

***State of Arkansas***  
***Construction Assistance***  
***Revolving Loan***  
***Fund Program***

*Financial Statements for the Years Ended  
June 30, 2002 and 2001, Additional  
Information for the Year Ended June 30,  
2002, and Independent Auditors' Report*

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## TABLE OF CONTENTS

---

	<b>Page</b>
MANAGEMENT DISCUSSION AND ANALYSIS	1
INDEPENDENT AUDITORS' REPORT	3
FINANCIAL STATEMENTS:	
Statements of Net Assets	5
Statements of Revenues, Expenses, and Changes in Net Assets	6
Statements of Cash Flows	7
Notes to Financial Statements	8
OTHER SUPPLEMENTARY INFORMATION:	
Combining Statement of Net Assets	12
Combining Statement of Revenues, Expenses, and Changes in Net Assets	13
Combining Statement of Cash Flows	14

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## MANAGEMENT DISCUSSION AND ANALYSIS

---

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 basic financial statements include three required statements: the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. Comparative totals as of and for the year ended June 30, 2001, 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 year. Additional information, following the notes to the financial statements, includes the combining statement of net assets, the combining statement of revenue, expenses and changes in net assets as well as the combining statement of cash flows. These combining statements detail the Revolving Loan Fund and the Fees and Expenses account which comprise the Program.

### CONDENSED FINANCIAL INFORMATION - STATEMENT OF NET ASSETS (In thousands)

	2002	2001
Total assets	<u>\$ 275,422</u>	<u>\$ 261,513</u>
Total liabilities	<u>110,475</u>	<u>115,601</u>
Total net assets - restricted by bond resolution and program	<u>\$ 164,947</u>	<u>\$ 145,912</u>

The Program's total assets increased 5.3% to \$275.4 million, from \$261.5 million at June 30, 2001. The increase is attributed to the funding of \$9.9 million of the \$23.6 million in new loans approved during the year as well as disbursements of \$13.7 million related to existing loans. The Program issued loans to various cities across the State of Arkansas, for which the construction period is typically two years. The Program also issued loans of approximately \$7.8 million and \$200,000 to the Nature Conservancy and Wetland Mitigations, respectively, during the year ended June 30, 2002. The funding of these loans was made to preserve wetlands and restore cropland to a wildlife habitat.

The Program's total liabilities decreased 4.4% to \$110.5 million, from \$115.6 million at June 30, 2001. The decrease is primarily attributed to scheduled bond redemptions of \$4.8 million.

**CONDENSED FINANCIAL INFORMATION - STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS** (In thousands)

	2002	2001
Total investment income	\$ 10,230	\$ 13,005
Other income	<u>          </u>	<u>      52</u>
Total operating revenues	10,230	13,057
Total interest on bonds and notes	5,492	5,903
Total amortization	286	262
Administrative expenses	<u>1,253</u>	<u>1,328</u>
Total operating expenses	<u>7,031</u>	<u>7,493</u>
<b>OPERATING INCOME</b>	3,199	5,564
<b>CAPITAL GRANTS AND CONTRIBUTIONS</b>	<u>15,836</u>	<u>8,351</u>
<b>CHANGE IN NET ASSETS</b>	19,035	13,915
<b>NET ASSETS:</b>		
Beginning of year	<u>145,912</u>	<u>131,997</u>
End of year	<u>\$ 164,947</u>	<u>\$ 145,912</u>

Operating revenues and capital grants and contributions totaled \$26.1 million and \$21.4 million for fiscal years ended June 30, 2002 and June 30, 2001, respectively. The current year increase of \$4.7 million is attributed to the net decrease in the fair value of investments of \$1.6 million and a decrease in investment income of \$2.7 million - offset by an increase in capital grants and contributions received. Revenues from investments were \$3.4 million and \$4.7 million for fiscal years ending June 30, 2002 and June 30, 2001, respectively. The average return on cash, cash equivalents and investments was 4.22% at June 30, 2002, compared with 6.05% at June 30, 2001.

Operating expenses declined by approximately \$500 thousand from \$7.5 million for the fiscal year ended June 30, 2001 to \$7.0 million for the fiscal year ended June 30, 2002. Interest expense on bonds payable decreased to \$5.5 million for the fiscal year ending June 30, 2002, compared with \$5.9 million for the fiscal year ending June 30, 2001. The decrease is attributed to lower interest rates associated with a bond refunding of \$38.1 million. Program administration expense totaled \$1.25 million and \$1.33 million for the fiscal years ended June 30, 2002 and June 30, 2001, respectively. The above expenses include amounts paid for audit expense, payroll expense, and trustee fees, as well as the administrative fee to Arkansas Development Finance Authority.

The net assets of the Program increased from \$146 million at June 30, 2001, to \$165 million at June 30, 2002. The bond resolution and the Program restrict all of the net assets.

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

See the notes to the financial statements for more detailed information.

## INDEPENDENT AUDITORS' REPORT

The Commissioners of the  
Arkansas Department of Environmental Quality ("ADEQ")

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

We have audited the accompanying statements of net assets of the State of Arkansas Construction Assistance Revolving Loan Fund Program (the "Program") as of June 30, 2002 and 2001, and the related statements of revenues, expenses and changes in net assets and of cash flows for the years then ended. These financial statements are the responsibility of ADEQ and ADFA management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

As discussed in Note 1, the financial statements of the Program are intended to present the financial position, and the results of its operations and cash flows, where applicable, of only that portion of the business-type activities of the State of Arkansas (the "State") that is attributable to the transactions of the Program. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2002 and 2001, and the changes in its financial position and its cash flows, where applicable, for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In our opinion, such financial statements present fairly, in all material respects, the financial position of the Program as of June 30, 2002 and 2001, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1 to the financial statements, in 2002, the Program adopted Governmental Accounting Standards Board ("GASB") Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*; GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*; and GASB Statement No. 38, *Certain Financial Statement Note Disclosures*.

Management's Discussion and Analysis is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our 2002 audit was performed for the purpose of forming an opinion on the June 30, 2002, financial statements taken as a whole. The additional information as listed in the foregoing table of contents is presented for the purpose of additional analysis and is not a required part of the 2002 financial statements of the Program. These financial statements are also the responsibility of the management of ADEQ and ADFA. Such additional information has been subjected to the auditing procedures applied in our audit of the 2002 financial statements and, in our opinion, is fairly stated in all material respects when considered in relation to the 2002 financial statements taken as a whole.

In accordance with *Government Auditing Standards*, we have also issued a report dated October 9, 2002, on our consideration of the Program's internal control over financial reporting and our tests of compliance with certain provisions of laws, regulations, contracts, and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audits.

*Deloitte & Touche LLP*

October 9, 2002  
Little Rock, Arkansas

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## STATEMENT OF NET ASSETS

JUNE 30, 2002 AND 2001 (expressed in thousands)

---

<b>ASSETS</b>	<b>2002</b>	<b>2001</b>
Cash and cash equivalents	\$ 59,810	\$ 41,602
Investments, at fair value	19,588	37,678
Accounts receivable	90	82
Accrued interest receivable:		
Loans	359	279
Investments	278	423
Loans:		
Construction	186,071	179,771
Nature conservancy	7,780	
Wetlands mitigation	200	
Other assets	<u>1,246</u>	<u>1,678</u>
Total assets	<u>275,422</u>	<u>261,513</u>
 <b>LIABILITIES</b>		
Accounts payable	289	604
Accrued interest payable	442	482
Bonds payable, net	106,660	111,061
Deferred fees	<u>3,084</u>	<u>3,454</u>
Total liabilities	<u>110,475</u>	<u>115,601</u>
 COMMITMENTS AND CONTINGENCY		
<b>NET ASSETS RESTRICTED BY BOND RESOLUTION AND PROGRAM</b>	<u>164,947</u>	<u>145,912</u>
Total net assets	<u>\$ 164,947</u>	<u>\$ 145,912</u>

See notes to financial statements.

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEARS ENDED JUNE 30, 2002 AND 2001 (expressed in thousands)

OPERATING REVENUES:	2002	2001
Investment income:		
Investments	\$ 3,380	\$ 4,686
Loans	5,453	5,430
Financing fees	1,827	1,746
Net increase (decrease) in fair value of investments	(430)	1,143
Other	<u>          </u>	<u>      52</u>
Total operating revenues	10,230	13,057
 OPERATING EXPENSES:		
Program administration	1,253	1,328
Bond interest	5,492	5,903
Amortization of bond issuance costs	125	142
Amortization of bond discounts	<u>161</u>	<u>120</u>
Total operating expenses	<u>7,031</u>	<u>7,493</u>
 OPERATING INCOME	3,199	5,564
 CAPITAL GRANTS AND CONTRIBUTIONS	<u>15,836</u>	<u>8,351</u>
 CHANGE IN NET ASSETS	19,035	13,915
 NET ASSETS:		
Beginning of year	<u>145,912</u>	<u>131,997</u>
 End of year	<u>\$164,947</u>	<u>\$145,912</u>

See notes to financial statements.



# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## STATEMENTS OF CASH FLOWS YEARS ENDED JUNE 30, 2002 AND 2001 (expressed in thousands)

	2002	2001
OPERATING ACTIVITIES:		
Interest received on investments	\$ 3,525	\$ 4,872
Interest received on loans	5,373	5,401
Financing fee income received	1,457	1,331
Other cash received	299	146
Cash paid for interest	(5,532)	(5,918)
Cash paid for program administration	(1,262)	(1,007)
Cash paid for arbitrage rebate	<u>(306)</u>	<u>(160)</u>
Net cash provided by operating activities	3,554	4,665
NONCAPITAL FINANCING ACTIVITIES -		
Nonoperating grants received	<u>15,836</u>	<u>8,351</u>
CAPITAL AND RELATED FINANCING ACTIVITIES:		
Proceeds from bond issuance	37,321	
Repayment of long-term debt	<u>(41,883)</u>	<u>(3,705)</u>
Net cash used in capital and related financing activities	(4,562)	(3,705)
INVESTING ACTIVITIES:		
Proceeds from sale of investments	17,660	21,980
Purchase of investments		(4,946)
Loan disbursements	(23,589)	(16,070)
Principal repayments on loans	<u>9,309</u>	<u>10,770</u>
Net cash provided by investing activities	3,380	11,734
NET INCREASE IN CASH AND CASH EQUIVALENTS	18,208	21,045
CASH AND CASH EQUIVALENTS:		
Beginning of year	<u>41,602</u>	<u>20,557</u>
End of year	<u>\$ 59,810</u>	<u>\$ 41,602</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -		
Interest paid	<u>\$ 5,532</u>	<u>\$ 5,918</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:		
Operating income	\$ 3,199	\$ 5,564
Adjustments to reconcile operating income to net cash provided by operating activities:		
Amortization of bond issuance costs	125	142
Amortization of bond discounts	161	120
Amortization of deferred financing fees	(370)	(414)
Net appreciation (depreciation) of investments	430	(1,143)
Changes in operating assets and liabilities:		
Accrued interest receivable:		
Loans	(80)	(29)
Investments	145	186
Accounts receivable	(8)	58
Accounts payable	(315)	161
Accrued interest payable	(40)	(15)
Other assets	<u>307</u>	<u>35</u>
Net cash provided by operating activities	<u>\$ 3,554</u>	<u>\$ 4,665</u>

See notes to financial statements.

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## NOTES TO FINANCIAL STATEMENTS YEARS ENDED JUNE 30, 2002 AND 2001

---

### 1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The State of Arkansas Construction Assistance Revolving Loan Fund Program (the "Program") was created pursuant to the 1987 Amendments (P.L.100-4) to the "Clean Water Act" (P.L.92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities. The Program is to be capitalized with federal grants and state matching funds on a ratio of five (5) federal dollars to one (1) state dollar.

Arkansas Department of Environmental Quality ("ADEQ") was originally designated by the State of Arkansas as the lead agency for the Program and was responsible for performing technical project reviews, monitoring construction, and coordinating the total management of the Program. As of July 1, 2001, the lead agency has changed to the Arkansas Soil and Water Conservation Commission ("ASWCC").

Arkansas Development Finance Authority ("ADFA") serves as financial manager for the Program under an interagency agreement dated May 3, 1991, as amended March 20, 2000. ADFA is responsible for investing and disbursing funds as authorized by the lead agency, originating and servicing loans, preparing and submitting monthly financial reports and annual financial statements, and procuring auditing services. ADFA is reimbursed for Program administration costs by fees collected from each participating municipality. Prior to March 20, 2000, the fees were assessed at the rate of 1/10 of 1% of the amount of the municipality's loan at the closing date, with a minimum fee of \$500 and a maximum fee of \$10,000. As of March 20, 2000, ADFA no longer collects any fees from borrowers at closing. ADFA continues to collect an annual servicing fee equal to 1/10 of 1% of loans outstanding.

ASWCC is also the lead agency for The Arkansas Agriculture Water Quality Loan Program ("AAWQLP"). The AAWQLP is accounted for within the Program. Under the AAWQLP, ASWCC establishes non-interest-bearing cash accounts with local banks in which farmers or other property owners have obtained loans to install water quality, anti-pollution equipment. Interest income that would normally be earned on these balances by the local banks is used to reduce the interest rates applicable to the loans obtained by the farmers or other property owners.

The major accounting principles and practices followed by the Program are presented below:

***Recently Issued Accounting Pronouncement*** - In June 1999, GASB issued Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments* ("GASB 34"), as amended by GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and by GASB Statement No. 38, *Certain Financial Statement Disclosures*. GASB Statement No. 34, as amended and commonly referred to as the new reporting model, retained much of the old reporting and disclosure requirements under the prior reporting model, with certain modifications and newly added information. This statement was implemented by the Program for the year ended June 30, 2002. Prior year amounts have been restated for comparability purposes. The adoption of GASB 34 did not have an impact on retained earnings as previously reported.

**Basis of Accounting** - The Program uses the accrual method of accounting whereby expenses are recognized when the liability is incurred and revenues are recognized when earned.

The Program has adopted the provisions of GASB Statement No. 20, *Accounting and Financial Reporting for Proprietary Funds and Other Governmental Funds that Use Proprietary Fund Accounting*. As permitted by the statement, the Program has elected not to adopt Financial Accounting Standards Board (“FASB”) Statements issued after November 30, 1989, unless the GASB specifically adopts such FASB Statements or Interpretations.

**Cash and Cash Equivalents** - Cash and cash equivalents include all cash balances and highly liquid investments with a maturity of three months or less at acquisition.

**Investments** - The Program accounts for investments in accordance with Governmental Accounting Standards Board Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* (“GASB 31”). GASB 31 requires that certain investments be reported at fair value and that changes in the fair value of investments be reported as a component of investment income.

**Bond Issuance Costs and Discounts** - Costs related to issuing bonds and discounts on sales of bonds are capitalized and are amortized over the term of the bonds based on the balance of bonds and notes outstanding. Early retirement of bonds results in proportionate amounts of amortization of bond issuance costs and discounts.

**Financing Fees** - The Program receives financing fees from borrowers. Certain nonrefundable fees are deferred and amortized into income ratably over the term of the respective programs based on the balance of mortgage loans outstanding.

**Net Assets Restricted by Bond Resolution and Program** - Represents funds restricted within the respective bond resolution due to the specific provisions of the bond resolutions and funds restricted due to the specific provisions of the Program.

**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.

**Reclassifications** - Certain 2001 amounts have been reclassified to conform to the 2002 presentation.

## 2. CASH AND INVESTMENTS

At June 30, 2002 and 2001, cash equivalents of approximately \$58.5 and \$40.8 million, respectively, were invested in money market mutual funds with variable interest rates. Approximately \$1.3 million and \$800 thousand, respectively, was on deposit at various Arkansas banking institutions, which were fully collateralized at June 30, 2002 and 2001, respectively, related to AAWQLP. Included in cash equivalents on the Program’s balance sheet is a “Fees and Expenses” account with a balance of approximately \$8.7 and \$5.7 million at June 30, 2002 and 2001, respectively. This account contains fees charged on loans of the Program, as allowed by the Environmental Protection Agency (“EPA”). These funds may be used at the discretion of ASWCC to fund expenses of the Program. Approximately \$3.6 million of the cash balance at June 30, 2002, was held in debt service reserve accounts.

At both June 30, 2002 and 2001, the Program held approximately \$6.5 million in guaranteed investment contracts with variable interest rates and approximately \$13.1 and \$31.2 million, respectively, in United States Government and Agency Securities. These investments are held by the Program’s agent in the Program’s name. Of these amounts, approximately \$6.5 million are held in debt service reserve accounts. Approximately \$4.7 and \$6.7 million, respectively, of the total investments is included in the “Fees and Expenses” at June 30, 2002 and 2001. This account contains fees charged by the Program, as

allowed by the EPA. These funds may be used at the discretion of ASWCC to fund expenses of the Program. Investments are reported at fair value as determined by the custodial agents. The agent's determination of fair value includes, among other things, using pricing services or prices quoted by independent brokers at current exchange rates.

The Program invests in various asset and mortgage-backed securities. These securities are reported at fair value in the balance sheet. They are also included in the totals of U.S. Government and agency securities in the disclosure of custodial credit risk. The Program invests in these securities to enhance yields on investments. Changes in market interest rates 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.

### 3. LOANS RECEIVABLE

The Program originates loans with Arkansas municipalities for financing the construction of wastewater treatment facilities which are payable in annual installments. At June 30, 2002 and 2001, such loans had a carrying value of approximately \$194.1 and \$179.8 million, respectively, of which approximately \$48.6 and \$20.1 million, respectively, are for projects still under construction. The loans bear interest ranging from 2.25% to 4.0%, and are collateralized by sales and use tax bonds issued by the municipalities, special assessments, or user charges.

Through the year ended June 30, 2002 and 2001, \$266.4 and \$251.6 million, respectively, in loans were approved for funding. At June 30, 2002 and 2001, \$15.5 and \$23.5 million, respectively, remained encumbered and awaiting disbursement to loan recipients.

### 4. BONDS PAYABLE

Bonds payable at June 30 were as follows (expressed in thousands):

Series	Interest Rate Range	Final Maturity Dates	2002 Total	2001 Total
1992-A Serial	5.65% - 6.30%	12/1/2007		\$ 4,045
1993-A Serial	4.65% - 5.4%	6/1/2015	\$ 3,495	13,465
1993-B Serial	4.5% - 5%	6/1/2015	42,115	43,960
1995-A Serial	4.95% - 5.5%	12/1/2009	3,225	5,245
Term 1	5.75%	6/1/2018		8,335
1996-A Serial	4.75% - 5.2%	12/1/2006	2,775	3,285
Term 1	5.70%	12/1/2012		5,290
Term 2	5.85%	12/1/2019		8,665
1999-A Serial	3.4% - 4.6%	12/1/2013	9,180	9,520
Term 1	4.875 %	6/1/2017	4,170	4,170
Term 2	5%	6/1/2022	6,155	6,155
2001-A Serial	4.0% - 5.5%	12/1/2017	22,535	
Term 1	5.50 %	12/1/2013	3,170	
Term 2	5.50 %	12/1/2014	3,360	
Term 3	5.50 %	12/1/2015	4,840	
Term 4	5.50 %	12/1/2018	1,750	
Term 5	5.50 %	12/1/2019	1,345	
			108,115	112,135
	Unamortized discount		(1,455)	(1,074)
			\$ 106,660	\$ 111,061

Future amounts required to pay principal and interest on all bonds payable at June 30, 2002, are as follows (expressed in thousands). The principal amount shown differs from the amount on the balance sheet due to unamortized discounts of approximately \$1.5 million:

Year ending June 30:	Principal	Interest	Total
2003	\$ 4,840	\$ 5,253	\$ 10,093
2004	5,070	5,030	10,100
2005	5,345	4,792	10,137
2006	5,665	4,537	10,202
2007	5,985	4,262	10,247
2008 - 2012	35,005	16,730	51,735
2013 - 2017	35,880	7,284	43,164
2018 - 2022	<u>10,325</u>	<u>1,137</u>	<u>11,462</u>
Total	<u>\$ 108,115</u>	<u>\$ 49,025</u>	<u>\$ 157,140</u>

In prior years, the Program defeased certain bonds by placing proceeds of new bonds in irrevocable trusts to provide for all future debt service payments of old bonds. Accordingly, those trust account assets and the liability for the defeased bonds are not included in these financial statements. Bonds with total outstanding amounts of \$39.4 million were considered defeased at June 30, 2002.

## 5. 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 adjustment 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 collectibility of any related receivable at June 30, 2002 and 2001, 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.

\* \* \* \* \*

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## ADDITIONAL INFORMATION - COMBINING STATEMENT OF NET ASSETS JUNE 30, 2002 (expressed in thousands)

<b>ASSETS</b>	<b>Revolving Loan Fund</b>	<b>Fees and Expenses</b>	<b>Total</b>
Cash and cash equivalents	\$ 51,134	\$ 8,676	\$ 59,810
Investments, at fair value	14,879	4,709	19,588
Accounts receivable	90		90
Accrued interest receivable:			
Loans	359		359
Investments	169	109	278
Loans:			
Construction	186,071		186,071
Nature conservancy	7,780		7,780
Wetlands mitigation	200		200
Other assets	<u>1,246</u>		<u>1,246</u>
Total assets	<u>261,928</u>	<u>13,494</u>	<u>275,422</u>
 <b>LIABILITIES</b>			
Accounts payable	95	194	289
Accrued interest payable	442		442
Bonds payable, net	106,660		106,660
Deferred fees	<u>280</u>	<u>2,804</u>	<u>3,084</u>
Total liabilities	107,477	2,998	110,475
 COMMITMENTS AND CONTINGENCY			
<b>NET ASSETS RESTRICTED BY BOND RESOLUTION AND PROGRAM</b>	<u>154,451</u>	<u>10,496</u>	<u>164,947</u>
Total net assets	<u>\$ 154,451</u>	<u>\$ 10,496</u>	<u>\$ 164,947</u>

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## ADDITIONAL INFORMATION - COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS YEAR ENDED JUNE 30, 2002 (expressed in thousands)

	Revolving Loan Fund	Fees and Expenses	Total
OPERATING REVENUES:			
Investment income:			
Investments	\$ 2,908	\$ 472	\$ 3,380
Loans	5,453		5,453
Financing fees	46	1,781	1,827
Net increase (decrease) in fair value of investments	<u>(468)</u>	<u>38</u>	<u>(430)</u>
Total operating revenues	7,939	2,291	10,230
OPERATING EXPENSES:			
Program administration	240	1,013	1,253
Bond interest	5,492		5,492
Amortization of bond issuance costs	125		125
Amortization of bond discounts	<u>161</u>		<u>161</u>
Total operating expenses	<u>6,018</u>	<u>1,013</u>	<u>7,031</u>
OPERATING INCOME	1,921	1,278	3,199
CAPITAL GRANTS AND CONTRIBUTIONS	<u>15,785</u>	<u>51</u>	<u>15,836</u>
CHANGE IN NET ASSETS	17,706	1,329	19,035
NET ASSETS:			
Beginning of year	<u>136,745</u>	<u>9,167</u>	<u>145,912</u>
End of year	<u>\$ 154,451</u>	<u>\$ 10,496</u>	<u>\$ 164,947</u>

# STATE OF ARKANSAS CONSTRUCTION ASSISTANCE REVOLVING LOAN FUND PROGRAM

## ADDITIONAL INFORMATION - COMBINING STATEMENT OF CASH FLOWS YEAR ENDED JUNE 30, 2002 (expressed in thousands)

	Revolving Loan Fund	Fees and Expenses	Total
<b>OPERATING ACTIVITIES:</b>			
Interest received on investments	\$ 3,009	\$ 516	\$ 3,525
Interest received on loans	5,373		5,373
Financing fee income received		1,457	1,457
Other cash received	299		299
Cash paid for interest	(5,532)		(5,532)
Cash paid for program administration	(264)	(998)	(1,262)
Cash paid for arbitrage rebate	(306)		(306)
Net cash provided by operating activities	2,579	975	3,554
<b>NONCAPITAL FINANCING ACTIVITIES -</b>			
Nonoperating grants received	15,785	51	15,836
<b>CAPITAL AND RELATED FINANCING ACTIVITIES:</b>			
Proceeds from bond issuance	37,321		37,321
Repayment of long-term debt	(41,883)		(41,883)
Net cash used in capital and related financing activities	(4,562)		(4,562)
<b>INVESTING ACTIVITIES:</b>			
Proceeds from sale of investments	15,661	1,999	17,660
Loan disbursements	(23,589)		(23,589)
Principal repayments on loans	9,309		9,309
Net cash provided by investing activities	1,381	1,999	3,380
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>15,183</b>	<b>3,025</b>	<b>18,208</b>
<b>CASH AND CASH EQUIVALENTS:</b>			
Beginning of year	35,951	5,651	41,602
End of year	<u>\$ 51,134</u>	<u>\$ 8,676</u>	<u>\$ 59,810</u>
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION -</b>			
Interest paid	<u>\$ 5,532</u>	<u>\$</u>	<u>\$ 5,532</u>
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:</b>			
Operating income	\$ 1,921	\$ 1,278	\$ 3,199
Adjustments to reconcile operating income to net cash provided by operating activities:			
Amortization of bond issuance costs	125		125
Amortization of bond discounts	161		161
Amortization of deferred financing fees	(46)	(324)	(370)
Net appreciation (depreciation) of investments	468	(38)	430
Changes in operating assets and liabilities:			
Accrued interest receivable:			
Loans	(80)		(80)
Investments	101	44	145
Accounts receivable	(8)		(8)
Accounts payable	(330)	15	(315)
Accrued interest payable	(40)		(40)
Other assets	307		307
Net cash provided by operating activities	<u>\$ 2,579</u>	<u>\$ 975</u>	<u>\$ 3,554</u>