael	Committed	4/29/2016	YES
City of Fordyce--Berger, Baisha Walker		various sites/Fordyce/Dallas County	HO-RECON							$90,000.00	Michael	Loan Closed	9/1/2016	YES
City of Magnolia	Mayor Parnell Vann, 870-234-1375, parnellvann2010@yahoo.com	various sites/Magnolia/Columbia County	HO-REHAB/RECON	5 UNITS	$525,800.00		DENIED			$0.00	Michael	Denied	10/10/2016	N/A
City of Bald Knob	Beth Calhoun, Mayor;501-724-6371; Third Party Consulting, Barbara Erby;501-247-8118;bapps42@hotmail.com	various sites/Bald Knob/White County	HO-RECON / MH REPLACEMENT	1 UNIT	$99,000.00		DENIED			$0.00	Michael	Denied	10/10/2016	N/A
Warren Housing Authority	Mike Jolley, 870-226-2600, warrenha@sbcglobal.net	Various sites/Warren/Bradley County	HO-RECON	4 UNITS	$324,456.00		DENIED			$0.00	Michael	Denied	10/10/2016	N/A
					$9,384,073.28					$6,021,965.90				
MULTI-FAMILY - NEW CONSTRUCTION AND REHAB APPLICATIONS:														
MHA MH I, LP	Chris Akbari 832-841-5343 chris.akbari@itexgrp.com	Madison Heights Phase I/Little Rock/Pulaski County	ACQ-REHAB	5 HOME/140 UNITS	$450,000.00					$0.00	Alison	Application Received	10/10/2016	N/A
MHA MH II, LP	Chris Akbari 832-841-5343 chris.akbari@itexgrp.com	Madison Heights Phase II/Little Rock/Pulaski County	ACQ-REHAB	5 HOME/101 UNITS	$450,000.00					$0.00	Alison	Application Received	10/10/2016	N/A
MHA HAGM, LP	Chris Akbari 832-841-5343 chris.akbari@itexgrp.com	Homes at Granite Mountain/Little Rock/Pulaski County	ACQ-REHAB	5 HOME/52 UNITS	$450,000.00					$0.00	Alison	Application Received	10/10/2016	N/A

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WM Housing Partners II, L.P.	Strategic Realty Developers Jim Petty (479) 262-6655	Barton Court II/West Memphis/Crittenden County	RR	5 HOME /57 TC UNITS	$450,000.00	8/8/2016	APPROVED W/TC	08/18/16		$450,000.00	Tax Credit	Board Approved	8/18/2016	N/A
Robindale East, LP	RichSmith Development, LLC Arby Smith (501) 758-0050	Robindale East/Blytheville/Mississippi County	ACQ-REHAB	5 HOME /55 TC UNITS	$450,000.00	8/8/2016	APPROVED W/TC	08/18/16		$450,000.00	Tax Credit	Board Approved	8/18/2016	N/A
Ashdown Partners, L.P.	Clifton E. Bates, 124 One Madison Plaza, Ste 1500, Madison, MS 39110-(601)321-7623	Ashdown Apartments/Ashdown/Little River County	ACQ/REHAB	5 HOME/56 UNITS	$450,000.00	8/10/2015	APPROVED-W/TC	08/20/15		$450,000.00	Tax Credit	Committed	2/19/2016	N/A
Rural Housing of Charleston, L.P.	Derrick Hamilton, 119 N Robinson Ave, Ste 630, Oklahoma City, OK 73102 (405) 604-5074	Savannah Park Phase I & II/Charleston/Franklin County	ACQ/REHAB	5 HOME /52 TC UNITS	$450,000.00	8/10/2015 & 1/11/2016	APPROVED-W/TC	8/20/2015 & 1/21/2016		$450,000.00	Tax Credit	Committed	3/9/2016	N/A
Eudora Partners, LP	TCCM Development, LLC, Clifton Bates 601-321-7623	Chicot Apartments/Eudora/Chicot County	ACQ/REHAB	50 UNITS/ 5 HOME	$450,000.00	7/7/2014	APPROVED-W/TC	07/17/14		$450,000.00	Tax Credit	Loan Closed	4/8/2015	YES
Emerald Village at Hope, LP	KWL Properties, LLC Steve Perry 318-281-1974; Ed Wiles - Consultant	Emerald Village/Hope/Hempstead County	RNC	48 UNITS / 5 HOME	$450,000.00	7/7/2014	APPROVED-W/TC	07/17/14		$450,000.00	Tax Credit	Loan Closed	6/30/2015	YES
Marianna Partners II, LP	TCCM Development, LLC, Clifton Bates 601-321-7623	Foster Collier Gordon/Marianna/Lee County	ACQ/REHAB	36 UNITS / 5 HOME	$450,000.00	7/7/2014	APPROVED-W/TC	07/17/14		$450,000.00	Tax Credit	Loan Closed	10/1/2015	YES
Marianna Partners, LP	TCCM Development, LLC, Clifton Bates 601-321-7623	Hicky Garden/Marianna/Lee County	ACQ/REHAB	56 UNITS / 5 HOME	$450,000.00	7/7/2014	APPROVED-W/TC	07/17/14		$450,000.00	Tax Credit	Loan Closed	6/2/2015	YES
Hughes Villas LP II	Billy Bunn 870-246-6709	Hughes Villas II/Hughes/St. Francis County	ACQ/REHAB	21 UNITS / 9 HOME	$250,000.00	7/7/2014	APPROVED-W/TC & FAF	07/17/14		$250,000.00	Tax Credit	Loan Closed	3/24/2015	YES
Meadows at Forrest City, LP	KWL Properties, LLC Steve Perry 318-281-1974	Meadows/Forrest City/St. Francis County	RNC	48 UNITS / 5 HOME	$450,000.00	7/7/2014	APPROVED-W/TC	07/17/14		$450,000.00	Tax Credit	Loan Closed	10/30/2015	YES
Arkadelphia Partners, L.P.	Clifton E. Bates, 124 One Madison Plaza, Ste 1500, Madison, MS 39110-(601)321-7623	Ross Apartments/Arkadelphia/Clark County	ACQ/REHAB	5 HOME /49 TC UNITS	$450,000.00	8/10/2015	APPROVED-W/TC	08/20/15		$450,000.00	Tax Credit	Loan Closed	3/15/2016	YES
Rogers Partners, L.P.	Clifton E. Bates, 124 One Madison Plaza, Ste 1500, Madison, MS 39110-(601)321-7623	Meadow Park/Rogers/Benton County	ACQ/REHAB	5 HOME /70 TC UNITS	$450,000.00	8/10/2015	APPROVED-W/TC	08/20/15		$450,000.00	Tax Credit	Loan Closed	3/15/2016	YES
Woodlake Apartments, L.P. II	Donald Jones, 1014 Center St., Lonoke, AR 72086 (501) 676-5131	Woodlake Apartments II/Lonoke/Lonoke County	ACQ/REHAB	9 HOME/24 TC UNITS	$245,088.00	8/10/2015 & 1/11/2016	APPROVED-W/TC	8/20/2015 & 1/21/2016		$245,088.00	Tax Credit	Loan Closed	6/15/2016	N/A

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Emerald Village at Jonesboro, LP	Steve Perry, 109 E. Madison, Bastrop, LA 71220 (318) 281-1974	Emerald Village/Jonesboro/Craighead County	RNC	5 HOME /44 TC UNITS	$250,000.00	8/10/2015	APPROVED-TC w/HOME & FAF	08/20/15		$250,000.00	Tax Credit	Loan Closed	9/12/2016	N/A
Cedar Hill Apartments II, L.P.	Jason Spellings, 214 Key Dr., Ste 1000, Madison, MS 39110 (601) 906-4243	Cedar Hill II/Monticello/Drew County	ACQ/REHAB	5 HOME /60 TC UNITS	$450,000.00	8/10/2015	APPROVED-w/TC	08/20/15		$450,000.00	Tax Credit	Loan Closed	8/8/2016	N/A
Harmony Place, L.P.	Jason Spellings, 214 Key Dr., Ste 1000, Madison, MS 39110 (601) 906-4243	Harmony Place/Newport/Jackson County	ACQ/REHAB	5 HOME /70 TC UNITS	$450,000.00	8/10/2015	APPROVED-w/TC	08/20/15		$450,000.00	Tax Credit	Loan Closed	6/6/2016	YES
Delta Cove of Augusta, L.P.	Thomas E. Embach, 351 E. 4th St., Ste 2, Mountain Home, AR 72653 (870) 424-7460	Delta Cove Apartments/Augusta/Woodruff County	ACQ/REHAB	5 HOME/23 UNITS	$88,219.00	8/10/2015 & 1/11/2016	APPROVED-W/TC	8/20/2015 & 1/21/2016		$88,219.00	Tax Credit	Loan Closed	4/22/2016	YES
Hampton Cove of Calhoun, L.P.	Thomas E. Embach, 351 E. 4th St., Ste 2, Mountain Home, AR 72653 (870) 424-7460	Hampton Cove/Hampton/Calhoun County	ACQ/REHAB	5 HOME /24 TC UNITS	$180,285.00	8/10/2015 & 1/11/2016	APPROVED-W/TC	8/20/2015 & 1/21/2016		$180,285.00	Tax Credit	Loan Closed	4/22/2016	YES
Walnut Lane Sr. Citizens, L.P.	Thomas E. Embach, 351 E. 4th St., Ste 2, Mountain Home, AR 72653 (870) 424-7460	Walnut Lane/Cotter/Baxter County	ACQ/REHAB	5 HOME/24 TC UNITS	$149,404.00	8/10/2015 & 1/11/2016	APPROVED-W/TC	8/20/2015 & 1/21/2016		$149,404.00	Tax Credit	Loan Closed	3/17/2016	YES
15th Street Senior Apts, LP	Leisure Homes Corporation Thomas J Embach (870) 424-7460	15th Street Senior Apts/Fayetteville/Washington County	RNC	5 HOME /40 TC UNITS	$450,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Briarwood Estates at Pine Bluff, L.P.	ANC Development & Consulting Andrea Cooper (501) 213-6240	Briarwood Estates/Pine Bluff/Jefferson County	RNC	35 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
McCrory Partners, LP	Park-IAH Arkansas Development; Roma Isom (501) 221-2203; Clifton Bates (601)-321-7623	Chapel Oaks/McCrory/Woodruff County	ACQ-REHAB	60 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Wynne Partners, LP	Park-IAH Arkansas Development; Roma Isom (501) 221-2203; Clifton Bates (601)-321-7623	Cliffridge/Wynne/Cross County	ACQ-REHAB	64 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Colony Square I, LP	Garth Development LLC Robert Garth-(501) 244-9777	Colony Square I/Springdale/Washington County	ACQ-REHAB	63 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Colony Square II, LP	Garth Development LLC Robert Garth-(501) 244-9777	Colony Square II/Springdale/Washington County	ACQ-REHAB	55 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A

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Dogwood Cottages II, LP	Dogwood Developer, LLC MRE Capital Investments;Tammi Creason (417) 224-3035	Dogwood Cottages II/Blytheville/Mississippi County	RNC	37 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
PDC Springdale LP	PDC Elizabeth Small (501) 666-9629	The Flats at 3190/Springdale/Washington County	RNC	40 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Rural Housing of DeWitt, LP	Rural Housing of Ashley Park, LP Shawn Smith (405) 604-5074	Garden Walk/DeWitt/Arkansas County	ACQ-REHAB	5 HOME /32 TC UNITS	$400,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Gulpha Creek Senior Living, LP	S&B Development, LLC Brady Bradford (501) 812-6251; Carla Boseman, Consultant (501) 753-8496	Gulpha Creek Senior Living/Hot Springs/Garland County	RNC	38 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Larkspur Gardens, LP	White River Regional Housing; Darlene Wilson (870) 847 5273	Larkspur Gardens/Walnut Ridge/Lawrence County	ACQ-REHAB	30 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Madison Estates, LP	Billy Bunn (870) 246-6709	Madison Estates/Madison/St. Francis County	ACQ-REHAB	24 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Nantucket Apartments, LP	Leisure Homes Corporation Thomas J Embach (870) 424-7460	Nantucket Apts/Fayetteville/Washington County	ACQ-REHAB	51 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Onyx at Forrest City, LP	Newcap Investment/Universal Housing; Adron Gilbert (501) 551-2708; Rick Pierce, Consultant (501) 944-5871	Onyx at Forrest City/Forrest City/St. Francis County	RNC	5 HOME /42 TC UNITS	$450,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Onyx at West Memphis, LP	Newcap Investment/Universal Housing; Adron Gilbert (501) 551-2708; Rick Pierce, Consultant (501) 944-5871	Onyx at West Memphis/West Memphis/Crittenden County	RNC	5 HOME /35 TC UNITS	$450,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Park at Cedar Ridge, LP	S&B Development, LLC Brady Bradford (501) 812-6251; Carla Boseman, Consultant (501) 753-8496	Park at Cedar Ridge/Batesville/Independence County	RNC	38 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
LRC-Vance, LP	BSR Trust Management, LLC; Nathan McMullin (334) 954-4458	Residences at Pettaway/Little Rock/Pulaski County	RR	61 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A

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Arkansas Affordable One, LP	Arkansas Multifamily Dev LLC; Brian Stadler, (989)790-9120; Brian Parent, Consultant (904) 279-0131	Riverside/Russellville/Pope County	RNC	44 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Riverwood Village, LP	RichSmith Development, LLC Arby Smith (501) 758-0050	Riverwood Village/Russellville/Pope County	ACQ-REHAB	71 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Russell Pines, LP	F&J Ventures/Pointe Royale; Skip Motsenbocker, (417) 447-6303; Carla Boseman, Consultant (501) 753-8496	Russell Pines/Russellville/Pope County	RNC	38 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Shiloh Springs, LP	F&J Ventures/Pointe Royale; Skip Motsenbocker, (417) 447-6303; Carla Boseman, Consultant (501) 753-8496	Shiloh Springs/Springdale/Washington County	RNC	38 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Southeast Apartments AR, LP	Millennia Housing Development; Mark Ciepiel, 8111 Rockside Rd, Ste 200, Valley View, OH 44125; Rick Pierce, Consultant (501) 944-5871	Southeast Apts/Pine Bluff/Jefferson County	ACQ-REHAB	100 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Stuttgart Properties, LP	HughesSpellings, LLC; Jason Spellings (601) 906-4243; Carla Boseman, Consultant (501) 753-8496	Stuttgart Apartments I/Stuttgart/Arkansas County	ACQ-REHAB	56 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Stuttgart Properties II, LP	HughesSpellings, LLC; Jason Spellings (601) 906-4243; Carla Boseman, Consultant (501) 753-8496	Stuttgart Apartments II/Stuttgart/Arkansas County	ACQ-REHAB	56 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Valley Apts of McGehee, LP	Leisure Homes Corporation Thomas J Embach (870) 424-7460	Valley Apts/McGehee/Desha County	ACQ-REHAB	26 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Valley View Apartments, LLC	Northwest Regional Hsg Dev Corp Ken McDowell (870) 741-5522	Valley View/Jasper/Newton County	ACQ-REHAB	1 HOME /22 TC UNITS	$100,000.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A

APPLICANT NAME	CONTACT	PROJECT NAME/CITY/COUNTY	TYPE OF CONSTRUCTION	# OF HOME UNITS / TENANTS	TOTAL REQUEST	FINAL REVIEW DATE	HRC STAFF RESULTS	BOARD REVIEW	HO-REHAB TOTAL of SUPPORTING PROJECTS	TOTAL APPROVED	PROGRAM OFFICER	PIPELINE STATUS	DATE OF STATUS	ER Complete Yes / No
Village at Spring Creek, LP	S&B Development, LLC Brady Bradford (501) 812-6251; Carla Boseman, Consultant (501) 753-8496	Village at Spring Creek/Springdale/Washington County	RNC	38 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Village Creek Newport, LP	PDC Elizabeth Small (501) 666-9629	Village Creek/Newport/Jackson County	ACQ-REHAB	32 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
PDC Walnut Square, LP	PDC Elizabeth Small (501) 666-9629	Walnut Square/Walnut Ridge/Lawrence	ACQ-REHAB	24 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
White River II, LP	LHP-Buford Development; Tom Buford, 39 Dogwood Ridge, Eureka Springs, AR 72632; Jeff Van Patten, Consultant (501) 791-9400	White River Apartments Phase II/Diaz/Jackson County	ACQ-REHAB	64 TC UNITS	$0.00	8/8/2016	APPROVED TC Only	08/18/16		$0.00	Tax Credit	Other Funding Sources-no HOME	8/18/2016	N/A
Woodridge Estates, LP	ANC Development & Consulting Andrea Cooper (501) 213-6240	Woodridge Estates/Fort Smith/Sebastian County	RNC DETACHED	35 TC UNITS	$0.00		DENIED-NOT RECOMMENDED			$0.00	Tax Credit	Denied	8/8/2016	N/A
Fred Parris Towers, LLC	Gorman & Company, Inc.	Fred W. Parris Towers/Little Rock/Pulaski County	ACQ/REHAB	5 HOME /250 UNITS	$0.00	9/5/2016	APPROVED-FAF and MSF W/BOND ISSUE	09/15/16		$0.00	Alison	Other Funding Sources-no HOME	9/15/2016	N/A
Cumberland Towers, LLC	Gorman & Company, Inc.	Cumberland Towers/Little Rock/Pulaski County	ACQ/REHAB	5 HOME /178 UNITS	$0.00	9/5/2016	APPROVED-FAF and MSF W/BOND ISSUE	09/15/16		$0.00	Alison	Other Funding Sources-no HOME	9/15/2016	N/A
Jesse Powell Towers, LLC	Gorman & Company, Inc.	Jesse Powell Towers/Little Rock/Pulaski County	ACQ/REHAB	5 HOME /169 UNITS	$0.00	9/5/2016	APPROVED-FAF and MSF W/BOND ISSUE	09/15/16		$0.00	Alison	Other Funding Sources-no HOME	9/15/2016	N/A
The Mansion at Mill Creek LLC	Leisure Homes Corporation Thomas J Embach (870) 424-7460	Mansion at Creek Patio Homes/Springdale/Washington County	RNC DETACHED	7 UNITS HOME/80 UNITS	$630,000.00		DENIED			$0.00	Alison	Denied	9/16/2016	N/A
MULTI-FAMILY - NEW CONSTRUCTION AND REHAB APPLICATIONS: Total					$10,842,996.00					$7,012,996.00				
TBRA APPLICATIONS:														
Bradley Housing Authority	Mollye McCalman, 870-894-3554, mollyeconway@yahoo.com	Bradley Housing Authority/Lafayette County	TBRA	22 TENANTS	$97,416.00	11/5/2012	APPROVED	11/15/12		$97,416.00	Michael	Committed	12/3/2012	N/A
Pathfinder, Inc.	Mike McCreight, 501-982-0528, mmcreight@pathfinderinc.org	Pathfinder, Inc./Pulaski County	TBRA	17 TENANTS	$134,095.20	6/10/2013	APPROVED	06/20/13		$134,095.20	Michael	Committed	6/24/2013	N/A
Life Styles, Inc.	Dottie Hattal, 479-521-3581	LifeStyles, Inc./Washington & Benton Counties	TBRA	20 TENANTS	$65,120.00	2/10/2014	APPROVED	02/20/14		$65,120.00	Michael	Committed	3/5/2014	N/A
Northwest Regional Housing Authority	Ken McDowell, 870-741-5522	Northwest Regional Housing Authority/Baxter, Boone, Carroll, Madison, Marion, Newton, Searcy Counties	TBRA	91 TENANTS	$223,704.00	12/9/2013	APPROVED	12/19/13		$223,704.00	Michael	Committed	1/6/2014	N/A

Home Applications Pipeline Report
As of 10/10/2016

APPLICANT NAME	CONTACT	PROJECT NAME/CITY/COUNTY	TYPE OF CONSTRUCTION	# OF HOME UNITS / TENANTS	TOTAL REQUEST	FINAL REVIEW DATE	HRC STAFF RESULTS	BOARD REVIEW	HO-REHAB TOTAL of SUPPORTING PROJECTS	TOTAL APPROVED	PROGRAM OFFICER	PIPELINE STATUS	DATE OF STATUS	ER Complet Yes / N
Spa Area Independent Living Services, Inc.	Brenda Stinebuck, 501-624-7710, bstinebuck@ar-sails.org	Spa Area Living Independent Living Services, Inc/Garland Saline and Hot Spring Counties	TBRA	31 TENANTS	$225,000.00	7/7/2014	APPROVED	07/17/14		$225,000.00	Michael	Committed	7/17/2014	N/A
Pulaski County Community Services	Shonda McElwee, 501-340-6157, smcelwee@pulaskicounty.net	Pulaski County Community Services/Pulaski County	TBRA	37 TENANTS	$221,556.00	2/9/2015	APPROVED	02/19/15		$221,556.00	Michael	Committed	4/6/2015	N/A
White River Regional Housing Authority (Region 1)	Katy Blevins, 870-368-5200, kblevins@wrrha.com	White River Regional Housing Authority - Region 1/Ash Flat, Melbourne, Van Buren/Cleburne, Van Buren, Izard, Sharp, Stone Counties	TBRA	65 TENANTS	$225,000.00	10/5/2015	APPROVED	10/15/15		$225,000.00	Michael	Committed	11/10/2015	N/A
White River Regional Housing Authority (Region 2)	Katy Blevins, 870-368-5200, kblevins@wrrha.com	White River Regional Housing Authority - Region 2/Augusta, Bradford, Swifton, Tuckerman, Newport, McCrory/Independence, White, Jackson, Woodruff Counties	TBRA	60 TENANTS	$225,000.00	10/5/2015	APPROVED	10/15/15		$225,000.00	Michael	Committed	11/10/2015	N/A
LifeStyles, Inc	Dottie Hattal-479-521-3581	LifeStyles, Inc./Washington & Benton Counties	TBRA	20 TENANTS	$72,784.00	1/11/2016	APPROVED			$72,784.00	Michael	Committed	1/29/2016	N/A
Little Rock Housing Authority DBA Metropolitan Housing Alliance	Jeannie Owens, 501-413-8585 or 501-340-4821	Metropolitan Housing Alliance/Pulaski County	TBRA	180 TENANTS	$522,720.00	7/8/2016	APPROVED	07/18/16		$522,720.00	Martha	Committed	7/27/2016	N/A
TBRA APPLICATIONS: Total					$2,012,395.20					$2,012,395.20				
Grand Total					$28,782,464.48					$18,170,357.10				

STAFF HOUSING REVIEW COMMITTEE
ACTION MEMORANDUM

Staff HRC Meeting:
October 10, 2016

Prepared by: Lornea A. Wells

HOUSING PARTNER	
Name of Entity:	**White River II, LP**
Address of Entity:	**900 South Gay Street, Suite 2000** **Knoxville, Tennessee 37902**
Contact Person:	**W. Carr Hagan III**
Phone:	**865-549-7448**
Email Address:	**chagan@lhp.net**
DEVELOPMENT INFORMATION	
Name of Developments:	**White River Apartments** **2900 Marion Drive** **Diaz, Arkansas 72112**

ACTION REQUESTED

Request for the approval of Olympus Construction, Inc. as the general contractor in connection with the 2016 Multifamily Housing Application for White River Apartments (the "Development").

BACKGROUND INFORMATION

- The Development was approved for a reservation of 2016 tax credits. The developer had not named a general contractor at the time the application was approved.
- The developer sent out notice of bids and chose the bid of Olympus Construction, Inc.
- Olympus is located in Jonesboro and has been in the construction industry for 35 years. Olympus has delivered its resume, Arkansas license and all other documents required by ADFA's multifamily housing application.
- The change fee of $500 has been paid.

FINAL RECOMMENDATION OF STAFF HOUSING REVIEW COMMITTEE

Staff Recommends Approval.

STAFF HOUSING REVIEW COMMITTEE
ACTION MEMORANDUM

Staff HRC Meeting:
October 10, 2016

Prepared by: Lornea A. Wells

HOUSING PARTNER	
Name of Entity:	Leisure Homes Corporation
Address of Entity:	351 E. 4th Street, Suite 2 Mountain Home, Arkansas 72653
Contact Person:	Thomas J. Embach
Phone:	870-424-7460
Email Address:	main@leisurehomes.us

DEVELOPMENT INFORMATION

Name of Development: **East Oakwood Apartments**

ACTION REQUESTED

Request for approval for Thomas E. Embach, Trustee of the Thom E. Embach Gift Trust to purchase the Raymond James partnership interest in East Oakwood Apartments.

BACKGROUND INFORMATION

- East Oakwood Apartments received tax credits in 1998.
- Raymond James, the limited partner, wishes to sell its limited partnership interest.
- A change fee of $500 has been received.
- All above-mentioned developments are in compliance.

FINAL RECOMMENDATION OF STAFF HOUSING REVIEW COMMITTEE

Denied.

STAFF HOUSING REVIEW COMMITTEE
ACTION MEMORANDUM

Staff HRC Meeting:
October 10, 2016

Prepared by: J. Benjamin Van Kleef

HOUSING PARTNER

Name of Entity:	**Arkansas Development Finance Authority**

ACTION REQUESTED

Requests approval of an amendment to the Draft Allocation Plan for the National Housing Trust Fund ("NHTF").

BACKGROUND INFORMATION

- The NHTF is a new affordable housing production program that will complement existing Federal, State and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income (ELI) and very low-income households (VLI), including homeless families.
- On March 1, 2016, Governor Hutchinson designated ADFA as the State Designated Entity to administer the NHTF Program.
- On July 21, 2016, the ADFA Board of Directors approved the Draft Allocation Plan.
- On September 14, 2016, ADFA held a public hearing to solicit comments from the public.
- Two items addressed at the public hearing have been incorporated into the attached amended Draft Allocation Plan

FINAL RECOMMENDATION OF STAFF HOUSING REVIEW COMMITTEE

Not Presented at Staff Housing Review Committee.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
NATIONAL HOUSING TRUST FUND ALLOCATION PLAN

A. The National Housing Trust Fund

The National Housing Trust Fund ("NHTF") is a new affordable housing production program that will complement existing federal, State and local efforts to increase and preserve the supply of decent, safe and sanitary affordable housing for extremely low-income ("ELI") and very low-income households ("VLI"). ELI households are at or below 30% of area median income (AMI). VLI households are at or below 50% AMI.

NHTF funds will be distributed by formula. As specified in its enabling legislation, Grantees, like the Arkansas Development Finance Authority ("ADFA") in its role as the designated administrator of NHTF funds for the State of Arkansas ("State"), is required to use at least eighty (80) percent of each annual grant for rental housing; may use up to ten (10) percent for homeownership housing and up to ten (10) percent for the grantee's reasonable administrative and planning costs.

NHTF funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction and/or rehabilitation of non-luxury housing with suitable amenities. All NHTF-assisted rental housing must meet a minimum affordability period of thirty (30) years. All NHTF-assisted homeownership housing must meet the minimum affordability period of 10, 20 or 30 years based on the amount of NHTF invested in the unit.

B. Development of ADFA's Use and Allocation of Housing Trust Funds

ADFA has been responsible for preparing housing needs assessment and strategy for the State since the inception of the HOME Investment Partnerships Program ("HOME"). In 1995, HUD created the Consolidated Plan in an effort to blend the four Community Planning Development ("CPD") programs – Community Development Block Grant ("CDBG"), HOME Program, Emergency Shelter Grants ("ESG") and Housing Opportunities for Persons with AIDS ("HOPWA") – into a single submission process for the purposes of the Consolidated Plan.

ADFA, as administrator of the HOME program, was deemed responsible for writing the housing portion of the new document. The Consolidated Plan provided a detailed overview of how the State planned to utilize its annual CPD funding to meet economic development objectives, provide affordable housing and address other special needs. As a contributor, ADFA offered a detailed analysis of the current status of housing in Arkansas with special attention devoted to the condition of housing and housing affordability.

Thousands of Arkansas families and households need a safe and affordable place to live. A great many unmet needs still exist, and ADFA will use the limited resources available to address as many unmet needs as feasible across the State.

In addition to providing an overall assessment of housing needs for the State, the Consolidated Plan identifies the housing needs associated with special needs groups (minorities, single-parent families, elderly people with disabilities, mental illness or AIDS/HIV and homeless persons). A demographic analysis performed for the first Consolidated Plan, which holds still true today, concluded that a significant number of individuals in all parts of the State are in need of housing assistance. Those with the greatest needs are, predictably, concentrated at the lowest levels of the income hierarchy, wherein the housing cost burden is also the most severe.

A component of the Consolidated Plan, the Analysis of Impediments to Fair Housing ("AI"), was updated in 2014, and submitted for HUD's review and approval with the Consolidated Plan in 2015. The purpose of developing the AI is to identify impediments to fair housing choice existing within Arkansas's non-entitlement communities so as to determine courses of action designed to address those impediments. The AI identified ten (10) primary areas of impediment to fair housing. Outreach and education were the recommended courses of corrective action, either in part or in total, for eight (8) of the identified impediments. To that end, ADFA will encourage and offer Fair Housing training efforts to measurably overcome the identified impediments. Arkansas's Consolidated Plan and the Analysis of Impediments to Fair Housing are available at http://adfa.arkansas.gov.

The NHTF program will be administered by ADFA and will be utilized to provide funds to develop new construction and/or for the rehabilitation of decent, safe and sanitary rental housing, primarily targeting a specific underserved ELI population in the State. ADFA anticipates allocating available NHTF funds to an initial preference of expanding the overall housing supply for the benefit of ELI households with the incomes at or below the poverty line (whichever is greater) for the homeless and/or transitioning veteran(s) located in primarily rural areas (or non-metropolitan areas).

C. General Housing Trust Funds Requirements

This NHTF Plan seeks to ensure that, where economically feasible, applicants will have an opportunity to compete for funding to address their unmet rental housing needs. ADFA has established certain threshold housing requirements to be used in the allocation of NHTFs.

1) *Geographic Diversity* – ADFA anticipates allocating available NHTF to expand the overall rental housing supply located throughout the State in metro and/or rural areas (or non-metro areas) as defined by HUD area definitions.

2) *Applicant Capacity* – The applicant's ability to undertake and complete the construction and/or rehabilitation of the proposed type of housing in a timely manner. Applicant must have the financial capacity to complete the proposed type of housing in a timely manner. Applicant must have the financial capacity to complete the proposed development. The applicant must provide a list of

experienced development team members such as a general contractor, architect and legal counsel.

3) *Rental Assistance* – Due to the targeted population of ELI, the ability to secure rental assistance so that rents are affordable to ELI families will be a major factor in the success of any proposed development.

4) *Duration of Affordability Period* – All NHTF rental units must have affordability requirements for a minimum of thirty (30) years.

5) *Housing Needs of the State* – ADFA has identified a housing need for ELI households.

6) *Leveraging* – The applicant should provide additional sources of funds such as other soft funds for construction, permanent financing and/or operating expenses.

7) *Limitation on Beneficiaries or Preferences* – ADFA will give a preference to veterans who are homeless (or at risk of homelessness) or suffer from mental illness.

D. Eligible Activities

The eligible activities for NHTF under this plan will be for the development of new construction and/or rehabilitation of single-family homes and multifamily residential. All projects are required to meet ADFA's Minimum Design Standards. These are minimum design standards and ADFA permits applicants to exceed these project standards. Each applicant may construct the proposed project in a manner that reflects applicant goals and/or that exceeds the local building codes. Also, most related softs costs are eligible expenses.

E. Eligible Recipients

ADFA will distribute NHTF by directly selecting applications submitted from eligible recipients and will not use sub-grantees in the 2016 allocation cycle. ADFA will accept applications from for-profit and non-profit organizations meeting the applicant capacity criteria as outlined herein. No NHTF application will be processed for any applicant or related entity which is not in good standing with ADFA and any other State housing finance authority, The Arkansas Economic Development Commission ("AEDC"), HUD and USDA Rural Development. An applicant can be denied consideration of the NHTF funds under Arkansas's NHTF Program if the applicant or its related parties have a history of payment delinquencies, bankruptcy, foreclosure or activities determined to be unsound or lawful.

F. Maximum Allocation of HTF

ADFA will receive $3,000,000.00 in 2016 NHTF funds. ADFA will allocate funds based on the eligible activities and funding priorities outlined in ADFA's Housing Trust Fund Allocation Plan ("AHTF Plan"). ADFA will award NHTF funds as forgivable grants to applicants whose proposed developments are approved for funding. The NHTF will remain a forgivable grant, as long as the development remains in compliance with NHTF and ADFA requirements for the entire affordability period of thirty (30) years. ADFA estimates the following use of NHTF funds for the State:

2016 HTF Funds Received :	**$3,000,000.00**
USES:	
Grant	$2,700,000.00
Administration Fee	$300,000.00

No single applicant/recipient may receive more than $450,000.00.

G. Maximum Per Unit Development Subsidy Limits

As the administrator of the Low-Income Housing Tax Credit and HOME funds, ADFA determines the "Reasonableness of Project Costs" annually. Reasonable project costs are determined by comparing aggregate cost data based on all applications received compared to historical cost certification cost data of completed projects and current cost data provided by ADFA third-party construction consultant reports. After evaluating all the data, reasonable standard project hard construction costs and soft costs are established. ADFA has used the same methodology in determining the maximum per-unit development subsidy limit for housing assisted with NHTF funds for all areas of State.

H. Minimum Number of Proposed Units

A single proposed development may not contain less than ~~five (5)~~ four (4) units designated and reserved for ELI or VLI households.

I. Application Process

ADFA will evaluate each application to determine which projects should receive an award of NHTF funds. All applicants must submit an application which includes evidence sufficient to ADFA that the applicants proposed project at minimum meets all of the housing priority factors in order to be considered for funding. ADFA may conduct a site visit(s) to inspect the proposed project site(s) and/or consult with a third party for professional services in evaluating each application requesting NHTF funds. To facilitate the evaluation process, all applicants must complete the following basic steps

1) Submit a complete application to ADFA. All or portions of the application may be required to be submitted online. After applications are submitted, ADFA will conduct a completeness review. The application will be deemed complete if the application package contains, at a minimum, the following:

    - All required ADFA-provided forms for current year application will be posted at www.ADFA.arkansas.gov prior to the beginning of the application cycle. ADFA will post these forms as they become available and applicants should check www.ADFA.arkansas.gov regularly in order to begin work on the required forms as soon as possible. All ADFA-provided forms should be submitted with original signatures, legible and all applicable spaces fully completed.
    - All required third-party documents. ADFA will post the NHTF application checklist and instructions for the complete list of required documents as provided at www.ADFA.arkansas.gov prior to the beginning of the application cycle.
    - All applicants must comply in all respects with ASTM E1527-13 (the "ASTM Standards") as to content and adhere to ADFA's Environmental Policy Requirements for purposes for determining whether the property is environmentally suitable for construction of residential housing.

    After the initial review, each applicant will be contacted via e-mail regarding any missing/or incomplete items or documents. Upon notice, applicants must submit all missing and/or incomplete items or documents in order to be considered for funding.

2) Provide evidence that the project is an eligible activity under this NHTF plan and meets basic occupancy and rent restrictions required of NHTF regulations. The rental housing units must be under common ownership, deed, financing and property management.

3) Demonstrate that the project is financially feasible.

4) Demonstrate the likelihood of sustained thirty (30) year affordability period with ADFA's requirements and the NHTF Regulations.

J. ADFA Housing Priorities and Scoring Criteria

Funds will be awarded based on the application (at a minimum) meeting the general NHTF requirements listed above and the total score of the application. Once ADFA has determined that the application meets or exceeds all requirements, ADFA will award funds to highest-scoring project until all NHTF funds have been allocation.

In the event of a tie between two or more applications, the projects will be ranked in the following order to determine which applicant will receive priority:

1) The application with the greatest amount of additional subsidy per unit; and
2) The application with a proposed project which is closest to the nearest Veterans Administration Facility; and
3) The application with the fewest missing documents and/incomplete forms as determined by ADFA during the completeness review.

ADFA reserves the right to deny a NHTF allocation to any applicant or project, regardless of that applicant's point ranking if, in ADFA's sole determination, the applicant's proposed project is not financially feasible or viable. Regardless of strict numerical ranking, the scoring does not operate to vest in an applicant or project any right of allocation in NHTF funds in any amount. ADFA will in all instances reserve and allocate NHTF funds consistent with sound and reasonable judgment, prudent business practices and the exercise of its inherent discretion.

1) Points Gained

a. *Geographic Diversity* – A funding priority **(5 points)** will be given to applications in rural areas (or non-metropolitan areas as defined by HUD area definitions) that are expanding the overall rental housing supply for the benefit of ELI households.

b. *Applicant Capacity* – A funding priority **(15 points)** will be given to the applicant's ability to provide evidence of serving the veterans homeless and/or ELI populations. The applicants must describe their strategy for addressing homeless and/or ELI population housing problems. They will provide specific data quantifying the types of assistance or services provided to homeless veterans or ELI individuals and families. Applicants must describe their staff capacity. Provide specific details to direct or related experience with service provision to veterans and homeless individuals and families or those at-risk of homelessness. Applicants will provide their plan to coordinate and integrate NHTF built housing with other programs targeted to serving veterans and homeless persons and with mainstream resources for which program participants may be eligible.

c. *Rental Assistances* – A funding priority **(15 points)** will be given to applicants with projects that have secured federal, State or local project-based and/or voucher(s) for rental assistance so that rents are affordable to extremely low-income families.

d. *Duration of Affordability Period* – A funding priority of (**5 points**) will be given for projects that demonstrate the ability to remain financially feasible five (5) years beyond the required thirty (30) year period.

e. *Leveraging* – A funding priority **(maximum 25 points)** will be given to applicants that have a commitment from other non-federal sources. To qualify for points for receiving additional subsidies, the funds may be loaned (required repayment) or granted during construction and/or as a permanent source of funds.

25 points - ~~$350,001 +~~ Greater than 75% per unit
15 points - ~~$175,001 - $350,000~~ 50% to 75% per unit
10 points - ~~$100,000-0 $175,000~~ Greater than 25% to per unit

f. *Limitation on Beneficiaries or Preferences* – A funding priority **(25 points)** for targeting the rental housing need for ELI veterans who are homeless (or at risk of homeless) or suffer from mental illness. The applicants must identity the veteran homeless and ELI population needing assistance in their service area. Applicants should specifically address the needs (housing and services) of the veterans homeless and/or ELI persons in their service area. They should use quantifiable data, specific to their service area, to the maximum extent possible. Data should include the number of individuals and families actually served during the last calendar year as well as specific services provided.

2) Points Lost

Points will be deducted from applications that contain sites with the following negative neighborhood characteristics:

Two (2) points each will be deducted if any of the following incompatible uses are adjacent to the site. Adjacent is defined as nearby, but not necessarily touching. The following list is not all inclusive.

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater Treatment facility	Industrial
Distribution facilities	Airports
Electrical utility substations	Prison or Jail
Adult video/theater/live entertainment	Solid waste disposal

One (1) point each will be deducted if any of the following incompatible uses are within .5 mile of the site. The list is not all inclusive:

Junk yard or dump	Pig or chicken farm
Salvage yard	Processing plants
Wastewater Treatment facility	Airports
Prison or Jail	Solid waste disposal

Points will not be deducted for a prison, jail or detainment facility if it is co-located with a law enforcement office.

K. Barriers to Addressing the ELI and Veteran ELI Population

Various obstacles to addressing the ELI population exist across the State. In the rural counties, transportation is a major issue. Nonexistent public transportation limits access to mainstream resources and required services specifically for the ELI veterans that may have a physical and/or other impairment(s). Insufficient funding for resources and servicers at various levels of government entities or government supported entities negatively impacts the needs of ELI persons. The shortage of affordable permanent housing, job loss, unemployment and the lack of affordable healthcare are all barriers to the ELI population to access affordable housing.

It will be very challenging for developments to be successful in reaching specific ELI populations and areas of extreme high ELI households and remain economically feasible for thirty (30) years. It will require every respective stakeholder (mental health and physical health service providers, veterans advocates and groups, non-profits and local governments) to be proactive toward; a) providing additional funding sources and incentives as available; b) helping to remove regulatory and discriminatory barriers; and c) seeking experienced development partners to assist in creating housing solutions for the respective ELI populations and areas of the State.

L. Compliance with NHTF Regulations

Each eligible recipient must certify that housing units assisted with NHTF funds will comply with all NHTF requirements. The certification must include:

- The number of units in a NHTF-assisted project by income group: ELI, VLI, moderate income and above moderate income; and
- A Statement declaring that all tenants of a NHTF-assisted development meet the income limits as required by relevant program guidelines; and
- A Statement declaring that recipient will comply with rent limits, determined to be no more than thirty percent (30%) of the area median income.

ADFA staff will monitor each NHTF project on-site at least once prior to the completion of the project and at least once every three years through the entire affordability period. ADFA will review for compliance with the NHTF Plan, eligibility requirements, housing construction standards (24 CFR 93.301), rent reasonableness, affirmative outreach (24 CFR 93.350), tenant protections and selection (24 CFR 93.303), fair housing and financial management.

After each monitoring visit, written correspondence will be sent to the NHTF recipient describing the results of the review in sufficient detail to clearly describe the areas that were covered and the basis for any conclusions reached. Monitoring determinations will range from "acceptable" to "findings" with appropriate corrective measures imposed. Corrective measures may include certifications that inadequacies will be resolved, documentary evidence that corrective actions have been instituted or reimbursement of disallowed costs.

M. Performance Goals

As of 2014, Arkansas had 249,274 veterans living in the State. Many of these veterans in Arkansas fall in the ELI category. These ELI veterans are severely cost burdened. They are at risk of becoming homeless and some suffer mental illness. This number will most likely continue to increase.

Reaching out to veterans and ELI population (especially unsheltered persons and homeless) and assessing their individual needs can be difficult. ADFA has established the following goals in meeting the needs of the veterans in the State through NHTF funds:

1) Decrease the number of veterans by fifteen (15) who are unsheltered and/or homeless by providing affordable housing units and to increase the provision of services to them.
2) Provide fifteen (15) affordable housing units to veterans that fall into the ELI category.
3) Help veterans (especially chronically homeless individuals and families, families with children) make the transition to permanent housing and independent living.

4) Facilitate access for veterans and all ELI individuals and families to affordable housing units and prevent individuals and families who were recently homeless from becoming homeless again.
5) Increase awareness of permanent housing and services for ELI veterans and ELI households.

ADFA will monitor developments receiving NHTF for the following specific goals:

- Impact of NHTF-funded projects that reached veterans unsheltered and/or homeless.
- Number of veteran ELI households served by NHTF-funded projects.
- Number of veteran ELI households with mental illness which were served by NHTF-funded projects.
- Number of ELI households served by NHTF-funded projects.
- The extent to which the development met the overall goal established by the NHTF Plan and ADFA.

Recipients will develop performance goals that best quantify the NHTF developments' impact for their local areas' veteran and ELI populations. Performance goals specific to the specific geographic area will be evaluated to determine if the NHTF goals have been achieved.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY

Board of Directors' Audit Committee

September 15, 2016

Bessie Moore Conference Room
Second Floor
900 West Capitol
Little Rock, Arkansas

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Called to Order: Committee Chair John Cooley called the meeting of the Board Audit Committee to order at 10:33 a.m.

Committee Members Present: John Cooley, Tom Spillyards, Stan Green and Sarah Capp.

Committee Member Absent: Anthony Brooks

Staff Members Present: Aaron Burkes, Robert Arrington, Patrick Patton, Brad Henry, Cheryl Schluterman, Judy Brummett, Derrick Rose, Jack Bell, Debbie Gentry, Kristy March, Katherine Hall, Kim Poposky, Hope Lewis, Tracy Green, Paula Farthing, Cathy Gannaway, Latryce Long, Netta Hemingway, Barbara Whittaker, Charles Lynch, Ruby Dean, Kay Mallett, Missy Burroughs and Kim Henderson.

Minutes: Minutes from the June 16, 2016 meeting of the Board Audit Committee approved were unanimously approved.

Discussion Surrounding the Arkansas State Bank Exam: A draft report of State Bank's examination of 100% of the Bond Guaranty's Portfolio was presented by Patrick Patton and was approved unanimously by the Audit Committee members.

Discussion Surrounding the Internal Audit of the Neighborhood Stabilization Program III: Patrick Patton presented the Internal Audit of the NSP III Program. The Audit Committee approved the report unanimously.

Discussion Surrounding the Farm Service Agency (FSA) Audit of the Agriculture Mediation Program (AMP): Mr. Patton presented the findings of the FSA's analysis of the program FY2013-FY2015. The findings indicated that Arkansas' AMP analysis indicated all funding was accounted for.

Discussion Surrounding the SSAE 16 Review and USAP Review: Mr. Patton indicated the findings at Regions Trust, Bank of New York Mellon Global Trust and US Bank do not impact ADFA's accounts. The members of the Audit Committee approved the report unanimously.

Adjournment: There being no additional business to be brought before the ADFA Board of Directors' Audit Committee, the meeting adjourned at 10:44 a.m.

Aaron Burkes
Arkansas Development Finance Authority
President

REPORT OF THE
INTERNAL AUDIT OF THE HOME DEPARTMENT
OF
THE ARKANSAS DEVELOPMENT FINANCE AUTHORITY

October 11, 2016

ADFA

October 11, 2016

The Audit Committee
Of the Board of Directors
Of the Arkansas Development Finance Authority

We have completed our examination of the HOME Department ("Department") of the Arkansas Development Finance Authority ("ADFA") that began June 1, 2016. Our examination was made for the purpose of studying and evaluating the internal controls surrounding the Department's policies and procedures. The audit did include some limited testing for compliance of the policies and procedures for the Department.

We reviewed the Department's policies and procedures for adequacy and documented the controls being currently followed within the Department. The audit procedures were designed to document the processes in place and to provide limited assurance that the controls are being followed.

An overview of the HOME Department and the results of the audit work performed are included in the following pages.

Arkansas Development Finance Authority
Internal Audit

HOME Department ("Department") Overview

The HOME Department is a part of the Housing Division at ADFA. ADFA receives and administers funds provided by the HOME Investment Partnerships Act. The HOME Investment Partnerships Program was created to provide funds to expand the supply of affordable housing for very low-income and low-income persons. The ADFA HOME Department has four main divisions; the HOME Rental Housing Program, the Homeowner Housing Programs – Owner Occupied and Homebuyer, and the Tenant-Based Rental Assistance ("TBRA"). HOME Program regulations consist of 24 CAFR Part 92, dated September 16, 1996.

<u>HOME Department</u>

1. It was noted during our audit that all of the processes and functions surrounding the HOME Program have not been formally documented. We recommend that the internal operating procedures relating to the HOME Program are documented.

   The Vice President of Housing stated that the HOME Department is continuing its efforts to formalize all internal processes and functions. A turnover in management has delayed these efforts to some degree.

2. We noted numerous instances of inconsistent information during our review of the ADFA website, including non-working links, and missing forms listed as available on the website. We recommend that the ADFA website HOME Program information is reviewed for consistency and accuracy in its entirety and that the noted incorrect information is reviewed and amended.

   The Vice President of Housing stated that the HOME Department will be meeting with ADFA's web content editor to correct the inconsistencies, non-working links, and missing forms that have occurred due to the transition to ADFA's new website.

3. During our audit we noted that the problem loan list maintained by the Loan Servicing Department has not been consistently distributed to the HOME staff for review. This list identifies 25 loans for which copies of final documents or corrected/amended documents are needed, with a range of 200 to 4000 days outstanding. We recommend that a procedure is implemented to ensure that the Loan Servicing Problem Loan list is consistently distributed to the HOME staff for review and corrective action.

   The Vice President of Housing stated that the HOME Department will be partnering with Loan Servicing to implement procedures so that the Problem Loan list is consistently distributed to the HOME staff for review and to take corrective action.

4. We noted during our loan file review that the process of scanning documentation was not defined or consistent. Different items have been scanned to the I-drive. The entire loan file has not been scanned in all instances. The electronic labeling is not consistent and difficult to interpret. We recommend that a procedure is implemented

to ensure that the required documents are scanned and labeled in order to maintain consistency and locate loan file documentation.

The Vice President of Housing stated the HOME Department will be implementing quality control measures to ensure standardization and accurate scanning procedure.

5. During our audit we noted that the forms utilized by the HOME staff to document review of the multi-family projects did not include the signature of the reviewer. We recommend that the review/approval forms for HOME funding for multi-family projects are amended to include a signature line for documentation purposes.

   The Vice President of Housing stated that the HOME Department will be amending its underwriting procedures to include a signature line for each reviewer, as well as, implementing quality control measures to ensure all internal underwriting procedures are followed properly.

cc: Aaron Burkes, President
Ben Van Kleef, Vice President of Housing
Audit Committee
Audit File

REPORT OF THE
INTERNAL AUDIT OF THE INVESTMENT DEPARTMENT
OF
THE ARKANSAS DEVELOPMENT FINANCE AUTHORITY

October 11, 2016

ADFA

October 11, 2016

The Audit Committee
Of the Board of Directors
Of the Arkansas Development Finance Authority

We have completed our examination of the Investment Department ("Department") of the Arkansas Development Finance Authority ("ADFA") that began September 9, 2016. Our examination was made for the purpose of studying and evaluating the internal controls surrounding the Department's policies and procedures. The audit did include some limited testing for compliance of the policies and procedures for the Department.

We reviewed the Department's policies and procedures for adequacy and documented the controls being currently followed within the Department. The audit procedures were designed to document the processes in place and to provide limited assurance that the controls are being followed.

An overview of the Investment Department and the results of the audit work performed are included in the following pages.

Arkansas Development Finance Authority
Internal Audit

Investment Department ("Department") Overview

Unrestricted funds that are not pledged to a specific bond issue are invested by ADFA in accordance with the guidelines outlined by the ADFA Investment Policy – General Fund, amended and adopted by the Board of Directors on December 17, 2015. The investment policy directs the deployment of the funds to earn the maximum return while protecting principal and maintaining sufficient liquidity. Investment policy objectives:

- To maintain liquidity which is sufficient to meet projected operating and bond issuance needs.
- To ensure safety of principal and interest earnings through investment in securities with low market pricing risk and interest rate risk.
- To maximize opportunities consistent with ADFA's liquidity and safety requirements, while providing a suitable balance related to quality and diversification to the portfolio.

The investment portfolio is managed by the Vice President for Finance and Administration and selected staff. A Consolidated Summary is included every quarter in the ADFA Board Report, which provides a list of investments by type and maturity, cash balances by fund type, and a breakdown of cash and investments by program. An Investment Committee appointed by the Board of Directors meets as needed to review the existing investment securities portfolio and to discuss the Authority's investment strategies.

No exceptions were noted.

cc: Aaron Burkes, President
Cheryl Schluterman, Vice President for Finance and Administration
Audit Committee
Audit File

Audit Committee and Board of Directors
Arkansas Development Finance Authority
Little Rock, Arkansas

As part of our audits of the financial statements and compliance of Arkansas Development Finance Authority (the Authority), a Component Unit of the State of Arkansas, as of and for the year ended June 30, 2016, we wish to communicate the following to you:

AUDIT SCOPE AND RESULTS

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred. In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Authority's significant accounting policies are described in *Note 1* of the audited financial statements. With respect to unusual accounting policies or accounting methods used by the Authority for unusual transactions, no matters are reportable.

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Adequacy of the allowance for loan and lease losses
- Valuation of investment securities portfolio

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Allowance for loan and lease losses
- Fair value of investment securities

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate. No audit adjustments were proposed.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Authority's application of accounting principles:

- The Authority makes certain assumptions in evaluating the allowance for loan losses. The evaluation is inherently subjective, and it requires estimates that are susceptible to significant revision as more information becomes available. Management's method of evaluating the allowance for loan losses is consistent with financial industry practice.

- The Authority implemented GASB Statement No. 72 – *Fair Value Measurement and Application.*

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

- No matters are reportable

During the Audit Process

During the audit process, the following issues were discussed or were the subject of correspondence with management:

- No matters are reportable

Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies.

OTHER MATTERS

We observed the following matters and offer these comments and suggestions with respect to matters which came to our attention during the course of the audit of the financial statements. Our audit procedures are designed primarily to enable us to form an opinion on the financial statements and, therefore, may not bring to light all weaknesses in policies and procedures that may exist. However, these matters are offered as constructive suggestions for the consideration of management as part of the ongoing process of modifying and improving financial and administrative practices and procedures. We can discuss these matters further at your convenience and may provide implementation assistance for changes or improvements.

Additional GASB Standard

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75): GASB 75 replaces the requirements of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administers through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017 and requires restatement of any prior years presented, if practical.

While not effective in the short term, we recommend the Authority begin assessing the potential impact on the financial statements of both of these statements and begin the process of communicating this impact with those charged with governance and other stakeholders. Similar to the adoption of GASB Statement No. *68, Accounting and Financial Reporting for Pensions,* the adoption of 75 will require advance coordination with plans and actuaries so that the required information is available.

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This letter is intended solely for the information and use of the Audit Committee, the Board of Directors and management and is not intended to be and should not be used by anyone other than these specified parties.

October XX, 2016

Attachment

The Commissioners of the Arkansas Natural
Resources Commission (ANRC)
The Board of Directors of
Arkansas Development Finance Authority (ADFA)
Little Rock, Arkansas

As part of our audits of the financial statements and compliance of the State of Arkansas Construction Assistance Revolving Loan Fund Program and the State of Arkansas Safe Drinking Water Revolving Loan Fund Program (the Programs), as of and for the year ended June 30, 2016, we wish to communicate the following to you.

Auditor's Responsibility Under 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 and U.S. Office of Management and Budget (OMB) Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) (or OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*)[(B)]

An audit performed 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 and U.S. Office of Management and Budget (OMB) Uniform Guidance (or OMB Circular A-133, *Audits of States, Local Governments, and Nonprofit Organizations*)[(B)] is designed to obtain reasonable, rather than absolute, assurance about the financial statements and about whether noncompliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on a major federal program occurred.[(P)] In performing auditing procedures, we establish scopes of audit tests in relation to the financial statements taken as a whole. Our engagement does not include a detailed audit of every transaction. Our engagement letter more specifically describes our responsibilities.

These standards require communication of significant matters related to the financial statement and compliance audits that are relevant to the responsibilities of those charged with governance in overseeing the financial reporting process. Such matters are communicated in the remainder of this letter or have previously been communicated during other phases of the audit. The standards do not require the auditor to design procedures for the purpose of identifying other matters to be communicated with those charged with governance.

Audits of the financial statements and compliance do not relieve management or those charged with governance of their responsibilities. Our engagement letter more specifically describes your responsibilities.

Qualitative Aspects of Significant Accounting Policies and Practices

Significant Accounting Policies

The Programs' significant accounting policies are described in *Note 1* of the audited financial statements. With respect to unusual accounting policies or accounting methods used by the Programs for unusual transactions, no matters are reportable.

Critical Accounting Policies and Practices

Critical accounting policies and practices are those that are both most important to the portrayal of the Programs' financial position, results of operations and cash flows and require management's most difficult, subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain. Critical accounting policies and practices of the Programs include:

- Investment securities

Alternative Accounting Treatments

We had discussions with management regarding alternative accounting treatments within accounting principles generally accepted in the United States of America for policies and practices for material items, including recognition, measurement and disclosure considerations related to the accounting for specific transactions as well as general accounting policies, as follows:

- No matters are reportable

Management Judgments and Accounting Estimates

Accounting estimates are an integral part of financial statement preparation by management, based on its judgments. The following areas involve significant areas of such estimates for which we are prepared to discuss management's estimation process and our procedures for testing the reasonableness of those estimates:

- Valuation of investment securities portfolio

Financial Statement Disclosures

The following areas involve particularly sensitive financial statement disclosures for which we are prepared to discuss the issues involved and related judgments made in formulating those disclosures:

- Fair value of investment securities

Audit Adjustments

During the course of any audit, an auditor may propose adjustments to financial statement amounts. Management evaluates our proposals and records those adjustments which, in its judgment, are required to prevent the financial statements from being materially misstated. Some adjustments proposed were not recorded because their aggregate effect is not currently material; however, they involve areas in which adjustments in the future could be material, individually or in the aggregate. No audit adjustments were proposed.

Auditor's Judgments About the Quality of the Entity's Accounting Principles

During the course of the audit, we made the following observations regarding the Programs' application of accounting principles:

- The Programs implemented GASB Statement No. 72 – *Fair Value Measurement and Application.*

Disagreements with Management

The following matters involved disagreements which if not satisfactorily resolved would have caused a modified auditor's opinion on the financial statements:

- No matters are reportable

Consultation with Other Accountants

During our audit, we became aware that management had consulted with other accountants about the following auditing or accounting matters:

- No matters are reportable

Significant Issues Discussed with Management

Prior to Retention

During our discussion with management prior to our engagement, the following issues regarding application of accounting principles or auditing standards were discussed:

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Difficulties Encountered in Performing the Audit

Our audit requires cooperative effort between management and the audit team. During our audit, we found significant difficulties in working effectively on the following matters:

- No matters are reportable

Other Material Communications

Listed below are other material written communications between management and us related to the audit:

- Management representation letter (attached)
- We orally communicated to management other deficiencies in internal control identified during our audit that are not considered material weaknesses or significant deficiencies

*****

This letter is intended solely for the information and use of the Audit Committee, the Board of Directors, the Commissioners and management and is not intended to be and should not be used by anyone other than these specified parties.

October XX, 2016

Attachment

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

BKD LLP
CPAs & Advisors

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
June 30, 2016 and 2015

Contents

Independent Auditor's Report

The Board of Directors of
Arkansas Development Finance Authority (ADFA)

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Management's Discussion and Analysis
June 30, 2016 and 2015

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the Arkansas Development Finance Authority ("ADFA" or "the Authority"). Readers are encouraged to consider the information presented in conjunction with the financial statements and notes as a whole.

Understanding the Financial Statements

The June 30, 2016 basic financial statements include three required statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. Comparative totals as of and for the years ended June 30, 2015 and 2014, are also presented. These comparative totals are intended to facilitate an enhanced understanding of the Authority's financial position and results of operations for the current fiscal year in comparison to the prior fiscal years. The statement of net position and the statement of revenues, expenses and changes in net position are presented for all of ADFA's programs in the Combining Statements. ADFA has eight programs presented as supplementary information following the Notes to Financial Statements: Single Family Housing Programs, Federal Housing Programs, Multi-Family Programs, Economic Development Bond Guaranty Program, State Facilities and Amendment 82 Programs, Other Economic Development Programs, Tobacco Bonds Program and General Fund Programs. In addition, there is further information provided on the Single Family Housing Programs to detail the Authority's Single Family Mortgage Revenue Bond Resolution, adopted on July 20, 1995, which is part of the Single Family Mortgage Purchase Program and the New Issue Bond Program (NIBP). A description of each of these programs is included in *Note 1* of the Notes to Financial Statements. In 2015, ADFA adopted a new accounting principle GASB No. 68, applicable to prior years that resulted in a restatement of net position. These changes are reflected as a cumulative restatement to beginning net position in 2015. The balances presented for 2014 have not been restated for this change. See *Note 11* to the financial statements.

Condensed Statements of Net Position

(In thousands)	2016	2015	2014
Capital assets	$ 93	$ 62	$ 72
Other assets	947,375	1,001,221	1,146,047
Total assets	947,468	1,001,283	1,146,119
Deferred outflows of resources	1,176	967	183
Current liabilities	39,021	45,597	49,591
Noncurrent liabilities	584,801	642,671	789,434
Total liabilities	623,822	688,268	839,025
Deferred inflows of resources	412	1,093	-
Net position			
Restricted by bond resolution and programs	235,403	223,611	216,666
Invested in capital assets	93	62	72
Unrestricted	88,914	89,216	90,539
Net position	$ 324,410	$ 312,889	$ 307,277

June 30, 2016 to June 30, 2015

At June 30, 2016, total assets were $947.5 million compared to $1.00 billion at June 30, 2015, decreasing $53 million, or 5%. Total assets consisted primarily of investments of $376.2 million, cash of $106.4 million, loans (net of allowance) of $344.3 million and direct financing leases of $116.5 million at June 30, 2016.

Investments decreased $42.3 million, or 10%, to $376.2 million at June 30, 2016, from $418.5 million at June 30, 2015. The decrease is attributed to the principal receipts on mortgage-backed security balances, which were used to redeem outstanding bonds, primarily in the Single Family Housing Programs.

The Authority's current assets decreased $16.2 million, or 12%, to $122.6 million at June 30, 2016, from $138.8 million at June 30, 2015. The decrease is mainly attributable to the decrease in cash and cash equivalents from the disbursement of approximately $12.0 million of the remaining bond proceeds received at the end of June 2014.

Direct financing leases decreased $10.2 million, or 8%, since June 30, 2015. This decrease is primarily attributed to repayments on outstanding leases.

The Authority's current liabilities decreased to $39.0 million from $45.6 million. This decrease is attributed to funding contract obligations. Total noncurrent liabilities decreased $57.9 million, or 9%, since June 30, 2015, and consisted primarily of net bonds and notes payable. This decrease is attributed to bond redemptions exceeding new issuances. The decrease in total liabilities was mainly due to scheduled bond and note redemptions of $29.5 million and special and optional bond and note redemptions of $77.3 million offset by new issuances of bonds and notes of $45.0 million. Additional information on the Authority's long-term debt can be found in *Note 5* of the Notes to Financial Statements.

June 30, 2015 to June 30, 2014

At June 30, 2015, total assets were $1.00 billion compared to $1.15 billion at June 30, 2014, decreasing $145 million, or 13%. Total assets consisted primarily of investments of $418.5 million, cash of $117.7 million, loans (net of allowance) of $335.4 million and direct financing leases of $126.7 million at June 30, 2015.

Investments decreased $39.1 million, or 9%, to $418.5 million at June 30, 2015, from $457.6 million at June 30, 2014. The decrease is attributed to the principal receipts on mortgage-backed security balances, which were used to redeem outstanding bonds, primarily in the Single Family Housing Programs.

The Authority's current assets decreased $106.5 million, or 43%, to $138.8 million at June 30, 2015, from $245.3 million at June 30, 2014. The decrease is mainly attributable to the decrease in cash and cash equivalents from the disbursement of approximately $113.0 million of $125 million bond proceeds received at the end of June 2014.

Direct financing leases decreased $5.5 million, or 4%, since June 30, 2014. This decrease is primarily attributed to repayments on outstanding leases.

The Authority's current liabilities decreased to $45.6 million from $49.6 million. This decrease is attributed to decreases in bond principal and interest due next fiscal year compared to last year. Total noncurrent liabilities decreased $146.8 million, or 19%, since June 30, 2014, and consisted primarily of net bonds and notes payable. This decrease is attributed to bond redemptions exceeding new issuances. The decrease in total liabilities was mainly due to scheduled bond and note redemptions of $31.7 million and special and optional bond and note redemptions of $151.4 million offset by new issuances of bonds and notes of $27.2 million.

Condensed Statements of Revenues, Expenses and Changes in Net Position

(In thousands)	2016	2015	2014
Total investment income	$ 29,731	$ 34,219	$ 41,899
Other income	6	11	11
Total operating revenues	29,737	34,230	41,910
Total interest on bonds and notes	20,682	23,154	28,222
Total amortization	(211)	(327)	(478)
Administrative expenses	10,261	15,530	13,009
Total operating expenses	30,732	38,357	40,753
Operating gain (loss)	(995)	(4,127)	1,157
Federal grants	7,663	7,267	10,724
State grants	550	-	-
Total nonoperating revenues	8,213	7,267	10,724
Income before transfers in	7,218	3,140	11,881
Transfers in	4,303	5,632	1,118
Change in net position	11,521	8,772	12,999
Net position			
Previously reported	-	307,277	294,278
Change in accounting principle	-	(3,160)	-
Restated beginning of year	312,889	304,117	294,278
End of year	$ 324,410	$ 312,889	$ 307,277

ADFA's income before transfers in totaled $7.2 million for the year ended June 30, 2016, compared with income of $3.1 million and $11.9 million for the years ended June 30, 2015 and 2014, respectively.

The increase from prior year relates primarily to the decrease in interest expense on bonds and notes of $2.5 million and provision for loan losses of $3.8 million. The decrease in interest expense is in correlation to the decrease in bonds and notes payable. The decrease in provision for loan losses is mainly due to reserves being lowered on loans that were reclassified from deferral status to repayment mode. The decrease from the year ended June 30, 2014 to June 30, 2016, primarily relates to decreases in interest and dividend income of $5.5 million, net appreciation of investments of $3.4 million and federal grant revenue of $3.1 million offset by decreases in interest expense on bonds and notes of $7.5 million.

Transfers in have historically represented the receipt of the annual tobacco settlement revenue pledged to the Tobacco Bonds Program of $5.0 million. Transfers in decreased $1.3 million from the prior year ended June 30, 2015 and increased $3.2 million from June 30, 2014 to June 30, 2016. The decrease from the prior year relates mainly to funds received for the Community Development Block Grant program being fully funded in fiscal year 2015 and for funds held as part of a loan guaranty. The increase from the year ended June 30, 2014 to June 30, 2016, primarily relates to State Small Business Credit Initiative program transferring funds out of $0.6 million to programs ADFA administers for other state entities compared to $3.9 million in fiscal year 2014.

Other Financial Highlights

Years ended June 30, 2016 to June 30, 2015

Loans and direct financing lease income was $13.3 million for fiscal year ended June 30, 2016, compared with $14.1 million for the prior year. The decrease relates primarily to declining balances of loans and leases in accrual status in the majority of all programs. The related average interest yield decreased to 2.63% for June 30, 2016, from 2.67% for June 30, 2015.

Revenues from investment interest and dividends were $15.0 million for fiscal year 2016 and $17.2 million for fiscal year 2015. The decrease is primarily attributable to the average cash and investment balance declining from $616.0 million to $474.9 million. The overall average return on cash, cash equivalents and investments was 3.2% for June 30, 2016, and 2.9% for June 30, 2015.

The average interest expense on bonds and notes payable was 3.7% at June 30, 2016, and 3.8% at June 30, 2015.

Total administrative expenses vary from year to year primarily due to changes in the provision for loan losses. Fiscal year ended June 30, 2016, reflected a $5.3 million decrease in total administrative expenses primarily due to a decrease in provision for loan losses of $3.8 million. This decrease is primarily due to lowering reserves in the Tax Credit Assistance Program (TCAP) and Neighborhood Stabilization Program. Both programs had loans that were previously reserved at higher percentages due to deferral of payments but were reduced since the loans are now in repayment mode. Also, the TCAP provision decreased due to more payments received on 100%-reserved loans in the current year than in the prior year.

Other Financial Highlights

Years ended June 30, 2015 to June 30, 2014

Loans and direct financing lease income was $14.1 million for fiscal year ended June 30, 2015, compared with $15.5 million for the prior year. The decrease relates primarily to declining balances of loans and leases in accrual status in the majority of all programs. The related average interest yield decreased to 2.67% for June 30, 2015, from 2.86% at June 30, 2014.

Revenues from investment interest and dividends were $17.2 million for fiscal year 2015 and $20.5 million for fiscal year 2014. The decrease is primarily attributable to the average cash and investment balance declining from $574.6 million to $499.7 million for all programs excluding the Amendment 82 Program. Amendment 82 bond issue closed June 30, 2014, and was not included in averages in the prior year. In the current year, the average cash and investment balance, including Amendment 82 Program, was $616.0 million. The majority of Amendment 82 bond proceeds were held in cash and the total yield was .04%. The overall average return on cash, cash equivalents and investments was 2.9% for June 30, 2015, and 3.6% for June 30, 2014.

Federal grants decreased $3.5 million during the year to $7.3 million for the year ended June 30, 2015. The decrease is primarily due to the HOME Partnership Program (HOME). This program has had significant budget cuts from Congress impacting this year's financial statements.

The average interest expense on bonds and notes payable was 3.8% at June 30, 2015 and 3.9% at June 30, 2014.

Total administrative expenses vary from year to year primarily due to changes in the provision for loan losses and federal financial assistance programs. Fiscal year ended June 30, 2015, reflected a $2.5 million increase in total administrative expenses. Provision for loan losses increased $2.6 million and federal financial assistance programs increased $0.6 million, offset by decreases in other expenses of $0.5 million. Forgivable loan activity is the cause of the fluctuations between federal financial assistance and other expenses. In the prior year, settlement funds were used instead of HOME funds for this activity and were recorded in other expenses. HOME funds were used in the current year and were recorded in federal financial assistance. Provision for loan losses increased primarily due to increased reserves in the HOME program and Neighborhood Stabilization Programs (NSP). The Tax Credit Assistance Program (TCAP) provision also increased from the prior year due to more payments received on 100%-reserved loans in the prior year than in the current year.

Other Information

Tobacco Bonds Program—ADFA issued $60.0 million of revenue bonds in 2001 associated with the State of Arkansas' Tobacco Settlement Revenue (TSR) used by participating colleges to construct and equip three facilities outlined by the Arkansas Tobacco Settlement Funds Act of 2000. The bonds are repaid from the first $5.0 million of annual TSRs paid to the state. The financial statements for this program primarily reflect the debt service reserve account and bonds payable, but not the buildings as they reside on the financial statements of the respective colleges. Interest income is recorded as deposits against financing arrangements on the statement of net position while interest expense is recorded as such on the statement of revenues, expenses and changes in net position.

ADFA issued $36.9 million in non-callable capital appreciation bonds for the Arkansas Cancer Research Center Project in 2006. These 40-year bonds utilize the revenue stream of the initial tobacco bonds when those bonds are fully redeemed, which is projected for 2021. This bond issue includes a loan agreement between ADFA and the University of Arkansas Board of Trustees (the University), whereby the University agreed to provide for repayment of the bonds in the event the TSRs are not available. Therefore, as bond proceeds were disbursed, ADFA recorded a loan receivable for the corresponding amounts, as well as for any interest accretion on the bonds. The loan receivable was $60.2 million at June 30, 2016, compared with $57.3 million and $54.6 million at June 30, 2015 and 2014, respectively.

Amendment 82 Program—ADFA issued $125 million of general obligation bonds of the State of Arkansas on June 30, 2014, as authorized under Amendment 82 of the Arkansas Constitution. The Bonds were issued to provide funds to finance certain costs of a steel mill project. The Bonds are direct general obligations of the State of Arkansas, secured by an irrevocable pledge of the full faith and credit of the State, and payable from the general revenues of the State and other sources. The financial statements for the year ended June 30, 2014, primarily reflect the bond proceeds held to pay certain project costs and the corresponding bonds payable. Interest income is offset by interest expense on the statement of revenues, expenses, and changes in net position.

During fiscal year 2015, the State decided it preferred that these particular bonds be reported on Arkansas Economic Development Commission's (AEDC) financial statements instead of ADFA's. The bonds are comprised of Series A in the amount of $75 million and Series B in the amount of $50 million. The Series B bonds are supported by a corresponding loan from ADFA to the steel mill. The financial statements for the years ended June 30, 2015 and 2016, primarily reflect the loan receivable from the steel mill fully offset by the note payable to AEDC, bond proceeds held to pay certain project costs and the corresponding payables. There is nothing reported on the statement of revenues, expenses, and changes in net position for this program.

In both fiscal year 2015 and 2016, the Amendment 82 Program has no effect on the fund balance of ADFA.

Credit Ratings

The Issuer Credit Rating (ICR) of ADFA from Standard & Poor's (S&P) is currently "AA." Changes in state and federal legislation and statutes can play a role in ADFA achieving its goals and objectives.

The 1995 General Resolution Single Family mortgage revenue bonds are currently rated "AA+" and "AA+/A-1+" from S&P.

The Authority also administers the Bond Guaranty Fund created by Act 505. The fund is currently rated "A+" from S&P. The obligations of the Authority as guarantor are limited to available monies in the ADFA Guaranty Reserve Account, created and maintained pursuant to the authority conferred in the ADFA Guaranty Act.

ADFA's overall financial position has improved.

Contacting ADFA

This financial report is designed to provide bondholders, constituents and business partners with a general overview of the Authority's finances and to show the Authority's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the Vice President for Finance and Administration by telephoning 501.682.5900. The Authority's website is http://adfa.arkansas.gov.

Arkansas Development Finance Authority, A Component Unit of the State of Arkansas

Statements of Net Position

June 30, 2016 and 2015

(In thousands)	2016	2015
Current Assets		
Cash and cash equivalents	$ 106,437	$ 117,733
Accrued interest receivable		
Investments	1,295	1,425
Loans	443	711
Accounts receivable	658	632
Investments – current portion	7,595	8,525
Loans – current portion	6,129	9,745
Total current assets	122,557	138,771
Noncurrent Assets		
Investments – unrestricted	54,559	50,797
Investments – restricted	314,016	359,221
Loans, net of allowance for loan losses of $77,214 and $78,865 at June 30, 2016 and 2015, respectively	338,183	325,702
Direct financing leases – restricted	116,477	126,677
Real estate owned	1,583	53
Capital assets, net	93	62
Total noncurrent assets	824,911	862,512
Total assets	947,468	1,001,283
Deferred Outflows of Resources		
Deferred charge on refunding	92	140
Pension contributions	494	508
Changes in pension actuarial assumptions	590	319
Total deferred outflow of resources	1,176	967
Current Liabilities		
Accounts payable	2,187	2,374
Accrued interest payable	4,582	5,411
Contract obligations – current portion	2,600	8,068
Bonds and notes payable – current portion	29,652	29,744
Total current liabilities	39,021	45,597
Noncurrent Liabilities		
Unearned fees	2,156	2,153
Contract obligations	1,618	-
Bonds and notes payable, net of unamortized premiums	541,979	601,001
Deposits against financing arrangements	29,707	31,197
OPEB and pension liabilities	5,666	4,554
Other liabilities	3,675	3,766
Total noncurrent liabilities	584,801	642,671
Total liabilities	623,822	688,268
Deferred Inflows of Resources	412	1,093
Net Position		
Restricted by bond resolution and programs	235,403	223,611
Invested in capital assets	93	62
Unrestricted	88,914	89,216
Net position	$ 324,410	$ 312,889

Arkansas Development Finance Authority, A Component Unit of the State of Arkansas

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Operating Revenues		
Investment income		
Interest and dividends	$ 14,961	$ 17,168
Loans and direct financing leases	13,288	14,062
Amortization of discounts on loans	1	20
Financing fees	3,138	3,647
Net depreciation of investments	(1,657)	(678)
Total investment income	29,731	34,219
Other	6	11
Total operating revenues	29,737	34,230
Operating Expenses		
Interest on bonds and notes		
Current	17,804	20,405
Accreted	2,878	2,749
Total interest on bonds and notes	20,682	23,154
Amortization		
Amortization of premiums on bonds and notes	(211)	(327)
Total amortization	(211)	(327)
Administrative expenses		
Provision for loan losses	(1,265)	2,491
Federal financial assistance programs	4,432	5,057
Salaries and benefits	4,681	4,579
Operations and maintenance	1,326	1,250
BMIR program participant expense	-	195
Other	1,087	1,958
Total administrative expenses	10,261	15,530
Total operating expenses	30,732	38,357
Operating Loss	(995)	(4,127)
Nonoperating Revenue		
Federal grants	7,663	7,267
State grants	550	-
Total nonoperating revenue	8,213	7,267
Income Before Transfers In	7,218	3,140
Transfers In	4,303	5,632
Change in Net Position	11,521	8,772
Net Position, Previously Reported	-	307,277
Change in Accounting Principle (*Note 11*)	-	(3,160)
Net Position, Restated Beginning of Year	312,889	304,117
Net Position, End of Year	$ 324,410	$ 312,889

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Statements of Cash Flows
Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Operating Activities		
Financing fee income received	$ 2,828	$ 3,061
Other received	6	11
Cash paid for program administration	(12,017)	(9,194)
Net cash used in operating activities	(9,183)	(6,122)
Noncapital Financing Activities		
Proceeds from issuance of bonds and notes payable	44,980	27,226
Repayments of bonds and notes payable	(106,762)	(183,106)
Cash paid for interest	(18,633)	(21,633)
Nonoperating grants received	8,213	7,267
Transfers in	4,303	5,632
Collection of financing fees	293	459
Net cash used in noncapital financing activities	(67,606)	(164,155)
Investing Activities		
Purchase of investments	(57,585)	(53,193)
Maturities of investments	98,301	91,558
Interest received on investments	15,091	17,455
Interest received on loans	10,608	11,319
Principal repayments on loans	53,151	41,163
Principal repayments on capital leases	21,523	8,529
Principal repayments on installment sales	-	10,340
Loan disbursements	(58,937)	(76,661)
Direct financing lease disbursements	(11,323)	(1,496)
Cash (paid) or received for financing arrangements	(5,340)	3,130
Proceeds from sale of real estate owned	49	261
Purchase of capital assets	(45)	(18)
Net cash provided by investing activities	65,493	52,387
Decrease in Cash and Cash Equivalents	(11,296)	(117,890)
Cash and Cash Equivalents, Beginning of Year	117,733	235,623
Cash and Cash Equivalents, End of Year	$ 106,437	$ 117,733

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Reconciliation of Operating Income to Net Cash Used in Operating Activities		
Operating loss	$ (995)	$ (4,127)
Items not requiring (providing) operating activities cash flows		
Amortization of discounts on loans	(567)	(20)
Amortization of deferred financing fees	(289)	(705)
Accreted interest on loans	(2,878)	(2,741)
Accreted interest on bonds	2,878	2,749
Amortization of bond and note premiums	(211)	(326)
Amortization of bond and note refunding discounts	48	42
Depreciation of capital assets	14	28
Provision for loan losses	(1,265)	2,491
Loss on sale of real estate owned	52	456
Net depreciation of investments	1,657	678
Interest on investments	(14,961)	(17,168)
Interest on loans	(10,340)	(11,089)
Interest paid on bonds and notes	17,804	20,405
Changes in		
Accounts receivable	(26)	54
Other assets	(257)	4,673
Accounts payable	(187)	(475)
Other liabilities	340	(1,047)
Net cash used in operating activities	$ (9,183)	$ (6,122)
Supplemental Cash Flows Information		
Real estate acquired in settlement of loans	$ 1,631	$ 52
Sale and financing of foreclosed assets	$ -	$ 1,500

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The Arkansas Development Finance Authority (the Authority), a Component Unit of the State of Arkansas, was created May 1, 1985, by Act 1062 of 1985 (Arkansas Development Finance Authority Act) as a successor to the former Arkansas Housing Development Agency (created in 1977) whereby all records, funds, property, obligations, debts, functions, powers and duties were transferred to the Authority. The Authority is a public body politic and corporate, with corporate succession, to be an independent instrumentality exercising essential public functions. Pursuant to Act 1062, the Authority 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.

The affairs of the Authority are governed by a board of directors composed of the Arkansas State Treasurer, Director of the Department of Finance and Administration and 11 public members appointed by the Governor of Arkansas. The State of Arkansas (the State) is financially accountable for the Authority because of the governor's ability to appoint the majority of the members of its governing body and its ability to impose its will on the Authority's operations.

Bonds and other debt instruments issued by the Authority and included on the Authority's financial statements are usually special obligations of the Authority, 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 Authority has issued bonds and other debt instruments, which are general obligations of the Authority, supported by the Authority's general fund assets and/or pledge of the Authority's issuer credit rating. The State of Arkansas is not obligated to pay the bonds and other debt instruments, and neither the faith and credit nor the taxing power of the State of Arkansas is pledged to the payment of the principal or redemption price of, or interest on, the bonds and other debt instruments. The Authority has no taxing power.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Authority is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Authority's statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

Recently Issued Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72): GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes that aligns with the Financial Accounting Standards Board's Topic 820. GASB 72 also provides that all assets meeting the definition of an investment in the Statement should be measured at fair value, unless the Statement provided otherwise. Certain disclosures related to all fair value measurements are required (*See Note 9*). GASB 72 enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for fiscal years beginning after June 15, 2015 and any prior periods presented should be restated, including disclosures, if practical. See *Note 9* for disclosures required by GASB 72.

GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension* (GASB 75): GASB 75 replaces the requirements of GASB Statement No. 45, Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions. GASB 75 requires governments to report a liability on the face of the financial statements, in accordance with the following:

- Employers that are responsible only for OPEB liabilities for their own employees and that provide OPEB through a defined benefit OPEB plan administers through a trust that meets specified criteria will report a net OPEB liability (the difference between the total OPEB liability and the assets accumulated in trust to make the benefit payments)

- Employers that participate in a cost-sharing OPEB plan that is administered through a trust that meets specified criteria will report a liability equal to the employer's proportionate share for the collective OPEB liability for all employers participating in the plan

- Employers that do not provide OPEB through a trust that meets specified criteria will report the total OPEB liability for their own employees

GASB 75 requires more extensive note disclosures and required supplementary information (RSI) about the OPEB liabilities. GASB 75 is effective for fiscal years beginning after June 15, 2017, and requires restatement of any prior years presented, if practical.

While not effective in the short term, we recommend the Authority begin assessing the potential impact on the financial statements of both of these statements and begin the process of communicating this impact with those charged with governance and other stakeholders. Similar to the adoption of GASB 68, *Accounting and Financial Reporting for Pensions*, the adoption of GASB 75 will require advance coordination with plans and actuaries so that the required information is available.

Fund Accounting

The Authority utilizes internal funds, each of which accounts for the assets, liabilities, net position, revenues and expenses of the Authority's programs and activities.

The following describes the nature of the operations and significant programs currently maintained by the Authority:

(i) Single Family Housing Programs

(a) *Single Family Mortgage Purchase Program*—Accounts for proceeds from single family mortgage revenue bonds, the debt service requirements of the bonds and the related mortgage-backed securities or mortgage loans for single family owner-occupied housing in Arkansas. Included within this program is the Authority's Single Family Mortgage Revenue Bond General Resolution, adopted on July 20, 1995 (1995 General Resolution).

(b) *New Issue Bond Program*—Accounts for the issuance of single family bonds, as well as the related deferred charges and investment of bond proceeds, issued under a general resolution created specifically for this program. The U.S. Department of the Treasury developed this program for housing finance agencies, whereby ADFA sold $193.1 million in bonds to Fannie Mae and Freddie Mac (the GSEs) in December 2009 as escrow bonds. The bonds sold to the GSEs initially would represent 60% of the total long-term bond issue, and the other 40% would be issued in the marketplace. The 40% marketplace requirement was eliminated when the program was extended to December 31, 2012, as of January 1, 2012. The GSEs will purchase 100% of a bond issue. The interest rate on the GSEs' portion of ADFA's long-term bonds also changed, whereby the interest rate is calculated and capped as outlined in the bond documents.

(ii) Federal Housing Programs

(a) *HOME Partnership Program*—Accounts for federal financial assistance received from the Department of Housing and Urban Development (HUD) for the purpose of developing and supporting affordable housing through tenant based rental assistance, rental rehabilitation, new construction, or assistance to homebuyers and homeowners.

(b) *Tax Credit Assistance Program (TCAP)*—Accounts for federal financial assistance in the form of American Reinvestment and Recovery Act (ARRA) funds received from HUD for the purpose of providing additional financing in the form of loans to developers to ensure that developments have sufficient financing to provide quality affordable housing. Only developments that were awarded low-income housing tax credits under Section 42(h) of the Internal Revenue Code (IRC) in federal fiscal years 2007, 2008 and 2009 were eligible for the sub-awards granted to the State of Arkansas from HUD for TCAP funding.

(c) *Neighborhood Stabilization Programs (NSP)*—Accounts for federal financial assistance received from HUD for the purpose of stabilizing neighborhoods that have suffered the most from foreclosures and abandonment. ADFA participated in two of the three NSP offered by HUD. The first NSP was authorized by the Housing and Economic Recovery Act, which was signed into law on July 30, 2008. The third NSP was authorized by the Dodd-Frank Wall Street Reform and Consumer Protection Act (Dodd-Frank Act) of 2010. NSP provides loans to purchase and rehabilitate foreclosed or abandoned homes for sale or rent in order to stabilize neighborhoods and stem the decline of house values in neighboring homes.

(d) *Community Development Block Grant–Disaster Funds Program (CDBG)*—Accounts for federal financial assistance received from HUD through the Arkansas Economic Development Commission (AEDC) for use in the development or redevelopment of affordable rental housing related to the five presidentially-declared disaster areas declared from February to October 2008. The Authority is administering $10.1 million of a $25.0 million disaster funds award reserved to the State of Arkansas for affordable rental housing to address the effects of these disasters through a Memorandum of Understanding between the Authority and AEDC.

(e) *Preservation Revolving Loan Fund Program (PRLF)* – Accounts for federal financial assistance received from United States Department of Agriculture Rural Housing Service (USDA) to loan funds to carry out a demonstration program that provides revolving loans for the preservation and revitalization of low-income Multi-Family Housing.

(iii) Multi-Family Programs

(a) *GNMA/BMIR Bond Program*—Accounts for proceeds from the sale of GNMA Guaranteed Bonds, debt service requirements on the bonds, related Below Market Interest Rate (BMIR) mortgages purchased with bond proceeds, disbursements to program participants of excess loan prepayments and the Authority's fees and expenses in connection with the program.

(b) *FAF/New BMIR Loan Programs*—Accounts for loans receivable funded by distributions the Authority received from the GNMA/BMIR Bond Program as well as from Financing Adjustment Factor (FAF) distributions from the federally funded Section 8 Housing Assistance Payment Program.

(iv) Economic Development Bond Guaranty Program

(a) *Bond Guaranty Program*—Accounts for guaranty fees collected, interest earned on investments and disbursements made in connection with bond guaranties provided by the Authority, as well as the proceeds from the sale of development revenue bonds issued by ADFA and guaranteed by the Bond Guaranty Fund; the debt service requirements of the bonds and related loans and leases to private companies. The fund was created by Act 505 of 1985, which authorized a grant of $6 million from the Arkansas State Treasurer (which was subsequently repaid by the Authority) for the purpose of enhancing and supporting the creditworthiness of bonds and other debt instruments guaranteed by the Authority. At June 30, 2016 and 2015, the fund had cash and cash equivalents and investments totaling $18.2 million and $17.4 million, respectively, in the reserve account to collateralize Authority-guaranteed bonds and future issues under the bond guaranty program.

(v) State Facilities and Amendment 82 Programs

(a) *State Facilities Programs*-Accounts for the proceeds from the sale of development revenue bonds; the debt service requirements of the bonds and related loans and leases to public and government bodies within the State of Arkansas; and includes certain assets not owned and related obligations not owed by the Authority.

(b) *Amendment 82 Programs*—Accounts for the proceeds from the sale of general obligation bonds of the State of Arkansas as authorized under Amendment 82 of the Arkansas Constitution; related loans and leases to private institutions and government bodies within the State of Arkansas; and includes certain assets not owned and related obligations not owed by the Authority.

(vi) Other Economic Development Programs

(a) *Other Economic Development Programs*—Accounts for the proceeds from the sale of the Higher Education Capital Asset Program bonds and the related debt service requirements of the bonds and related loans to public higher education institutions. Also, accounts for loan reserve programs, such as Capital Access, Business Life and Disadvantaged Business Enterprise.

(b) *State Small Business Credit Initiative Program (SSBCI)*—Accounts for federal financial assistance received from the U.S. Treasury as grants under the State Small Business Credit Initiative Act of 2010. The State of Arkansas was awarded and received approximately $13.2 million to support six programs, three of which are included within these financial statements: Arkansas Capital Access Program, Bond Guaranty/Loan Participation Program and Disadvantaged Business Enterprise/Small Business Loan Guaranty Program. As of June 30, 2016, all of the awarded amount has been disbursed or obligated. The program is able to continue awarding projects with the use of program income.

(vii) Tobacco Bonds Program

(a) *Tobacco Settlement Revenue Bonds*—Accounts for the proceeds from the sale of tobacco settlement revenue bonds and the debt service requirements of the bonds and related disbursements of bond proceeds to participating colleges to be used to fund the construction and equipping of projects outlined by the Arkansas Tobacco Settlement Funds Act of 2000, as supplemented by Act 9 of the First Extraordinary Session of 2006 of the 85th General Assembly.

(viii) General Fund Programs

(a) *ADFA General Fund*—Accounts for direct obligations of the Authority; revenue charged by the Authority for issuing and administering various programs; operating expenses of the Authority; special initiatives of the Authority, such as direct loan programs, funding down payment assistance, and warehousing mortgage-backed securities created by its Single Family Housing Programs; and money or residual assets, such as investments and mortgages, transferred from other funds to the extent such transfers are permitted by the resolutions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and deferred inflows and outflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Material estimates that are particularly susceptible to significant change relate to the determination of the allowance for loan losses and fair values of investments.

Cash and Cash Equivalents

The Authority considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents of $106.4 million and $117.7 million, respectively, consisted primarily of money market mutual funds with variable interest rates.

Investments and Investment Income

Investments are carried at fair value.

Guaranteed investment contracts are valued at contract value, which does not vary significantly from fair market value.

Investment income includes dividend and interest income, realized gains and losses on investments, if any, and the net change for the year in the fair value of investments carried at fair value.

The fair value of the investments at June 30, 2016 and 2015, was in excess of the cost basis by $28.9 million and $30.7 million, respectively.

Loans

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding principal balances adjusted for unearned income, charge-offs and the allowance for loan losses. For loans amortized at cost, interest income is accrued based on the unpaid principal balance.

Generally, loans are placed on nonaccrual status at 180 days past due. Past due status is based on contractual terms of the loan. All interest accrued but not collected for loans that are placed on nonaccrual or charged off are reversed against interest income unless the loan is well secured and in the process of collection. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to income. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral and prevailing economic conditions. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

The allowance consists of allocated and general components. The allocated component relates to loans that are classified as impaired and additional loans specifically reviewed by management. For those loans that are classified as impaired, an allowance is established when the discounted cash flows (or collateral value or observable market price) of the impaired loan is lower than the carrying value of that loan. The general component covers nonclassified loans and is based on historical charge-off experience and expected loss given default derived from the Authority's internal risk rating process. Other adjustments may be made to the allowance for pools of loans after an assessment of internal or external influences on credit quality that are not fully reflected in the historical loss or risk rating data.

Impaired loans are evaluated as part of the review of the allowance for loan losses. A loan is considered impaired when, based on current information and events, it is probable that the Authority will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record and the amount of the shortfall in relation to the principal and interest owed. Impairment is measured on a loan-by-loan basis for commercial and construction loans by either the present value of expected future cash flows discounted at the loan's effective interest rate, the loan's obtainable market price or the fair value of the collateral if the loan is collateral dependent.

Groups of loans with similar risk characteristics are collectively evaluated for impairment based on the group's historical loss experience adjusted for changes in trends, conditions and other relevant factors that affect repayment of the loans.

Income Taxes

As an essential government function of the State of Arkansas, the Authority is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Direct Financing Leases

The Authority issues revenue bonds to provide financing of correction facilities, office space for the State of Arkansas and certain transactions for private companies. In all cases, the Authority does not maintain or operate the facilities. Arrangements of this type are accounted for in the various funds as financing arrangements in accordance with the provisions of GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance contained in pre-November 30, 1989 FASB and AICPA Pronouncements*, paragraphs 211-271.

Capital Assets

Premises and equipment are carried at cost, less accumulated depreciation. Depreciation for financial statement purposes is computed using the straight-line method over the estimated useful lives of the assets ranging from 3 to 10 years.

Deposits Against Financing Arrangements

Deposits against financing arrangements represent debt service funds and interest earned on funds created by trust indentures associated with bond issuances that are held by the Authority to be used by the borrower to pay debt service to the Authority. If not used to pay debt service, these funds are returned to the borrower at the end of the financing arrangement.

Contract Obligations

Contract obligations consist of payables on contracts the Authority entered into with the Arkansas Department of Corrections (ADC) to fund certain projects using funds received from fees deposited into a trust fund the Authority holds for the benefit of ADC.

Unearned Guaranty Fees

The Authority receives guaranty fees from borrowers who participate in the Bond Guaranty Fund Programs. Fees, which are nonrefundable, are amortized into income ratably over the term of the respective programs using the effective interest method.

Conduit Debt Obligations

Conduit debt issued by the Authority is recorded on the Authority's statement of net position if either (a) the Authority has a vested interest in the residual value of the bond issue after its retirement or (b) the Authority guarantees the debt through the Bond Guaranty Fund.

Additionally, the Authority reports conduit debt obligations of entities that are included in the State of Arkansas reporting entity on its statement of net position. At June 30, 2016 and 2015, the principal balance of these bonds included in the Authority's statement of net position totaled $183.4 million and $206.7 million, respectively.

Cost-Sharing Defined Benefit Pension Plan

For purposes of measuring net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net positions of the Arkansas Public Employees Retirement System (APERS) and additions to and deductions from APERS fiduciary net positions have been determined on the same basis as they are reported by APERS. 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.

Net Position

Restricted by Bond Resolution and Programs—Represents those funds restricted within the respective bond resolution or by specific provisions of the programs.

Invested in Capital Assets—Represents the balance of capital assets, net of depreciation. No related debt exists.

Unrestricted Net Position—Represents those funds used at the discretion of the ADFA Board of Directors to compliment bond and loan programs and to provide for the Authority's operations.

The Authority first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Reclassifications

Certain reclassifications have been made to the fiscal year 2015 financial statements to conform to the fiscal year 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Authority's deposits may not be returned to it. The Authority's deposit policy for custodial credit risk requires compliance with the provisions of state law, the Authority's various bond indentures, and the Authority's general fund investment policy. Deposits are collateralized for those amounts exceeding federal depository insurance, typically with obligations of the U.S. Treasury, U.S. agencies or instrumentalities, municipal bonds or bank purchase agreements having an aggregate value at least 105% of the amount of the deposits.

At June 30, 2016 and 2015, the carrying value of the Authority's deposits was $6.1 million and $4.1 million, respectively. The balances per the bank statements totaled $6.3 million and $4.9 million, respectively. Of those deposits, $5.2 million and $4.0 million, respectively, were exposed to custodial credit risk as follows:

(In thousands)	2016	2015
Uninsured and uncollateralized	$ 4,609	$ 3,155
Uninsured and collateral held by pledging financial institution's trust department or agent in other than the Authority's name	574	881
	$ 5,183	$ 4,036

The uninsured and uncollateralized balance represents deposits with the Federal Home Loan Bank of Dallas.

Investments

The Authority may legally invest in direct obligations of and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities, mortgage-backed securities, money market mutual funds, guaranteed investment contracts, municipal bonds and bank repurchase agreements.

At June 30, 2016 and 2015, the Authority had the following investments and maturities:

(In thousands)	June 30, 2016				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. Treasury obligations	$ 6,770	$ 5,765	$ 1,005	$ -	$ -
U.S. agencies obligations	45,070	7,672	37,114	284	-
Mortgage-backed securities	314,924	-	1,721	13,241	299,962
Money market mutual funds	100,582	100,582	-	-	-
Guaranteed investment contracts	6,448	-	1,454	-	4,994
Negotiable certificates of deposit	1,731	245	1,486	-	-
Mutual bond funds	975	975	-	-	-
	$ 476,500	$ 115,239	$ 42,780	$ 13,525	$ 304,956

(In thousands)		June 30, 2015			
		Maturities in Years			
Type	Fair Value	Less than 1	1-5	6-10	More than 10
U.S. Treasury obligations	$ 7,336	$ 535	$ 6,801	$ -	$ -
U.S. agencies obligations	37,104	8,845	27,316	943	-
Mortgage-backed securities	366,526	-	1,248	12,847	352,431
Money market mutual funds	113,905	113,905	-	-	-
Guaranteed investment contracts	6,092	-	1,453	-	4,639
Negotiable certificates of deposit	250	250	-	-	-
Mutual bond funds	984	984	-	-	-
	$ 532,197	$ 124,519	$ 36,818	$ 13,790	$ 357,070

Interest Rate Risk—As a means of limiting its exposure to fair value losses due to rising interest rates, the Authority's investments typically match the term of the corresponding bonds or, in the case of general funds, limits the maturity to no greater than 15 years for municipal bonds and seven years for treasuries, agencies and mortgage-backed securities.

The Authority invests in various asset and mortgage-backed securities. These securities are reported at fair value in the statement of net position. The Authority invests in these securities to enhance yields on investments. Changes in market interest rates could affect the cash flows of these securities and may result in changes in fair value. The overall return or yield on these securities depends on the changes in the interest and principal payment pattern and the market value of the underlying assets.

Credit Risk—Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Authority complies with various trust indentures or internal investment policy whereby investments and debt securities are typically rated "A" or higher. The Authority's investments in U.S. agencies obligations and mortgage-backed securities not directly guaranteed by the U.S. government were primarily rated "AA+" by Standard & Poor's and "Aaa" by Moody's Investors Service at June 30, 2016. Investments in money market mutual funds or the investments of those funds were primarily rated "AAAm" by Standard & Poor's and "Aaa" by Moody's

Investors Service. The Authority's investments in guaranteed investment contracts were with providers having at least one rating, with all ratings being rated at least "A2" with the exception of one unrated by both Standard & Poor's and Moody's Investors Service as of June 30, 2016, totaling $4.1 million. The Authority has negotiable certificates of deposits in various banks as investments in the bond guaranty fund portfolio. The certificates of deposit are covered by FDIC insurance and pose no credit risk to the agency.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Authority's investments in mutual funds and guaranteed investment contracts are not classified by custodial risk category as they are not evidenced by securities in physical or book entry form.

Concentration of Credit Risk—The Authority places no limit on the amount that may be invested in any one issuer. Investments of the Authority (not guaranteed by the U.S. government or considered a mutual fund) representing five percent or more of total investments at June 30, 2016, are as follows (in thousands):

Issuer	Fair Value	Percentage
Federal National Mortgage Association	$ 30,018	7.98%

Summary of Carrying Values

The carrying values of deposits and investments are included in the statements of net position as follows:

(In thousands)	2016	2015
Carrying value		
Deposits	$ 6,107	$ 4,079
Investments	476,500	532,197
	$ 482,607	$ 536,276
Included in the following balance sheet captions:		
Current assets		
Cash and cash equivalents	$ 106,437	$ 117,733
Investments – current portion	7,595	8,525
Noncurrent assets		
Investments – unrestricted	54,559	50,797
Investments – restricted	314,016	359,221
	$ 482,607	$ 536,276

Note 3: Loans and Direct Financed Leases

Federal Housing Programs—Includes loans funded by federal agencies, mainly HUD, and are either for multi-family housing or single-family housing lease assistance. The programs offer different types of loan structures, such as deferred loans and surplus cash loans, as well as loans with below market interest rates and standard amortization. As of June 30, 2016 and 2015, respectively, the Authority reported loans of $20.0 million and $38.4 million as deferred loans and $41.5 million and $42.3 million as surplus cash loans. These types of loans had related combined allowances of $54.4 million and $59.7 million at June 30, 2016 and 2015, respectively.

Bond Guaranty Program—Loans and leases to private companies for financing the acquisition or expansion of facilities are collateralized by liens on and security interests in collateral granted by the companies and by guaranty agreements between the Authority and one or more guarantors. To a limited extent, and only when specified by a specific trust indenture, the payment of principal and interest on the bonds is guaranteed by the Authority under the ADFA Bond Guaranty Act (Act 505 of 1985). At June 30, 2016 and 2015, respectively, the Authority reported in its statement of net position, $51.5 million and $49.2 million in loans and leases to private companies, as well as $57.6 million and $53.0 million in related bond issues, which are guaranteed by the Bond Guaranty Fund. Differences between the loan balance and the related bond balance are attributed primarily to construction draw payables of $3.3 million and $2.5 million, the allowance for loan loss of $1.8 million and $2.3 million, and timing differences between loan collection and bond payment of $2.8 million and $2.5 million. The above were offset by differences due to delinquencies and the financing of real estate owned properties of $1.8 million for 2016 and $3.5 million for 2015.

Additionally, the Bond Guaranty Fund guarantees principal and interest on revenue bonds issued by municipalities within the State of Arkansas for economic development purposes. At June 30, 2016 and 2015, revenue bonds outstanding of $3.4 million and $11.6 million, respectively, were guaranteed by the Bond Guaranty Fund. Furthermore, the Bond Guaranty Fund guarantees bond anticipation notes. At June 30, 2016 and 2015, respectively, the principal amount on these notes totaled $2.7 million and $6.1 million outstanding with $2.2 million and $5.3 million guaranteed.

Construction draws payable will be advanced to a customer as long as there is no violation of any condition established in the contract. Construction draws payable generally have fixed expiration dates or other termination clauses. Since a portion of the commitments may expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. Each customer's creditworthiness is evaluated on a case-by-case basis. The amount of collateral obtained is based on management's credit evaluation of the counterparty. Collateral held varies, but may include accounts receivable, inventory, property, plant and equipment and commercial real estate.

State Facilities & Amendment 82 Programs—Includes financing activities with various state agencies and private borrowers. At June 30, 2016 and 2015, respectively, the Authority reported loans of \$118.9 million and \$117.2 million, direct financing leases of \$114.9 million and \$123.1 million and bonds and note outstanding of \$233.4 million and \$256.6 million related to the financing arrangements with these institutions and agencies. Differences between the loan and lease balances and the bond balances are attributed primarily to construction draw payable accounts of \$3.3 million and \$20.2 million and timing differences between loan/lease collection and bond payment of \$2.4 million and \$2.2 million. The above differences were offset by a loan to an agency from amounts held in trust without corresponding bonds of \$6.1 million for 2016 and 2015, respectively.

Tobacco Bonds Program—Includes a loan agreement between the Authority and the University of Arkansas Board of Trustees (the University), whereby the University agrees to provide for repayment in the event Tobacco Settlement Revenues are not available.

General Fund Programs—Includes loans that are residual assets of the Single Family Mortgage Purchase Program, Multi-family Mortgage Purchase Program or funded by the general fund as special initiatives of the Authority. Mortgage loans purchased by the Authority under the Single Family Mortgage Purchase Program are typically FHA insured, guaranteed by USDA Rural Development or VA guaranteed. In June 2014, the 2001 C Multi-family bonds were redeemed in full, and the remaining loans of \$7.9 million bearing interest of 6.5% were transferred to the General Fund.

The stated interest rates on the loans are as follows:

	Stated Interest Rate
Federal Housing and Multi-Family Programs	0.00 to 6.47%
Bond Guaranty Program	Rate on bonds
State Facilities and Amendment 82 Programs	Rate on bonds
Tobacco Bonds Program	4.77 to 5.10%
General Fund Programs	1.00 to 9.50%

Impaired loans totaled \$73.7 million and \$134.8 million at June 30, 2016 and 2015, respectively, with related allowances for loan losses of \$63.9 million and \$74.8 million. Impaired loans include loans with a reserve percentage of 20% or more. Impaired loans for the Bond Guaranty Fund and the general fund programs totaled \$3.5 million and \$5.8 million at June 30, 2016 and 2015, respectively, with related allowances for loan losses of \$1.4 million and \$1.6 million.

Impaired loans also include loans made under the Federal Housing programs with repayment terms allowing deferment or repayment based on net income of the multi-family developments. The Federal Housing impaired loans totaled \$67.8 million and \$124.4 million at June 30, 2016 and 2015, respectively, with related allowances for loan losses of \$60.1 million and \$70.9 million. Of the total amount of Federal Housing impaired loans, loans in true delinquency status were \$5.5 million and \$3.0 million at June 30, 2016 and 2015, respectively.

At June 30, 2016 and 2015, respectively, accruing loans delinquent 180 days or more where payment is anticipated due to current payment activity totaled approximately $5.0 million and $3.7 million. Non-accruing loans at June 30, 2016 and 2015, respectively, were $12.0 million and $4.5 million.

Net Investment in Direct Financing Leases-The Authority is the lessor under various direct financing capital leases whereby the Authority issued bonds for the acquisition or construction of certain facilities and then leased the facilities to other state agencies or private companies. At the end of the lease terms, these leases either transfer ownership to the other agencies or contain bargain purchase options.

Future minimum lease payments receivable under these leases at June 30, 2016, were as follows:

(In thousands)	Lease Payments
Year ending June 30,	
2017	$ 12,466
2018	12,136
2019	11,849
2020	11,643
2021	9,757
2022–2026	46,959
2027–2031	27,626
2032–2036	15,624
2037–2041	6,156
Total minimum lease payments receivable	154,216
Less amount representing interest	(35,028)
Less unfunded lease amount	(2,711)
Present value of minimum lease payments receivable	$ 116,477

Note 4: Capital Assets

Premises and equipment at June 30 are summarized as follows:

(In thousands)	2016	2015
Cost		
Premises and equipment	$ 555	$ 528
Less accumulated depreciation	(462)	(466)
Net	$ 93	$ 62

Depreciation expense for the years ended June 30, 2016 and 2015, respectively, was approximately $14,000 and $28,000.

Note 5: Bonds and Notes Payable

Bonds and notes payable at June 30 were as follows:

(In thousands)	2016	2015
Total Single Family Bonds Payable, with interest rates ranging from 0.9 – 9.878% and final maturity at varying dates through 2043	$ 195,906	$ 235,633
Plus unamortized premium	104	315
Total Single Family Bonds Payable, net	196,010	235,948
Total Federal Housing Notes Payable and Multi-Family Bonds Payable, with interest rates ranging from 1.0 – 9.75% and final maturity at varying dates through 2045	2,410	2,000
Total Economic Development Bonds Payable, Guaranteed by the Bond Guaranty Fund, with interest rates ranging from 0.66 – 6.0% and final maturity at varying dates through 2040	57,615	52,950
Total State Facilities Bonds and Amendment 82 Note Payable, with interest rates ranging from 0.457 – 7.0% and final maturity at varying dates through 2040	233,425	256,630
Tobacco Bonds Payable, with interest rates ranging from 4.77 – 5.5% and final maturity at varying dates through 2046	82,171	83,217
Total all programs bonds and notes payable, net	$ 571,631	$ 630,745

The Single Family Housing Programs have two variable rate series totaling $24.2 million. The rates change weekly based on the lowest rate that, in the judgment of the Remarketing Agent, would enable the bonds to be remarketed.

Activity in bonds and notes payable for fiscal year 2016 was as follows:

(In thousands)	Beginning Balance	Additions Including Accretion	Reductions	Ending Balance	Amount Due within One Year
Bonds payable	$ 578,430	$ 47,379	$ (106,692)	$ 519,117	$ 29,582
Notes payable	52,000	480	(70)	52,410	70
	630,430	47,859	(106,762)	571,527	29,652
Unamortized premiums	315	-	(211)	104	-
Total	$ 630,745	$ 47,859	$ (106,973)	$ 571,631	$ 29,652

Activity in bonds and notes payable for fiscal year 2015 was as follows:

(In thousands)	Beginning Balance	Additions Including Accretion	Reductions	Ending Balance	Amount Due within One Year
Bonds payable	$ 782,091	$ 29,444	$ (233,105)	$ 578,430	$ 29,675
Notes payable	1,469	50,531	-	52,000	69
	783,560	79,975	(233,105)	630,430	29,744
Unamortized premiums	642	-	(327)	315	-
Total	$ 784,202	$ 79,975	$ (233,432)	$ 630,745	$ 29,744

Future amounts required for principal and interest on all bonds and notes payable at June 30, 2016, were as follows:

(In thousands)	Principal	Interest
Year Ending June 30,		
2017	$ 29,652	$ 18,124
2018	30,886	17,222
2019	26,868	16,179
2020	27,068	15,272
2021	25,673	14,362
2022–2026	139,380	58,258
2027–2031	114,831	38,392
2032–2036	115,189	19,831
2037–2041	68,181	8,479
2042–2046	60,627	2,230
2047–2051	4,995	-
Unamortized premiums	104	-
Accreted interest	(71,823)	71,823
Total	$ 571,631	$ 280,172

The Authority has a note payable with USDA that has $1.8 million still available to draw upon as of June 30, 2016. The note matures July 29, 2045.

Under certain bond resolutions, the Authority has the option to redeem bonds early at various premium rates. Generally, the redemption option cannot be exercised prior to the time the bonds have been outstanding for 6 to 10 years. Certain special redemptions, as governed by the bond resolutions, are permitted or required prior to such time.

The bonds and notes are collateralized, as described in the applicable bond and note resolutions, by the revenues, monies, investments, mortgage loans and other assets in the funds and accounts established by the respective bond and note resolutions.

As of June 30, 2016, the remaining principal amounts outstanding on defeased issues (which are excluded from the Authority's financial statements) are as follows:

(In thousands) Issue	Date of Defeasance	Principal Outstanding
2009 Series A ADFA Correctional Facilities Revenue Bond	May 2016	$ 25,585

During the normal course of business, the Authority 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, have been excluded from the Authority's financial statements. At June 30, 2016 and 2015, respectively, the bonds outstanding issued under these programs aggregated $693.3 million and $630.0 million. In March 2016, the 2009 Episcopal Collegiate School bond issue was defeased and $16.6 million remains outstanding as of June 30, 2016.

Note 6: Concentrations of Risk in Lending and Loan Receivable Insurance

The Authority, through its normal lending activity, originates and maintains loans receivable that are concentrated primarily in Arkansas. The Authority's policy calls for collateral or other forms of repayment assurance to be received from the borrower at the time of loan origination. Such collateral or other form of repayment assurance is subject to changes in economic value due to various factors beyond the control of the Authority, and such changes could be significant.

Additionally, the Authority is dependent on private insurers for recovery of loan principal should a borrower or borrowers not pay the principal and should any collateral prove to be insufficient in value to provide for full recovery of principal and accrued interest. This dependency is concentrated in a limited number of insurers and the Authority's ability to monitor closely the insurers' financial condition is limited.

Note 7: Retirement Plan

The officials and employees of the Authority participate in a state-wide, cost-sharing, multiple-employer, defined benefit pension plan administered by the Arkansas Public Employees Retirement System (the Plan). There is no legal obligation imposed upon the member agencies relative to the operation of the Plan other than the payment of a percentage of the gross salaries of eligible employees participating in the Plan as an employer contribution. State law provides that Authority contributions for all covered state employees are to be based on 14.50% of gross payroll for the year ended June 30, 2016; 14.76% of gross payroll for the year ended June 30, 2015; and 14.88% of gross payroll for the year ended June 30, 2014. Required payroll contributions totaled approximately $494,000, $508,000 and $502,000 for the years ended June 30, 2016, 2015 and 2014, respectively. All contributions required of the Authority were made for the years ended June 30, 2016, 2015 and 2014. For the years ended June 30, 2016, 2015 and 2014, the Authority's covered payroll for all employees amounted to $3.4 million for each year.

The contributory plan has been in effect since the beginning of the Plan and is available to all persons who became members before January 1, 1978. The noncontributory plan was effective January 1, 1978, and applies automatically to all persons hired January 1, 1978 to June 30, 2005, in Plan-covered employment. Employees joining the Plan prior to July 1, 1997, are vested after 10 years of employment. Beginning July 1, 1997, the vesting period for new members was reduced to five years; however, this Act was not retroactive. In order to vest under this provision, a person must have been a member of the Plan on July 1, 1997, and have been a member for not less than 90 consecutive calendar days prior to July 1, 1997, with five or more years of service. The Plan is audited separately, and included therein is financial data and trend information, which gives an indication of the extent to which the Plan is accumulating sufficient assets to pay benefits when due.

Act 2084 of 2005 established a new contributory program for Plan members first hired on or after July 1, 2005, and those non-contributory members who elected by December 31, 2005, to become contributory. Members participating in the contributory program will contribute five percent of their annual compensation, pre-tax.

Pensions

(a) General Information about the Pension Plans

Plan descriptions: Eligible employees of the Authority are provided with pensions through the Arkansas Public Employees Retirement System (APERS), administered by the Arkansas Public Employees Retirement System board of trustees. APERS is a cost-sharing multiple-employer defined benefit plan. Benefit provisions are established and amended by Arkansas Code Title 24.

The plan issues a publicly available financial report, which may be obtained by contacting:

Arkansas Public Employees Retirement System
124 W. Capitol, Suite 400
Little Rock, AR 72201-3704
(501) 682-7800
http://www.apers.org/annualreports/index.php

Benefits Provided: The plan provides retirement, disability and death benefits and annual adjustments to plan members and beneficiaries, as follows:

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. 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 immdiately preceding July1, increased by 3%. 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.

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

Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in public safety positions must also remit additional amounts. For the fiscal year ended June 30, 2015, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 26.76%. For the fiscal year ended June 30, 2014, the employer contribution rates, as a percentage of active member payrolls, ranged from 4.00% to 26.88%. Contributions to APERS from the Authority was approximately $494,000 and $508,000 for the years ended June 30, 2016 and 2015, respectively.

APERS consists of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since the beginning of the plan and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hired from January 1, 1978, to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. All other noncontributory members were given the opportunity to become contributory if they so elected by December 31, 2005.

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.

(b) Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2016 and 2015, ADFA reported liabilities of $3.6 million and $2.7 million, respectively, for its proportionate share of the net pension liabilities. The net pension liabilities were measured as of June 30, 2015 and June 30, 2014, respectively, and the total pension liability used to calculate the net pension liability for each plan was determined by an actuarial valuation as of those dates. The Authority's proportion of the net pension liability was based on current contributions of all participating employers. At June 30, 2015, and June 30, 2014, the Authority's proportion was 0.1941% and 0.1898%, respectively, for APERS.

For the years ended June 30, 2016 and 2015, the Authority recognized pension expense of $441,415 and $308,648, respectively. For the year ended June 30, 2016, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

(In actual dollars)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 234,375
Changes of assumptions	527,603	-
Net differences between projected and actual earnings on pension plan investments	-	177,376
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	62,302	-
The Authority's contributions subsequent to the measurement date	493,947	-
Total	$ 1,083,852	$ 411,751

For the year ended June 30, 2015, the Authority reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

(In actual dollars)	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 34,207
Changes of assumptions	318,932	-
Net differences between projected and actual earnings on pension plan investments	-	1,058,918
Changes in proportion and differences between the Authority contributions and proportionate share of contributions	-	-
The Authority's contributions subsequent to the measurement date	508,343	-
Total	$ 827,275	$ 1,093,125

At June 30, 2016 and June 30, 2015, the Authority reported $493,947 and $508,343, respectively, as deferred outflows of resources related to pensions resulting from the Authority's contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30	*(In actual dollars)*
2017	$ 9,298
2018	9,298
2019	(23,317)
2020	182,875
Total	$ 178,154

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

	APERS
Date of actuarial valuation	June 30, 2015
Inflation rate	2.50%
Salary increases	3.95% - 9.85%, including inflation
Investment rate of return	7.50%
Mortality rates	RP-2000 Combined Healthy mortality table, projected to 2020 using projection scale BB, set forward 2 years for males and 1 year for females.
Actuarial experience study dates	July 1, 2007, through June 30, 2012

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2015-2024 were provided by the plan investment consultant.

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

APERS

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	42%	6.82%
International equity	25%	6.88%
Real assets	12%	3.07%
Absolute return	5%	3.35%
Domestic fixed	16%	0.83%
Total	100%	

Discount rate. The discount rate for the plan was determined as follows:

The discount rate used to measure the total pension liability was 7.50% and 7.75% for the years ended June 30, 2016 and 2015, respectively. The projection of cash flows used to determine the 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.

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate. The following presents the Authority's proportionate share of the net pension liability for the plan calculated using the discount rate stated above, as well as what the Authority's proportionate share of net pension liability would be if it were calculated using a single discount rate that is 1% lower or 1% higher than the current rate:

	1% Decrease	Current Discount Rate	1% Increase
APERS – Current discount rate 7.50%	$ 5,889,048	$ 3,575,061	$ 1,650,638

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

Note 8: Other Post-Employment Benefits

During the fiscal years ended June 30, 2016, 2015 and 2014, the Authority recorded expenses of \$230,000, \$188,000 and \$268,000, respectively, for the annual required contributions (ARC) and cumulative liabilities of \$2,091,000, \$1,861,000 and \$1,673,000, respectively, included in other liabilities on the statements of net position, in accordance with the parameters of GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other than Pensions*. The complete disclosures required by GASB 45 are included in the State of Arkansas Comprehensive Annual Financial Report (CAFR).

Note 9: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016				
U.S. Treasury obligations	$ 6,596	$ -	$ 6,596	$ -
U.S. agencies obligations	45,070	-	45,070	-
Mortgage-backed securities	314,924	-	314,924	-
Negotiable certificates of deposit	1,731	-	1,731	-
Mutual bond funds	975	-	975	-
	$ 369,296	$ -	$ 369,296	$ -
June 30, 2015				
U.S. Treasury obligations	$ 7,132	$ -	$ 7,132	$ -
U.S. agencies obligations	37,104	-	37,104	-
Mortgage-backed securities	366,526	-	366,526	-
Negotiable certificates of deposit	250	-	250	-
Mutual bond funds	984	-	984	-
	$ 411,996	$ -	$ 411,996	$ -

The fair value amounts in the previous table do not reflect all investments included in the amounts presented in the statement of financial position. GASB 72 provides certain exceptions including guaranteed investment contracts, money market mutual funds and state and local government agencies (or certain U.S. Treasury Obligations).

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2016 or 2015.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Authority did not have any Level 1 securities at June 30, 2016 or 2015. Level 2 securities include U.S. Government and federal agencies, mortgage-backed securities, negotiable certificates of deposit and mutual bond fund. If quoted market prices are not available, then fair values are estimated by an independent third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Authority did not have any Level 3 securities at June 30, 2016 or 2015.

Nonrecurring Measurements

The following table presents the fair value measurement of assets measured at fair value on a nonrecurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

		Fair Value Measurements Using		
(In thousands)	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016				
Real estate owned	$ 1,583	$ -	$ -	$ 1,583
June 30, 2015				
Real estate owned	$ 25	$ -	$ -	$ 25

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a nonrecurring basis and recognized in the accompanying financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy.

Real Estate Owned

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

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

For the HOME real estate owned, up to three realtors in the locale of the property are contacted to give the Authority 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 Authority carries the property at the lessor of the foreclosed loan balance or the realtor's list price less holding and selling costs.

Note 10: Commitments and Contingencies

The Authority participates in numerous state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustment by the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing the grants, refunds of any money received may be required, and the collectability of any related receivable at June 30, 2016 and 2015, may be impaired. In the opinion of the Authority, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such contingencies.

The Authority currently participates in an arrangement whereby a liability may be created through prepayments of debt associated with a loan portfolio recorded in the GNMA/BMIR Bond Program. A portion of the prepayments of loan principal in this portfolio is reinvested in investments to cover future debt service payments associated with this portfolio. Any excess amount is then disbursed to various housing agencies in other states based on a participation agreement.

The Authority has $6.7 million and $23.8 million of amounts recorded as cash and investments in the statement of net position that may be disbursed to borrowers under loan and lease agreements closed prior to June 30, 2016 and 2015, respectively.

From time to time, the Authority may be a defendant in legal actions related to its business operations and mission. While the final outcome of these legal actions vary, management is of the opinion that the ultimate liability, if any, will not have a material effect on the Authority's financial position.

The Authority is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; workers compensation claims; fiduciary liability; and fidelity for which the Authority either carries commercial insurance or participates in insurance through the State of Arkansas. There have not been any settlements which exceeded insurance coverage in the past three years.

The Internal Revenue Code of 1986 establishes rules and regulations for arbitrage rebates. The Authority has made provisions for revenues above the rebate limit, which must be remitted to the federal government.

In 2003, the Authority initiated the funding for the Arkansas Institutional Fund (AIF), an institutional fund of funds venture capital program created by the Arkansas General Assembly in 2001. The Venture Capital Investment Act of 2001 authorizes the Authority 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 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 balances were $25.0 million as of June 30, 2016, and $27.4 million as of June 30, 2015. As of June 30, 2016, there were 11 approved investments totaling $37.2 million, of which $7.7 million has yet to be funded, that are anticipated to become part of the AIF.

Note 11: Adoption of Accounting Standard

Effective July 1, 2014, the Authority implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27, as amended by GASB Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68. The objectives of GASB No. 68 are to establish standards for measuring and recognizing liabilities, deferred outflows of resources, and deferred inflow of resources, and expenses for pensions that are provided to the employees of state and local governmental employers through pension plans administered through trusts.

The Authority has not restated its financial statements as of and for the year ended June 30, 2014, because actuarial information was not readily available for that period, thus making restatement of the 2014 financial statements impractical.

In conjunction with the adoption of GASB No. 68, the Authority restated beginning net position as of July 1, 2014, to recognize $3.7 million of net pension liability and deferred outflow of resources for contributions of $0.5 million.

Effective July 1, 2015, the Authority implemented GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72). GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes that aligns with the Financial Accounting Standards Board's Topic 820. GASB 72 also provides that all assets meeting the definition of an investment in the Statement should be measured at fair value, unless the Statement provided otherwise.

Required Supplementary Information

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas

Required Supplementary Information

Schedule of the Authority's Proportionate Share of the Net Pension Liability

Arkansas Public Employees Retirement System

Last 10 Fiscal Years*

	2016	2015
Authority's proportion of the net pension liability (asset)	.1941%	.1898%
Authority's proportionate share of the net pension liability (asset)	$ 3,575,061	$ 2,692,466
Authority's covered-employee payroll, cash basis	$ 3,444,062	$ 3,354,903
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	103.80%	80.25%
Plan fiduciary net position as a percentage of the total pension liability	80.39%	84.15%

*The amounts presented for each fiscal year were determined as of June 30 of the previous year.

Note: A full 10 year schedule will be completed as information is available.

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Required Supplementary Information
Schedule of the Authority's Contributions
Arkansas Public Employees Retirement System
Last 10 Fiscal Years*

	2016	2015
Contractually required contribution	$ 493,947	$ 508,343
Contributions in relation to the contractually required contribution	493,947	508,343
Contribution deficiency (excess)	$ -	$ -
Authority's covered-employee payroll, cash basis	$ 3,408,161	$ 3,444,062
Contributions as a percentage of covered-employee payroll	14.50%	14.76%

*The amounts presented for each fiscal year were determined as of June 30.

Note: A full 10 year schedule will be completed as information is available.

Supplementary Information

Arkansas Development Finance Authority, A Component Unit of the State of Arkansas

Combining Statement of Net Position

June 30, 2016

(In thousands)	Single Family Housing Programs	Federal Housing Programs	Multi-Family Programs	Economic Development Bond Guaranty Program
Current Assets				
Cash and cash equivalents	$ 48,729	$ 3,186	$ 3,991	$ 8,340
Accrued interest receivable	1,002	69	16	104
Accounts receivable	-	575	-	12
Investments – current portion	-	-	-	-
Loans – current portion	-	-	-	-
Total current assets	49,731	3,830	4,007	8,456
Noncurrent Assets				
Investments – unrestricted	-	-	-	-
Investments – restricted	284,998	-	2	17,766
Loans, net	-	86,278	4,494	49,933
Direct financing leases – restricted	-	-	-	1,551
Real estate owned	-	114	-	1,469
Capital assets, net	-	-	-	-
Total noncurrent assets	284,998	86,392	4,496	70,719
Total assets	334,729	90,222	8,503	79,175
Deferred Outflow of Resources				
Deferred charge on refunding	92	-	-	-
Pension contributions	-	-	-	-
Changes in pension actuarial assumptions	-	-	-	-
Total deferred outflow resources	92	-	-	-
Current Liabilities				
Accounts payable	6	225	1,942	12
Accrued interest payable	3,018	5	-	485
Contract obligations – current portion	-	-	-	-
Bonds and notes payable – current portion	6,640	70	-	3,697
Total current liabilities	9,664	300	1,942	4,194
Noncurrent Liabilities				
Unearned fees	-	-	-	2,156
Contract obligations – noncurrent portion	-	-	-	-
Bonds and notes payable, net of unamortized premiums	189,370	2,340	-	53,918
Deposits against financing arrangements	-	-	-	1,636
OPEB and pension liabilities	-	-	-	-
Other liabilities	-	-	-	-
Total noncurrent liabilities	189,370	2,340	-	57,710
Total liabilities	199,034	2,640	1,942	61,904
Deferred Inflows of Resources	-	-	-	-
Net Position (Deficit)				
Restricted by bond resolution and programs	135,787	87,582	6,561	17,271
Invested in capital assets	-	-	-	-
Unrestricted	-	-	-	-
Net position (deficit)	$ 135,787	$ 87,582	$ 6,561	$ 17,271

State Facilities and Amendment 82 Programs	Other Economic Development Programs	Tobacco Bonds Program	General Fund Programs	Eliminations	Total
$ 25,050	$ 4,162	$ 2,655	$ 10,324	$ -	$ 106,437
270	5	25	247	-	1,738
73	-	-	634	(636)	658
-	-	-	7,595	-	7,595
-	-	-	6,129	-	6,129
25,393	4,167	2,680	24,929	(636)	122,557
-	-	-	54,559	-	54,559
7,020	-	4,230	-	-	314,016
118,915	3,083	60,171	15,309	-	338,183
114,926	-	-	-	-	116,477
-	-	-	-	-	1,583
-	-	-	93	-	93
240,861	3,083	64,401	69,961	-	824,911
266,254	7,250	67,081	94,890	(636)	947,468
-	-	-	-	-	92
-	-	-	494	-	494
-	-	-	590	-	590
-	-	-	1,084	-	1,176
-	5	-	633	(636)	2,187
979	-	95	-	-	4,582
2,600	-	-	-	-	2,600
17,370	-	1,875	-	-	29,652
20,949	5	1,970	633	(636)	39,021
-	-	-	-	-	2,156
1,618	-	-	-	-	1,618
216,055	-	80,296	-	-	541,979
24,160	23	3,881	7	-	29,707
-	-	-	5,666	-	5,666
3,426	-	-	249	-	3,675
245,259	23	84,177	5,922	-	584,801
266,208	28	86,147	6,555	(636)	623,822
-	-	-	412	-	412
46	7,222	(19,066)	-	-	235,403
-	-	-	93	-	93
-	-	-	88,914	-	88,914
$ 46	$ 7,222	$ (19,066)	$ 89,007	$ -	$ 324,410

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

(In thousands)	Single Family Housing Programs	Federal Housing Programs	Multi-Family Programs	Economic Development Bond Guaranty Program
Operating Revenues				
Investment income				
Interest and dividends	$ 12,701	$ 3	$ 2	$ 265
Loans and direct financing leases	-	752	62	2,276
Amortization of discounts on loans	-	-	-	-
Financing fees	-	-	-	340
Net (depreciation) appreciation of investments	(1,126)	-	-	86
Total investment income	11,575	755	64	2,967
Other	-	-	-	-
Total operating revenues	11,575	755	64	2,967

	State Facilities and Amendment 82 Programs	Other Economic Development Programs	Tobacco Bonds Program	General Fund Programs	Eliminations	Total
	$ -	$ 4	$ -	$ 1,986	$ -	$ 14,961
	6,430	78	2,879	811	-	13,288
	-	-	-	1	-	1
	-	84	-	3,721	(1,007)	3,138
	(2)	-	-	(615)	-	(1,657)
	6,428	166	2,879	5,904	(1,007)	29,731
	-	-	-	6	-	6
	6,428	166	2,879	5,910	(1,007)	29,737

Arkansas Development Finance Authority, A Component Unit of the State of Arkansas

Combining Statement of Revenues, Expenses and Changes in Net Position (Continued)

Year Ended June 30, 2016

(In thousands)	Single Family Housing Programs	Federal Housing Programs	Multi-Family Programs	Economic Development Bond Guaranty Program
Operating Expenses				
Interest on bonds and notes				
Current	$ 7,532	$ 21	$ -	$ 2,188
Accreted	-	-	-	-
Total interest on bonds and notes	7,532	21	-	2,188
Amortization				
Amortization of discounts and premiums on bonds and notes	(211)	-	-	-
Total amortization	(211)	-	-	-
Administrative expenses				
Provision for loan losses	-	(2,023)	444	(354)
Federal financial assistance programs	-	4,141	-	291
Salaries and benefits	-	-	-	-
Operations and maintenance	-	893	-	-
Other	668	111	-	86
Total administrative expenses	668	3,122	444	23
Total operating expenses	7,989	3,143	444	2,211
Operating Income (Loss)	3,586	(2,388)	(380)	756
Nonoperating Revenue				
Federal grants	-	6,923	-	291
State grants	-	-	-	-
Total nonoperating revenue	-	6,923	-	291
Income (Loss) Before Transfers In (Out)	3,586	4,535	(380)	1,047
Transfers In (Out)	31	6	-	-
Change in Net Position (Deficit)	3,617	4,541	(380)	1,047
Net Position (Deficit), Beginning of Year	132,170	83,041	6,941	16,224
Net Position (Deficit), End of Year	$ 135,787	$ 87,582	$ 6,561	$ 17,271

State Facilities and Amendment 82 Programs	Other Economic Development Programs	Tobacco Bonds Program	General Fund Programs	Eliminations	Total
$ 6,776	$ -	$ 1,287	$ -	$ -	$ 17,804
-	-	2,878	-	-	2,878
6,776	-	4,165	-	-	20,682
-	-	-	-	-	(211)
-	-	-	-	-	(211)
-	292	-	376	-	(1,265)
-	-	-	-	-	4,432
-	-	-	4,681	-	4,681
-	-	-	970	(537)	1,326
-	84	-	608	(470)	1,087
-	376	-	6,635	(1,007)	10,261
6,776	376	4,165	6,635	(1,007)	30,732
(348)	(210)	(1,286)	(725)	-	(995)
367	-	-	82	-	7,663
-	-	-	550	-	550
367	-	-	632	-	8,213
19	(210)	(1,286)	(93)	-	7,218
-	(556)	5,000	(178)	-	4,303
19	(766)	3,714	(271)	-	11,521
27	7,988	(22,780)	89,278	-	312,889
$ 46	$ 7,222	$ (19,066)	$ 89,007	$ -	$ 324,410

Arkansas Development Finance Authority, A Component Unit of the State of Arkansas

Single Family Housing Programs

Combining Statement of Net Position

June 30, 2016

(In thousands)	1995 General Resolution	Single Family New Issue Bond Program	Single Family Housing Programs (Total)
Current Assets			
Cash and cash equivalents	$ 45,346	$ 3,383	$ 48,729
Accrued interest receivable	819	183	1,002
Total current assets	46,165	3,566	49,731
Noncurrent Assets			
Investments – restricted	221,353	63,645	284,998
Total noncurrent assets	221,353	63,645	284,998
Total assets	267,518	67,211	334,729
Deferred Outflow of Resources			
Deferred charge on refunding	92	-	92
Current Liabilities			
Accounts payable	6	-	6
Accrued interest payable	2,098	920	3,018
Bonds and notes payable – current portion	4,710	1,930	6,640
Total current liabilities	6,814	2,850	9,664
Noncurrent Liabilities			
Bonds and notes payable, net of unamortized premiums	131,675	57,695	189,370
Total noncurrent liabilities	131,675	57,695	189,370
Total liabilities	138,489	60,545	199,034
Net Position			
Restricted by bond resolution and programs	129,121	6,666	135,787
Net position	$ 129,121	$ 6,666	$ 135,787

Arkansas Development Finance Authority,
A Component Unit of the State of Arkansas
Single Family Housing Programs
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

(In thousands)	1995 General Resolution	Single Family New Issue Bond Program	Single Family Housing Programs (Total)
Operating Revenues			
Investment income			
Interest and dividends	$ 10,371	$ 2,330	$ 12,701
Net depreciation of investments	(2,211)	1,085	(1,126)
Total investment income	8,160	3,415	11,575
Total operating revenues	8,160	3,415	11,575
Operating Expenses			
Interest on bonds and notes			
Current	5,566	1,966	7,532
Total interest on bonds and notes	5,566	1,966	7,532
Amortization			
Amortization of discounts and premiums on bonds and notes	(211)	-	(211)
Administrative expenses			
Other	594	74	668
Total administrative expenses	594	74	668
Total operating expenses	5,949	2,040	7,989
Operating Income	2,211	1,375	3,586
Transfers In	31	-	31
Change in Net Position	2,242	1,375	3,617
Net Position, Beginning of Year	126,879	5,291	132,170
Net Position, End of Year	$ 129,121	$ 6,666	$ 135,787

Arkansas Development Finance Authority

Single Audit Report

June 30, 2016

BKD LLP
CPAs & Advisors

Arkansas Development Finance Authority

Year Ended June 30, 2016

Contents

Arkansas Development Finance Authority

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through	Total Federal Expenditures
U.S. Department of Agriculture Rural Development/ Preservation Revolving Loan Fund	10.415	N/A	$ 460,187	$ 2,480,000
U.S. Department of Agriculture/ State Mediation Grants	10.435	N/A	-	82,022
U.S. Department of Housing and Urban Development/ Federal Housing Counseling Grant Program	14.169	N/A	35,587	35,587
U.S. Department of Housing and Urban Development/ Arkansas Economic Development Council/ Community Development Block Grant	14.218	N/A	-	1,646
U.S. Department of Housing and Urban Development/ HOME Investment Partnerships Program	14.239	N/A	6,236,179	6,887,220
			$ 6,731,953	$ 9,486,475

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Arkansas Development Finance Authority (the Authority) under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Authority.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-110 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

Arkansas Development Finance Authority

Schedule of Expenditures of Federal Awards (Continued)

Year Ended June 30, 2016

3. Expenditures reflected in CFDA 10.415, Preservation Revolving Loan Fund, include loans to contractors for development of multifamily housing. The funding sources for these loans are two $2,125,000 promissory notes executed between Arkansas Development Finance Authority and USDA Rural Development during fiscal year 2013 and fiscal year 2016. When received, these funds will be used to make new loans for program activities. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was $2,337,274. Total disbursements for new loans made to subrecipients during fiscal year 2016 totaled $460,187.

4. Expenditures reflected in CFDA 14.218, Community Development Block Grant, include loans to contractors for development or redevelopment of affordable rental housing. The funding source for these loans is federal grant funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was $7,700,000. No disbursements were made for new loans during the year ended June 30, 2016.

5. Expenditures reflected in CFDA 14.239, HOME Investment Partnerships Program, include loans to contractors and borrowers for development of single-family and multifamily housing. The funding source for these loans includes federal grant funds and revolving program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was $108,057,731. Total disbursements of federal funds for new loans made to subrecipients during fiscal year 2016 totaled $2,768,701.

6. The federal loan programs listed subsequently are administered directly by the Authority, and balances and transactions relating to the programs are included in the Authority's basic financial statements. Notes payable outstanding at the beginning of the year and federal expenditures during the year are included in the federal expenditures presented in the Schedule. The balance of the notes payable outstanding at June 30, 2016, consists of:

CFDA Number	Program Name	Outstanding Balance at June 30, 2016
10.415	Preservation Revolving Loan Fund	$ 2,410,238

Arkansas Development Finance Authority
Schedule of Findings and Questioned Costs
Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

7. The Program's major program was:

Cluster/Program	CFDA Number
HOME Investment Partnerships Program	14.239

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Program qualified as a low-risk auditee?

   ☒ Yes ☐ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by OMB Circular A-133

Reference Number	Finding
	No matters are reportable.

Arkansas Development Finance Authority
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
	No matters are reportable.	

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

BKD LLP

CPAs & Advisors

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

June 30, 2016 and 2015

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Independent Auditor's Report

The Commissioners of the Arkansas Natural
Resources Commission (ANRC)

The Board of Directors of
Arkansas Development Finance Authority (ADFA)

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Management's Discussion and Analysis

June 30, 2016 and 2015

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the Safe Drinking Water Revolving Loan Fund Program (the Program). Readers are encouraged to consider the information presented in conjunction with the financial statements and notes as a whole, which follow this section of the report.

Discussion of Financial Statements

The June 30, 2016, basic financial statements include three required statements: the statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. Comparative totals as of and for the years ended June 30, 2015 and 2014, are also presented. Although not required, these comparative totals are intended to facilitate an enhanced understanding of the Program's financial position and results of operations for the current fiscal year in comparison to the prior fiscal years. Additional information, following the *Notes to Financial Statements*, includes the combining statement of net position; the combining statement of revenues, expenses and changes in net position; as well as the combining statement of cash flows. These combining statements detail the Revolving Loan Fund, the Fees and Expense Set Aside, the Small System Technical Assistance Set Aside, the Well Head Protection Set Aside, the Capacity Development Set Aside and the State Program Management Set Aside, which comprise the Program.

Condensed Financial Information – Statements of Net Position

(In thousands)	2016	2015	2014
Total assets	$ 254,246	$ 247,780	$ 235,375
Current liabilities	2,429	2,431	2,070
Noncurrent liabilities	21,184	23,380	25,594
Total liabilities	23,613	25,811	27,664
Net position – restricted by bond resolution and program requirements	$ 230,633	$ 221,969	$ 207,711

The Program's total assets have continually increased over the past three years. At June 30, 2016, total assets increased $6.5 million from June 30, 2015, which was primarily attributed to the $12.7 million increase in investments, which is offset by decreases totaling $6.3 million in cash and cash equivalents, loan receivable – restricted and account receivable – Environmental Protection Agency (EPA). At June 30, 2015, the Program's total assets increased $12.4 million from June 30, 2014, which was primarily attributed to an increase of $33.6 million in investments – current portion and loans receivable – restricted, which is offset by a decrease of $21.0 million in cash and cash equivalents.

The following table reports loan activity for each year (in thousands).

	2016	2015	2014
Loan disbursements	$ 6,407	$ 12,083	$ 13,172
Loan repayments	8,142	7,989	5,715
Net (decrease) increase in loans receivable	$ (1,735)	$ 4,094	$ 7,457

Grants from the United States Environmental Protection Agency comprised 53%, 80% and 81% of the funding source of the repayable loan disbursements for fiscal years ended June 30, 2016, 2015, and 2014, respectively. The table below reflects the amounts used from each funding source for fiscal years 2016, 2015, and 2014 as follows (in thousands):

	2016	2015	2014
EPA Federal			
Base	$ 3,374	$ 9,609	$ 10,623
Revolving Loan Funds	111	-	-
State Matching	2,922	2,474	2,549
	$ 6,407	$ 12,083	$ 13,172

The Program is using other funding sources to fund repayable loans. According to Arkansas state law, principal forgiveness loans are required to be funded from federal grants, therefore the Program has increased the use of state match funds and the Program's revolving loan funds to fund repayable loans. The Program utilizes the multiple funding sources to meet EPA guidelines and to comply with state law.

The Program maintains liquidity for funding loans. The Program invested excess funds in money market mutual funds and in U.S. agencies obligations from time to time to allow for re-evaluation of the Program's liquidity needs. With the slight increase in interest rates along with the increased cash balances, the Program has structured its investment portfolio with maturities of every six months. Currently, the Program has $30.0 million in investments which will mature in the fiscal year 2017.

The Program's total liabilities decreased to $23.6 million at June 30, 2016, from $25.8 million at June 30, 2015, and from $27.7 million at June 30, 2014. In fiscal year 2016, the Program had a decline of $2.2 million in the bonds payable due to the payment of scheduled bond redemptions. The decline of $1.9 million for fiscal year 2015 was attributed to the scheduled bond redemptions and accounts payable expense accruals.

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Management's Discussion and Analysis

June 30, 2016 and 2015

Condensed Financial Information – Statements of Revenues, Expenses and Changes in Net Position

(In thousands)

	2016	2015	2014
Operating income	$ 1,548	$ 1,541	$ 1,466
Total interest income	3,772	3,561	3,365
Federal grants	12,399	15,967	20,172
Total nonoperating revenues	16,171	19,528	23,537
Federal financial assistance	4,356	1,509	4,775
Total interest on bonds	1,074	1,139	1,187
Total amortization expense	(386)	(410)	(393)
Total nonoperating expenses	5,044	2,238	5,569
Transfers out, net	(4,011)	(4,573)	(3,346)
Change in net position	8,664	14,258	16,088
Net position			
Beginning of year	221,969	207,711	191,623
End of year	$ 230,633	$ 221,969	$ 207,711

Operating income includes the 1% servicing fees collected from the borrowers and any expenses paid for operating the Program. For the years ended June 30, 2016 and 2015, operating income remained at $1.5 million.

Included in total interest income is interest earned on loans and interest earned on investments, which has increased to $3.7 million for the year ended June 30, 2016, from $3.6 million for the year ended June 30, 2015, from $3.4 million for the year ended June 30, 2014. The primary factors for the increases are the continuous funding of loans at a faster pace than repayments in the Program and the increase in interest earnings. Revenues from investments increased to $193,000 in the fiscal year 2016. The average yield on cash, cash equivalents and investments for fiscal year 2016 has increased to 0.26%; whereas the average yields for 2015 and 2014 were 0.09% and 0.07%, respectively. For fiscal year 2016, federal grants declined $3.6 million which correlated with the decline in loan disbursements. For fiscal year 2015, federal grants declined $4.2 million which correlates to the decline in loan disbursements as previously discussed and federal financial assistance. The Program primarily used federal grants for funding loans and paying expenses. These funds were drawn down from the federal government as expenses were incurred by the municipalities, Arkansas Natural Resources Commission (ANRC) or Arkansas Department of Health (DOH).

For fiscal year 2016, total nonoperating expenses, increased to $5.0 million. The increase of $2.8 million is attributable to increase in federal financial assistance. In fiscal year 2012, the Program began funding principal forgiveness loans from the Base capitalization grant as required by EPA. Each construction draw is forgiven at the time of the draw. The Program is required by state law to use only federal grant funds to make principal forgiveness loans. For fiscal year 2015, nonoperating expenses declined $3.3 million which was attributed to a decline in federal financial assistance. For the years ended June 30, 2016 and 2015, the Program has awarded principal forgiveness loans to multiple borrowers and has forgiven $4.4 million and $1.5 million, respectively.

The Program received transfers in from the ANRC Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund Program, which represented the state matching funds for the Program. Transfers in were offset by transfers out to other agencies for Program administration expenses. For the fiscal years 2016 and 2015, the Program's transfers out, net were $4.0 million and $4.6 million, respectively. The details of transfers in and out are presented in the following table (in thousands):

	2016	2015	2014
ANRC-state match	$ 672	$ 479	$ 1,274
Department of Health	(4,173)	(4,372)	(3,940)
ANRC-administration	(510)	(680)	(680)
Transfers out, net	$ (4,011)	$ (4,573)	$ (3,346)

The net position of the Program increased $22.9 million in the past two years. The bond resolutions and the Program restrict all of the net position.

The overall financial position and results of operations of the Program have improved.

Contact Regarding the Program

This financial report is designed to provide constituents and business partners with a general overview of the Program's finances and to show the Program's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the ADFA Vice President for Finance and Administration by telephoning 501.682.5900 or by contacting the ANRC Water Development Division Chief at 501.682.1611.

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Statements of Net Position

June 30, 2016 and 2015

(In thousands)

	2016	2015
Current Assets		
Cash and cash equivalents	$ 15,988	$ 20,159
Accrued interest receivable	310	257
Accounts receivable		
Borrowers	112	114
Environmental Protection Agency	432	858
Investments – current portion	30,030	54,505
Total current assets	46,872	75,893
Noncurrent Assets		
Investments – restricted	37,222	-
Loans receivable – restricted		
Construction	166,361	168,003
Northeast Arkansas Public Water Authority	3,791	3,884
Total noncurrent assets	207,374	171,887
Total assets	254,246	247,780
Current Liabilities		
Accounts payable	536	536
Accrued interest payable	83	90
Bonds payable – current portion	1,810	1,805
Total current liabilities	2,429	2,431
Noncurrent Liabilities		
Bonds payable, net of unamortized premiums	21,184	23,380
Total liabilities	23,613	25,811
Net Position		
Restricted by bond resolution and program requirements	$ 230,633	$ 221,969

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Statements of Revenues, Expenses and Changes in Net Position

Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Operating Revenues		
Financing fees	$ 1,732	$ 1,724
Operating Expenses		
Program administration	184	183
Operating Income	1,548	1,541
Nonoperating Revenue		
Interest on investments	193	93
Interest on loans	3,509	3,501
Base federal grants	12,399	15,967
Net appreciation (depreciation) of investments	70	(33)
Total nonoperating income	16,171	19,528
Nonoperating Expenses		
Federal financial assistance		
Base federal grants	4,356	1,509
Bond interest	1,074	1,139
Amortization of bond premiums	(386)	(410)
Total nonoperating expenses	5,044	2,238
Income Before Transfers Out, Net	12,675	18,831
Transfers Out, Net	(4,011)	(4,573)
Change in Net Position	8,664	14,258
Net Position, Beginning of Year	221,969	207,711
Net Position, End of Year	$ 230,633	$ 221,969

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

(In thousands)

	2016	2015
Operating Activities		
Financing fees received	$ 1,735	$ 1,741
Cash paid for program administration	(185)	(181)
Net cash provided by operating activities	1,550	1,560
Noncapital Financing Activities		
Repayment of long term debt	(1,805)	(1,265)
Cash paid for interest	(1,081)	(1,144)
Transfers out	(4,011)	(4,750)
Nonoperating grants received	12,825	16,177
Net cash provided by noncapital financing activities	5,928	9,018
Investing Activities		
Interest received on investments	130	59
Interest received on loans	3,519	3,530
Principal repayments on loans	8,142	7,989
Loan disbursements	(6,407)	(12,083)
Federal grant funds expended	(4,356)	(1,509)
Proceeds from maturities of investments	76,500	51,500
Purchase of investments	(89,177)	(81,036)
Net cash used in investing activities	(11,649)	(31,550)
Decrease in Cash and Cash Equivalents	(4,171)	(20,972)
Cash and Cash Equivalents, Beginning of Year	20,159	41,131
Cash and Cash Equivalents, End of Year	$ 15,988	$ 20,159
Reconciliation of Operating Income to Net Cash Provided by Operating Activities		
Operating income	$ 1,548	$ 1,541
Changes in		
Accounts receivable – borrowers	2	17
Accounts payable	-	2
Net cash provided by operating activities	$ 1,550	$ 1,560

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

Act 772 of 1997, as amended, (the Act) authorized the establishment of a fund known as the Safe Drinking Water Fund (the Program), an enterprise fund of the State of Arkansas, to be maintained and administrated by the Arkansas Natural Resources Commission (the Commission or ANRC), formerly known as Arkansas Soil and Water Conservation Commission, and the Arkansas Department of Health. Act 1243 of 2006 authorized the name change to ANRC, which has not had an impact on the Program. The Program is to be capitalized with federal grants, state matching grants, other grants, proceeds of bonds issued by the Arkansas Development Finance Authority (ADFA) or the Commission for the Program and loan repayments utilized to administer the program. These funds may be loaned for water system projects, pledged and used to pay debt service and related costs, used to pay administrative expenses and provide technical assistance for the Program and used for other purposes related to the program.

ADFA serves as financial manager for the Program under an interagency agreement. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, servicing loans, preparing and submitting monthly financial reports and annual financial statements and procuring audit services. ADFA is reimbursed for Program administration costs through a calculation based on loans outstanding in accordance with the interagency agreement. The amounts incurred to ADFA for administration costs for the years ended June 30, 2016 and 2015, were $138,000 and $140,000, respectively.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of fair values of investments.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Program is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Program's statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

Recently Issued Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72): GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes that aligns with the Financial Accounting Standards Board's Topic 820. GASB 72 also provides that all assets meeting the definition of an investment in the Statement should be measured at fair value, unless the Statement provided otherwise. Certain disclosures related to all fair value measurements are required (*See Note 5*). GASB 72 enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for fiscal years beginning after June 15, 2015 and any prior periods presented should be restated, including disclosures, if practical. See *Note 5* for disclosures required by GASB 72.

Cash and Cash Equivalents

The Program considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents of approximately $16.0 million and $20.2 million, respectively, consisted of money market mutual funds with variable interest rates. The maturity of the funds is considered to be less than one year because they are redeemable in full immediately.

Investments

Investments are carried at fair value. Fair value is determined using quoted market prices.

Bond Premiums

Premiums on the sale of bonds are capitalized and are amortized over the term of the bonds using the effective interest method. Early retirement of bonds results in the acceleration of amortization of the premiums.

Net Position Restricted by Bond Resolution and Program Requirements

Net position restricted by bond resolution and program requirements represents funds restricted due to the specific provisions of the Program.

Income Taxes

As an essential government function of the State of Arkansas, the Program is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Reclassifications

Certain reclassifications have been made to the fiscal year 2015 financial statements to conform to the fiscal year 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law and bond indentures.

At June 30, 2016 and 2015, none of the Program's deposits were exposed to custodial credit risk.

Investments

Arkansas statutes authorize the Program to invest in direct obligations of the U.S. Government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; guaranteed investment contracts; and bank certificates of deposit.

At June 30, 2016 and 2015, the Program had the following investments and maturities:

(In thousands)

		June 30, 2016			
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
U. S. agencies obligations	$ 67,252	$ 30,030	$ 37,222	$ -	$ -
Money market mutual funds	15,988	15,988	-	-	-
Total	$ 83,240	$ 46,018	$ 37,222	$ -	$ -

(In thousands)

		June 30, 2015			
		Maturities in Years			
Type	**Fair Value**	**Less than 1**	**1–5**	**6–10**	**More than 10**
U. S. agencies obligations	$ 54,505	$ 54,505	$ -	$ -	$ -
Money market mutual funds	20,159	20,159	-	-	-
Total	$ 74,664	$ 74,664	$ -	$ -	$ -

Interest Rate Risk—As a means of limiting its exposure to fair value losses due to rising interest rates, the Program limits the maturity of investments to expected cash flow needs of the Program.

Credit Risk—Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Program's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated "Aaa" or not rated by Moody's Investment Service, and rated "AA+" or not rated by Standard & Poor's and its investments in money market mutual funds, or the investments of those funds were rated "AAA-mf" or "AAA" by Standard & Poor's and "Aaa-mf" or "Aaa" by Moody's Investors Service.

Concentration of Credit Risk—The Program places no limit on the amount that may be invested in any one issuer. Investments of the Program (not guaranteed by the U.S. government or considered mutual funds) representing 5% or more of total investments are as follows (in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 36,187	54%
Federal Home Loan Mortgage Corporation	25,056	37%
Federal National Mortgage Association	6,009	9%

Summary of Carrying Values

The carrying values of deposits and investments shown are included in the statements of net position as follows:

(In thousands)	2016	2015
Carrying value		
Investments	$ 83,240	$ 74,664
Included in the following statement of net position captions		
Cash and cash equivalents	$ 15,988	$ 20,159
Investments – current portion	30,030	54,505
Investment – restricted	37,222	-
	$ 83,240	$ 74,664

Note 3: Loans Receivable

The Program originates loans with Arkansas municipalities for financing the construction of drinking water treatment facilities. These loans are payable in semi-annual installments. At June 30, 2016 and 2015, such loans had a carrying value of approximately $170.2 million and $171.9 million, respectively. The loans bear interest at 0.0% to 2.90% and are collateralized by special assessments, user charges or sales and use tax bonds issued by the municipalities.

In fiscal year 2010, the Program began funding loans with American Recovery and Reinvestment Act (ARRA) federal funds, along with other funding sources. As of June 30, 2016 and 2015, the Program's outstanding loan balance for ARRA loans totaled $21.0 million and $22.0 million, respectively.

Through the years ended June 30, 2016 and 2015, approximately $228.6 million and $228.0 million in loans, respectively, had cumulatively been approved for funding. At June 30, 2016 and 2015, approximately $8.2 million and $14.1 million, respectively, remained encumbered and awaiting disbursement to loan recipients.

Note 4: Bonds Payable

Bonds payable were as follows at June 30:

(In thousands)

Series	Interest Rate Range	Final Maturity Dates	2016	2015
2011-C				
Serial	3.25% – 5.00%	6/1/2028	$ 20,995	$ 22,800
	Unamortized premiums		1,999	2,385
			$ 22,994	$ 25,185

Activity in bonds payable for 2016 was as follows:

(In thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
2011-C	$ 22,800	$ -	$ (1,805)	$ 20,995	$ 1,810

The principal amount shown above differs from the amount on the statement of net position due to unamortized premiums of approximately $2.0 million.

Activity in bonds payable for 2015 was as follows:

(In thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
2011-C	$ 24,065	$ -	$ (1,265)	$ 22,800	$ 1,805

The principal amount shown above differs from the amount on the statement of net position due to unamortized premiums of approximately $2.4 million.

Annual debt service requirements to maturity for bonds payable are as follows:

(In thousands)	Principal	Interest
Fiscal Year ending June 30,		
2017	$ 1,810	$ 991
2018	1,765	901
2019	2,205	812
2020	2,065	702
2021	1,985	599
2022 – 2026	9,440	1,550
2027 – 2028	1,725	87
	20,995	5,642
Unamortized premiums	1,999	-
	$ 22,994	$ 5,642

The Program did not have any new bond issuances in the current or previous fiscal years.

Note 5: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

(in thousands)		June 30, 2016 Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. agency obligations	$ 67,252	$ -	$ 67,252	$ -

(in thousands)		June 30, 2015 Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. agencies obligations	$ 54,505	$ -	$ 54,505	$ -

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2016 or 2015.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Program did not classify any of its investments a Level 1 at June 30, 2016 or June 30, 2015. Level 2 securities include U.S. Government and federal agencies. If quoted market prices are not available, then fair values are estimated by an independent third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Program did not have any Level 3 securities at June 30, 2016 or June 30, 2015.

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Economic Dependency

The Program is economically dependent upon revenue from the Environmental Protection Agency (EPA). During 2016 and 2015, the Program received approximately 69% and 75%, respectively, of total revenue in the form of federal grants.

Program Set Asides

As shown in the supplemental information, the Program has five set aside funds. These set aside funds make up 31% of the annual capitalization grant awarded each year. These funds are used to provide for reimbursement of expenses of the Program. Through federal regulations, the EPA has allowed states to redirect and reserve set asides as needed to ensure proper management of funds.

Section 1452 of the EPA Federal Guidelines for the Implementation of Drinking Water State Revolving Loan Fund (DWSRF) indicates a state may reserve the right to redirect unused set aside funds as eligible expenditures of the Program. Since the inception of the Program, ANRC, in conjunction with DOH, has redirected approximately $6.3 million from previous years' capitalization grants as eligible funds for disbursement to loan borrowers.

The Code of Federal Regulations section 40 CFR 3540, regarding the DWSRF, states a state may reserve or "bank" set aside funds at the time of the grant application. The intent is that the authority for a set aside activity from one year can be used in a future year when the amount available in that future year is not enough to accomplish the set aside activity. Each set aside activity has specific eligible costs associated with it. Reserved authority in a set aside activity can only be used for that same set aside activity in the future. For each grant application, the state has to demonstrate to EPA that the funds requested for each set aside activity can be used within a two year period. If this results in the state having additional authority for that activity that they cannot use within the two year period, they can reserve that additional authority for some unspecified future grant. The amount of authority reserved for each set aside activity will be reported in the Intended Use Plan (IUP) for that fiscal year and every succeeding IUP until the authority is used. When the state wants to use the authority that has been reserved, the state must demonstrate to EPA that all of the authority in the future grant and the additional reserved authority can be expended within the two year period. The management of the Program is aware if future federal capitalization grants are not made available, the reserved authority is lost. Since the inception of the Program, DOH has reserved authority of $7.9 million in the Small System Technical Assistance and the State Program Management Set Asides.

Principal Forgiveness Loans

In fiscal year 2012, the Program began funding principal forgiveness loans (PF) with Base federal grant funds. EPA required as part of the Base capitalization grant requirements that a percentage of the grant be available as subsidy to eligible borrowers. With the federal fiscal year 2010 and 2011 capitalization grant, at least 30% of the grant would be in the form of forgiveness of principal, negative interest loans or grants. The percentage was changed to be not less than 20%, but not greater than 30% of the federal fiscal year 2012 through 2015 grants. To be eligible to receive subsidy, the borrower must show either:

1. The annual utility rates on 4,000 gallons of water is at least 1.5% of the medium household income for the project area, or

2. At least 51% of the benefiting customers have either low or moderate income as defined by the U. S. Department of Housing and Urban Development Community Development Block Grant Program and the utility rates are at least 1.25% of the medium household income.

The chart below shows the minimum and maximum allowed for principal forgiveness loans:

(In thousands)

Federal Fiscal Year	Base Capitalization Grant Award	PF Minimum Amount	PF Maximum Amount	Program Allocation Amount	Cumulative Disbursements	PF Remaining to Disburse
2010	$ 20,539	$ 6,162	$ 20,539	$ 6,163	$ 6,163	$ -
2011	14,252	4,276	14,252	4,278	4,278	-
2012	13,582	2,716	4,075	2,743	2,743	-
2013	12,743	2,549	3,823	2,625	2,244	381
2014	13,534	2,707	4,660	3,010	1,144	1,866
2015	13,445	2,689	4,033	3,010	95	2,915
Totals					$ 16,667	$ 5,162

The Program has targeted the minimum amount from each Base Capitalization grant for principal forgiveness loans. The Program forgives the loans as the construction draws are disbursed. In fiscal year 2016 and 2015, the Program expensed $4.4 million and $1.5 million in principal forgiveness loans, respectively.

Contingency

The Program is capitalized by state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Program has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable at June 30, 2016 and 2015, may be impaired. In the opinion of the management of the Program, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such a contingency.

Supplementary Information

State of Arkansas Safe Drinking Water Revolving Loan Fund Program
Combining Statement of Net Position
June 30, 2016

(In thousands)	Small System Technical Assistance	Well Head Protection	Capacity Development	State Program Management
Current Assets				
Cash and cash equivalents	$ -	$ -	$ -	$ -
Accrued interest receivable	-	-	-	-
Accounts receivable – borrowers	-	-	-	-
Accounts receivable – EPA	-	104	177	115
Investments – current portion	-	-	-	-
Total current assets	-	104	177	115
Noncurrent Assets				
Investments – restricted	-	-	-	-
Loans receivable – restricted				
Construction	-	-	-	-
Northeast Arkansas Public Water Authority	-	-	-	-
Total noncurrent assets	-	-	-	-
Total assets	-	104	177	115
Current Liabilities				
Accounts payable	-	104	177	115
Accrued interest payable	-	-	-	-
Bonds payable – current portion	-	-	-	-
Total current liabilities	-	104	177	115
Noncurrent Liabilities				
Bonds payable, net of unamortized premiums	-	-	-	-
Total liabilities	-	104	177	115
Net Position				
Restricted by bond resolution and program requirements	$ -	$ -	$ -	$ -

Fees and Expenses	Revolving Loan Fund	Total
$ 2,573	$ 13,415	$ 15,988
13	297	310
112	-	112
36	-	432
2,003	28,027	30,030
4,737	41,739	46,872
1,000	36,222	37,222
-	166,361	166,361
3,791	-	3,791
4,791	202,583	207,374
9,528	244,322	254,246
138	2	536
-	83	83
-	1,810	1,810
138	1,895	2,429
-	21,184	21,184
138	23,079	23,613
$ 9,390	$ 221,243	$ 230,633

State of Arkansas Safe Drinking Water
Revolving Loan Fund Program
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

(In thousands)	Small System Technical Assistance	Well Head Protection	Capacity Development	State Program Management
Operating Revenues				
Financing fees	$ -	$ -	$ -	$ -
Operating Expenses				
Program administration	-	-	-	-
Operating Income	-	-	-	-
Nonoperating Revenue				
Interest on investments	-	-	-	-
Interest on loans	-	-	-	-
Base federal grants	-	717	1,918	1,538
Net (depreciation) appreciation of investments	-	-	-	—
Total nonoperating revenue	-	717	1,918	1,538
Nonoperating Expenses				
Federal financial assistance				
Base federal grant	-	-	-	-
Bond interest	-	-	-	-
Amortization of bond premiums	-	-	-	-
Total nonoperating expenses	-	-	-	-
Income Before Transfers (Out) In, Net	-	717	1,918	1,538
Transfers (Out) In, Net	-	(717)	(1,918)	(1,538)
Change in Net Position	-	-	-	-
Net Position, Beginning of Year	-	-	-	-
Net Position, End of Year	$ -	$ -	$ -	$ -

Fees and Expenses	Revolving Loan Fund	Total
$ 1,732	$ -	$ 1,732
184	-	184
1,548	-	1,548
20	173	193
77	3,432	3,509
495	7,731	12,399
(1)	71	70
591	11,407	16,171
-	4,356	4,356
-	1,074	1,074
-	(386)	(386)
-	5,044	5,044
2,139	6,363	12,675
(2,527)	2,689	(4,011)
(388)	9,052	8,664
9,778	212,191	221,969
$ 9,390	$ 221,243	$ 230,633

Draft 10/10/2016

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Combining Statement of Cash Flows

Year Ended June 30, 2016

(In thousands)	Small System Technical Assistance	Well Head Protection	Capacity Development
Operating Activities			
Financing fees received	$ -	$ -	$ -
Cash paid for program administration	-	-	-
Net cash provided by operating activities	-	-	-
Noncapital Financing Activities			
Repayment of long term debt	-	-	-
Cash paid for interest	-	-	-
Transfers (out) in	-	(700)	(1,930)
Nonoperating grants received	-	700	1,930
Net cash (used in) provided by noncapital financing activities	-	-	-
Investing Activities			
Interest received on investments	-	-	-
Interest received on loans	-	-	-
Principal repayments on loans	-	-	-
Loan disbursements	-	-	-
Federal grant funds expended	-	-	-
Proceed from maturities of investments	-	-	-
Purchase of investments	-	-	-
Net cash provided by (used in) investing activities	-	-	-
Increase (Decrease) in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents, Beginning of Year	-	-	-
Cash and Cash Equivalents, End of Year	$ -	$ -	$ -
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	$ -	$ -	$ -
Changes in			
Accounts receivable – borrowers	-	-	-
Accounts payable	-	-	-
Net cash provided by operating activities	$ -	$ -	$ -

State Program Management	Fees and Expense	Revolving Loan Fund	Total
$ -	$ 1,735	$ -	$ 1,735
-	(187)	2	(185)
-	1,548	2	1,550
-	-	(1,805)	(1,805)
-	-	(1,081)	(1,081)
(1,543)	(2,527)	2,689	(4,011)
1,543	921	7,731	12,825
-	(1,606)	7,534	5,928
-	12	118	130
-	78	3,441	3,519
-	93	8,049	8,142
-	-	(6,407)	(6,407)
-	-	(4,356)	(4,356)
-	4,500	72,000	76,500
-	(3,005)	(86,172)	(89,177)
-	1,678	(13,327)	(11,649)
-	1,620	(5,791)	(4,171)
-	953	19,206	20,159
$ -	$ 2,573	$ 13,415	$ 15,988
$ -	$ 1,548	$ -	$ 1,548
-	2	-	2
-	(2)	2	-
$ -	$ 1,548	$ 2	$ 1,550

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Single Audit Report

June 30, 2016

BKD LLP
CPAs & Advisors

State of Arkansas Safe Drinking Water
Revolving Loan Fund Program
June 30, 2016

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency/Capitalization Grants for Drinking Water State Revolving Funds	66.468	N/A	$ 7,730,812	$ 12,398,653
			$ 7,730,812	$ 12,398,653

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the State of Arkansas Safe Drinking Water Revolving Loan Fund Program (the Program) under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Program, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Program.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-110 or contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Program has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Expenditures reflected in CFDA 66.468, Capitalization Grants for Drinking Water State Revolving Funds, include loans to counties, municipalities and other tax-exempt water system entities for construction of new water systems, expansion or repair of existing water systems and/or consolidation of new or existing water systems. The funding source for these loans includes federal grant funds, state match funds and revolving Program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance from subrecipients for the year ended June 30, 2016, was $170,151,657. Total disbursements of federal funds for new loans made to subrecipients during fiscal year 2016 totaled $7,730,812. Total loans forgiven during fiscal year 2016 totaled $4,356,422. For the year ended June 30, 2016 the Program received $4,667,841 in federal funds for administrative costs.

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

State of Arkansas Safe Drinking Water Revolving Loan Fund Program

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

7. The Program's major program was:

Cluster/Program	CFDA Number
Capitalization Grants for Drinking Water State Revolving Funds	66.468

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Program qualified as a low-risk auditee? ☒ Yes ☐ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by the Uniform Guidance

Reference Number	Finding
	No matters are reportable.

State of Arkansas Safe Drinking Water
Revolving Loan Fund Program
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

Reference Number	Summary of Finding	Status
	No matters are reportable.	

State of Arkansas Construction Assistance Revolving Loan Fund Program

Independent Auditor's Report and Financial Statements

June 30, 2016 and 2015

BKD LLP

CPAs & Advisors

State of Arkansas Construction Assistance Revolving Loan Fund Program
June 30, 2016 and 2015

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Independent Auditor's Report

The Commissioners of the Arkansas Natural
Resources Commission (ANRC)

The Board of Directors of
Arkansas Development Finance Authority (ADFA)

State of Arkansas Construction Assistance Revolving Loan Fund Program

Management's Discussion and Analysis

June 30, 2016 and 2015

This discussion and analysis is designed to assist the reader in focusing on significant issues and activities and to identify any significant changes in the financial position of the Construction Assistance Revolving Loan Fund Program (the Program). Readers are encouraged to consider the information presented in conjunction with the financial statements and notes as a whole, which follow this section of the report.

Discussion of Financial Statements

The June 30, 2016, basic financial statements include three required statements: The statement of net position; the statement of revenues, expenses and changes in net position; and the statement of cash flows. Comparative totals as of and for the years ended June 30, 2015 and 2014, are also presented. Although not required, these comparative totals are intended to facilitate an enhanced understanding of the Program's financial position and results of operations for the current fiscal year in comparison to the prior fiscal years. Additional information, following the *Notes to Financial Statements*, includes the combining statement of net position; the combining statement of revenues, expenses and changes in net position; as well as the combining statement of cash flows. These combining statements detail the Revolving Loan Fund and the Fees and Expenses Fund, which comprise the Program.

Condensed Financial Information – Statements of Net Position

(In thousands)	2016	2015	2014
Total assets and deferred outflow of resources	$ 397,078	$ 387,347	$ 384,220
Current liabilities	2,710	4,317	5,288
Noncurrent liabilities	28,140	34,537	39,175
Total liabilities	30,850	38,854	44,463
Net position – restricted by bond resolution and program requirements	$ 366,228	$ 348,493	$ 339,757

The Program's total assets and deferred outflow of resources have increased over the past three years. At June 30, 2016, the total assets increased $9.7 million as compared to June 30, 2015. The primary factor is the increase of $9.6 million in loans receivable - restricted. At June 30, 2015, the total assets increased $3.1 million compared to June 30, 2014, which was primarily attributed to an increase of $38.2 million in cash and cash equivalents and investments – current portion, which was offset by a decline in loan receivable - restricted of $34.8 million. The following table reports loan activity for each year (in thousands):

	2016	2015	2014
Loan disbursements	$ 24,055	$ 23,776	$ 41,007
Loan repayments	14,411	58,596	33,255
Net increase (decrease) in loans receivable	$ 9,644	$ (34,820)	$ 7,752

The following table reflects the disbursement of funds to new and existing loan borrowers (in thousands):

	2016	2015	2014
New loans	$ 10,200	$ 10,350	$ 13,500
Loan disbursements – new loans	982	1,030	7,009
Existing loans	76,350	79,500	156,000
Loan disbursements – existing loans	23,073	22,746	33,998

The Program continually made loans from Environmental Protection Agency (EPA) federal grant funds, prepayment funds, state matching funds and revolving Program funds. The Program received federal funds in the form of an annual capitalization grant (Base). Currently, the Program is experiencing a decline in the number of requests from municipalities for assistance in maintaining their wastewater and sewer systems. In the current fiscal year, the Program increased the amount of federal funds disbursed while utilizing state match funds and revolving program funds. The Program matches federal grant awards prior to receiving the federal grant at a rate of five federal dollars to one state dollar. In the current fiscal year, the Program used $8.8 million from 2014 federal capitalization grant and $3.8 million from the 2015 federal capitalization grant. The 2015 federal capitalization grant has $5.0 million left to draw which is to be used for additional subsidy (principal forgiveness loans) as required by EPA. In the current year, the Program disbursed the remaining $304,000 of state match funds relating the 2015 federal capitalization grant and $1.7 million of the state match funds relating to the 2016 capitalization grant. Per EPA guidelines and Arkansas Natural Resources Commission (ANRC) policy, all state match must be matched with federal dollars on or prior to the receipt of the federal funds and ANRC has chosen to fund loans with state match funds prior to utilizing the federal capitalization grant. In the previous fiscal year, the Program matched $2.8 million and disbursed $2.5 million relating to the 2014 and 2015 federal capitalization grant. The 2009 Issue Prepayment Funds (Prepayments) fluctuate based upon the loan payoffs. The Program's general bond resolution allows prepayment funds to be used to make new loans within 90 days of receipt, pay principal and interest at debt service or pay principal and interest on called bonds. The Prepayments used to fund loans in fiscal year 2016 were from current year loan payoffs.

The table below reflects the amounts used from each funding source for fiscal years 2016, 2015 and 2014 (in thousands):

	2016	2015	2014
EPA Federal			
Base	$ 12,546	$ 1,886	$ 5,714
State Matching	2,049	2,519	728
2009 Issue Prepayment Funds	290	6,468	13,105
Revolving Program Funds	9,170	12,903	21,460
	$ 24,055	$ 23,776	$ 41,007

Also, the Program utilized its cash within the Program as an additional funding source, essentially revolving the assets. The Federal fiscal year 2016 Base grant has been approved by the EPA in the amount of $8.7 million and will be available in September 2016.

The Program's total liabilities decreased to $30.9 million at June 30, 2016, from $38.9 million at June 30, 2015, from $44.5 million at June 30, 2014. The decline of $8.0 million in fiscal year 2016 was attributed to the scheduled bond redemptions and the optional redemption of the 2009 Series A bonds. The decline of $5.6 million for fiscal years 2015 was attributable to the scheduled bond redemptions.

State of Arkansas Construction Assistance Revolving Loan Fund Program

Management's Discussion and Analysis

June 30, 2016 and 2015

Condensed Financial Information – Statements of Revenues, Expenses and Changes in Net Position

(In thousands)

	2016	2015	2014
Operating income	$ 2,044	$ 2,306	$ 2,352
Total interest income	4,687	5,068	5,498
Base federal grants	12,852	2,323	7,693
Total nonoperating revenues	17,539	7,391	13,191
Total interest on bonds and notes	1,592	1,803	2,222
Total amortization expense	(587)	(638)	(933)
Federal financial assistance	3	116	1,630
Total nonoperating expenses	1,008	1,281	2,919
Transfers in (out), net	(840)	320	(980)
Change in net position	17,735	8,736	11,644
Net position			
Beginning of year	348,493	339,757	328,113
End of year	$ 366,228	$ 348,493	$ 339,757

Total operating income, which represents the 1% servicing fee paid by the borrowers less any expenses of the Program, has declined over the past three years. Financing fee income decreased $254,000 during fiscal year 2016 and $57,000 during fiscal year 2015. Loans in repayment are paying on a declining loan balance. The Program is still making new loans, but the total financing fee being paid by new borrowers is less than the total fee paid by the older borrowers. The Program has seen a decline in loans over the past few years due to the economy, increased loan prepayment rate, the interest rate environment and the regulations placed on the Program by governing agencies. In the prior fiscal year, the Program's decrease in financing fee income correlated to the decrease in loans receivable – restricted. The Program received $43.5 million in loan prepayments in the prior fiscal year. Program administration expenses totaled $247,000, $239,000 and $250,000 for the fiscal years ended June 30, 2016, 2015, and 2014, respectively. These expenses included amounts paid for audit expense, trustee fees and the administrative fee paid to the Arkansas Development Finance Authority (ADFA).

Total nonoperating revenues have fluctuated over the past three years. Revenues from investments were $690,000, $483,000 and $148,000 for fiscal years ended June 30, 2016, 2015, and 2014, respectively. The Program maintains liquidity to fund projects as needed. The Program invested excess funds in U. S. agencies obligations and U. S. Treasuries obligations at higher yields than current money market mutual fund rates. The Program's investment portfolio is structured with maturities every six months to ensure availability of funds, if needed, and to capitalize on higher long term yields. The average return on cash, cash equivalents and investments was 0.28%, 0.05% and 0.07% for years ended June 30, 2016, 2015, and 2014, respectively. The Program has $69.4 million of investments maturing by June 2017.

Interest received on loans has declined over the past three years. For the fiscal year ended June 30, 2016, the interest on loans declined $912,000 which is attributed to the increased loan prepayment rate. For the fiscal year ended June 30, 2015, the interest on loans declined $407,000. The total amount of prepayments was $360,000 and $43.5 million in fiscal years 2016 and 2015, respectively. The Program is funding loans, but the interest rates on the new funded loans are lower than older fully funded loans. The average return on loans was 1.79%, 2.01%, and 2.08% for the fiscal years ended June 30, 2016, 2015, and 2014, respectively.

Base federal grants revenue increased $10.5 million in the current fiscal year. The Base federal grants guidelines allow for the funding of forgiveness of principal and repayable loans. The Program has expended the fiscal year 2014 grant totaling $8.8 million and $3.8 million of the fiscal year 2015 grant. The loans of the Program have a two year construction period in which many existing loans are being funded. In the prior fiscal year, the base federal grants revenue decreased $5.4 million. The Program had $8.8 million of the Federal Fiscal Year 2014 grant to expend for loans. Information regarding when Base federal grant awards were expended for construction draws and principal forgiveness loans is as follows (in thousands):

Federal Award Year	Beginning Balance	Amount Expended in FY2014	Amount Expended in FY2015	Amount Expended in FY2016
2011	$ 9,272	$ 360	$ -	$ -
2012	8,869	613	-	-
2013	8,373	6,371	2,002	-
2014	8,798	-	-	8,798
2015	8,752	-	-	3,750
		$ 7,344	$ 2,002	$ 12,548

Total nonoperating expenses declined $273,000 in fiscal year 2016 and $1.6 million in fiscal year 2015 which is primarily attributed to the decline of federal financial assistance expense. During fiscal years 2016 and 2015, the Program forgave principal of $3,000 and $116,000, respectively. The Program's interest on bonds and notes decreased $211,000 and $419,000 during fiscal years 2016 and 2015, respectively, which correlated to the decrease in bonds payable.

Transfers in and out are comprised of transfers to or from other state programs or agencies. In the current fiscal year, the Program has transfers out of $840,000 to ANRC for administrative expenses. In the prior fiscal year, the Program received transfers in of $1.0 million from the ANRC Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund Program to fund state match, which is offset by transfers out of $680,000 to ANRC for administrative expenses of the Program. The funding source for the administrative expenses is the 4% set aside of the EPA capitalization grant along with other funds deposited into the Fees and Expenses Fund.

The net position of the Program increased $26.5 million in the past two years. The bond resolutions and the Program restrict all of the net position.

The overall financial position and results of operations of the Program have improved.

Contact Regarding the Program

This financial report is designed to provide bondholders, constituents and business partners with a general overview of the Program's finances and to show the Program's accountability for the funds it administers. Questions about this report and requests for additional financial information should be directed to the ADFA Vice President for Finance and Administration by telephoning 501.682.5900 or by contacting the ANRC Water Development Division Chief at 501.682.1611.

State of Arkansas Construction Assistance Revolving Loan Fund Program

Statements of Net Position

June 30, 2016 and 2015

(In thousands)	2016	2015
Current Assets		
Cash and cash equivalents	$ 58,533	$ 101,162
Accrued interest receivable		
Investments	140	154
Loans	228	258
Accounts receivable		
Borrowers	142	154
Investments – current portion	69,368	59,715
Total current assets	128,411	161,443
Noncurrent Assets		
Investments – restricted	33,139	-
Loans receivable – restricted		
Construction	234,595	224,951
Wetlands mitigation	933	933
Total noncurrent assets	268,667	225,884
Total assets	397,078	387,327
Deferred Outflow of Resources		
Deferred charge on refunding	-	20
Current Liabilities		
Accounts payable	195	184
Accrued interest payable	110	133
Bonds payable – current portion	2,405	4,000
Total current liabilities	2,710	4,317
Noncurrent Liabilities		
Bonds payable, net of unamortized premiums	28,140	34,537
Total liabilities	30,850	38,854
Net Position		
Restricted by bond resolution and program requirements	$ 366,228	$ 348,493

State of Arkansas Construction Assistance Revolving Loan Fund Program
Statements of Revenues, Expenses and Changes in Net Position
Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Operating Revenues		
Financing fees income	$ 2,291	$ 2,545
Operating Expenses		
Program administration	247	239
Operating Income	2,044	2,306
Nonoperating Revenues		
Base federal grants	12,852	2,323
Interest on investments	690	483
Interest on loans	4,107	5,019
Net depreciation of investments	(110)	(434)
Total nonoperating revenues	17,539	7,391
Nonoperating Expenses		
Federal financial assistance		
Base	3	116
Bond interest	1,592	1,803
Amortization of bond premiums	(587)	(638)
Total nonoperating expenses	1,008	1,281
Income Before Transfers (Out) In, Net	18,575	8,416
Transfers (Out) In, Net	(840)	320
Change in Net Position	17,735	8,736
Net Position, Beginning of Year	348,493	339,757
Net Position, End of Year	$ 366,228	$ 348,493

State of Arkansas Construction Assistance Revolving Loan Fund Program

Statements of Cash Flows

Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Operating Activities		
Financing fee income received	$ 2,303	$ 2,647
Cash paid for program administration	(236)	(268)
Net cash provided by operating activities	2,067	2,379
Noncapital Financing Activities		
Repayment of long-term debt	(7,405)	(4,925)
Cash paid for interest	(1,595)	(1,804)
Transfers (out) in	(840)	320
Nonoperating grants received	12,852	2,338
Net cash provided by (used in) noncapital financing activities	3,012	(4,071)
Investing Activities		
Interest received on investments	704	345
Interest received on loans	4,137	5,289
Purchase of investments	(141,935)	(87,331)
Proceeds from maturities of investments	99,033	66,997
Loan disbursements	(24,055)	(23,776)
Principal repayments on loans	14,411	58,596
Federal grant funds expended	(3)	(116)
Net cash (used in) provided by investing activities	(47,708)	20,004
(Decrease) Increase in Cash and Cash Equivalents	(42,629)	18,312
Cash and Cash Equivalents, Beginning of Year	101,162	82,850
Cash and Cash Equivalents, End of Year	$ 58,533	$ 101,162

State of Arkansas Construction Assistance Revolving Loan Fund Program
Statements of Cash Flows (Continued)
Years Ended June 30, 2016 and 2015

(In thousands)	2016	2015
Reconciliation of Operating Income to Net Cash Provided By Operating Activities		
Operating income	$ 2,044	$ 2,306
Changes in		
Accounts receivable – borrowers	12	102
Accounts payable	11	(29)
Net cash provided by operating activities	$ 2,067	$ 2,379

State of Arkansas Construction Assistance Revolving Loan Fund Program

Notes to Financial Statements

June 30, 2016 and 2015

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations and Reporting Entity

The State of Arkansas Construction Assistance Revolving Loan Fund Program (the Program), an enterprise fund of the State of Arkansas, was created pursuant to the 1987 Amendments (P.L.100-4) to the "Clean Water Act" (P.L.92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The Program is to be capitalized with federal grants from the U.S. Environmental Protection Agency (EPA) and state matching funds on a ratio of five federal dollars to one state dollar.

As of July 2001, Arkansas Natural Resources Commission (ANRC), formerly known as Arkansas Soil and Water Conservation Commission, became the lead agency for the Program (previously led by Arkansas Department of Environmental Quality). As lead agency, ANRC is responsible for performing technical project reviews, monitoring construction and coordinating the total management of the Program. Act 1243 of 2006 authorized the name change to ANRC, which has not had an impact on the Program. Arkansas Development Finance Authority (ADFA) serves as financial manager for the Program under an interagency agreement. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, servicing loans, preparing and submitting monthly financial reports and annual financial statements and procuring audit services. ADFA is reimbursed for Program administration costs through a calculation based on loans outstanding in accordance with the interagency agreement. The amounts incurred to ADFA for administration costs for the years ended June 30, 2016 and 2015, were $190,000 and $184,000, respectively.

The Arkansas Agriculture Water Quality Loan Program (AAWQLP) is accounted for within the Program. Under the AAWQLP, ANRC establishes noninterest-bearing cash accounts with financial institutions. In fiscal year 2007, an agreement was established with AgriBank in which AAWQLP would purchase a noninterest bearing bond in conjunction with loans made by AgriBank under the AAWQLP guidelines. Loans are originated by the financial institution or AgriBank to the farmers or property owners that provide for the installation of water quality, anti-pollution equipment. Interest income normally earned on these balances at the financial institutions or on the bond is used to reduce the interest rates applicable to the loans obtained by the farmers or other property owners. ANRC has established a Program contribution limit to AAWQLP in the amount of $25 million. As of June 30, 2016 and 2015, the AAWQLP had $7.9 million and $9.7 million, respectively, in deposits and investments with various financial institutions.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change relate to the determination of fair values of investments.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The Program is accounted for as an enterprise fund for financial reporting purposes and utilizes the economic resource measurement focus and accrual basis of accounting wherein revenues are recognized when earned and expenses when incurred.

Operating revenues and expenses are distinguished from nonoperating items in the Program's statement of revenues, expenses and changes in net position. Operating revenues and expenses generally result from providing services in connection with the principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating items.

Recently Issued Accounting Pronouncements

GASB Statement No. 72, *Fair Value Measurement and Application* (GASB 72): GASB 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. GASB 72 provides guidance for determining a fair value measurement for financial reporting purposes that aligns with the Financial Accounting Standards Board's Topic 820. GASB 72 also provides that all assets meeting the definition of an investment in the Statement should be measured at fair value, unless the Statement provided otherwise. Certain disclosures related to all fair value measurements are required (*See Note 5*). GASB 72 enhances comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. GASB 72 also enhances fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position. GASB 72 is effective for financial statements for fiscal years beginning after June 15, 2015 and any prior periods presented should be restated, including disclosures, if practical. See *Note 5* for disclosures required by GASB 72.

Cash and Cash Equivalents

The Program considers all liquid investments with original maturities of three months or less to be cash equivalents. At June 30, 2016 and 2015, cash equivalents of $58.5 million and $101.2 million, respectively, consisted primarily of money market mutual funds with variable interest rates.

Included in cash equivalents on the Program's statement of net position is the Fees and Expenses Fund with a balance of approximately $3.7 million and $1.9 million at June 30, 2016 and 2015, respectively. This fund contains fees charged on loans of the Program as allowed by EPA, federal grant administration set aside funds and interest earnings of the fund. These funds may be used at the discretion of ANRC to fund expenses of the Program.

Investments

Investments are carried at fair value. Fair value is determined using quoted market prices.

Bond Issuance Premiums

Premiums on sales of bonds are capitalized and are amortized over the term of the bonds using the effective interest method. Early retirement of bonds results in the acceleration of amortization of premiums.

Financing Fees

The Program receives a 1% monthly financing fee from borrowers.

Net Position Restricted by Bond Resolution and Program Requirements

Net position restricted by bond resolution and program requirements represents funds restricted due to the specific provisions of the Program.

Income Taxes

As an essential government function of the State of Arkansas, the Program is exempt from income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law.

Reclassifications

Certain reclassifications have been made to the fiscal year 2015 financial statements to conform to the fiscal year 2016 financial statement presentation. These reclassifications had no effect on the change in net position.

Note 2: Deposits and Investments

Deposits

Custodial credit risk is the risk that in the event of a bank failure, the Program's deposits may not be returned to it. The Program's deposit policy for custodial credit risk requires compliance with the provisions of state law and bond indentures. Deposits are collateralized for those amounts exceeding federal depository insurance, typically with obligations of the U.S. Treasury, U.S. agencies or instrumentalities or municipal bonds having an aggregate market value at least equal to 105% of the amount of the deposits as directed in the State Board of Finance Cash Management of Funds, Rule 2012-A.

At June 30, 2016 and 2015, $2.1 million and $3.0 million of the Program's deposits (and carrying value) of $4.6 million and $6.1 million were exposed to custodial credit risk as follows:

(In thousands)	2016	2015
Uninsured and collateral held by pledging financial institution trust department or agent in the Program's name	$ 2,058	$ 2,963

Investments

Arkansas statutes and the Program's General Resolution authorizes the Program to invest in direct obligations of the U.S. government; obligations on which the principal and interest are fully guaranteed or are fully secured, insured or covered by commitments or agreements to purchase by the U.S. government; obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidence of indebtedness, regardless of guarantee of repayment by the U.S. government; obligations of political subdivisions of the United States; certain obligations issued by the State Board of Education; short-term warrants of political subdivisions of the State of Arkansas and municipalities; the sale of federal funds with a maturity of not more than one business day; demand, savings or time deposits fully insured by a federal deposit insurance agency; repurchase agreements that are fully insured by obligations of the U.S. government, any U.S. state or any political subdivision thereof; securities of, or other interest in, any open-end type investment company or investment trust registered under the Investment Company Act of 1940, and which is considered a money market fund, provided that the portfolio is limited principally to U.S. government obligations and the investment company or trust takes delivery of collateral either directly or through an authorized custodian; guaranteed investment contracts; and bank certificates of deposit.

At June 30, 2016 and 2015, the Program had the following investments and maturities:

(In thousands)	June 30, 2016				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. Treasury obligations	$ 15,015	$ 15,015	$ -	$ -	$ -
U.S. agencies obligations	87,492	54,353	33,139	-	-
Money market mutual funds	53,887	53,887	-	-	-
	$ 156,394	$ 123,255	$ 33,139	$ -	$ -

(In thousands)	June 30, 2015				
		Maturities in Years			
Type	Fair Value	Less than 1	1–5	6–10	More than 10
U.S. agencies obligations	$ 59,715	$ 59,715	$ -	$ -	$ -
Money market mutual funds	95,016	95,016	-	-	-
Total	$ 154,731	$ 154,731	$ -	$ -	$ -

Interest Rate Risk—As a means of limiting its exposure to fair value losses due to rising interest rates, the Program limits the maturity of investments to expected cash flow needs of the Program.

Credit Risk—Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. The Program's investments in U.S. agencies obligations not directly guaranteed by the U.S. government were rated "Aaa" or not rated by Moody's Investors Service and rated "AA+" or not rated by Standard & Poor's and its investments in money market mutual funds or investments of those funds were rated "AAA-mf" or "AAA" by Standard & Poor's and "Aaa-mf" or "Aaa" by Moody's Investors Service.

Custodial Credit Risk—For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Program will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The Program's investment in mutual funds are not classified by custodial credit risk category, as they are not evidenced by securities in physical or book entry form.

Concentration of Credit Risk—The Program places no limit on the amount that may be invested in any one issuer. Investments of the Program (not guaranteed by the U.S. government or considered mutual funds) representing 5% or more of total investments are as follows (in thousands):

Issuer	Fair Value	Percentage
Federal Home Loan Bank	$ 40,688	26%
Federal Home Loan Mortgage Corporation	28,550	18%
Federal National Mortgage Association	15,040	10%

Summary of Carrying Values

The carrying values of deposits and investments are included in the statements of net position as follows:

(In thousands)	2016	2015
Carrying value		
Deposits	$ 4,646	$ 6,146
Investments	156,394	154,731
	$ 161,040	$ 160,877
Included in the following statement of net position captions		
Cash and cash equivalents	$ 58,533	$ 101,162
Investments – current portion	69,368	59,715
Investments – restricted	33,139	-
	$ 161,040	$ 160,877

Note 3: Loans Receivable

The Program originates loans with Arkansas municipalities, sewer improvement districts, and water facilities boards for financing the construction of wastewater treatment facilities. The loans are payable in semi-annual installments. At June 30, 2016 and 2015, such loans had a carrying value of approximately $235.5 million and $225.9 million, respectively, of which approximately $19.4 million and $45.9 million, respectively, are for projects still under construction. The loans bear interest ranging from 0.00% to 3.75%, and are collateralized by special assessments, user charges or sales and use tax bonds issued by the municipalities, sewer improvement districts and water facilities board.

In fiscal year 2010, the Program began funding loans with American Recovery and Reinvestment Act (ARRA) federal funds. As of June 30, 2016, the Program's current loan balance of ARRA loans was $10.2 million which was funded with ARRA and other Program funds

Through the years ended June 30, 2016 and 2015, $640.0 million and $629.9 million, respectively, in cumulative loans had been approved for funding. At June 30, 2016 and 2015, $29.8 million and $43.9 million, respectively, remained encumbered and awaiting disbursement to loan recipients.

Note 4: Bonds Payable

Bonds payable were as follows at June 30:

(In thousands)

Series	Interest Rate Range	Final Maturity Dates	2016	2015
2009-A				
Serial	2.50% – 4.00%	6/1/2018	$ -	$ 5,005
2011-C				
Serial	3.25% – 5.00%	6/1/2028	27,890	30,290
			27,890	35,295
	Unamortized premiums		2,655	3,242
			$ 30,545	$ 38,537

Activity in bonds payable for 2016 was as follows:

(In thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
2009-A	$ 5,005	$ -	$ (5,005)	$ -	$ -
2011-C	30,290	-	(2,400)	27,890	2,405
Total bonds payable	$ 35,295	$ -	$ (7,405)	$ 27,890	$ 2,405

The principal amount shown above differs from the amount on the statement of net position due to unamortized premiums of approximately $2.7 million.

Activity in bonds payable for 2015 was as follows:

(In thousands)	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due within One Year
2009-A	$ 6,525	$ -	$ (1,520)	$ 5,005	$ 1,600
2011-A	1,730	-	(1,730)	-	-
2011-C	31,965	-	(1,675)	30,290	2,400
Total bonds payable	$ 40,220	$ -	$ (4,925)	$ 35,295	$ 4,000

The principal amount shown above differs from the amount on the statement of net position due to unamortized premiums of approximately $3.2 million.

Annual debt service requirements to maturity for bonds payable are as follows:

(In thousands)	Principal	Interest
Fiscal year ending June 30,		
2017	$ 2,405	$ 1,317
2018	2,345	1,197
2019	2,920	1,079
2020	2,745	933
2021	2,640	796
2022 – 2026	12,545	2,059
2027 – 2028	2,290	115
	27,890	7,496
Unamortized premiums	2,655	-
	$ 30,545	$ 7,496

The Program did not have any new bond issuances in current or previous fiscal years.

Note 5: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities.

Recurring Measurements

The following table presents the fair value measurements of assets recognized in the accompanying financial statements measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2016 and 2015:

(in thousands)		June 30, 2016 Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. Treasury obligations	$ 15,015	$ -	$ 15,015	$ -
U. S. agency obligations	87,492	-	84,277	3,215
Total	$ 102,507	$ -	$ 99,292	$ 3,215

(in thousands)		June 30, 2015 Fair Value Measurements Using		
Type	Fair Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
U. S. agency obligations	$ 59,715	$ -	$ 56,175	$ 3,540

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying financial statements, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the years ended June 30, 2016 or 2015.

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. The Program's investments were not classified as Level 1 securities at June 30, 2016 and June 30, 2015. Level 2 securities include U.S. Government and federal agencies and U. S. Treasury Notes. If quoted market prices are not available, then fair values are estimated by an independent third-party pricing service using pricing models, quoted prices of securities with similar characteristics or discounted cash flows. For these investments, the inputs used by the pricing service to determine fair value may include one, or a combination of observable inputs such as benchmark yields, reported trades, broker/dealer quotes, issuer spreads, two-sided markets, benchmark securities, bids, offers and reference data market research publications and are classified within Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy. The Program has classified one investment as Level 3. The Program has a relationship with Agri Bank in where the Program purchases a Federal Farm Credit bond. This investment is marketed only to the Program and the Program has concluded the fair market value to be equal to the par amount.

Note 6: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Economic Dependency

In the current year, the Program's federal revenue reverted back to historic levels showing the dependency of federal revenue on the Program. In the prior year the Program's federal funds had declined. The impact of the revenue varies from year to year, and, for the year ended June 30, 2016 and 2015, the Program received 65% and 23%, respectively, of total revenue in the form of federal grants. As of June 30, 2016 and 2015, the Program has \$5.1 million of the Federal Fiscal Year 2015 grant and \$8.8 million of the Federal Fiscal Year 2014 grant remaining to disburse, respectively. The Federal Fiscal Year 2015 grant is available to fund principal forgiveness loans and administrative costs while the Federal Fiscal Year 2014 grant funds were available for principal forgiveness loans and base construction draw loans.

Principal Forgiveness Loans

In the fiscal year 2013, the Program began funding principal forgiveness loans (PF) with Base federal capitalization grant funds. EPA required, as part of the Base capitalization grant requirements, that a percentage of the grant be available as subsidy to eligible borrowers. With the federal fiscal year 2010 and 2011 capitalization grant, at least 30% of the grant would be in the form of forgiveness of principal, negative interest loans or grants. The percentage was changed to be not less than 20%, but not greater than 30% of the federal fiscal year 2012 through 2015 grants. However, the above requirement only applies to the portion of the total Base capitalization grant federal appropriation that exceeds $1 billion. To be eligible to receive subsidy, the borrower must show either:

1. The annual utility rates on 4,000 gallons of water is at least 1.5% of the medium household income (MHI) for the project area, or

2. At least 51% of the benefiting customers have either low or moderate income as defined by the U. S. Department of Housing and Urban Development Community Development Block Grant Program and the utility rates are at least 1.25% of the MHI.

3. If the population trend (2010 census compared to 1990 census) has declined at least 20% (the 2010 population is at least 20% lower than the 1990 population) then the ratio used drops to 1.25% of the MHI for the project area.

4. If the unemployment figures (average of last three 5-year American Community Survey-Census Bureau numbers) are 250% higher than the State's unemployment figures then the ratio used drops to 1.25% of the MHI for the project area.

The chart below shows the minimum and maximum allowed for principal forgiveness loans:

(In thousands)

Federal Fiscal Year	Grant Award Amount	PF Minimum Amount	PF Maximum Amount	Cumulative Disbursements	PF Amount Remaining to Fund
2010	$ 13,328	$ 1,996	$ 6,654	$ 1,996	$ -
2011	9,657	895	2,983	365	530
2012	9,239	513	770	-	513
2013	8,722	411	616	-	616
2014	9,165	499	748	-	748
2015	9,117	-	2,735	-	2,735
				$ 2,361	$ 5,142

The Program has allocated the minimum amounts for the 2010, 2011 and 2012 Base Capitalization grant as shown above, but for the 2013 and 2014 Base Capitalization grants the Program has allocated the maximum amounts. The 2015 Base Capitalization grant does not have a minimum amount, but the maximum amount is $2.7 million. The Program has the option to spend up to the maximum amount.

The Program forgives the loans as the construction draws are disbursed. In fiscal year 2016 and 2015, $3,000 and $116,000 in principal forgiveness loans were expensed, respectively.

Contingencies

The Program is capitalized by state and federal grant programs, which are governed by various rules and regulations of the grantor agencies. Costs charged to the respective grant programs are subject to audit and adjustments by the grantor agencies; therefore, to the extent that the Program has not complied with the rules and regulations governing the grants, refunds of any money received may be required and the collectability of any related receivable may be impaired. In the opinion of the management of the Program, there are no significant contingent liabilities relating to compliance with the rules and regulations governing the respective grants; therefore, no provision has been recorded in the accompanying financial statements for such a contingency.

Supplementary Information

State of Arkansas Construction Assistance Revolving Loan Fund Program

Combining Statement of Net Position

June 30, 2016

(In thousands)	Revolving Loan Fund	Fees and Expenses	Total
Current Assets			
Cash and cash equivalents	$ 54,787	$ 3,746	$ 58,533
Accrued interest receivable			
Investments	127	13	140
Loans	228	-	228
Accounts receivable			
Borrowers	-	142	142
Investments – current portion	66,366	3,002	69,368
Total current assets	121,508	6,903	128,411
Noncurrent Assets			
Investments – restricted	32,139	1,000	33,139
Loans receivable – restricted			
Construction	234,595	-	234,595
Wetlands mitigation	153	780	933
Total noncurrent assets	266,887	1,780	268,667
Total assets	388,395	8,683	397,078
Current Liabilities			
Accounts payable	5	190	195
Accrued interest payable	110	-	110
Bonds payable – current portion	2,405	-	2,405
Total current liabilities	2,520	190	2,710
Noncurrent Liabilities			
Bonds payable, net of unamortized premiums	28,140	-	28,140
Total liabilities	30,660	190	30,850
Net Position			
Restricted by bond resolution and program requirements	$ 357,735	$ 8,493	$ 366,228

State of Arkansas Construction Assistance
Revolving Loan Fund Program
Combining Statement of Revenues, Expenses and Changes in Net Position
Year Ended June 30, 2016

(In thousands)	Revolving Loan Fund	Fees and Expenses	Total
Operating Revenues			
Financing fee income	$ -	$ 2,291	$ 2,291
Operating Expenses			
Program administration	-	247	247
Operating Income	-	2,044	2,044
Nonoperating Revenue			
Base federal grants	12,549	303	12,852
Interest on investments	663	27	690
Interest on loans	4,107	-	4,107
Net depreciation of investments	(110)	-	(110)
Total nonoperating revenue	17,209	330	17,539
Nonoperating Expenses			
Federal financial assistance			
Base	3	-	3
Bond interest	1,592	-	1,592
Amortization of bond premiums	(587)	-	(587)
Total nonoperating expenses	1,008	-	1,008
Income Before Transfers In (Out), Net	16,201	2,374	18,575
Transfers In (Out), Net	1,734	(2,574)	(840)
Change in Net Position	17,935	(200)	17,735
Net Position, Beginning of Year	339,800	8,693	348,493
Net Position, End of Year	$ 357,735	$ 8,493	$ 366,228

State of Arkansas Construction Assistance Revolving Loan Fund Program

Combining Statement of Cash Flows

Year Ended June 30, 2016

(In thousands)	Revolving Loan Fund	Fees and Expenses	Total
Operating Activities			
Financing fee income received	$ -	$ 2,303	$ 2,303
Cash received (paid) for program administration	4	(240)	(236)
Net cash provided by operating activities	4	2,063	2,067
Noncapital Financing Activities			
Repayment of long-term debt	(7,405)	-	(7,405)
Cash paid for interest	(1,595)	-	(1,595)
Transfers in (out)	1,734	(2,574)	(840)
Nonoperating grants received	12,549	303	12,852
Net cash provided by (used in) noncapital financing activities	5,283	(2,271)	3,012
Investing Activities			
Interest received on investments	686	18	704
Interest received on loans	4,137	-	4,137
Purchase of investments	(137,929)	(4,006)	(141,935)
Proceeds from maturities of investments	93,032	6,001	99,033
Loan disbursements	(24,055)	-	(24,055)
Principal repayments on loans	14,411	-	14,411
Federal grant funds expended	(3)	-	(3)
Net cash (used in) provided by investing activities	(49,721)	2,013	(47,708)
(Decrease) Increase in Cash and Cash Equivalents	(44,434)	1,805	(42,629)
Cash and Cash Equivalents, Beginning of Year	99,221	1,941	101,162
Cash and Cash Equivalents, End of Year	$ 54,787	$ 3,746	$ 58,533

State of Arkansas Construction Assistance Revolving Loan Fund Program

Combining Statement of Cash Flows (Continued)

Year Ended June 30, 2016

(In thousands)	Revolving Loan Fund	Fees and Expenses	Total
Reconciliation of Operating Income to Net Cash Provided By Operating Activities			
Operating income	$ -	$ 2,044	$ 2,044
Changes in			
Accounts receivable – borrowers	-	12	12
Accounts payable	4	7	11
Net cash provided by operating activities	$ 4	$ 2,063	$ 2,067

State of Arkansas Construction Assistance Revolving Loan Fund Program

Single Audit Report

June 30, 2016

BKD LLP
CPAs & Advisors

State of Arkansas Construction Assistance Revolving Loan Fund Program

June 30, 2016

Contents

State of Arkansas Construction Assistance Revolving Loan Fund Program

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2016

Federal Grantor/Pass-Through Grantor/Program or Cluster Title	Federal CFDA Number	Pass-Through Entity Identifying Number	Passed Through to Subrecipients	Total Federal Expenditures
U.S. Environmental Protection Agency/Capitalization Grants for Clean Water State Revolving Funds	66.458	N/A	$ 12,548,770	$ 12,851,963
			$ 12,548,770	$ 12,851,963

Notes to Schedule

1. The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal award activity of the State of Arkansas Construction Assistance Revolving Loan Fund Program (the Program) under programs of the federal government for the year ended June 30, 2016. The accompanying notes are an integral part of this schedule. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Program, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Program.

2. Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles in OMB A-110 or the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Program has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

3. Expenditures reflected in CFDA 66.458, Capitalization Grants for Clean Water State Revolving Funds, include loans to municipalities or other public entities for constructing water treatment facilities. The funding source for these loans includes federal grant funds, state match funds and revolving Program funds. The funds are disbursed to the subrecipients after expenses have been incurred as forgiveness of principal and repayable loans. The outstanding loan receivable balance for the year ended June 30, 2016, was $235,527,678. Total disbursements of federal funds for new loans made to subrecipients during fiscal year 2016 totaled $12,548,770. For the year ended June 30, 2016, the Program received $303,193 in federal funds for administrative costs.

State of Arkansas Construction Assistance Revolving Loan Fund Program

Schedule of Findings and Questioned Costs

Year Ended June 30, 2016

Summary of Auditor's Results

Financial Statements

1. The type of report the auditor issued on whether the financial statements audited were prepared in accordance with accounting principles generally accepted in the United States of America (GAAP) was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

2. The independent auditor's report on internal control over financial reporting disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No

Federal Awards

4. The independent auditor's report on internal control over compliance for the major federal awards program disclosed:

Significant deficiency(ies)?	☐ Yes	☒ None reported
Material weakness(es)?	☐ Yes	☒ No

5. The opinion expressed in the independent auditor's report on compliance for the major federal award was:

☒ Unmodified ☐ Qualified ☐ Adverse ☐ Disclaimer

6. The audit disclosed findings required to be reported by 2 CFR 200.516(a)? ☐ Yes ☒ No

State of Arkansas Construction Assistance Revolving Loan Fund Program

Schedule of Findings and Questioned Costs (Continued)

Year Ended June 30, 2016

7. The Program's major program was:

Cluster/Program	CFDA Number
Capitalization Grants for Clean Water State Revolving Funds	66.458

8. The threshold used to distinguish between Type A and Type B programs was $750,000.

9. The Program qualified as a low-risk auditee?

☒ Yes ☐ No

Findings Required to be Reported by *Government Auditing Standards*

Reference Number	Finding
	No matters are reportable.

Findings Required to be Reported by Uniform Guidance

Reference Number	Finding
	No matters are reportable.

State of Arkansas Construction Assistance
Revolving Loan Fund Program
Summary Schedule of Prior Audit Findings
Year Ended June 30, 2016

Reference Number	Summary of Finding	Status
	No matters are reportable.	

ARKANSAS DEVELOPMENT FINANCE AUTHORITY (ADFA)
MEETING OF THE BOARD INVESTMENT COMMITTEE (IC)
SEPTEMBER 15, 2016
10:30 A.M.

Board Investment Committee members present: Stan Green, Denise Sweat and Seth Mims

Other Board Members present: Dr. Richard Burnett, Tom Spillyards, Ed Garner (Investment Officer - State Treasurer), Sarah E. Capp, Stephen Rose and John Cooley

ADFA staff present: Aaron Burkes, Cheryl Schluterman, Charlie Lynch, Patrick Patton, Debbie Gentry, Kristy Cunningham, Katherine Hall, Paula Farthing, Kim Poposky, Hope Lewis, Tracy Green, Judy Brummett, Cathy Ganaway, Kim Henderson, Missy Burroughs, Brad Henry, Netta Hemingway, Derrick Rose, Bob Hunt, Ruby Dean, Kay Mallett, Latryce Long and Murray Harding

Others present: No one else in attendance

Minutes: A motion was made by Denise Sweat to approve the minutes from the July 21, 2016 meeting and seconded by Seth Mims. Motion passed.

General Fund Broker / Dealer List was presented for approval for the next twelve months (09/2017). After brief discussion a motion for approval was made and seconded. Motion passed.

Finance and Administration Presentation by Cheryl Schluterman and F & A and Accounting staff members to the Board of Directors

Cheryl introduced all staff members who were present. Various staff members gave a brief overview of key functions related to their positions in the F&A Accounting Department. Cheryl also gave a review of the financial results as of June 30, 2016 (ADFA's Fiscal Year End). After discussion of the financial statements a motion was made and seconded to accept the report as given.

Adjournment: There being no further business, the meeting was adjourned.

____
Aaron Burkes, President and Secretary
Arkansas Development Finance Authority

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
BOARD OF DIRECTORS MEETING

Thursday, October 20, 2016

12:30 p.m. – Board Asset Commitment Committee

(Bond Guaranty Loans)

2:00 p.m. - Public Board Meeting

****

AGENDA FOR PUBLIC MEETING

- Roll call and note of absences.
- Approval and adoption of minutes from the September 15, 2016 meeting of the Board of Directors.

I. OTHER BUSINESS:

- ☐ Board Asset Commitment Committee
- ☐ Board Committee Reports:

  * Board Housing Review Committee
  * Board Audit Committee
  * Board Investment and Administration Committee

II. NEW BUSINESS:

Resolution No. 1. A resolution authorizing the issuance of up to ($5,500,000) Arkansas Development Finance Authority Tax-Exempt Economic Development Revenue Refunding Bonds (ADFA/AEDC Guaranty Programs), Series 2016 for the purpose of providing permanent financing for industrial enterprises; authorizing the Bond Purchase Agreement; authorizing a Trust Indenture securing the Bonds; authorizing an Amended and Restate Loan Agreement between Arkansas Development Finance Authority and the Borrower; authorizing the sale of the Bonds; authorizing the Guaranty of the Bonds and a Guaranty Agreement securing the Bonds; authorizing and approving the execution and use of a Preliminary Official Statement and an Official Statement; and authorizing and prescribing other matters pertaining thereto. (**Presenter: John Bryant)**

III. ADJOURNMENT

The next regular meeting of the ADFA Board of Directors is scheduled for Thursday, November 17, 2016, in the Second Floor (2nd) Conference Room, 900 West Capitol, Little Rock, Arkansas at 2:00 p.m.

__Preliminary Draft__
Subject to completion upon Sale of Bonds
Final to be provided at Board Meeting

RESOLUTION

A RESOLUTION AUTHORIZING THE ISSUANCE OF UP TO [$5,500,000] ARKANSAS DEVELOPMENT FINANCE AUTHORITY TAX-EXEMPT ECONOMIC DEVELOPMENT REVENUE REFUNDING BONDS (ADFA/AEDC GUARANTY PROGRAMS), SERIES 2016 FOR THE PURPOSE OF PROVIDING PERMANENT FINANCING FOR INDUSTRIAL ENTERPRISES; AUTHORIZING THE BOND PURCHASE AGREEMENT; AUTHORIZING A TRUST INDENTURE SECURING THE BONDS; AUTHORIZING AN AMENDED AND RESTATED LOAN AGREEMENT BETWEEN ARKANSAS DEVELOPMENT FINANCE AUTHORITY AND THE BORROWER; AUTHORIZING THE SALE OF THE BONDS; AUTHORIZING THE GUARANTY OF THE BONDS AND A GUARANTY AGREEMENT SECURING THE BONDS; AUTHORIZING AND APPROVING THE EXECUTION AND USE OF A PRELIMINARY OFFICIAL STATEMENT AND AN OFFICIAL STATEMENT; AND AUTHORIZING AND PRESCRIBING OTHER MATTERS PERTAINING THERETO.

WHEREAS, Arkansas Development Finance Authority (the "Issuer" or "ADFA"), is authorized and empowered under the provisions of Act No. 1062 of the Acts of Arkansas of 1985, as amended, and codified at Arkansas Code Annotated §§15-5-101 et seq. (the "Act"), to issue revenue bonds, either alone or as a composite issue, and to expend the proceeds thereof to finance or refinance the acquisition, constructing and equipping of land, buildings, equipment or facilities which can be used in securing or developing industry for industrial enterprises; and

WHEREAS, the Issuer previously issued its Tax-Exempt Economic Development Revenue and Refunding Revenue Bonds (ADFA/AEDC Guaranty Programs), 2011 Series A (the "2011 Bonds") to provide permanent financing of the costs of acquiring, constructing and equipping industrial facilities consisting of lands, buildings, improvements, machinery, equipment and facilities to three entities to finance projects owned by such entities and qualifying for assistance through the Authority as "industrial enterprises" under the Act; and

WHEREAS, the Issuer has agreed to refinance the loan relating to the 2011 Bonds made to Alvar Resins Inc., successor to AREZ, LLC (the "Borrower"), used to pay the costs of acquiring, constructing and equipping an industrial facility consisting of lands, buildings, improvements, machinery, equipment and facilities and to refinance amounts due to ADFA and the Arkansas Economic Development Commission ("AEDC") pursuant to guaranty payments made with respect to the 2011 Bonds (collectively, the "Project"), and that the Issuer loan the proceeds to the Borrower to accomplish the Project and to pay the costs of issuing the bonds; and

WHEREAS, pursuant to and in accordance with the provisions of the Act, the Issuer is now prepared to proceed to issue up to [$5,500,000] in principal amount of its Tax-Exempt Economic Development Revenue Refunding Bonds (ADFA/AEDC Guaranty Programs), Series 2016 (the "Bonds"), to provide financing for the Project; and

WHEREAS, pursuant to and in accordance with Act No. 505 of the Acts of Arkansas of 1985, as amended, and codified at Arkansas Code Annotated §§15-5-401 et seq. ("Act No. 505"), the Issuer is prepared to execute a guaranty agreement under which the Issuer will guarantee the amortization payments consisting of a portion of the principal of and interest on the Bonds in the total amount of [$2,175,000] (the "Guaranty"), all in accordance with a guaranty commitment letter previously executed by the Issuer and the Borrower; and

WHEREAS, the amortization payments consisting of a portion of the principal of and interest on the Bonds in the total amount of [$2,175,000] will be guaranteed by AEDC; and

WHEREAS, the Issuer offered and Stephens Inc. (the "Underwriter") has agreed to purchase for offering to the public all (but not less than all) of the Bonds, at the aggregate purchase price set forth in the Bond Purchase Agreement (hereinafter defined); and

WHEREAS, the following documents now before this meeting have been prepared in connection with the issuance of the Bonds and have been reviewed by the Issuer's Chairman, Vice Chairman, President or one or more Vice Presidents and Mitchell, Williams, Selig, Gates & Woodyard, P.L.L.C. (the "Bond Counsel"):

(a) Trust Indenture to be dated as of the date of closing ("Indenture"), between the Issuer and Regions Bank, as trustee ("Trustee"), establishing the general provisions relating to the Bonds, providing for the security and payment of the Bonds and the rights of the owners thereof;

(b) Bond Purchase Agreement (the "Purchase Agreement"), to be dated as of its date of execution, between the Issuer and the Underwriter, providing for the purchase of the Bonds;

(c) an Amended and Restated Loan Agreement to be dated as of the date of closing (the "Agreement"), between the Issuer and the Borrower, providing for the financing of the Project with proceeds of the Bonds pursuant to its terms;

(d) a Continuing Disclosure Agreement to be dated as of the date of closing (the "Disclosure Agreement"), by and between ADFA, AEDC and the Regions Bank, providing for the ongoing disclosure of certain operating and financial information with respect to the security for the Bonds;

(e) a Guaranty Agreement for Payment of Economic Development Revenue Bonds to be dated as of the date of closing (the "Guaranty") by and between ADFA and the Trustee relating to the guarantee of the amortization payments consisting of a portion of the principal of and interest on the Bonds pursuant to Act No. 505; and

(f) a Preliminary Official Statement (the "Preliminary Official Statement") and an Official Statement (the "Official Statement") setting forth certain information with respect to the Bonds for the Issuer and the respective owners of the Bonds.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Arkansas Development Finance Authority:

Section 1. The Issuer hereby makes the following findings:

(a) The execution and delivery of the Guaranty is in the best interest of the economic development of the State of Arkansas because the Project will provide new or additional jobs, alleviate unemployment, retain existing employment or secure and develop industry;

(b) The Borrower is financially responsible, and sufficient income may be reasonably expected to satisfy in an orderly manner amortization payments of the Bonds;

(c) Participation by one or more financial institutions in the financing necessary to accomplish the Project cannot be obtained and is not feasible; and

(d) Recommendations have been received from a financial institution or investment banker that the Agreement with the Borrower be executed.

Section 2. The Issuer hereby makes the following representation:

(a) The Issuer is an "issuer of municipal securities" under Rule 15c2-12 under the Securities Exchange Act of 1934 (the "Rule").

(b) After issuance of the Bonds authorized by this Resolution, the total amount of the Issuer's guaranteed bonds issued pursuant to Act No. 505 will be less than the lesser of (1) One Hundred and Fifty Million ($150,000,000.00), or (2) an amount equal to ten (10) times the amount currently on deposit in the Guaranty Reserve Account.

Section 3. The issuance of the Bonds in the total principal amount of not to exceed [$5,500,000] is hereby authorized. The Bond Purchase Agreement provides that the aggregate principal amount of the Bonds shall not exceed [$5,500,000] and that the Bonds shall bear interest at the rates and mature on the dates set forth on **Appendix A**. The final maturity date for the Bonds shall not exceed June 1, 2026. The Bonds shall be issued in the forms and denominations, shall be dated, shall be numbered, shall mature, shall bear interest (at a rate or rates) and shall be subject to redemption prior to maturity, all upon the terms and conditions to be set forth in the Indenture (hereinafter authorized) securing the Bonds.

Section 4. To provide for the offering and sale of the Bonds and in conformity with resolutions adopted by ADFA on August 18, 2016, there has been prepared a Preliminary Official Statement setting forth information concerning the Bonds and the Issuer. The Preliminary Official Statement, in substantially the form presented at this meeting, is hereby declared to be a final official statement, as such term is defined in Rule 15c2-12, as of its date, except for the interest rates, underwriter's discount, offering prices, delivery dates, aggregate principal amount, principal amount per maturity, ratings and other terms of the Bonds depending on such matters.

Section 5. The execution of the Preliminary Official Statement by the Chairman or the President in substantially the form presented at this meeting and the distribution of the Preliminary Official Statement in marketing the Bonds is hereby ratified.

Section 6. There be, and there is hereby, authorized the distribution to various prospective and actual purchasers of the Bonds of a final Official Statement in the name of the Issuer, describing the Issuer, the Bonds, the Trust Indenture, the Agreement, and the Guaranty and setting forth such other information as may be determined to be necessary or desirable by the Underwriter and the Issuer. The President or the Chairman is authorized to execute such Official Statement on behalf of the Issuer and to confer with the Underwriter and Bond Counsel in order to complete the Official Statement in substantially the form submitted to this meeting with such changes as shall be approved by either of such officers.

Section 7. The Bond Purchase Agreement in the form submitted to this meeting is hereby approved, and the execution of the Bond Purchase Agreement by the Chairman, Vice Chairman, President or any Vice President of the Issuer is hereby approved and ratified.

Section 8. To prescribe the terms and conditions upon which the Bonds are to be executed, authenticated, issued, accepted, held and secured, the Chairman, Vice Chairman, President or any Vice President of the Issuer are hereby authorized and directed to execute and acknowledge the Indenture. The Chairman, Vice Chairman, President or any Vice President of the Issuer are each hereby authorized and directed to cause the Indenture to be accepted, executed and acknowledged by the Trustee. The Indenture is hereby approved in substantially the form submitted to this meeting, and the Chairman, Vice Chairman, President or any Vice President of the Issuer are hereby authorized to confer with Bond Counsel, the Trustee and the Borrower in order to complete the Indenture in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the document, their execution to constitute conclusive evidence of such approval.

Section 9. There be, and there is hereby authorized the execution and delivery of the Agreement providing for the refinancing of the Project, and the Chairman, Vice Chairman, President or any Vice President of the Issuer be, and they are hereby, authorized to execute, acknowledge and deliver the Agreement for and on behalf of the Issuer. The Agreement is hereby approved in substantially the form submitted to this meeting, and the Chairman, Vice Chairman, President or any Vice President of the Issuer are hereby authorized to confer with Bond Counsel, the Borrower and the Trustee in order to complete the Agreement in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the document, their execution to constitute conclusive evidence of such approval.

Section 10. To prescribe disclosure obligations of the Issuer and AEDC with respect to the Bonds, the Chairman, Vice Chairman, President or any Vice President of the Issuer are hereby authorized and directed to execute and acknowledge the Continuing Disclosure Agreement. The Continuing Disclosure Agreement is hereby approved in substantially the form submitted to this meeting, and the Chairman, Vice Chairman, President or any Vice President of the Issuer are hereby authorized to confer with the Underwriter, AEDC, and Regions Bank, in order to complete the Continuing Disclosure Agreement in substantially the form submitted to this meeting with such changes as shall be approved by such persons executing the document, their execution to constitute conclusive evidence of such approval.

Section 11. There be, and there is hereby, authorized the execution and delivery of the Guaranty by the Chairman, Vice Chairman, President or any Vice President of the Issuer, which Guaranty shall comply with the provisions of Act No. 505 and which shall guarantee payment of a portion of the principal of and interest on the Bonds, all pursuant to the Guaranty.

Section 12. The Chairman, Vice Chairman, President or any Vice President of the Issuer, for and on behalf of the Issuer, be, and they are hereby, authorized and directed to do any and all things necessary to effect the execution and delivery of the Indenture, the performance of any obligations of the Issuer under and pursuant to the Indenture, the issuance, execution, sale and delivery of the Bonds, the execution, delivery and distribution of the Preliminary Official Statement and the Official Statement, the execution and delivery of the Continuing Disclosure Agreement, the performance of any obligations of the Issuer under the Continuing Disclosure Agreement, the execution of the Guaranty, the execution and delivery of any other document authorized herein, the performance of any obligations of the Issuer under any other document authorized herein, and the performance of all acts of whatever nature necessary to effect and carry out the authority conferred by this Resolution. That the Chairman, Vice Chairman, President or any authorized Vice President of the Issuer be, and they are hereby, further authorized and directed, for and on behalf of the Issuer, to execute all papers, documents, certificates and other instruments that may be required for the carrying out of such authority or to evidence the exercise thereof.

Section 13. The participation of any financial institution in the financing of the Projects is waived.

Section 14. The Secretary is hereby authorized and directed to file in the office of the Issuer, as a part of the minutes of the meeting at which this Resolution is adopted, for inspection, by any interested person a copy of the Indenture, the Bond Purchase Agreement, the Agreement, the Continuing Disclosure Agreement, the Preliminary Official Statement, the Official Statement, and Guaranty, and such documents shall be on file for inspection by any interested person.

Section 15. The action of the officers of the Issuer in giving notice of a public hearing with respect to the issuance of the Bonds and conducting of a public hearing is hereby ratified and confirmed.

Section 16. The provisions of this Resolution are hereby declared to be separable, and if any section, phrase or provision shall for any reason be declared to be invalid, such declaration shall not affect the validity of the remainder of the sections, phrases and provisions.

Section 17. All resolutions and parts thereof in conflict herewith are hereby repealed to the extent of such conflict.

Section 18. This Resolution shall be in force and effect immediately upon and after its passage.

PASSED: October 20, 2016.

APPROVED:

By:___________________________________
Dr. Richard Burnett, Chairman

ATTEST:

By___________________________________
Aaron S. Burkes, President/Secretary

Preliminary Draft
Subject to completion upon Sale of Bonds
Final to be provided at Board Meeting

APPENDIX A

[$5,500,000]
ARKANSAS DEVELOPMENT FINANCE AUTHORITY
TAX-EXEMPT ECONOMIC DEVELOPMENT REVENUE REFUNDING BONDS
(ADFA/AEDC GUARANTY PROGRAMS)
SERIES 2016

Maturity	Type of Bond	Coupon	Yield	Maturity Value	Price	Dollar Price
06/01/2017	Serial			$295,000.00		
06/01/2018	Term			530,000.00		
06/01/2019	Term			535,000.00		
06/01/2020	Term			545,000.00		
06/01/2021	Term			555,000.00		
06/01/2022	Term			565,000.00		
06/01/2023	Term			575,000.00		
06/01/2024	Term			595,000.00		
06/01/2025	Term			610,000.00		
06/01/2026	Term			625,000.00		

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
MEETING OF THE BOARD OF DIRECTORS
September 15, 2016

The Board of Directors of the Arkansas Development Finance Authority held its regular board meeting on Thursday, September 15, 2016, at approximately 1:30 p.m., in the Bessie B. Moore Conference Room, 900 West Capitol, Little Rock, Arkansas.

ADFA Board members present: John Cooley, Vice-Chair; Stan Green; Seth Mims; Tom Spillyards; Denise Sweat; Sarah E. Capp; Stephen Rose; Ed Garner, Designee for Dennis Milligan, State Treasurer, and Aaron Burkes, President and Board Secretary of the Authority.

Absent: Dr. Richard Burnett; Charley Baxter; Greg Stanfill and Anthony Brooks.

ADFA Staff present: Patrick Patton, Vice President of Internal Audit; Nancy Covington, Assistant to President; Brad Henry, Vice President of Development Finance; Ben Van Kleef, Vice President of Housing; Alison Keator, HOME Program Specialist; Lornea Wells, Multi-Family Tax Credits; Cheryl Schluterman, Vice President of Finance & Administration; Kristy Cunningham, Controller; Bob Hunt, HOME Specialist; Murray Harding, Single Family Manager; Derrick Rose, Communications; Bev Lambert, Development Finance and Chuck Cathey, Development Finance.

Others present: Michele Allgood, Mitchell Williams; Jim Hathaway, Kutak Rock; Leigh Ann Biernat, Stephens, Inc.; Shep Russell, Friday, Eldredge & Clark; Edmond Hurst, Crews & Associates; Steven Johnson, First Southwest; Stan Russ, Regions; Glenda Dean, Simmons; Melissa Bandy, Mitchell Williams; Daniel Allen, Raymond James and Jeff Van Patten, Van Patten & Co.

NEW BUSINESS ~ COMMITTEE REPORTS

Asset Commitment Committee. Mr. Cooley called on Tom Spillyards to present the report from the Asset Commitment Committee.

Minutes. The committee recommended approval of the minutes from the August 18, 2016 meeting of the Board Asset Commitment Committee.

BlueInGreen. The committee recommended approval of a request for the renewal of an ADFA Guaranty for an additional six (6) months in a loan amount of $200,000 (ADFA's guaranty will be $160,000 (80%). Mr. Spillyards made a motion to approve the request. Mr. Rose seconded the motion. By roll call, all members present voted, with one abstention by Board Member Stan Green, and the motion passed.

Hillstern Farms. The committee recommended that AEDC bring interest current at its current 3% rate, and then pay interest quarterly at an adjusted rate of 1.5%. Mr. Green made a motion to approve the recommendation. Ms. Sweat seconded the motion. By roll call, all members present voted, and the motion passed.

Mr. Brad Henry gave updates on the Arkansas Venture Capital Investment Trust ("AVCIT") and Chuck Cathey gave updates on the Problem Loans.

Mr. Spillyards made a motion to approve the whole Board Asset Commitment Committee report as presented. Mr. Rose seconded the motion. By roll call, all present members voted, and the motion passed.

Board Housing Committee. Mr. Cooley called on Tom Spillyards to present the report from the Board Housing Committee.

Minutes. The committee approved the minutes from the August 18, 2016 meeting of the Board Housing Committee.

HOME:

Barbara Irby, on behalf of Third Party Consulting, Inc. (Fluker Project). The committee approved a request for an increase in project funds to correct a health and safety issue in a failed septic system and a request for the original reconstruction line item of $90,000 not to exceed $101,297.84 in Settlement Funds for the Fluker Project.

Application Spreadsheet. The committee reviewed and approved the application spreadsheet.

Multi-Family:

White River II, LP. The committee approved a request from Mr. Carr Hagan of LHP, LLC, on behalf of White River II, LP for the approval of the transfer of the general partner's interest from Pelleaux Partners, LLC to New Providence Housing Partners, LLC.

Gorman & Gorman, Inc. and Metropolitan Housing Authority. The committee approved a request for the reservation of Tax-Exempt Private Activity Volume Cap for Residential Rental Housing in the amount not to exceed $32,000,000 in Multifamily Housing Revenue Bonds and gap financing from ADFA for three (3) developments. Mr. Green made a motion to approve the request. Mr. Mims seconded the motion. By roll call, all present members voted, and the motion passed.

QAP. Ben Van Kleef gave a brief update on the QAP.

Mr. Spillyards made a motion to approve the whole Board Housing Review report as presented. Mr. Cooley seconded the motion. By roll call, all present members voted, and the motion passed.

Board Audit Committee. Mr. Cooley presented the report from the Board Audit Committee.

Minutes. The committee approved the minutes of the June 16, 2016 meeting of the Board Audit Committee.

Arkansas State Bank Audit. The committee reviewed the findings of the Arkansas State Bank Audit report.

Internal Audit of the Neighborhood Stabilization Program III (NSP). The committee reviewed the Internal Audit report of the Neighborhood Stabilization Program III.

Farm Service Agency (FSA) Audit of the Agriculture Mediation Programs (AMP). The committee reviewed the report from the United States Department of Agriculture regarding an audit of the Farm Service Agency (FSA) of the Agriculture Mediation Programs Fiscal Years 2013, 2014 and 2015. Based upon analysis by the FSA, and all funding was accounted for.

SSAE 16 Review and USAP Review. The committee reviewed both the Statement on Standards for Attestation Engagements No. 16 (SSAE16) and the Uniform Single Attestation Program for Mortgage Bankers (USAP).

Mr. Cooley made a motion to approve the report as presented. Mr. Green seconded the motion. By roll call, all present members voted, and the motion passed.

Board Professional Selection Committee. Mr. Cooley presented the report from the Board Professional Selection Committee.

Minutes. The committee approved the minutes of the August 18, 2016 meeting of the Board Professional Selection Committee.

ADFA Professional Term Expirations. The committee reviewed the Professional Term Expirations and extended the current Single Family Liquidity Provider (State Street) for one (1) year to expire October 2017.

Mr. Cooley made a motion to accept the whole Board Professional Selection Committee report as presented. Mr. Spillyards seconded the motion. By roll call, all present members voted, and the motion passed unanimously.

Board Investment and Administration Committee. Mr. Green presented the report from the Board Investment and Administration Committee.

Minutes. The committee approved the minutes of the July 21, 2016 meeting of the Board Investment and Administration Committee.

Proposed List of Securities Dealers and Brokers. The committee reviewed and approved the Proposed List of Securities Dealers and Brokers.

VP-Finance & Administration Report. Ms. Schluterman and staff gave in-depth presentations of Bond Calls – September 2016; Interagency Programs as of August 31, 2016; Prison Construction Trust Fund as of August 31, 2016; Venture Capital Public Trust Fund as of August 31, 2016; State Operating Budget Summary as of August 31, 2016; General Fund Programs as of August 31, 2016 and Training/Conferences attended by Finance & Administration Department in August 2016. Updates were also discussed on ADFA Delinquency and other Real Estate Summary as of August 2016; Delinquency reports presented to the Board for August 2016 included Direct Serviced, Master Serviced and Economic Development Guaranty Loans, and the U.S. Bank Master Servicing Delinquency Report for August 2016.

Operating Results and General Fund Review as of June 30, 2016. The committee reviewed and approved the Operating Results and General Fund Review as of June 30, 2016.

Mr. Green made a motion to accept the whole Board Investment & Administration Committee report as presented. Mr. Spillyards seconded the motion. By roll call, all present members voted, and the motion passed unanimously.

NEW BUSINESS ~ MINUTES AND RESOLUTIONS

Minutes. Mr. Cooley asked for approval of the minutes from the August 18, 2016 Board of Directors Meeting. Mr. Rose made a motion to approve the minutes. Mr. Mims seconded the motion. By roll call, all members voted and the motion passed unanimously.

Adjournment. Mr. Cooley stated the next Board meeting would be held on Thursday, October 20, 2016, at 900 West Capitol, Little Rock, Arkansas. The starting time for the executive session and public meeting will be announced at a later date. There being no further business, Dr. Burnett adjourned the meeting.

Minutes approved and signed this 20th day of October, 2016.

Aaron Burkes, President/Secretary

Dr. Richard Burnett, Chair
John Cooley, Vice-Chair

ADFA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MEMORANDUM

TO: ADFA Board of Directors
FROM: Aaron Burkes, President ASB
DATE: October 12, 2016
RE: President's Report

- We had an excellent trip visiting our sister housing finance agencies in Mississippi and Alabama. We enjoyed the opportunity to share ideas on single family and multifamily housing programs and to discuss development of our respective state's Qualified Allocation Plans (QAP). While in Mississippi, we participated in their QAP public hearing and met with developers, many of whom cross state lines.

  After having conversations with single family housing managers, we have determined that we need to provide greater financial incentives for lenders to use our homeownership programs. For our ADFA Advantage Program, we are working to add an additional percentage point in income for lenders originating our loans.

- The first week of October was a record week for reservations under the ADFA Advantage single family loan program. We had $882,946 in loan reservations, bringing the total amount of loan reservations in the pipeline to $7,347,540.

- We are in the process of investigating new software for our housing programs. Patrick Patton is currently working to coordinate demonstrations from at least three different vendors, including our current vendor HDS, in order to evaluate which is the best for the Authority. We want to improve our efficiencies and work toward a fully online application for the low income housing tax credit program.

- We'd like to congratulate Sara Capp for winning the nomination of her party for state representative. She will fill the seat vacated by Representative Bill Gossage who was recently named as deputy chief of staff for Gov. Asa Hutchinson. She will run unopposed for District 82 Representative, representing parts of Franklin, Madison and Crawford counties. While we congratulate her and look forward to working with her in the Arkansas House of Representatives, we are saddened to lose her from our board.

- At the request of several board members we have decided to have one more month of input and discussion into the new State of Arkansas Qualified Allocation Plan. We will be providing a draft to board members in advance of the meeting; the draft version may change substantially, but we anticipate bringing a final version to the ADFA Board in November.

- Public Finance will be the topic of this month's board orientation. Ro Arrington will give background on what goes into the process of structuring and selling ADFA's bonds.

- We are meeting next week with the Joint Budget Committee to approve ADFA's 2017 – 2019 biennium budget. We have proposed some decreases and expect approval.

The schedule for Thursday, October 20, 2016, is as follows:

9:30 a.m.	Board Housing Review Committee
10:30 a.m.	Board Audit Committee
11:30 a.m.	Board Investment & Administration Committee
NOON	**Lunch will be served – 3rd Floor Conference Room**
12:30 p.m.	Public Finance Orientation – Ro Arrington
1:00 p.m.	Board Asset Commitment Committee
2:00 p.m.	Public Board Meeting

ADFA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY

VK

MEMORANDMUM

TO: ADFA Board of Directors
FROM: J. Benjamin Van Kleef, Vice President of Housing
DATE: October 13, 2016
RE: Board Report

I. Homeownership Programs

MBS Program Comments: Beginning with the January 2016 report on Single Family activities we are using the numbers for first and second mortgage loans that have actually closed. Previously, we used numbers that were based on Reservations and it didn't take into consideration loans that were cancelled from our Internet Reservation System. The new calculation will give a much more accurate picture of Single Family Program activity.

1) First Mortgage Loan Programs: 30 year fixed rate first mortgage loans.

a) *"ADFA ADVANTAGE" Program Loans Closed. (Tax-Exempt Bonds)*

January – September	2015	2016
Amount	$ -0-	$ 1,127,831
# of Loans	-0-	12
Average Loan Amount	$ -0-	$ 93,986

b) *"ADFA Move Up" Program Loans Closed* (Raymond James MBS's)

January – September	2015	2016
Amount	$ 21,460,612	$ 20,215,486
# of Loans	215	196
Average Loan Amount	$ 99,817	$ 103,140

2) Down Payment Assistance Second Mortgages:

a) *"Down payment Assistance (DPA)" Loans Closed*
The interest rate is 4.00%. It is a second mortgage, minimum $1,000 up to a maximum of $6,000 amortizing over 10 years. The source of these funds is the ADFA General Fund.

January - September	2015	2016
Amount	$ 823,451	$ 723,137
# of Loans	157	134
Average Loan Amount	$ 5,245	$ 5,397

b) ***"Arkansas Dream Down Payment Initiative (ADDI)":*** A "soft" second mortgage at 0% interest with a five year affordability period. Funded by the HOME Investment Partnership Program (HOME). ADDI is not a grant.

January - September	2015	2016
Amount	$ 906,498	$ 1,120,509
# of Loans	159	198
Average Loan Amount	$ 5,701	$ 5,659

3) Mortgage Credit Certificate ("MCC") Program

a) 2014 Mortgage Credit Certificate Program:

i. $84 million in first mortgage loans originated.

ii. Average amount of first mortgage loan = $110,575

iii. 531 Mortgage Credit Certificates issued.

- $42 million committed in Federal tax benefit to MCC applicants.
- 233 applications in pipeline.
- 84% of the initial $100 million has been allocated.
- Approx. $422,396 in Issuance Fees to be collected by ADFA.

b) **2014 Mortgage Credit Certificate Program** is the only active MCC Program at this time. The 2015 MCC Program has been approved by the ADFA Board.

II. Multifamily

ADFA's Multifamily Staff is completing final cost certifications and issuing IRS Forms 8609s for completed developments. Multifamily Staff is also working on the Draft 2017 Qualified Allocation Plan.

A pre-construction meeting for Emerald Village in Jonesboro was held. A Notice to Proceed has been issued.

A teleconference call with ITEX was held in anticipation of three 4% Bond applications.

Three HOME Rental draw requests totaling $751,587.35 were processed.

III. HOME

1) Owner-Occupied Applications in the pipeline

Seven projects cumulatively requesting approximately $2.1 million in HOME funds to assist 29 residences:

- **Arkansas Land and Farm Development Corporation (ALFDC)** application #150062 is requesting $495,000.00 in HOME funds for project rehabilitation and project delivery costs to assist five (5) homeowners in cities of Palestine, Wynne and Marianna. Application is pending staff review.

- **Crittenden County Phase III** application #160041 is requesting $495,000.00 in HOME funds for project reconstruction and project delivery costs to assist five (5) homeowners and related project delivery costs. Application is pending staff review.

- **Crittenden County Phase IV** application #160042 is requesting $495,000.00 in HOME funds for project reconstruction and project delivery costs to assist five (5) homeowners. Application is pending staff review.

- **Central Arkansas Planning and Development Corporation (CAPDD)** application #160047 is requesting $396,000.00 in HOME funds for project reconstruction and project delivery costs to assist four (4) homeowners. Application is pending staff review.

- **Pulaski County Community Services (PCCS) application #160052** is requesting $280,280 in HOME Funds for project reconstruction and project delivery costs to assist five (5) homeowners and related project delivery costs. Application is pending staff review.

Project & Activity Status-Underway and Approved with HOME Funds (Homeowner-Occupied Rehabilitation, Reconstruction, and Manufactured Home Replacements).

- There are 24 projects in the pipeline of which 14 are Board approved consisting of 62 individual homeowner projects. Twenty-Seven (27) are complete and thirty-two (32) are in various stages of completion.

- Staff completed a combination of three (3) homeowner and homebuyer loan closings and met with project administrators and developers.

2) Community Housing Development Organizations (CHDO) Homebuyer New Construction Project Status

CS-CDC – Approved to build 7 homebuyer units in the Bluebird Subdivision

0	Pending Acquisition/ Closing/ Administrative Project Setup
	Construction not started
1	Construction underway
0	Units complete and on the market for sale
1	Valid purchase contract/ lender underwriting and/ or closing
3	Units sold

BCD – Approved to build 10 homebuyer units in the Apple Berry Subdivision

0	Pending Acquisition/ Closing/ Administrative Project Setup
0	Construction not started
0	Construction underway
0	Units complete and on the market for sale
0	Valid purchase contract/ lender underwriting and/ or closing
5	Units sold

MCACDC Approved to build 5 homebuyer units in Blytheville

0	Pending Acquisition/ Closing/ Administrative Project Setup
0	Construction not started
0	Construction underway
0	Units complete and on the market for sale
1	Valid purchase contract/ lender underwriting and/ or closing
4	Units sold

3) CHDO - Applications in Review

- **In-Affordable Housing** application number #160040 is requesting $990,000 in HOME CHDO set-aside funds to construction 10 homebuyer units in Emerald Mountain Subdivision.

4) NON-HOME Funded Projects

a) Settlement Funds – Owner Occupied Rehabilitation Project

The approved septic system for the Fluker project is now complete.

b) AHTF

This Arkansas Housing Trust Fund (AHTF) project is managed by the City of Little Rock's Community Development Division. The City has selected 12 eligible homes that qualify under the Elderly Home Repair Program. The City has completed the rehabilitation of seven (7) homes, currently working on three (3) with the remaining two (2) scheduled repairs forthcoming. The City has used 67% of their $230,000.00 AHTF fund allocation leaving $75,806.00 to complete the remaining homes.

The Riverview Campus Homeless Shelter with Mitch Minnick of Fort Smith Housing Authority is in the process of closing.

HOME Program Monthly Board Report

HUD REPORT

Through the period ending September 30, 2016

PY	TOTAL ALLOCATION	TOTAL PROGRAM INCOME	TOTAL RESERVED FOR ADMIN OPER	TOTAL COMMITTED FOR POJECTS (AS OF 9/30/16)	TOTAL DOLLARS DISBURSED	BALANCE REMAINING TO BE DISBURSED
2009	14,001,563.00	1,696,431.72	1,400,156.30	14,091,338.41	15,394,146.81	303,847.91
2010	13,983,361.00	1,929,209.90	1,398,336.10	13,008,897.80	13,739,165.75	2,173,405.15
2011	12,269,079.00	2,407,907.63	1,226,907.90	12,130,438.16	12,647,866.55	2,029,120.08
2012	7,725,281.00	3,940,630.50	772,528.10	8,940,824.42	9,171,723.05	2,494,188.45
2013	7,314,340.00	2,142,031.18	731,434.00	5,265,933.57	5,161,666.55	4,294,704.63
2014	7,565,698.00	3,323,656.06	756,569.80	6,372,035.26	6,481,734.86	4,407,619.20
2015	6,525,503.00	3,619,087.80	652,550.30	4,284,243.60	3,907,266.23	6,237,324.57
2016	6,848,059.00	1,730,816.16	684,805.90	1,730,816.16	1,652,054.19	6,926,820.97
TOTALS						
ALL YEARS	76,232,884.00	20,789,770.95	7,623,288.40	65,824,527.38	68,155,623.99	28,867,030.96

HOME PROGRAM	
Applications Pending Approval of Board HRC, 10/20/16:	
CHDO Operating	
CHDO Set Aside	
Homeowner New Construction & Rehab	
Multi-Family New Construction & Rehab	
Tenant-Based Rental Assistance	
Total Pending Applications	$0.00

INSPECTIONS AND PROJECTS

In September 2016, HOME spent $14,250.02 in outsourced inspections.

September 2016 Compliance Monitoring Activities
Properties Monitored in September 2016 -

Property Name	Owner - Contact	Management	Units	Review Type	Review Date	Reviewed by	# Non-Compliant	# Life-Threatening	# Units/Files Reviewed	Review Grade
Cypress Grove - McGehee 2011	CGH of McGehee AR 2011 Gary Gibbs	Omega Property Janice Davis./Theresa Thomas	36	LIHTC	9/6/2016	Tammy White	0	0	9 / 15	No Findings
Cypress Grove - Warren 2011	CGH of Warren AR 2011 Gary Gibbs	Omega Property Janice Davis./Theresa Thomas	36	LIHTC	9/7/2016	Tammy White	1	1	9/15	1 = 0 - 15% Non-Complian
Nimrod Square - Plainview 1992 **PAST YR 15**	Nimrod Square Apts Ltd William Minton	Country Oaks Realty Holly Minton	24	LIHTC	9/7/2016	Catrina Donahue	0	0	5/5	No Findings
Joiner Manor Partial Release 1993 **PAST YR 15**	Joiner Manor LP R H Beaver	J & A Management Brenda Edwards	24	LIHTC	9/8/2016	Catrina Donahue	2	0	5/5	3 = 31 - 40% Non-Complia
Delta Acres - Clarendon 2001 (5/9/01) **PAST YR 15**	Clarendon Housing LP John French	Bunn Real Estate & Property Management Kristin Goza	25 (24H)	LIHTC HOME(5)	9/9/2016	Catrina Donahue	0	0	5/5	No Findings
Higher Heights Fordyce **Partial Release** 1997 **Past YR 15**	Higher Heights Apts LP Craig Bailey	New Horizon Church Craig Bailey	24(24H)	LIHTC HOME(5)	9/15/2016	Catrina Donahue	0	0	5/5	No Findings
Southern Oaks Carthage **HOME ONLY** **2000**	Ramona Hearne	Ramona Hearne Kent McClure	11 (11H)	HOME(5)	9/19/2016	Catrina Donahue	5	3	5/5	5 = 51% Non-Compliance
Wedington Place Sr. Citizens 2002	Wedington Place Sr LLP Roger Clary	Northwest Regional Housing Authority Neal Gibson	72(10H)	LIHTC HOME(5)	9/19/2016	Jeanne Johnson	0	0	12/12	No Findings
Osage Terrace I 1999 **PAST YR 15**	Osage Terrace LP Casey Kleinhenz	Community Development Corp Casey Kleinhenz	40(20H)	**Desk Audit** LIHTC HOME(20) BMIR	9/19/2016	Tammy White	0	0	0/40	No Findings
Osage Terrace II 2002	Osage Terrace LP Casey Kleinhenz	Community Development Corp Casey Kleinhenz	45(5H)	**Desk Audit** LIHTC HOME(5)	9/19/2016	Tammy White	0	0	0/45	No Findings

September 2016 Compliance Monitoring Activities
Properties Monitored in September 2016 -

Property Name	Owner - Contact	Management	Units	Review Type	Review Date	Reviewed by	# Non-Compliant	# Life-Threatening	# Units/Files Reviewed	Review Grade
Maple Esplanade Assisted Living 2011	Northwest Regional Supportive Living LLC Ken McDowell	Northwest Regional Housing Authority Neal Gibson	57(10)	**Desk Audit** LIHTC HOME(10) TCAP EXCHANGE	9/13/2016	Tammy White	0	0	0/57	No Findings
Augusta Scattered **Partial Release** 1997 **PAST YR 15**	Augusta Scattered LP John Stanley Jr.	Augusta Housing Rick Swinney	24 (16H)	LIHTC HOME(5)	9/20/2016	Catrina Donahue	2	0	5/5	3 = 31 - 40% Non-Complia
Augusta Square 2007	PDC Twenty Six LP Elizabeth Small	PDC Companies Linda Cook	24(5)	LIHTC HOME(3)	9/20/2016	Catrina Donahue	0	0	5/5	No Findings
Valley Apartments **FULL Release** 1996 **Past YR 15**	Delta Villas LP Thomas Embach	McGehee Housing Authority Maurice Johnson	24(24H)	HOME (5) until 10/27/17	9/20/2016	Tammy White	0	0	5/5	No Findings
Mahlon Martin **Past YR 15** **1995**	South Main Street Redevelopment LP Joe Fox	First Capital Residential LLC John Shiver	45	LIHTC	9/22/2016	Jeanne Johnson	1	1	9/9	1 = 0 - 15% Non-Compliar
South Creekside 2010	ALS Management LLC Arby Smith	RichSmith Management LLC Lee Collins	138	NSP	9/27 / 9/28 2016	Tammy White	0	0	28/28	No Findings
Jacksonville, City of	Gary Fletcher, Mayor	Theresa Watson, Dir. of Comm. Development	30	HOME - Owner Occ	9/1/2016	Deanne Jennings	1	0	30/30	0% Noncompliance
Desha County	Roy Rodgers, County Judge	Jane Watkins, Adm. Assistant	15	HOME - Owner Occ	9/9/2016	Deanne Jennings	5	0	15/15	33% Noncompliance
Boys, Girls, Adult Comm. Dev. Center	Beatrice Shelby, Executive Director	Valerie Hansberry	15	HOME - Owner Occ	9/16/2016	Deanne Jennings	2	0	15/15	13% Noncompliance
AR Land & Farm Development Corp.	Dr. Calvin R. King	Melissa Bailey	41	HOME - Owner Occ	9/20/2016	Deanne Jennings	10	0	41/41	24% Noncompliance
Heritage Place	Rodney Watson	Jody Patton	14	LIHTC FULL Release	9/28/2016	Deanne Jennings	0	0	14/14	No Findings

Monthly Commitment Report
on Certain Housing Programs
As of September 30, 2016

FAF/NBMIR

FAF/NBMIR Bank Balance at 09/30/2016 $ 2,121,052.99

Less: Outstanding Commitments:

Closing Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
3/19/2015	Hughes Villas II--Hughes Villas--Hughes--(2014 LIHTC recipient)	$ 115,761.00	$ 104,185.00	$ 11,576.00	*in Mitas*
not closed	Old Fort Smith Homeless Coalition-Riverview HOPE Campus-Phase I-Ft. Smi	$ 271,166.56	$ -	$ 271,166.56	*not in Mitas*
9/12/2016	Emerald Village at Jonesboro, LP-(2015 LIHTC recipient)	$ 200,000.00	$ -	$ 200,000.00	*in Mitas*
not closed	Gorman & Co, Inc. with Metropolitan Housing Authority-Cumberland Towe	$ 250,000.00	$ -	$ 250,000.00	*not in Mitas*
not closed	Gorman & Co, Inc. with Metropolitan Housing Authority-Parris Towers	$ 250,000.00	$ -	$ 250,000.00	*not in Mitas*
not closed	Gorman & Co, Inc. with Metropolitan Housing Authority-Powell Towers	$ 250,000.00	$ -	$ 250,000.00	*not in Mitas*
Total Commitments and Fundings		$ 1,336,927.56	$ 104,185.00	$ 1,232,742.56	

FAF/NBMIR Balance Available at 09/30/2016 $ **888,310.43**

NSP 1

Grant Awarded from HUD	$ 19,600,000.00	
Grant Awarded from HUD for Construction	$ 17,640,000.00	
Grant Awarded from HUD for Administration (originally 10%)	$ 1,960,000.00	
Grant Award Available	$ 19,600,000.00	
Federal Dollars Spent for Construction and Administration	$ (18,448,292.52)	
Unspent Federal Award from HUD	$ **1,151,707.48**	**(1)**
Program Income received life to date	$ 2,575,637.87	**(3)**
Interest Income received life to date	$ 1,829.93	
Income Available	$ 2,577,467.80	
Less: Program Income Spent for Construction and Administration	$ (1,072,885.15)	
Unspent Program Income per Trust Account (cash balance as of 09/30/2016)	$ **1,504,582.65**	A

Outstanding Commitments:

Closing Date	Development Name	Committed	Funded with Federal Dollars	Funded with Program Income	Less: Balance Remaining to be Funded		
Multi-Family:							
12/18/2009	ALS Management-South Creekside	$ 7,748,915.03	$ 7,748,915.03	$ -			*in Mitas*
3/5/2010	The Meadows of Rogers	$ 5,776,260.00	$ 5,696,759.70	$ 79,500.30			*in Mitas*
7/27/2010	Reed Property-Scattered Sites	$ 423,400.00	$ 423,400.00	$ -		**(2)**	*in Mitas*
8/10/2012	Ford Properties Homes, LLC	$ 2,044,705.00	$ 1,311,809.03	$ 732,895.97		**(2),(3),(4)**	*in Mitas (2 loans)*
Single Family-Lots:					$ -		
4/16/2010	Ft. Smith Neighborhood Renewal Project	$ 1,247,901.49	$ 1,123,264.89	$ 124,636.60	$ -	**(5)**	*in Mitas*
2/18/2011	City of North Little Rock-Baring Cross Proje	$ 1,976,082.94	$ 1,858,999.00	$ 117,083.94	$ -	**(5)**	*in Mitas*
Total Commitments and Fundings (non-Admin)>>>>>>>>>>>>>>		$ 19,668,358.84	$ 18,163,147.65	$ 1,054,116.81	$ -	B	
Total Funds Spent (Federal $ and Program Income)>>				**$ 19,217,264.46**			
NSP-1 Funds Available to Commit at 09/30/2016					$ **1,504,582.65**	= A less B	
Administration		$ 451,094.38	$ 285,144.87	$ 18,768.34	$ 147,181.17	**(6)**	

Applications received but not submitted for board approval yet:

-	none
1,504,582.65	amount available if additional applications/requests were approved

Notes:

(1) This balance may be de-obligated as program income was generated and had to be used before federal money could be drawn and the program deadline to expend federal funds expired 9/6/2013.

(2) & (4) ADFA de-obligated $1,414,783.59 as 26 lots were deeded back to ADFA on 3/7/2012. This money, along with program income received from the sale of two lots with the Ft. Smith Neighborhood Renewal Project of $165,216.41, was re-allocated to commit the funds to Ford Properties Homes, LLC which purchased 17 of the 26 lots from ADFA. On 2/21/2013, an allocation of $464,705.00 of administrative funds was approved for Ford Properties Homes, LLC to purchase 5 additional lots from ADFA to construct 5 additional homes.

(3) Proceeds from the sale of two lots with the Ft. Smith Neighborhood Renewal Project in the amount of $165,216.41 will be used to supplement the funding of the Ford Properties Homes, LLC allocation (see Note 4.) Program income funds are generated by the sale of lots with homes from the Ft. Smith Neighborhood Renewal Project (9 of 9 lots sold) and the City of North Little Rock Baring Cross Project (13 of 13 lots sold) as well as repayments on loans.

(5) As of 6/20/2015, $69,437.51 was removed from the construction draw payable for Ft. Smith Neighborhood Renewal Project and $27,420.06 was removed from the construction draw payable for City of North Little Rock-Baring Cross Project as the projects are complete and units sold.

(6) Administrative accruals not yet paid total $3,161.07-$687.60 for NSP's share of the Fair Housing allocation, $1,988.00 to reimburse ADFA General Fund for hazard insurance and legal bills paid on behalf of three NSP REO properties, and $485.47 due to ADFA General Fund for admin fee reimbursement due for Jan-May 2016.

NSP 3

Grant Awarded from HUD	$	**5,000,000.00**
Less: 5% admin fee	$	**250,000.00**
Less: Projects Funded (see details below)	$	**4,750,000.00**

Outstanding Commitments:

Closing Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
6/20/2012	The Manor, LLC	$ 4,750,000.00	$ 4,750,000.00	$ -	*in Mitas*
Total Commitments and Fundings		$ 4,750,000.00	$ 4,750,000.00	$ -	

Program Income received life to date	$	65,972.20
Interest Income received life to date	$	19.16
Income Available	$	65,991.36
Less: Program Income Spent for Construction and Administration	$	-
Unspent Program Income per Trust Account (cash balance as of 09/30/2016)	$	**65,991.36**
NSP-3 Funds Available to Commit at 09/30/2016	$	**65,991.36**

	Committed	Funded	Balance Remaining
Administration	$ 250,000.00	$ 42,617.89	$ 207,382.11

Notes:
Administrative accruals not yet paid total $840.23. Program income will be utilized to pay these fees.

AEDC-CDBG DISASTER FUNDS

Grant Awarded from HUD	$	**10,134,098.00**
Less: Projects Funded (see details below)	$	**9,627,393.00**

Closing Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
6/7/2011	Woodmont Manor-Batesville Housing	$ 968,437.00	$ 968,437.00	$ -	*in Mitas (forgivable)*
6/30/2011	Cottages of Good Shepard I LP-Cottages of Good Shepard I	$ 1,350,000.00	$ 1,350,000.00	$ -	*in Mitas*
6/30/2011	Cottages of Good Shepard II LP-Cottages of Good Shepard II	$ 1,350,000.00	$ 1,350,000.00	$ -	*in Mitas*
12/7/2011	Peaks at North Little Rock II LP-Peaks II	$ 900,000.00	$ 900,000.00	$ -	*in Mitas*
12/15/2011	Orchards at Mabelvale II LP-Orchards at Mabelvale II	$ 900,000.00	$ 900,000.00	$ -	*in Mitas*
1/3/2012	ALFD-Forrest City Housing Partner LP-Stonebrook Park	$ 900,000.00	$ 900,000.00	$ -	*in Mitas (forgivable)*
1/3/2012	Villas of NLR II, LP-Villas of NLR II	$ 900,000.00	$ 900,000.00	$ -	*in Mitas*
1/11/2012	Villas at Country Club II LP-Villas II	$ 900,000.00	$ 900,000.00	$ -	*in Mitas*
6/22/2012	Helena Renaissance I LP-Old Helena High School	$ 900,000.00	$ 900,000.00	$ -	*in Mitas*
7/18/2012	Jacksonville Partnership for Housing LP-The Meadows	$ 500,000.00	$ 500,000.00	$ -	*in Mitas*
7/18/2013	Leisure Homes Corporation-Park Side Patio Homes orig. $58,956.10	$ 58,956.00	$ 58,956.00	$ -	*in Mitas*
Total Commitments and Fundings		$ 9,627,393.00	$ 9,627,393.00	$ -	

CDBG Funds Available to Commit at 09/30/2016 $ **506,705.00** **(1)**

Applications received but not submitted for board approval yet:

-	none
506,705.00	amount available if additional applications/requests were approved

Notes:
(1) As of 09/30/2016, $142,033.74 in administrative fees have been paid.
Per HUD, admin expenses should be taken from AEDC's CDBG-DR grant admin set-aside and the full $10,134,098 must be allocated for affordable rental housing.
Administrative accruals not yet paid total $1,646.00.

TAX CREDIT ASSISTANCE PROGRAM

TCAP Bank Balance at 09/30/2016 $ **1,195,409.40**

Breakdown:

Program Income received life to date	$	1,194,705.95
Interest Income received life to date	$	1,508.45
Less: Program Income Spent for Trustee Fees life to date	$	(805.00)
Unspent Program Income per Trust Account (cash balance) and Funds Available to Commit at 09/30/2016	$	**1,195,409.40 (1)**

Applications received but not submitted for board approval yet:

-	none
1,195,409.40	amount available if additional applications/requests were approved

Notes:
(1) As of 09/30/2016, there are no outstanding commitments against these funds. Program restrictions will be required on future commitments for these funds.

PRESERVATION REVOLVING LOAN FUND-2015 round-PRLF 2

Loan Awarded from USDA-Rural Development	$	**2,125,000.00**	**(1)**
Less: Projects Funded (see details below)	$	**496,787.00**	

Less: Outstanding Commitments:

Closing Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
3/8/2016	Columbia Heights, LP-2015 LIHTC recipient	$ 161,787.00	$ 161,787.00	$ -	*in Mitas*
5/16/2016	Corning Senior Housing, L.P.-Pinewood Apartments-2014 LIHTC recipient	$ 335,000.00	$ 335,000.00	$ -	*in Mitas*
				$ -	
Total Commitments and Fundings		$ 496,787.00	$ 496,787.00	$ -	

PRLF 2015- Funds Available to Commit at 09/30/2016 $ **1,628,213.00**

Applications received but not submitted for board approval yet:

-	none
1,628,213.00	amount available if additional applications were approved

Notes:

(1) Loan closed with USDA-RD on 7/29/2015.

DHS-ASSISTED LIVING INCENTIVE FUND-ALIF (Inter-Agency Program)

Transfer per Inter-Agency Agreement from DHS 4/2/2010	$	**5,000,000.00**
Less: Projects Funded (see details below)	$	**1,722,500.00**

Less: Outstanding Commitments:

Closing Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
3/31/2011	St. Francis Assisted Living Center LP-Forrest City	$ 162,500.00	$ 162,500.00	$ -	*in Mitas (forgivable)*
6/20/2012	The Manor, LLC	$ 760,000.00	$ 760,000.00	$ -	*in Mitas*
7/30/2013	Fordyce Assisted Living, Inc.	$ 800,000.00	$ 800,000.00	$ -	*in Mitas (forgivable)*
Total Commitments and Fundings		$ 1,722,500.00	$ 1,722,500.00	$ -	
Administration			$ 44,316.47	$ 44,316.47 **(1)**	

Program Income received life to date	$	12,222.30
Interest Income received life to date	$	6,798.61
Income Available	$	19,020.91
Less: Program Income Spent for Construction and Administration	$	-
Unspent Program Income per Trust Account (cash balance as of 09/30/2016)	$	**19,020.91**
Assisted Living Funds Available to Commit at 09/30/2016	$	**3,252,204.44**

Applications received but not submitted for board approval yet:

-	none
3,252,204.44	amount available if additional applications were approved

Notes:

(1) Administrative fees are paid from the trust account balance. Administrative fees paid total $44,316.47 or 0.9% of the original $5,000,000 funding. Administrative accruals not yet paid total $436.69.

ARKANSAS HOUSING TRUST FUND

State Appropriation (funds held by DF&A)	$	**500,000.00**
Less: Projects Funded (see details below)	$	**153,634.00**

Outstanding Commitments:

Grant Date	Development Name	Committed	Funded	Less: Balance Remaining to be Funded	
Multi-Family-Homeless Shelter:					
not yet granted	Old Fort Smith Homeless Coalition-Riverview HOPE Campus-Phase I-Ft. Smi	$ 250,000.00	$ -	$ 250,000.00	*not in Mitas*
Single Family-Homeowner-Occupied Rehabilitation					
signed 9/15/2015	City of Little Rock-Owner-Occupied Rehabilitation-Little Rock	$ 230,000.00	$ 143,634.00	$ 86,366.00	*in Mitas*
Homeless Security Deposit RLF:					
signed 10/27/2015	Housing Opportunities Partnership Exchange (HOPE Continuum)-Harrison	$ 20,000.00	$ 10,000.00	$ 10,000.00	*in Mitas*
Total Commitments and Fundings (non-Admin)>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>>		$ 500,000.00	$ 153,634.00	$ **346,366.00**	
Arkansas Housing Trust Funds Available to Commit at 09/30/2016				$ -	
Administration		$ 50,000.00	$ 35,209.14	$ 14,790.86	

Mortgage Settlement Funds

Reconciled Bank Balance at 9/30/2016 $ 1,278,529.42

Less: Outstanding Commitments:

Signed Agreement	Development Name	Committed	Funded	Less: Balance Remaining to be Funded
	Homeowner Rehabilitation/Reconstruction:			
1/24/2013	Eastern Arkansas Community Outreach & Development Corp. (former St. Francis County Community Development Corp approved loan)	351,862.00	351,862.00	-
1/25/2013	City of Reed	253,000.00	253,000.00	-
3/27/2013	Drew County Public Facilities Board	351,714.00	351,714.00	-
3/27/2013	Eastern Arkansas Community Outreach & Development Corp.- various sites in Proctor, Marion and West Memphis	509,359.20	509,359.20	-
3/26/2013	City of Stuttgart II	324,500.00	324,500.00	-
5/6/2013	Arkansas Land & Farm Development Corp.-Various sites-Dermott	494,340.00	494,340.00	-
6/24/2013	Central Arkansas Planning and Development District-various sites in Lonoke, Scott, England and DeValls Bluff	507,659.00	499,259.00	8,400.00
9/25/2013	Third Party Consulting, Inc. (formerly CRT)-various sites in Garland, Holly Grove, Kingsland, Wrightsville	405,642.84	405,642.84	-
12/5/2013	City of McGehee	497,950.00	497,950.00	-
		3,696,027.04	3,687,627.04	**8,400.00**
	Tax Credit Properties:			
5/30/2013	Edgewood Apartments, LP-Lewisville	75,000.00	75,000.00	-
12/19/2014	S&B Development-Deer Run-Hamburg	226,000.00	226,000.00	-
12/27/2013	Legacy at El Dorado LP-El Dorado	450,000.00	450,000.00	-
2/7/2014	Leisure Homes Corporation-Majestic View-Mountain Home	450,000.00	450,000.00	-
10/25/2013	Paragould Housing Dev Corp-Rolling Hills-Paragould	450,000.00	450,000.00	-
11/7/2013	Pine Cove Apartments-Fordyce	175,000.00	175,000.00	-
8/20/2015	Huntsville Town Branch LP—Town Branch-Huntsville	356,000.00	356,000.00	-
3/31/2015	JPM Development--Milwood Place-Clarksville	450,000.00	405,000.00	45,000.00
3/31/2015	JPM Development-Arkansas Affortable Two LP--West Helena Village-West Helena	450,000.00	405,000.00	45,000.00
12/14/2015	BRAD- Black River Housing, LP--2015 LIHTC recipient	450,000.00	405,000.00	45,000.00
not signed yet	Gorman & Company, Inc/Metropolitan Housing Authority.-Cumberland Towers	200,000.00	-	200,000.00
not signed yet	Gorman & Company, Inc/Metropolitan Housing Authority.-ParrisTowers	200,000.00	-	200,000.00
not signed yet	Gorman & Company, Inc/Metropolitan Housing Authority.-PowellTowers	200,000.00	-	200,000.00
		4,132,000.00	3,397,000.00	**735,000.00**
	Homeless Project:			
not signed yet	Old Ft. Smith Homeless Coalition-Riverview HOPE Campus Phase I-orig allocation	**128,805.30**		
	Old Ft. Smith Homeless Coalition-Riverview HOPE Campus Phase I-revolved funds*	**45,028.14** *		
		173,833.44	-	**173,833.44**
2/3/2015	**Habitat for Humanity-Saline County Project:**	**180,000.00**	108,184.68	**71,815.32**
not applicable	**Homebuyer Counselor Fees**	**540,000.00**	540,000.00	-
not applicable	**Mortgage Default Counseling**	**285,000.00**	285,000.00	-
not applicable	**NeighborWorks Training**	**50,000.00**	46,456.25	**3,543.75**
Total Commitments and Fundings (* including revolved funds & interest rcvd less fees)		**9,056,860.48**	7,956,083.29	**992,592.51**

Settlement Funds Available at 9/30/2016 $ 285,936.91

REVISED BUDGET PER 4/18/2013 & 2/19/2015 & 5/21/2015 & 4/21/2016 BOARD MEETINGS					
	Approved Budget	**Approved By Board to date**	**Currently Available**	**Requests for Board Approval**	**Available upon Board Approval**
Homebuyer Counselor Fees	$ 540,000.00	$ 540,000.00	$ -	$ -	$ -
NeighborWorks Training Courses for Homebuyer Counselors	$ 50,000.00	$ 50,000.00	$ -	$ -	$ -
Mortgage Default Counseling	$ 285,000.00	$ 285,000.00	$ -	$ -	$ -
Homeowner Rehab/Recon	$ 3,696,194.70	$ 3,696,027.04	$ 167.66	$ -	$ 167.66
Multi-Family Rental Rehab (tax credits) with usage of $12,000 in revolved funds at 8/31/2016	$ 4,132,000.00	$ 4,132,000.00	$ -	$ -	$ -
Homeless Project (approved usage of revolved funds and interest less fees as of 1/31/15-$45,028.14 with orig. HO allocation)	$ 173,833.44	$ 173,833.44	$ -	$ -	$ -
Habitat for Humanity-Saline Co. Project	$ 180,000.00	$ 180,000.00	$ -	$ -	$ -
Interest earnings/NSF fees collected	$ -	$ -	$ 2,314.17	$ -	$ 2,314.17
Loan Repayments Received (P&I & U/Cash)	$ -	$ -	$ 267,012.64	$ -	$ 267,012.64
Administrative Expenses (approved use of revolved funds as of 3/31/2016)	$ 20,000.00	$ 20,000.00	$ 16,442.44	$ -	$ 16,442.44
Grand Total	$ 9,077,028.14	$ 9,076,860.48	$ 285,936.91	$ -	$ 285,936.91

ADFA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY

Memorandum

TO: ADFA Board of Directors
FROM: Derrick Rose
DATE: October 12, 2016
SUBJECT: Board Report

- I am working with ADFA Single Family Staff, Joey Walsh and Barbara Whittaker to create and post interesting and relevant content to our Facebook Page. I've attached a few of our latest posts. You can stay in the loop by putting a like on our Facebook at www.facebook.com/arhomefinancing.

- A new tri-fold brochure was created to help with single-family program outreach efforts. See attached.

- News clippings follow this report.

Arkansas Development Finance Authority with Barbara Whittaker and 3 others.

Published by Derrick Rose Warren [?] · October 7 at 10:39am ·

We'd like to introduce you to our Single Family Staff. Together they have over 130 years of mortgage lending experience, 47 of them right here at ADFA. We want you to always feel free to call with any questions you may have and now you can put a face with a voice. Front Row, left to right - Virginia Wright, Joey Walsh, Dean Norman. Top row, left to right - Barbara Whittaker, Murray Harding, Denise Wells.

109 people reached

Boost Post

Like Comment Share

Debbie Dillon Gentry and Karen Phillips

Chronological

Shannon Howland So cool to put faces with name!
Unlike · Reply · Message · 2 · October 7 at 10:48am

Shelley Johnston Agreed Shannon Howland. I knew Virginia Wright and Murray but so cool to see the rest.
Unlike · Reply · Message · 2 · October 7 at 8:54pm

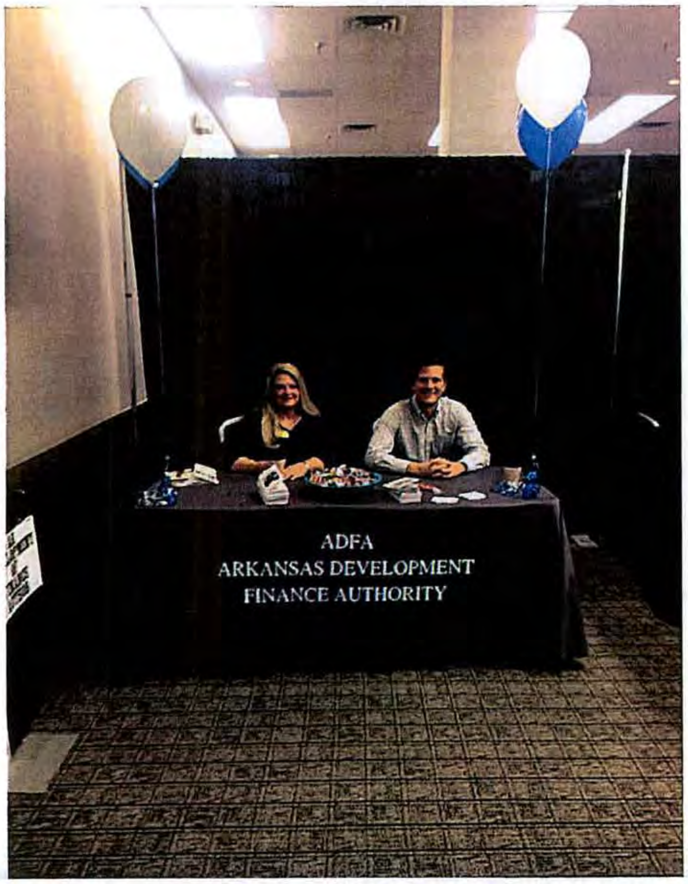
Write a comment...

Press Enter to post.

Arkansas Development Finance Authority with Barbara Whittaker and Joey Walsh.

Published by Derrick Rose Warren [?] · September 21 at 10:46am ·

If you're an individual with a modest income, living in Arkansas, ADFA offers some of the best incentives for home ownership available anywhere. Our first-time homebuyer program (ADFA Advantage) offers the amazing low rate of 2.5 percent! This week Barbara Whittaker and Joey Walsh are spreading the word at the Arkansas Realtors Association 92nd Annual Convention and Trade Show at the Chancellor Hotel in Fayetteville, AR.



Arkansas Development Finance Authority
Published by Derrick Rose Warren [?] · September 16 at 3:52pm ·

If you're using one of our downpayment assistance programs, you will need to take a "Pre-Purchase Homebuyer Education Class" where a certificate will be issued upon completion. A list of homebuyer counselors can be found at http://adfa.arkansas.gov/homeownership-education-counseling. We now also offer an online homebuyer education course at https://adfa.homebuyerexpress.org/Ac.../Partners/Landing.aspx...

Homeownership Education Counseling

If you are using one of ADFA's downpayment assistance options (ADFA Downpayment Assistance Program (DPA) or Arkansas Dream Downpayment Initiative (ADDI))to purchase a home ADFA requires borrowers take a "Pre-Purchase Homebuyer Education Class" where a certificate will be issued upon completion. Our...

ADFA.ARKANSAS.GOV

First-Time Homebuyer Tax Credit (MCC) is a dollar-for dollar tax credit for first time, low-to-moderate income homebuyers. The certificate is issued by ADFA and allows qualifying, taxpaying homebuyers to claim a tax credit up to 50 percent of the mortgage interest paid per year, capped at $2,000 annually.

An MCC may be used alone or with the ADFA Move-Up loan program. An MCC may also be combined with the Arkansas Dream Downpayment Initiative (ADDI) as a stand alone.

Sample MCC Calculation

Amount of 1st Mortgage		$150,000.00
Interest Rate	x	3.75%
First Year Interest Paid	=	**$5,625.00**
MCC Tax Rate - 50%		
Amount of Benefit for the year		$2,812.50
****Max $2,000 allowed**		**$2,000.00**

Calendar Months Divided by 12 = Monthly Savings $166.66

***With a 50% MCC Rate the maximum amount of tax credit is $2,000.00 per year.*

For more information about ADFA homeownership programs call 682-5900 or go to ADFA's web site at:

http://adfa.arkansas.gov

or find us on Facebook at:

www. facebook.com/arhomefinancing

Arkansas Development Finance Authority
P.O. Box 8023
Little Rock, AR 72203

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ARKANSAS DEVELOPMENT FINANCE AUTHORITY

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Single Family Homeownership Programs

"My new mortgage is just a little more than what I'm now paying in rent. It's all for them, my babies." - Keisa Wilson

Keisa used the "ADFA Advantage" and ADDI Programs to purchase her first home.

http://adfa.arkansas.gov

We serve every county in Arkansas

How we serve our communities

- By providing funding to support community investment, housing developments, and mortgage lending.
- By providing lending programs targeted to the needs of low-to-moderate-income Arkansans.
- By complementing rather than competing with our community lenders as one of the few sources of downpayment funding.

Single Family Housing Programs

"ADFA Advantage" Loan Program is our 30 year, fixed rate bond loan for first-time homebuyers. With ADFA Advantage's 2.5% interest rate, buying a home in Arkansas has never been more affordable.

ADFA Move-Up Program offers both first-time homebuyers (who are excluded from using the ADFA Advantage program due to higher incomes) and repeat Arkansas homebuyers, an affordable mortgage. And when using an ADFA Move-Up loan, borrowers may also be eligible to combine it with other ADFA single family home buying incentives

ADFA Down Payment Assistance (DPA) Program can provide up to $6,000 for down payment and closing cost assistance. ADFA's Down Payment Assistance (DPA) Loan is a second mortgage that carries the low rate of 4 percent with a 10-year term.

Arkansas Dream Downpayment Initiative (ADDI) provides lower income, first-time homebuyers in Arkansans, who qualify, up to 6% of the purchase price of their home, not to exceed $10,000. It is a second mortgage loan with no monthly payment that is forgivable over five years. ADDI funding is provided through by HUD through the Home Investment Partnerships Program.

By Dave Hughes
This article was published October 9, 2016 at 3:27 a.m.

PHOTO BY SPECIAL TO THE DEMOCRAT-GAZETTE
This artist's rendering shows the envisioned Riverview Hope Campus in Fort Smith. Construction began Thursday on the social-services campus for homeless people.

FORT SMITH -- More than six years after the idea surfaced, construction has begun on a social-services campus south of downtown to help homeless and low-income people turn around their lives.

The Old Fort Homeless Coalition has raised nearly $4 million to create the Riverview Hope Campus from 35,000 square feet of a 127,000-square-foot former Riverside Furniture factory building at 301 S. E St. along the Poteau River.

The purpose of the campus is to consolidate services in one location to help homeless people develop skills or receive help aimed at breaking the cycle of homelessness.

The campus is scheduled to open next fall, Fort Smith Homeless Director Debbie Everly said.

The price tag includes the purchase of the building, architecture and engineering fees, furniture, fixtures, equipment, security system and a 5 percent contingency fund, Everly said.

The coalition is still short of having all the money for the project, but it had enough to begin the construction Thursday, she said. Fundraising efforts continue.

One fundraising event will be an appearance Nov. 10 in Fort Smith by Ron Hall, author of the best-seller *Same Kind of Different as Me*, a story about his relationship with a homeless man.

The book is being made into a movie featuring Renee Zellweger, Greg Kinnear, Jon Voight and Djimon Hounsou, and will be released early next year.

Everly said Fort Smith police, who have regular contact with the city's homeless, estimate there are 150-180 people living on the streets.

"This is a new beginning for the low-income and homeless in our area," Greg Pair, president of the Riverview Hope Campus board of directors, said in a news release.

The first phase of the campus will be a 75-bed low-demand shelter that will admit anyone as long as they don't have alcohol or drugs on them and are not violent. Day services will accommodate up to 200 people.

People at the shelter will have access to sleeping mats, storage for their possessions, a kennel for pets, food, a shower, bathroom, laundry and a barber.

They also will be offered other services from the community. Mercy Hospital will put $350,000 into a clinic on the campus, and the Fort Smith School District will offer adult education classes. Others groups will have space to offer mental-health services, job training, dental care, a library and a worship center.

Future phases include development of 12 single-room occupancy apartments and a 25-bed unit, called Safe Haven, for the chronically mentally ill.

The coalition will partner with several agencies and groups on the campus. Among them are Mercy Hospital, Fort Smith Public Schools Adult Education, Western Arkansas Counseling and Guidance Center, Valley Behavioral Health System, Fort Smith Housing Authority and the U.S. Veterans Affairs Department.

"By providing a place to consolidate the services of the existing non-profits and charities, we will be able to provide more than just the acute needs of food or shelter," Jeremy May, vice president of the campus board, said in the release. "We'll be able to identify the root cause of each individual's need, which is what we ultimately aim to address."

The coalition has raised money for the campus from several sources, public and private.

Most recently, the J.E. and L.E. Mabee Foundation in Tulsa, Okla., awarded a $500,000 challenge grant to the coalition in February. Everly said the coalition is $50,000 short of matching the challenge goal.

The campus also has received a $500,000 grant from the Federal Home Loan Bank in Dallas; more than $786,000 in private gifts and foundations; $445,000 in grants from the Arkansas Development Finance Authority; a $260,739 federal Housing and Urban Development emergency solution grant; a block fund grant from the city to cover the $603,441 purchase price of the building; cash pledges and in-kind donations; and a $224,363 low-interest loan from the Fort Smith Housing Authority to allow for the start of construction, said Mitch Minnick, Fort Smith Housing Authority executive director.

Print Headline: $4M raised, work starts on homeless campus in Fort Smith

More *Arkansas*

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Hopefuls square off over Little Rock board se...
Noth Little Rock teen held in July robbery in...
2 in District 73 race pitch their expertise
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ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MEMORANDUM

To: ADFA Board of Directors
From: Brad Henry, Vice President Development Finance BH
Re: Monthly Activity Report
Date: October 20, 2016

Economic Development Bonds, ADFA Bond Guaranty & Conduit Bond Issues

The Series 2011A refunding is progressing well and is expected to close in November. Interest in the Bond Guarantee program has also increased recently. Staff continues to work diligently on the problem loans.

State Small Business Credit Initiative (SSBCI)

The SSBCI quarterly report for the third quarter is due at the end of October. Planning has begun for winding down the program as it is scheduled to sunset in March of 2017.

Venture Capital and Seed/Angel Capital

The Arkansas Institutional Fund audit is nearing completion. We will submit the AIF annual report to the Legislature and Governor's Office once the audit is complete.

Capital Access, Arkansas Credit Reserve, and Small Business Guarantee Programs

Capital Access has enrolled 575 loans and ArCash has 37 loans enrolled. Over $20 million in loans have now been enrolled in the CAP program.

Outreach

ADFA and AEDC staff made a presentation to the Arkansas County Judges Association on economic development incentives and financing. ADFA staff made a presentation on ADFA programs at the USDA Rural Economic Development conference in Blytheville. ADFA staff will also attend a second USDA conference in Helena on November 4th.

ADFA Bond Guaranty Fund Data
As of September 30, 2016

	Total Guaranty			
Bond Balances:				
IDB's	57,185,000			
City/Co Issues	3,375,000			
Total Bond Balances->	**60,560,000**			
Less Guaranty by WFF	**(1,021,000)**			
			% Guaranteed by	
Direct/Interim Loan Balances:	**ADFA's Share**	**Total O/S**	**ADFA**	**AEDC**
Horner Holdings, Inc. (HHI)	288,634	288,634	100%	0%
Safe Foods Corp.	1,598,564	3,197,128	50%	50%
Southwind Milling Co., LLC	231,951	463,902	50%	50%
Hillstern Farms, Ltd (fka Vikon Farms)	-	2,140,000	0%	100%
Total Direct Loans Only->	**2,119,149**	6,089,664		
			% Guaranteed by	
Commitments that are unfunded:	**ADFA's Share**	**Total Approved** **Date Approved**	**ADFA**	**AEDC/Other**
Alrez	2,715,000	5,430,000	50%	50%
Principal of bonds refunded	(2,190,000)	8/18/2016		
Total Commitments yet to fund->	**525,000**			
Total Bonds, Direct Loans and Unfunded->	**62,183,149**			
Venture Capital Guaranty	10,000,000			
Total of all guaranties->	**72,183,149**			

Bond Guaranty Reserve Fund	**At Cost**	**Market Value**
Federated Treasury MMF	447,199	447,199
Various CD's	1,715,000	1,728,277
US Treasury Issues	735,884	740,258
US Government Agencies	15,212,113	15,329,122
Portfolio Totals->	**18,110,196**	**18,244,856**
Coverage Ratios:		
Leverage	3.986	3.956
% of Guaranty Reserve Fund	25.09%	25.28%

Additional sources of cash flows that will be credited to the guaranty fund:

	Total Due	**Est of Expected Annual Payment**	**Periodic Payment**	
Victory Lumber, LLC	488,087	65,088	5,424	M
Ouachita Hardwood Flooring, LLC	348,750	93,000	7,750	M
Arkansas Catfish Growers, LLC	301,777	38,094	38,094	A
Heartland Footwear, Inc	68,829	26,676	2,223	M
	1,207,443	222,858		

A = annual pmt, M = monthly pmt

Arkansas Development Finance Authority
State Small Business Credit Initiative
Status Report As of 9/30/2016

	Lending			Investing			
	Capital Access	Direct Loan	SBL Guaranty	Risk Capital Matching	Co investment Fund - ACIF	Seed & Angel Capital Network	Total
1st & 2nd & 3rd Installments							13,168,350.00
Fundings:							
Capital Access							
Communities Unlimited, Inc/ formerly Alt	3,105.00						3,105.00
Liftfund/formerly Accion Texas	10,891.04						10,891.04
Forge, Inc.	33,504.00						33,504.00
Participation Loans							
American Veg Soybean, LLC		700,000.00					700,000.00
Arez, LLC		470,000.00					470,000.00
Arkansas Short Line Railroads, Inc.		400,000.00					400,000.00
ArkLam, LLC		350,000.00					350,000.00
CDR, LLC		75,000.00					75,000.00
Choctaw Bayou Enterprise, LLC		5,000.00					5,000.00
Pre-Insulated Metal Technologies, Inc		500,000.00					500,000.00
Prime Line, Inc		140,000.00					140,000.00
Sage		800,000.00					800,000.00
Southwind Milling Company		1,000,000.00					1,000,000.00
Hillstern Farms (fka Vikon Farms)		214,000.00					214,000.00
Small Business Loan Guaranty							
Above and Beyond Home Care of Central AR			28,000.00				28,000.00
BlueInGreen - August 2014			140,000.00				140,000.00
BlueInGreen - August 2014			89,950.00				89,950.00
BlueInGreen - March 2015			140,000.00				140,000.00
BlueInGreen - March 2015			89,950.00				89,950.00
BlueInGreen - October 2015			89,950.00				89,950.00
BlueInGreen - March 2016			160,000.00				160,000.00
BlueInGreen - September 2016			160,000.00				160,000.00
Consolidated Construction			60,000.00				60,000.00
Consolidated Construction - January 2016			60,000.00				60,000.00
Erosion Control			32,000.00				32,000.00
Liberty Management Services			160,000.00				160,000.00
MoVista			160,000.00				160,000.00
Red Clay			160,000.00				160,000.00
Arkansas Risk Capital Matching							
Acumen Holdings				66,667.00			66,667.00
Ascendant Diagnostics				200,000.00			200,000.00
Bio Detection Instruments				70,000.00			70,000.00
Black Oak Analytics, Inc				300,000.00			300,000.00
BlueInGreen				300,000.00			300,000.00
First Orion				250,000.00			250,000.00
Merchant View				150,000.00			150,000.00
Movista				105,958.00			105,958.00
Nanowatt Design, Inc				25,000.00			25,000.00
Nanowatt Design, Inc II				25,000.00			25,000.00
SFC Fluidics				145,000.00			145,000.00
TiFiber, Inc				58,333.33			58,333.33
ADFA Co-Investment Fund							
Acumen Holdings					500,000.00		500,000.00
Apptegy					300,000.00		300,000.00
BlueInGreen					260,000.00		260,000.00
Insight Ecosystems					100,000.00		100,000.00
Merchant View					114,521.40		114,521.40
Movista					100,000.00		100,000.00
NanoMech					1,000,000.00		1,000,000.00
PicaSolar					300,000.00		300,000.00
Soul of the South Media Holdings					1,000,000.00		1,000,000.00
Spotright					450,000.00		450,000.00
Seed & Angel Network							
ARK Investmt Fund (ARK Challenge 1)						150,000.00	150,000.00
ARK Investmt Fund (ARK Challenge 2)						125,000.00	125,000.00
ARK Investmt Fund 2014						175,000.00	175,000.00
Fund for Arkansas Future II						400,000.00	400,000.00
Gravity Ventures III						187,471.47	187,471.47
NewRoad Ventures						1,000,000.00	1,000,000.00
TriStar Technology Fund II (UAMS)						480,000.00	480,000.00
VIC Investor Network						125,000.00	125,000.00
Funded/Expensed To Date	47,500.04	4,654,000.00	1,529,850.00	1,695,958.33	4,124,521.40	2,642,471.47	14,694,301.24
Unfunded Commitments:							
Gravity Ventures III						62,528.53	62,528.53
TriStar Technology Fund II(UAMS)						20,000.00	20,000.00
Fund for Arkansas Future II						100,000.00	100,000.00
Total Unfunded Commitments	-	-	-	-	-	182,528.53	182,528.53
Total Funded/Unfunded Commitments	47,500.04	4,654,000.00	1,529,850.00	1,695,958.33	4,124,521.40	2,825,000.00	14,876,829.77

Arkansas Development Finance Authority
State Small Business Credit Initiative
Status Report As of 9/30/2016

	Lending			Investing			
	Capital Access	Direct Loan	SBL Guaranty	Risk Capital Matching	Co investment Fund - ACIF	Seed & Angel Capital Network	Total
RECAP BY PROGRAM:							
FINAL ALLOCATION	**41,522.00**	**4,690,312.00**	**720,070.91**	**1,297,352.00**	**3,595,156.00**	**2,823,937.09**	**13,168,350.00**
Recycled Funds	16,062.09	76,788.64	820,676.71	462,923.30	650,000.00	57,763.84	2,084,214.58
Less: Funded commitments to date	47,500.04	4,654,000.00	1,529,850.00	1,695,958.33	4,124,521.40	2,642,471.47	14,694,301.24
Less: Unfunded Commitments	-	-	-	-	-	182,528.53	182,528.53
Less: Expenses paid with allocation	10,084.05	113,100.64	10,897.62	64,316.97	120,634.60	56,700.93	375,734.81
Allocation Available	-	-	-	-	-	-	-
Total Program Income							805,537.30
Principal Receipts on Loans/Investments and Interest Earnings on Funds:							2,950,858.00
Less: Expenses Paid with Program Income							76,899.13
Less: Recycled Funds (see above):							2,084,214.58
Total Available							**1,595,281.59**

ARKANSAS VENTURE CAPITAL INVESTMENT TRUST
Investment Report
Quarter Ended September 30, 2016

	ARKANSAS RISK CAPITAL MATCHING FUND			SEED & ANGEL CAP NETWORK		ADFA CO-INVESTMENT		VCIT						
COMPANY NAME	TECH VALIDATION	ENTERPRISE DEV	ENT DEV WITH SSBCI	SSBCI	GOV DISCRETION	SSBCI	GOV DISCRETION	"GENERAL ACCT"	Total Funded	Unfunded	Return of Capital	Write down of balance	Outstanding Balance	Income or Gain
Acumen Brands	0	250,000	66,667	0	0	500,000	0	0	816,667	0	566,667	0	250,000	1,016,123
Agricultural Foods Systems	0	0	0	0	15,000	0	0	0	15,000	0	0	0	15,000	0
AgRobtics	0	200,000	0	0	0	0	0	0	200,000	0	0	151,015	48,985	0
Apptegy	0	0	0	0	0	300,000	0	0	300,000	0	0	0	300,000	0
Ark Investment Fund 2014	0	0	0	175,000	0	0	0	0	175,000	0	0	0	175,000	0
Ark Investment Fund II, LLC	0	0	0	125,000	0	0	0	0	125,000	0	11,729	21,365	91,906	0
ARK Investment Fund, LLC	0	0	0	150,000	0	0	0	0	150,000	0	0	32,857	117,143	0
Ascendant Diagnostics	100,000	0	200,000	0	0	0	0	0	300,000	0	0	0	300,000	0
Bear State Technologies	45,000	0	0	0	0	0	0	0	45,000	0	0	0	45,000	0
Bio Detection Instruments	0	0	70,000	0	0	0	0	0	70,000	0	0	0	70,000	0
Biologics MD	0	145,494	0	0	0	0	0	0	145,494	0	0	0	145,494	0
Black Oak Analytics, Inc	0	0	300,000	0	0	0	0	0	300,000	0	0	0	300,000	0
BlueInGreen	0	450,000	300,000	0	0	260,000	0	0	1,010,000	0	0	0	1,010,000	0
BlueOak Arkansas	0	0	0	0	0	0	3,000,000	0	3,000,000	0	0	0	3,000,000	0
Btiques	0	0	0	0	50,000	0	0	0	50,000	0	0	50,000	0	0
Cardio Wise	100,000	0	0	0	0	0	0	0	100,000	0	0	0	100,000	0
Collinear Networks, Inc	0	0	0	0	0	0	1,000,000	0	1,000,000	0	0	0	1,000,000	0
Diamond State Ventures	0	0	0	0	0	0	0	41,379	41,379	0	41,379	0	0	215,821
Energy Design Group Enterprises, I	0	0	0	0	0	0	542,000	0	542,000	0	0	0	542,000	0
Eyenalyze, Inc.	60,000	0	0	0	0	0	0	0	60,000	0	0	0	60,000	0
Fund for Arkansas Future II	0	0	0	400,000	0	0	0	0	400,000	100,000	0	0	400,000	0
Gravity Ventures III	0	0	0	187,471	0	0	0	0	187,471	62,529	0	0	187,471	0
Greenwave Brands, Inc	0	0	0	0	0	0	500,000	0	500,000	0	0	0	500,000	0
Hayseed Ventures	0	500,000	0	0	0	0	0	0	500,000	0	0	0	500,000	0
Info Assembly	0	0	0	0	50,000	0	0	0	50,000	0	0	0	50,000	0
Innovis Labs / Overwatch	0	0	0	0	50,000	0	0	0	50,000	0	0	0	50,000	0
Insight Ecosystems	0	50,000	0	0	0	100,000	0	0	150,000	0	0	0	150,000	0
Langhar	0	0	0	0	50,000	0	0	0	50,000	0	17,720	32,280	0	0
Merchant View/Movista	109,998	0	255,958	0	0	214,522	99,450	0	679,928	0	0	0	679,928	0
Minewhat, Inc.	0	0	0	0	50,000	0	0	0	50,000	0	0	0	50,000	0
NanoMech	0	750,000	0	0	0	1,000,000	1,600,000	0	3,350,000	0	0	0	3,350,000	0
Nanowatt Design Inc	100,000	0	50,000	0	0	0	0	0	150,000	0	0	0	150,000	0
NewRoad Ventures	0	0	0	1,000,000	0	0	0	0	1,000,000	0	400,000	0	600,000	200,000
Now Diagnostics	0	0	0	0	0	0	1,400,000	0	1,400,000	0	0	0	1,400,000	0
Nutraceutical Innovations	100,000	0	0	0	0	0	0	0	100,000	0	0	0	100,000	0
OsteoVantage	100,000	0	0	0	0	0	0	0	100,000	0	0	0	100,000	0
Passenger Baggage Xpress (Loan)	18,000	0	0	0	0	0	0	0	18,000	0	0	0	18,000	0
Pathagility	90,000	0	0	0	0	0	0	0	90,000	0	0	0	90,000	1,269
PicaSolar	100,000	0	0	0	0	300,000	300,000	0	700,000	0	0	0	700,000	0
Poly Adaptive LLC	36,000	0	0	0	0	0	0	0	36,000	0	0	0	36,000	0
PrivacyStar	0	500,000	250,000	0	0	0	0	0	750,000	0	0	0	750,000	0
RX Results	0	200,000	0	0	0	0	0	0	200,000	0	0	0	200,000	0
RX Results (Loan)	0	200,000	0	0	0	0	0	0	200,000	0	0	0	200,000	21,000
SFC Fluidics	113,139	0	145,000	0	0	0	0	0	258,139	0	0	0	258,139	0
Shield Aerodynamics (Loan)	90,000	0	0	0	0	0	0	0	90,000	0	0	0	90,000	0
Soul of the South Media Holdings	0	0	0	0	0	1,000,000	0	0	1,000,000	0	0	999,999	1	0
SpotRight	0	600,000	0	0	0	450,000	300,000	0	1,350,000	0	0	0	1,350,000	0
Stacksearch, Inc	0	0	0	0	50,000	0	0	0	50,000	0	0	0	50,000	0
Stage I Diagnostics	0	225,000	0	0	0	0	0	0	225,000	0	0	0	225,000	0
TiFiber	100,000	0	58,333	0	0	0	0	0	158,333	0	0	0	158,333	0
TriStar Technology Fund II-UAMS	0	0	0	480,000	0	0	0	0	480,000	20,000	0	0	480,000	15,403
VIC Investor Network	0	0	0	125,000	0	0	0	0	125,000	0	0	0	125,000	0
Vivione Biosciences	0	0	0	0	0	0	195,083	0	195,083	0	0	195,082	1	0
	1,262,137	4,070,494	1,695,958	2,642,471	315,000	4,124,522	8,936,533	41,379	23,088,494	182,529	1,037,495	1,482,598	20,568,401	1,469,616

10/10/2016 Portfolio	% of Total	Total Loan Balance /Code	Weighted Ave Years to Maturity	Weighted Ave Quality Risk Factor
311212 Rice Milling	6.42%	4,631,402	10.85	3.49
311411 Frozen Fruit, Juice and Veg Mfg	2.49%	1,792,500	8.07	4.46
311412 Frozen Specialty Food Mfg	10.18%	7,338,957	9.56	2.88
311423 Dried and Dehydrated Food Mfg	1.96%	1,415,038	12.20	4.46
311712 Fresh & Frozen Seafood Proc	0.54%	391,243	1.55	5.00
311821 Cookie & Cracker Mfg	0.06%	40,833	0.61	1.47
312140 Alcoholic Beverages (except Brandy) Distilling	0.11%	78,807	8.67	2.83
321918 Baseboards, Floor, Wood, mfg	3.26%	2,350,834	12.20	3.07
321999 All Other Misc Wood Product Mfg	2.33%	1,678,628	8.21	4.60
325211 Plastics Material & Resin Mfg	3.67%	2,646,639	6.62	3.9
327213 Glass Container Mfg	0.62%	443,958	1.55	3.58
327320 Central Mixed Concrete Mfg	0.40%	288,634	5.87	3.49
332111 Iron and Steel Forging	8.32%	6,000,000	9.10	2.46
332116 Metal Stamping	0.18%	128,333	0.89	2.9
332311 Prefab Metal Bldg & Component Mfg	2.41%	1,736,458	8.07	2.91
332911 Industrial Valve Mfg	0.17%	119,167	1.72	4
334419 Other Electronic Comp Mfg	1.25%	898,333	4.62	3.21
337122 Nonupholstered Wood Household Furn Mfg	0.35%	250,882	6.06	3.17
339920 Sporting & Athletic Goods Mfg	0.21%	149,166	3.37	2.71
482112 Beltline Railroads	4.94%	3,560,000	16.97	3.13
531120 Lessors of Nonresidential Buildings	2.43%	1,751,667	7.23	2.55
541712 Research & Dev Phy, Engineering & Life Sciences	4.43%	3,197,128	0.55	3.02
561910 Apparel Folding & Packaging Services	0.81%	585,000	9.05	3.21
611110 Elementary and Secondary Schools (1)	20.04%	14,447,278	19.15	3.06
622210 Psychiatric & Substance Abuse Hospitals	3.29%	2,371,250	17.62	2.73
624190 Other Individual & Family Services	2.29%	1,653,750	17.62	2.73
624110 Child & Youth Services	0.91%	659,167	5.15	2.1
713940 Fitness & Recreational Sports Ctrs	0.12%	83,809	4.69	2.48
813319 Other Social Advocacy Orgs	0.71%	512,500	4.15	2.10
921190 Other General Gov't Support (guaranteed)	0.66%	473,283	9.30	2.89
926110 Admin of General Economic Programs	0.58%	419,583	13.56	2.68
Portfolio Totals (guaranteed)	86.13%	62,094,227	11.83	3.12
Venture Capital Guarantee	13.87%	10,000,000		
Portfolio Totals (w/Venture Cap Guarantee)	**100.00%**	**72,094,227**		

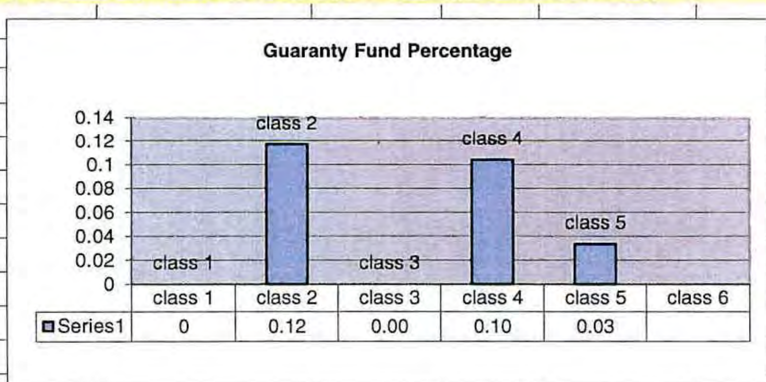
10/10/2016

	%	Loan Balance
311212 Rice Milling		
Southwind Milling PF	0.64%	463,902
Southwind Milling Bond	5.78%	4,167,500
	6.42%	**4,631,402**
311411 Frozen Fruit, Juice and Veg Mfg		
American Veg & Soybean	2.49%	1,792,500
	2.49%	**1,792,500**
311412 Frozen Specialty Food Mfg		
Sage V Foods 05	1.63%	1,177,083
Sage V Foods LR 08	2.15%	1,547,083
Sage V Foods Little Rock 13Ref	1.71%	1,235,833
Sage V Foods II 12	0.94%	678,958
Global Foods 2015	3.75%	2,700,000
	10.18%	**7,338,957**
311423 Dried and Dehydrated Food Mfg		
Greenwave	1.96%	1,415,038
	1.96%	**1,415,038**
311712 Fresh & Frozen Seafood Proc		
Farm Fresh Catfish PF045	0.05%	37,845
Arkansas Catfish Growers PF048	0.07%	51,621
Arkansas Catfish Growers PFBG051	0.42%	301,777
	0.54%	**391,243**
311821 Cookie & Cracker Mfg		
J&M Foods Assumption (WPak 02)	0.06%	40,833
	0.06%	**40,833**
312140 Alcoholic Beverages (except Brandy) Distilling		
Vapor Valley Spirits (TOURVAPOR)	0.11%	78,807
	0.11%	78,807
321918 Baseboards, Floor, Wood, mfg		
Wine Dot 13	3.26%	2,350,834
	3.26%	**2,350,834**
321999 All Other Misc Wood Product Mfg		
ArkLam LLC 12	2.33%	1,678,628
	2.33%	**1,678,628**
325211 Plastics Material & Resin Mfg		
AREZ, LLC	3.67%	2,646,639
	3.67%	**2,646,639**
327213 Glass Container Mfg		
Arkansas Glass 10	0.62%	443,958
	0.62%	443,958
327320 Central Mixed Concrete Mfg		
Horner Holdings Inc	0.40%	288,634
	0.40%	288,634
332111 Iron and Steel Forging		
Southwest Steel Processing 2015	8.32%	6,000,000
	8.32%	6,000,000
332116 Metal Stamping		
JMS Processing 05	0.18%	128,333
	0.18%	**128,333**
332311 Prefab Metal Bldg & Component Mfg		
Pre-Insulated Metal Tech	2.41%	1,736,458
	2.41%	**1,736,458**
332911 Industrial Valve Mfg		
JSW Holdings 03	0.17%	119,167
	0.17%	**119,167**
334419 Other Electronic Comp Mfg		
Madison Industrial	1.25%	898,333
	1.25%	**898,333**
337122 Nonupholstered Wood Household Furn Mfg		
MED Corp Spec	0.35%	250,882
	0.35%	**250,882**

	%	Loan Balance
339920 Sporting & Athletic Goods Mfg		
Rich N Tone 01	0.00%	2,083
Rich N Tone 05	0.20%	147,083
	0.21%	**149,166**
482112 Beltline Railroads		
AR Short Line RR	4.94%	3,560,000
	4.94%	**3,560,000**
531120 Lessor of Nonresidential Bldgs		
TPC Development 13Ref	2.43%	1,751,667
	2.43%	**1,751,667**
541712 Research & Dev Phy, Engineering & Life Sciences		
Safe Foods PFBGSafefood	4.43%	3,197,128
	4.43%	**3,197,128**
561910 Apparel Folding & Packaging Services		
CDR 2013	0.81%	585,000
	0.81%	**585,000**
611110 Elementary and Secondary Schools (1)		
Maumelle Foundation (Academic	8.16%	5,885,000
LISA Academy	5.87%	4,232,278
Jacksonville Lighthouse	6.01%	4,330,000
	20.04%	**14,447,278**
622210 Psychiatric & Substance Abuse Hospitals		
United Methodist Behavioral 14A	3.29%	2,371,250
	3.29%	**2,371,250**
624110 Child & Youth Services		
McRae 501c 01	0.91%	659,167
	0.91%	**659,167**
624190 Other Individual & Family Services		
Methodist Family Health Found 1	2.29%	1,653,750
	2.29%	**1,653,750**
713940 Fitness & Recreational Sports Ctrs		
Fairfield Bay	0.12%	83,809
	0.12%	**83,809**
813319 Other Social Advocacy Orgs		
Comm Living / Seasons 00	0.71%	512,500
	0.71%	**512,500**
921190 Other General Gov't Support (guaranteed)		
Central AR Planning/AADO 08	0.50%	363,333
Bradley Cty IDC SPEC	0.15%	109,950
	0.66%	**473,283**
926110 Admin of General Economic Programs		
West Central AR EDS	0.58%	0
	0.58%	**419,583**
Portfolio Totals (guaranteed)	**86.13%**	**62,094,227**
Venture Capital Guarantee	**13.87%**	**10,000,000**
Portfolio Totals (w/Venture C:	**100.00%**	**72,094,227**
611110 Elementary and Secondary Schools (1)		
Maumelle Foundation (Acader	8.16%	5,885,000
LISA Academy	5.87%	4,232,278
Jacksonville Lighthouse	6.01%	4,330,000
	20.04%	14,447,278
(1) Existing private party guaranty		**1,177,000**
		13,270,278

Portfolio Report

as of 10/10/2016		LOAN		% OF PORTFOLIO	% OF GUARANTY FUND		LAST
COMPANY	ORIGINAL		CURRENT			RESERVE	RATING
Status of § 15-5-405 (2)(A)(B)	150,000,000 less current bond balance	=	89,440,000				
			Current Bond Gty Fund			18,087,311	
EDBR	72,032,500		54,446,956	87.68%	88.43%	1,594,943	
CITY / COUNTY ISSUES	6,000,000		2,782,916	4.48%	4.52%	83,487	
DIRECT LOANS	15,328,714		4,340,907	6.99%	7.05%	440,428	
DAYCARE REVOLVING LOAN FUND	0		0	0.00%		0	
SPEC BLDG LOAN	975,000		360,832	0.58%		3,299	
PORT REVOLVING LOAN FUND	-		-	0.00%		0	
TOURISM DEV LOAN PROGRAM	350,000		162,616	0.26%		743	
SPECIAL (STATE FACILITY)							
PORTFOLIO	**94,686,214**		**62,094,227**	**100%**		**2,122,900**	
GUARANTEE FUND LOAN BALANCE (EDBR, CITY/COUNTY, DIRECT)			**61,570,779**		**100%**		



ADFA SPECULATIVE BUILDING LOAN
PROGRAM

BORROWER	DATE	LOAN AMT	CURRENT BALANCE	COMMENTS
Clark County	11/20/89	$135,000	$0	Sold to Petit Jean Poultry. 200 jobs
Conway County	11/30/90	$150,250	$0	Leased to Semco in 1998. 100 jobs opened
El Dorado	01/23/91	$150,000	$0	Paid off 7/28/94
Greene County	06/30/91	$135,000	$0	sold to Monroe
Clark County	11/19/91	$135,000	$0	Building is leased to Polycarbon, 1996. 40 jobs opened
Hempstead County	10/01/96	$253,542	$0	prospects but no firm deal
City of Warren	03/30/00	$267,750	$0	Leased to H&L Poultry 2001. 288 jobs opened
Cross County	04/02/01	$234,000	$0	
Russellville EDP	02/09/02	$354,080	$0	
MED Corp	10/25/02	$600,000	$250,882	
Garland Cnty IDC	06/06/03	$875,000	$0	Technology Plaza Bldg
Paragould EDC	11/05/03	$1,000,000	$0	Sold to pharmaceutical distribution center
Bradley County	09/01/04	$375,000	$109,950	
Total Active		**$1,462,542**	**$360,832**	
Total		**$4,664,622**		

Capital Access Loan Program

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BY INDUSTRY

Industry Sector	No. of Loans	% of Loans	Guaranteed Loan Amt.	Public Funds	% of Total Funds	Average Loan Amount
11: Agriculture, Forestry, Fishing, Hunting	182	31.65%	$7,727,546.88	$197,421.04	29.53%	$42,459
21: Stone Mining, Rock Quarry	1	0.17%	$3,000.00	$135.00	0.02%	$3,000
23: Construction	38	6.61%	$1,244,413.92	$44,512.65	6.66%	$32,748
31, 32, 33: Mfg - Food-Wood-Metal	40	6.96%	$1,742,936.00	$68,118.28	10.19%	$43,573
42, 44-45: Wholesale / Retail Trade	106	18.43%	$3,175,247.15	$128,343.80	19.20%	$29,955
48-49: Transportation / Warehousing	31	5.39%	$926,401.37	$36,241.13	5.42%	$29,884
51: Information	2	0.35%	$13,000.00	$585.00	0.09%	$6,500
52: Finance & Insurance	3	0.52%	$46,000.00	$1,680.00	0.25%	$15,333
53-81: All Other Services (except Public Admin)	172	29.91%	$5,129,150.16	$191,425.36	28.64%	$29,821
Totals	575	100.00%	$20,007,695.48	$668,462.26	100.00%	

BY COUNTY

Benton	17	2.96%	218,000.00	9,870.00	1.48%	$12,823.53
Boone	33	5.74%	$734,562.54	$33,055.57	4.95%	$22,259.47
Bradley	94	16.35%	$4,124,271.91	$113,183.69	16.93%	$43,875.23
Carroll	12	2.09%	$214,150.00	$9,186.75	1.37%	$17,845.83
Chicot	1	0.17%	$10,000.00	$450.00	0.07%	$10,000.00
Clark	63	10.96%	$1,513,855.78	$52,672.70	7.88%	$24,029.46
Clay	1	0.17%	$200,000.00	$9,000.00	1.35%	$200,000.00
Columbia	2	0.35%	$121,145.00	$3,635.00	0.54%	$60,572.50
Craighead	1	0.17%	$18,000.00	$810.00	0.12%	$18,000.00
Crittenden	2	0.35%	$55,000.00	$2,475.00	0.37%	$27,500.00
Crawford	3	0.52%	$40,000.00	$1,800.00	0.27%	$13,333.33
Cross	2	0.35%	$30,000.00	$900.00	0.13%	$15,000.00
Dallas	3	0.52%	$73,500.00	$2,985.00	0.45%	$24,500.00
Desha	6	1.04%	$486,000.00	$12,915.00	1.93%	$81,000.00
Drew	1	0.17%	$333,400.00	$10,002.00	1.50%	$333,400.00
Garland	18	3.13%	$1,283,679.00	$29,815.58	4.46%	$71,315.50
Hempstead	11	1.91%	$782,952.12	$21,590.12	3.23%	$71,177.47
Hot Spring	3	0.52%	$89,500.00	$4,515.00	0.68%	$29,833.33
Howard	2	0.35%	$47,000.00	$1,560.00	0.23%	$23,500.00
Jefferson	19	3.30%	$930,702.73	$37,912.12	5.67%	$48,984.35
Lafayette	39	6.78%	$1,177,715.23	$28,852.02	4.32%	$30,197.83
Lee	1	0.17%	$15,000.00	$675.00	0.10%	$15,000.00
Lincoln	1	0.17%	$48,000.00	$2,160.00	0.32%	$48,000.00
Lonoke	3	0.52%	$386,000.00	$17,370.00	2.60%	$128,666.67
Madison	26	4.52%	$223,300.00	$9,418.50	1.41%	$8,588.46
Marion	1	0.17%	$10,000.00	$450.00	0.07%	$10,000.00
Miller	76	13.22%	$3,464,214.61	$86,395.70	12.92%	$45,581.77
Mississippi	2	0.35%	$33,945.50	$3,360.00	0.50%	$16,972.75
Monroe	10	1.74%	$928,721.63	$29,884.95	4.47%	$92,872.16
Newton	3	0.52%	$30,000.00	$1,350.00	0.20%	$10,000.00
Phillips	7	1.22%	$181,620.00	$9,700.32	1.45%	$25,945.71
Pike	1	0.17%	$11,500.00	$345.00	0.05%	$11,500.00
Poinsett	15	2.61%	$482,490.50	$38,310.32	5.73%	$32,166.03
Polk	2	0.35%	$65,000.00	$3,675.00	0.55%	$32,500.00
Pope	1	0.17%	$20,000.00	$900.00	0.13%	$20,000.00
Prairie	1	0.17%	$62,500.00	$2,812.50	0.42%	$62,500.00
Pulaski	39	6.78%	$725,127.70	$35,874.99	5.37%	$18,593.02
Searcy	4	0.70%	$30,000.00	$1,350.00	0.20%	$7,500.00
Sebastian	1	0.17%	$3,000.00	$135.00	0.02%	$3,000.00
Sevier	1	0.17%	$10,000.00	$450.00	0.07%	$10,000.00
St. Francis	9	1.57%	$221,039.73	$8,027.30	1.20%	$24,559.97
Union	2	0.35%	$90,000.00	$4,950.00	0.74%	$45,000.00
Van Buren	2	0.35%	$36,560.00	$3,065.40	0.46%	$18,280.00
Yell	1	0.17%	$10,000.00	$450.00	0.07%	$10,000.00
Washington	32	5.57%	$401,000.00	$16,995.00	2.54%	$12,531.25
Woodruff	1	0.17%	$35,241.50	$3,171.73	0.47%	$35,241.50
Totals	575	100.00%	$20,007,695.48	$668,462.26	100.00%	

RESERVE BALANCES

Bank Name	RESERVE BALANCE	CLAIMS by Borrower		
Southern Finl Part [closed]	$0.00	Southern Finl Part	3	$19,674.27
CSB / Bank of Bradley	$77,307.56	Community State Bank	7	$429,766.91
Community First Bank	$7,277.42	Community First Bank	8	61917.88
Southern Bancorp	$66,920.47	Elk Horn Bank & Trust	8	$209,161.86
Enterprise Corp of the Delta	$85,698.93	Ent Corp of the Delta	1	$127,000.00
Regions [closed]	$0.00	Regions [closed]		
1st Jacksonville Bank [closed]	$0.00	First Jacksonville Bank	1	$4,564.07
Little River Bank of Lepanto	$0.00	Little River Bank (Inactive)	1	$47,658.33
Alt.Consulting	$27,089.61	Alt.Consulting	2	$1,522.66
ACCION	$7,011.63	ACCION	2	$48,556.65
Fidelity National	$0.00	Fidelity National		
FORGE	$59,238.96	FORGE	3	$24,844.35
Totals	$330,544.58	Claim Totals	36	$974,666.98

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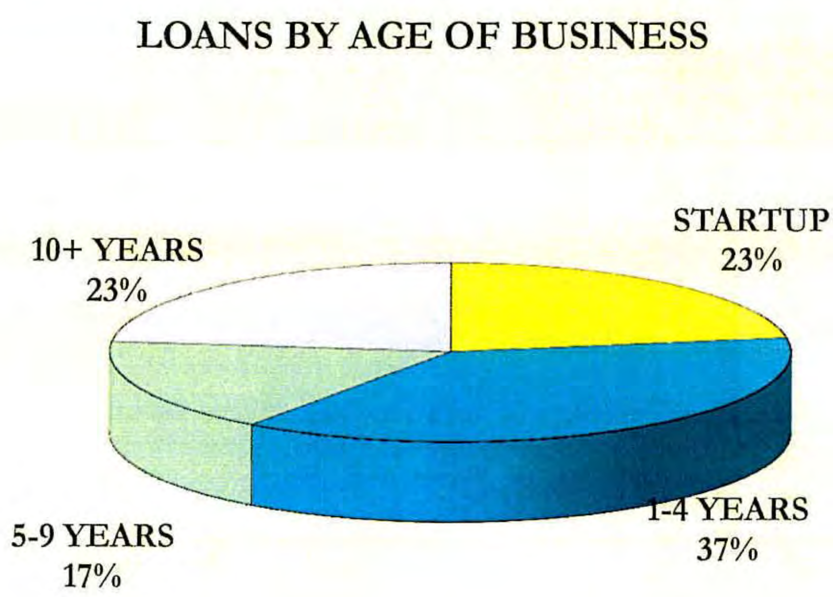
BY SIZE

Guaranteed Loan Size	No. of Loans	% of Loans	Dollar Amount
0-$24,999	348	60.52%	$5,053,614.70
$25,000-$49,999	127	22.09%	$4,469,688.95
$50,000-$74,999	38	6.61%	$1,900,533.65
$75,000-$99,999	14	2.43%	$909,682.92
$100,000-$124,999	14	2.43%	$1,364,031.50
$125,000 and up	34	5.91%	$6,310,143.76
Totals	575	100.00%	$20,007,695.48

No. of Jobs	2600
Public $ Leverage	30.21 to 1

BY AGE



Capital Access Loan Program

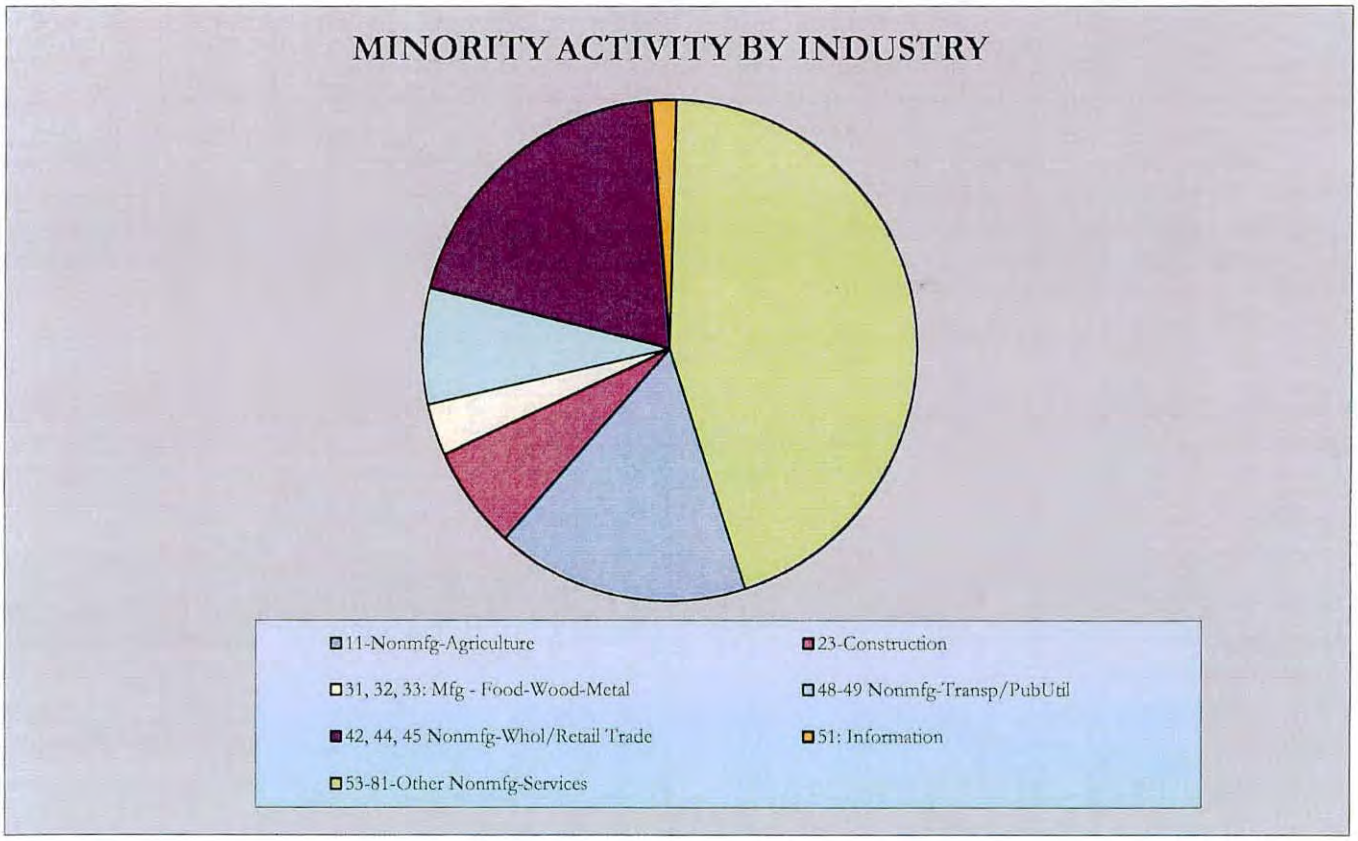
Minority Program Activity

October-16

Page 3

INDUSTRY	NO. OF LOANS	AMOUNT OF LOANS	PUBLIC FUNDS
11-Nonmfg-Agriculture	20	636,139.50	$22,508.92
23-Construction	8	108,652.73	$4,025.37
31, 32, 33: Mfg - Food-Wood-Metal	4	75,939.00	$2,728.17
48-49 Nonmfg-Transp/PubUtil	9	199,453.63	$7,829.95
42, 44, 45 Nonmfg-Whol/Retail Tra	24	426,466.77	$16,100.86
51: Information	2	13,000.00	$585.00
53-81-Other Nonmfg-Services	54	1,366,485.59	$53,907.17
Totals	**121**	**$ 2,826,137.22**	**$107,685.44**

Program Comparative Totals	NO. OF LOANS	AMOUNT OF LOANS	PUBLIC FUNDS
Minority Loan Totals	121	$2,826,137.22	$107,685.44
Total Cap Program Activity	575	$20,007,695.48	$668,462.26
Percentage Minority Activity	21.04%	14.13%	16.11%
Paid Off			
Renewed			



AR CASH PROGRAM

ACR Summary 10/11/2016	TOTAL # OF LOANS	LOAN AMOUNT	RESERVE ACCT BALANCE	ADFA FEE AMOUNT	BORROWER FEE AMOUNT	Loan Renewal Fee	MINORITY OWNED	F/T JOBS	P/T JOBS	CLAIM FILED	2015 LOAN BALANCE
BANK NAME											
ARVEST BANK Fort Smith	34	955,228.34	75,444.24	69,820.00	9,553.02	0.00	12	119	142		$433,842.17
Southern Bancorp Arkadelphia	3	57,676.75	6,573.39	6,000.00	565.00		2	2	9		$35,121.94
TOTALS*	37	$1,012,905.09	$82,017.63	$75,820.00	$10,118.02	$0.00	14	121	151		$468,964.11

*Total # of loans does not reflect renewals

Program Comparative Totals	No. Of Loans	Amount of Loans	Public Funds
Minority/Female Loans Report	14	$426,161.49	$28,370.00
Total Program Activity	37	$1,012,905.09	$75,820.00
Percentage Minority/Female Loan Activity	38%		

Volume Cap Memorandum

To: ADFA Board of Directors

From: Camilla Davis, Volume Cap Manager

Date: 11-Oct-16

Re: 2016 Monthly Summary

	1/1/16 Allotment	Carryforward	Total	Reserved/Issued to Date	Transfer to General	Balance Remaining
ADFA SFH (17%)	$51,488,750		$938,473,750		$51,488,750.00	$0
2013 SFH CF		$290,645,000				$290,645,000
2014 SFH CF		$296,825,000				$296,825,000
2015 SFH CF		$299,515,000				$299,515,000
ADFA MFH (10%)	$30,287,500		$30,287,500		$30,287,500	$0
ADFA IDBs (33%)	$99,948,750		$99,948,750		$99,948,750	$0
ASLA (10%)	$30,287,500		$30,287,500		$30,287,500	$0
General (30%)	$90,862,500		$90,862,500	$2,100,000	$212,012,500	$300,775,000
Totals:	$302,875,000	$886,985,000	$1,189,860,000	$2,100,000		$1,187,760,000
				Less: Carryforward Balances*		$886,985,000
				Total Available		$300,775,000

* Carryforward balances are not available for use except by the categories to which they belong.

** The 2015 remaining balance of $299,515,000 has been approved for MCC carryforward.

MEMORANDUM

DATE: October 12, 2016

TO: ADFA Board of Directors
FROM: Chuck Cathey

RE: Problem Loan Report

The Authority's problem loans currently consist of 8 loans to 7 Borrowers with outstanding balances totaling $12,740,666; 5 of which have delinquent amounts totaling $962,519.

The Authority's Bond Guaranty Reserve Fund has provided or is currently providing debt service payments on 2 of those loans totaling $753,993 of which $548,305 is expected to be recovered in the 4th quarter of 2016.

Based on current collateral and recovery values, if the Authority was forced to collect on all 8 loans, the loss exposure to the Bond Guaranty Reserve Fund is estimated to be as much as $3,481,452.

ADFA
ARKANSAS DEVELOPMENT
FINANCE AUTHORITY

Memorandum & Board Report
Farmer / Creditor Mediation Program
September 2016

To: ADFA Board of Directors
From: Stanley M. "Jack" Bell ᵍᵇ
Date: October 10, 2016
Re: September 2016 Farm Mediation Report

For the month of September 2016, thirty (30) Arkansas farmers were offered the opportunity to mediate and provided statutory notice of the right to request mediation. The amount of debts from the initiating lenders totaled seven million, five hundred and eighteen thousand, five hundred and forty-four dollars and forty-four cents, ($7,518,544.44). There were five (5) credit mediations performed and zero (0) USDA /FSA adverse decision mediations performed.

The program coordinator consistently averages a number of cases each month that request mediation and /or are scheduled for a mediation session. Some are ultimately settled by phone. The pre-session settlement activity and other phone consultations by the coordinator between the farmers, creditors and attorneys generally saves time and money for the parties.

ADFA
ARKANSAS DEVELOPMENT FINANCE AUTHORITY

MEMORANDUM

To:	ADFA Board of Directors
From:	Cheryl Schluterman, CPA CS Vice President for Finance & Administration
Re:	October Board Report
Date:	October 12, 2016

The following items are presented for Board review:

- **Bond Calls – October 2016**

Bonds Called, From Prepayment, Monthly Remittances and/or Excess Revenues

Single Family Bonds	*Amount*
2005 Series D	$ 105,000
2006 Series AB	160,000
2006 Series C	245,000
2006 Series DE	190,000
2007 Series ABC	550,000
2007 Series D	325,000
2011 Series A/2009A-1	595,000
2009 Series A-3	400,000
2013 Series A	658,943
	3,228,943
Non-Guaranteed EDBR	
2012 Series C Hendrix College*	75,000
2012 Series C Hendrix College**	6,153,638
	6,228,638
Total Bond Calls	**$ 9,457,581**

* July call not reported to ADFA when extra principal payment was made.

** The September call was part of the 2016 Refunding issue that closed in September. The bonds were paid in full.

- **Interagency Programs as of September 30, 2016.** The following programs are managed by other state agencies whereby ADFA serves as issuer and/or financial administrator. These programs are not considered part of ADFA's financial reporting entity for purposes of the year-end auditor's report.

Program	Loan Balance	No. of loans	Net Bond Balance
ANRC			
Wastewater RLF	$ 227,486,643	56	$ 30,426,340
Safe Drinking	$ 163,433,137	59	$ 19,085,617
Wetlands Mitigation	$ 497,460	2	
Higher Education			
Community/Technical College	$ 5,677,488	12	
AEO-AEDC			
Industry Energy Technical	$ -	0	
Employer Assisted Home Energy	$ 30,095	1	
DHS			
Assisted Living Fund	$ 750,929	1	

- **Prison Construction Trust Fund as of September 30, 2016**

Bank Balance	Unfunded Contracts	Unfunded Loans	Bonds Outstanding
$ 8,737,297	$ 4,736,710	$ 622,524	$ 25,760,000

*Represents 2016 Correctional Facilities. One year's debt service is pledged to the bonds, funded by the Prison Construction Trust Fund.

- **Venture Capital Public Trust Fund as of September 30, 2016**

	Cash	Investments	Loans	Total
Enterprise Development				
Ark Risk Capital Matching	$149,472	$3,469,479	$200,000	$3,818,951
SSBCI		1,629,291		1,629,291
Technology Validation	2,539	1,154,137	$108,000	1,264,676
Arkansas Co-Investment Fund:				
Discretionary (GQAC)		8,741,451		8,741,451
SSBCI		2,874,523		2,874,523
Arkansas Seed & Angel Network:				
Discretionary (GQAC)		215,000		215,000
SSBCI		2,176,520		2,176,520
Arkansas Venture Capital "General Account"				
Recycled SSBCI	615,403			615,403
Undesignated	402,739			402,739
Arkansas Venture Development Fund		864,067		864,067
Arkansas Institutional Fund	125	17,114,383		17,114,508
Totals	$1,170,278	$38,238,851	$308,000	$39,717,129

- **State Operating Budget Summary as of September 30, 2016**

	Actual	Budget	Percent Expended
Salaries and Benefits	$1,374,083	$4,618,040	30%
General Operations	113,799	825,458	14%
Travel and Education	1,696	81,715	2%
Professional Fees and Services	33,455	123,810	27%
Information Technology	145,521	264,512	55%
Capital Outlay	-	23,000	0%
Housing Trust Fund	-	15,718	0%
TOTAL OPERATING EXPENDITURES	1,668,554	5,952,253	28%
HUD HOME Program	3,007,956	16,341,215	18%
Neighborhood Stabilization Program (NSP)	-	1,400,000	0%
Special Federal Grants	-	6,600,000	0%
TOTAL FEDERAL PROGRAM EXPENDITURES	3,007,956	24,341,215	12%
TOTAL EXPENDITURES	$4,676,510	$30,293,468	15%

- **General Fund Programs as of September 30, 2016**

Program Name	Board Authorization Date	Amount	Original Loan Amount	9/30/2016 Outstanding Balance
Arkansas Tourism Revolving Loan Fund	6/18/1998	$2,000,000	$645,000	$162,616
Habitat for Humanity, Pulaski County	12/20/2012	300,000	224,813	194,994
Speculative Building Program (additional funding approved)	Unknown 3/18/99,3/20/03	5,000,000	4,666,102	360,831
Port Authority	8/17/1997	2,000,000	54,334	—
Day Care Center Program	9/96	500,000	137,500	—
Direct Loan Program		*	109,486,646	7,860,709
Single Family DPA	**	revolving		6,059,983
TOTAL				$14,639,133

*ADFA has not set a specific amount for this program.
**Principal and interest received on outstanding DPA loans are designated revolving loan funds by ADFA's Board of Directors. (Board approval dates of 1/17/02, 5/16/02, 8/15/02, 10/17/02, 2/20/03, 9/18/03 totaling $6,569,732.)

- **Financial Statements.** The July 31, 2016 and August 31, 2016 financial statements are presented for your review.

- **Servicing Reports.** Included in this month's fiscal report are two servicing reports. The first is a Delinquency and Other Real Estate Summary, detailing delinquent loan and related portfolio balances. The second is a Delinquency Report, which includes a set of graphs that express delinquency figures for three loan portfolios. These graphs are designed to signal possible trends and to measure portfolio performance.

Training/Conferences Attended by Finance & Administration Department in September 2016:

IRS Shifts Attention Toward Government Entities (BKD, LLP) –
Cathy Ganaway, Cheryl Schluterman, Kristy Cunningham, Kim Poposky, Hope Lewis

Insurance Update (Accounting & Financial Women's Alliance) –
Kim Poposky

Mom, Manager, Mentor…Maniac? (American Woman's Society of Certified Public Accountants) -
Kim Poposky

NOTE: In addition to external training, several F&A staff members are cross-training to better distribute workload and/or to provide backup support as needed. We will continue to expand our cross-training efforts.

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET - UNAUDITED
JULY 31, 2016

For Internal Purposes Only

	SINGLE FAMILY	FEDERAL HOUSING PROGRAMS	MULTI FAMILY	ECONOMIC DEVELOPMENT BOND GUARANTY PROGRAMS	STATE & HEALTH FACILITIES PROGRAMS	OTHER ECONOMIC DEVELOPMENT PROGRAMS	GENERAL FUND	TOBACCO SETTLEMENT	AMENDMENT 82 BOND DEALS	INTER-AGENCY PROGRAMS	TOTAL
ASSETS:											
Cash and cash equivalents	40,670,059	3,194,470	4,015,310	9,730,717	17,009,265	4,149,727	7,624,206	2,678,345	3,447,091	94,551,303	187,070,493
Accounts receivable		474,963	527	4,891	102,983		517,642			25,253,513	26,354,519
Accrued interest receivable	965,456	75,082	16,737	139,450	99,280	6,113	283,867	20,589	177,207	802,208	2,585,989
Accrued rent receivable				2,180	191,616						193,796
Investments, at amortized cost	255,978,584		1,553	16,376,895	1,970,577		61,621,245	4,198,594	5,200,892	201,190,872	546,539,212
Loans receivable, at amortized											-
cost, net		86,343,861	4,476,775	49,774,965	68,299,559	3,069,317	21,640,898	60,419,383	50,000,000	411,853,643	755,878,401
Long Term Receivable											0
Real Estate Owned		93,496		1,468,471			1				1,561,968
Deferred charges	87,221						1,083,852				1,171,073
Direct Financing Leases				1,526,517	115,198,136						116,724,653
Installment Sale Agreements											0
Capitalized Assets							91,860				91,860
TOTAL ASSETS	297,701,320	90,181,872	8,510,902	79,024,086	202,871,416	7,225,157	92,863,571	67,316,911	58,825,190	733,651,539	1,638,171,964
LIABILITIES AND FUND BALANCES											
LIABILITIES:											
Bonds and notes payable, net of unamortized discounts and premiums	186,798,094	2,552,114		57,615,000	183,425,000			82,419,383	50,000,000	78,093,690	640,903,281
Accrued interest payable	552,270	6,672		516,278	1,221,681			190,830	173,375	385,705	3,046,811
Accounts payable		129,261	1,943,244	36,394	4,217,829	5,152	858,545		3,365,956	25,344,665	35,901,046
OPEB and pension liabilities							5,666,492				5,666,492
Deferred fees, advances, grants and credits				3,734,282	13,986,306	22,661	411,751	3,868,334	5,285,859	38,690	27,347,883
Total liabilities	187,350,364	2,688,047	1,943,244	61,901,954	202,850,816	27,813	6,936,788	86,478,547	58,825,190	103,862,750	712,865,513
FUND BALANCES											
Restricted by bond resolution and programs	110,350,956	87,493,825	6,567,658	17,122,132	20,600	7,197,344		(19,161,636)	0	629,788,789	839,379,668
Invested in capital assets							91,860				91,860
Unrestricted							85,834,923				85,834,923
TOTAL LIABILITIES AND FUND BALANCES	297,701,320	90,181,872	8,510,902	79,024,086	202,871,416	7,225,157	92,863,571	67,316,911	58,825,190	733,651,539	1,638,171,964
	-	-	-	-	-	-	-	-	-	-	-

For Internal Purposes Only

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE FOR THE ONE MONTH PERIOD ENDED JULY 31, 2016 - UNAUDITED

	SINGLE FAMILY	FEDERAL HOUSING PROGRAMS	MULTI FAMILY	ECONOMIC DEVELOPMENT BOND GUARANTY PROGRAM	STATE & HEALTH FACILITIES PROGRAMS	OTHER ECONOMIC DEVELOPMENT PROGRAMS	GENERAL FUND	TOBACCO SETTLEMENT	AMENDMENT 82 BOND DEALS	INTER-AGENCY PROGRAMS	TOTAL
REVENUES:											
Interest income:											
Loans and direct leases		66,251	6,272	188,202	471,231	5,712	65,483	248,843	173,375	569,976	1,795,345
Investments	968,880	518	345	21,503		683	162,661			143,144	1,297,734
Amortization of discounts and premiums on loans and investments, net	12,131		(12)	(299)			2,682			(33,738)	(19,236)
Financing fee income		38		23,958		7,174	363,115			289,076	683,361
Total Interest Income	981,011	66,807	6,605	233,364	471,231	13,569	593,941	248,843	173,375	968,458	3,757,204
Federal financial assistance		291,083		24,263	29,810					323,027	668,183
State financial assistance											0
Other income (loss)				(1,735)			19,322			(17,279)	308
TOTAL REVENUES	981,011	357,890	6,605	255,892	501,041	13,569	613,263	248,843	173,375	1,274,206	4,425,695
EXPENSES:											
Interest on bonds and notes:											
Current interest	557,027	2,164		184,044	501,041			95,415	173,375	631,019	2,144,085
Accreted interest								248,843			248,843
Total interest on bonds and notes	557,027	2,164	0	184,044	501,041	0	0	344,258	173,375	631,019	2,392,928
Amortized public discounts and premiums on bonds and notes	(67,881)									(69,131)	(137,012)
Amortized bond and note issuance cost											0
Provision for losses											0
Federal financial assistance programs		383,079		24,263						158,709	566,051
Pymts to BMIR Reincentive Participants											0
Administrative expenses:											
Salaries and benefits							612,478				612,478
Operations and maintenance		53,122					126,855				179,977
Other	194,805	7,552		9,069		905	15,927			132,470	360,728
TOTAL EXPENSES	683,951	445,917	0	217,376	501,041	905	755,260	344,258	173,375	853,067	3,975,150
REVENUES OVER (UNDER) EXPENSES	297,060	(88,027)	6,605	38,516	0	12,664	(141,997)	(95,415)	0	421,139	450,545
Transfer (to) from other funds						(37,650)	35,999			1,651	0
REVENUES OVER (UNDER) EXPENSES	297,060	(88,027)	6,605	38,516	0	(24,986)	(105,998)	(95,415)	0	422,790	450,545
FUND BALANCES:											
Beginning of period	110,053,896	87,581,852	6,561,053	17,083,616	20,600	7,222,330	86,032,781	(19,066,221)	0	629,365,999	924,855,906
End of Period	110,350,956	87,493,825	6,567,658	17,122,132	20,600	7,197,344	85,926,783	(19,161,636)	0	629,788,789	925,306,451

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
BALANCE SHEET - UNAUDITED
AUGUST 31, 2016

For Internal Purposes Only

	SINGLE FAMILY	FEDERAL HOUSING PROGRAMS	MULTI FAMILY	ECONOMIC DEVELOPMENT BOND GUARANTY PROGRAMS	STATE & HEALTH FACILITIES PROGRAMS	OTHER ECONOMIC DEVELOPMENT PROGRAMS	GENERAL FUND	TOBACCO SETTLEMENT	AMENDMENT 82 BOND DEALS	INTER-AGENCY PROGRAMS	TOTAL
ASSETS:											
Cash and cash equivalents	45,552,858	3,752,101	4,043,235	10,129,371	17,402,178	3,985,833	10,172,105	2,678,788	3,447,580	95,742,571	196,906,620
Accounts receivable		412,773		29,154	132,792		93,946			25,253,513	25,922,178
Accrued interest receivable	953,663	78,055	5,329	85,646	142,918	2,401	304,529	41,457	353,915	933,863	2,901,776
Accrued rent receivable					221,458						221,458
Investments, at amortized cost	251,439,946		1,381	16,506,370	2,219,931		59,303,172	4,198,594	5,200,892	201,946,267	540,816,553
Loans receivable, at amortized											-
cost, net		85,975,769	4,456,911	49,580,924	67,680,809	3,030,674	21,562,060	60,668,225	50,000,000	411,736,841	754,692,213
Long Term Receivable											0
Real Estate Owned		103,859		1,468,471			1				1,572,331
Deferred charges	85,413						1,083,852				1,169,265
Direct Financing Leases				1,456,677	115,867,097						117,323,774
Installment Sale Agreements											0
Capitalized Assets							90,726				90,726
TOTAL ASSETS	298,031,880	90,322,557	8,506,856	79,256,613	203,667,183	7,018,908	92,610,391	67,587,064	59,002,387	735,613,055	1,641,616,894

LIABILITIES AND FUND BALANCES

	SINGLE FAMILY	FEDERAL HOUSING PROGRAMS	MULTI FAMILY	ECONOMIC DEVELOPMENT BOND GUARANTY PROGRAMS	STATE & HEALTH FACILITIES PROGRAMS	OTHER ECONOMIC DEVELOPMENT PROGRAMS	GENERAL FUND	TOBACCO SETTLEMENT	AMENDMENT 82 BOND DEALS	INTER-AGENCY PROGRAMS	TOTAL
LIABILITIES:											
Bonds and notes payable, net of unamortized discounts and premiums	186,263,872	2,552,115		57,615,000	183,425,000			82,668,225	50,000,000	78,589,434	641,113,646
Accrued interest payable	1,017,653	8,839		700,321	1,722,721			286,245	346,750	578,491	4,661,020
Accounts payable		56,039	1,943,574	60,658	3,960,641		858,545		3,366,408	25,015,698	35,261,563
OPEB and pension liabilities							5,622,308				5,622,308
Deferred fees, advances, grants and credits				3,708,758	14,538,221	22,664	411,751	3,889,645	5,289,229	38,095	27,898,363
Total liabilities	187,281,525	2,616,993	1,943,574	62,084,737	203,646,583	22,664	6,892,604	86,844,115	59,002,387	104,221,718	714,556,900
FUND BALANCES											
Restricted by bond resolution and programs	110,750,355	87,705,564	6,563,282	17,171,876	20,600	6,996,244		(19,257,051)	0	631,391,337	841,342,207
Invested in capital assets							90,726				90,726
Unrestricted							85,627,061				85,627,061
TOTAL LIABILITIES AND FUND BALANCES	298,031,880	90,322,557	8,506,856	79,256,613	203,667,183	7,018,908	92,610,391	67,587,064	59,002,387	735,613,055	1,641,616,894
	-	-	-	-	-	-	-	-	-	-	-

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE FOR
THE TWO MONTH PERIOD ENDED AUGUST 31, 2016 - UNAUDITED

For Internal Purposes Only

	SINGLE FAMILY	FEDERAL HOUSING PROGRAMS	MULTI FAMILY	ECONOMIC DEVELOPMENT BOND GUARANTY PROGRAM	STATE & HEALTH FACILITIES PROGRAMS	OTHER ECONOMIC DEVELOPMENT PROGRAMS	GENERAL FUND	TOBACCO SETTLEMENT	AMENDMENT 82 BOND DEALS	INTER-AGENCY PROGRAMS	TOTAL
REVENUES:											
Interest income:											
Loans and direct leases		372,563	1,551	377,720	942,462	12,332	127,128	497,685	346,750	1,126,098	3,804,289
Investments	1,923,046	1,083	701	43,025		1,376	325,058			284,816	2,579,105
Amortization of discounts and premiums on loans and investments, net	25,687		(23)	(1,471)			3,465			(63,343)	(35,685)
Financing fee income		38		47,920		15,985	509,129			573,097	1,146,169
Total Interest Income	1,948,733	373,684	2,229	467,194	942,462	29,693	964,780	497,685	346,750	1,920,668	7,493,878
Federal financial assistance		600,358		48,526	59,619					1,924,122	2,632,625
State financial assistance											0
Other income (loss)				3,515			19,522			(17,279)	5,758
TOTAL REVENUES	1,948,733	974,042	2,229	519,235	1,002,081	29,693	984,302	497,685	346,750	3,827,511	10,132,261
EXPENSES:											
Interest on bonds and notes:											
Current interest	1,111,152	4,331		368,087	1,002,081			190,830	346,750	883,393	3,906,624
Accreted interest								497,685			497,685
Total interest on bonds and notes	1,111,152	4,331	0	368,087	1,002,081	0	0	688,515	346,750	883,393	4,404,309
Amortized public discounts and premiums on bonds and notes	(68,133)									(138,261)	(206,394)
Amortized bond and note issuance cost											0
Provision for losses		(51,170)									(51,170)
Federal financial assistance programs		822,115		48,526						911,468	1,782,109
Pymts to BMIR Reincentive Participants											0
Administrative expenses:											
Salaries and benefits							1,029,257				1,029,257
Operations and maintenance		55,236					252,024				307,260
Other	209,255	19,818		14,362		7,388	54,014			138,497	443,334
TOTAL EXPENSES	1,252,274	850,330	0	430,975	1,002,081	7,388	1,335,295	688,515	346,750	1,795,097	7,708,705
REVENUES OVER (UNDER) EXPENSES	696,459	123,712	2,229	88,260	0	22,305	(350,993)	(190,830)	0	2,032,414	2,423,556
Transfer (to) from other funds						(248,391)	35,999			(7,076)	(219,468)
REVENUES OVER (UNDER) EXPENSES	696,459	123,712	2,229	88,260	0	(226,086)	(314,994)	(190,830)	0	2,025,338	2,204,088
FUND BALANCES:											
Beginning of period	110,053,896	87,581,852	6,561,053	17,083,616	20,600	7,222,330	86,032,781	(19,066,221)	0	629,365,999	924,855,906
End of Period	110,750,355	87,705,564	6,563,282	17,171,876	20,600	6,996,244	85,717,787	(19,257,051)	0	631,391,337	927,059,994

ARKANSAS DEVELOPMENT FINANCE AUTHORITY
DELINQUENCY AND OTHER REAL ESTATE SUMMARY
September-16

Program	Program Name	Number of Loans Delinquent	Delinquent Payments 1 Payment	2 Payments	3 or More Payments	Total Delinquent Loan Balance	Total Program Loan Balance
21	Rural Housing Multifamily	0	$ -	$ -	$ -	$ -	$ 1,202,862.75
27	Tax Credit Assistance Program (TCAP)	0	$ -	$ -	$ -	$ -	$ 19,268,347.05
28	Exchange Program Forgivable Loans	0	$ -	$ -	$ -	$ -	$ 92,869,859.00
31	Guaranteed ED	2	$ 11,851.64	$ -	$ 205,688.34	$ 1,797,794.79	$ 54,446,958.37
35	Arkansas Department of Correction	0	$ -	$ -	$ -	$ -	$ 5,477,475.59
49	Assisted Living Revolving Fund (ALIF)	0	$ -	$ -	$ -	$ -	$ 750,929.25
50	CDBG	0	$ -	$ -	$ -	$ -	$ 7,700,000.00
52	PRLF	0	$ -	$ -	$ -	$ -	$ 2,486,081.16
65	SSBCI	4	$ -	$ -	$ 342,862.22	$ 1,523,568.72	$ 3,805,505.69
70	Settlement Funds Repayable Loans (SH)	1	$ -	$ -	$ 1,100.20	$ 41,132.17	$ 4,638,765.35
70	Habitat for Humanity - Saline County	0	$ -	$ -	$ -	$ -	$ 113,337.14
81	FAF/BMIR	24	$ 1,747.22	$ 372.18	$ 179,485.00	$ 963,516.25	$ 7,321,236.22
81	CTC (College Tech)	0	$ -	$ -	$ -	$ -	$ 5,677,487.63
81	DPA (Repurchased)	7	$ -	$ 182.25	$ 10,718.40	$ 18,994.17	$ 18,994.17
81	Habitat for Humanity- Pulaski County	0	$ -	$ -	$ -	$ -	$ 194,994.39
81	Project Fund (Direct Loans)**	1	$ 547.70	$ -	$ -	$ 57,047.93	$ 5,992,073.54
81	RECDS	0	$ -	$ -	$ -	$ -	$ 26,031.09
81	Tourism Reserve Fund	0	$ -	$ -	$ -	$ -	$ 162,616.05
83	Bond Guaranty Fund	0	$ -	$ -	$ -	$ -	$ 1,207,443.47
84	HOME	109	$ 12,361.80	$ 6,100.30	$ 616,964.45	$ 9,530,050.22	$ 107,660,090.01
95	Neighborhood Stabilization (NSP)	0	$ -	$ -	$ -	$ -	$ 14,917,592.78
96	Neighborhood Stabilization (NSP)III	0	$ -	$ -	$ -	$ -	$ 4,684,027.80
TOTAL		148	$ 26,508	$ 6,655	$ 1,356,819	$ 13,932,104	$ 340,622,709

DELINQUENT LOAN BALANCES

			30 Days	60 Days	90 or More	Total Delinquent	Program Balance
	Master Servicing *	6	$ 6,224.98	$ -	$ 24,163.12	$ 30,388.10	$ 195,826.19

OTHER REAL ESTATE OWNED

Program	Property Name	Value
HOME	EARNESTINE JACKSON	17,500
HOME	WILLIE EARL KING	26,157
HOME	ESTATE OF JULIA WALKER	50,000
HOME	LOTS 12, 13 AND 81 WESTCHESTER VILLAGE, PINE BLUFF	21,000
HOME	REGINA BROCK	36,271
ECONOMIC DEVELOPMENT	H&L POULTRY/OZARK MOUNTAIN POULTRY	1,468,471
NSP	3 REED PROPERTIES	3
		$ 1,619,402

FINANCED SALES OF REO

ECONOMIC DEVELOPMENT	Bradley Lumber/Ouachita Hardwood Lease	348,750
ECONOMIC DEVELOPMENT	PBS Lumber/Victory Lumber Lease	488,087
		$ 836,837

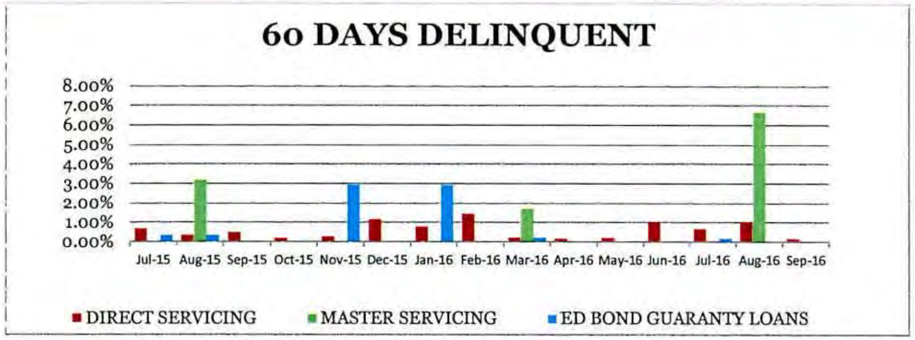
INSUBSTANCE FORECLOSURES

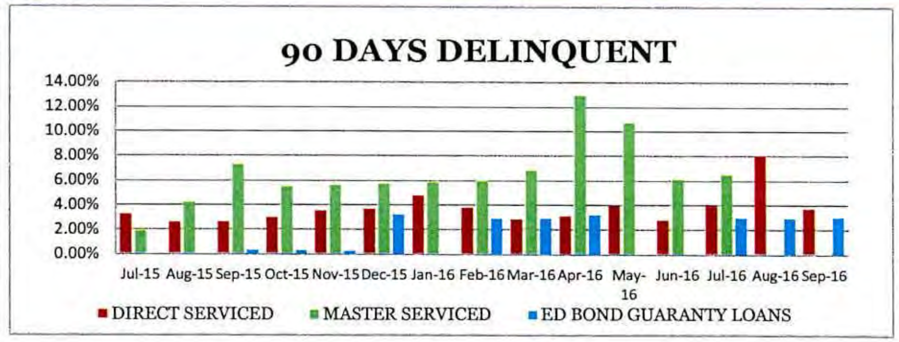
PROJECT FUND (DIRECT LOAN)	Norphlet Chemical	1
		$ 1

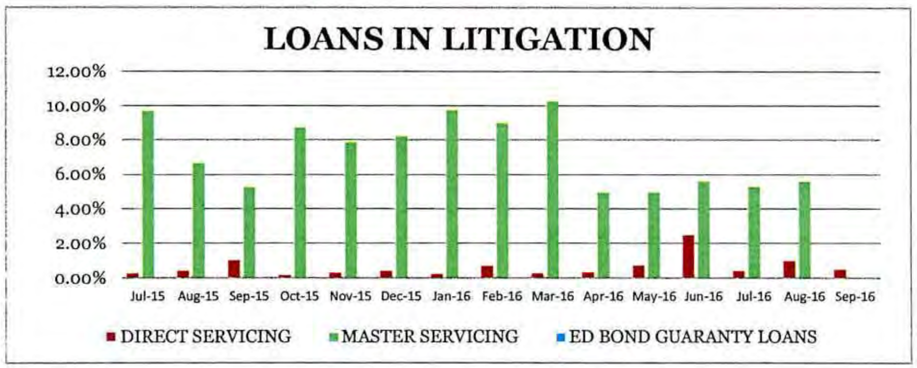
***Primarily Single Family Whole Loans**
****Delinquent payment amount on project fund does not include any payments on Catfish loan. The Catfish loans are included in the "Delinquent Loan Balance" amount.**
*****Value listed is based upon total HOME funds disbursed. This amount will be adjusted to market value when that is determined.**

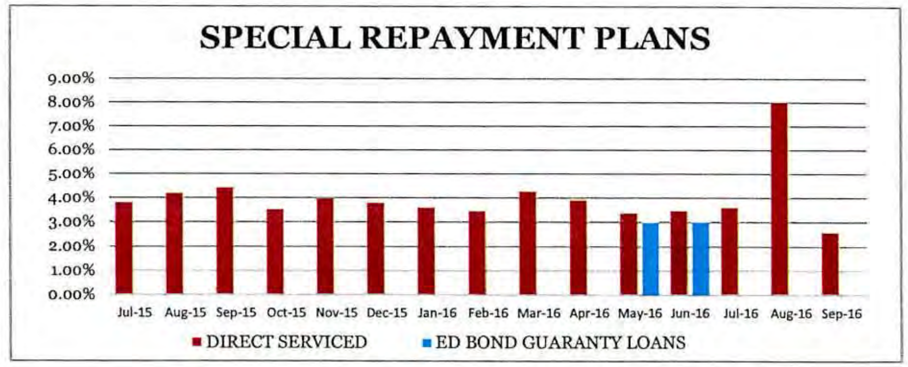
DELINQUENCY REPORT PRESENTED TO THE BOARD OF DIRECTORS FOR SEPTEMBER 2016
DIRECT SERVICED - MASTER SERVICED - ECONOMIC DEVELOPMENT GUARANTY LOANS
DELINQUENCY REPORT (AS A PERCENT OF TOTAL LOAN BALANCES)

A loan is considered 90 days delinquent when it has three or more payments past due and it is not involved in any litigation nor any special repayment agreements. The "In Litigation" chart reflects any loan that is 90 or more days delinquent and involved in some type of litigation. Examples may be bankruptcy , foreclosure, etc. THESE LOANS WILL NOT APPEAR IN THE OTHER DELINQUECY NUMBERS. A loan balance will be included in the "Special Repayment Agreement" chart when it is at least 60 days delinquent and the borrower and ADFA have reached a specific agreement to spread a delinquency over time in order to bring the loan current. If the agreement is not kept the loan will normally proceed to the litigation category. If the agreement is kept, the loan will appear in the Special Repayment Agreement numbers until it is less than 60 days delinquent.









US BANK MASTER SERVICING DELINQUENCY REPORT FOR SEPTEMBER 2016

THIS REPORT REPRESENTS THE FIRST MORTGAGE LOANS (% PRINCIPAL) SERVICED BY US BANK IN THE HOME-TO-OWN PROGRAM