ARKANSAS

The Natural State

Comprehensive Annual Financial Report
Fiscal Year Ended
June 30, 2020

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Comprehensive Annual Financial Report

Fiscal Year Ended June 30, 2020

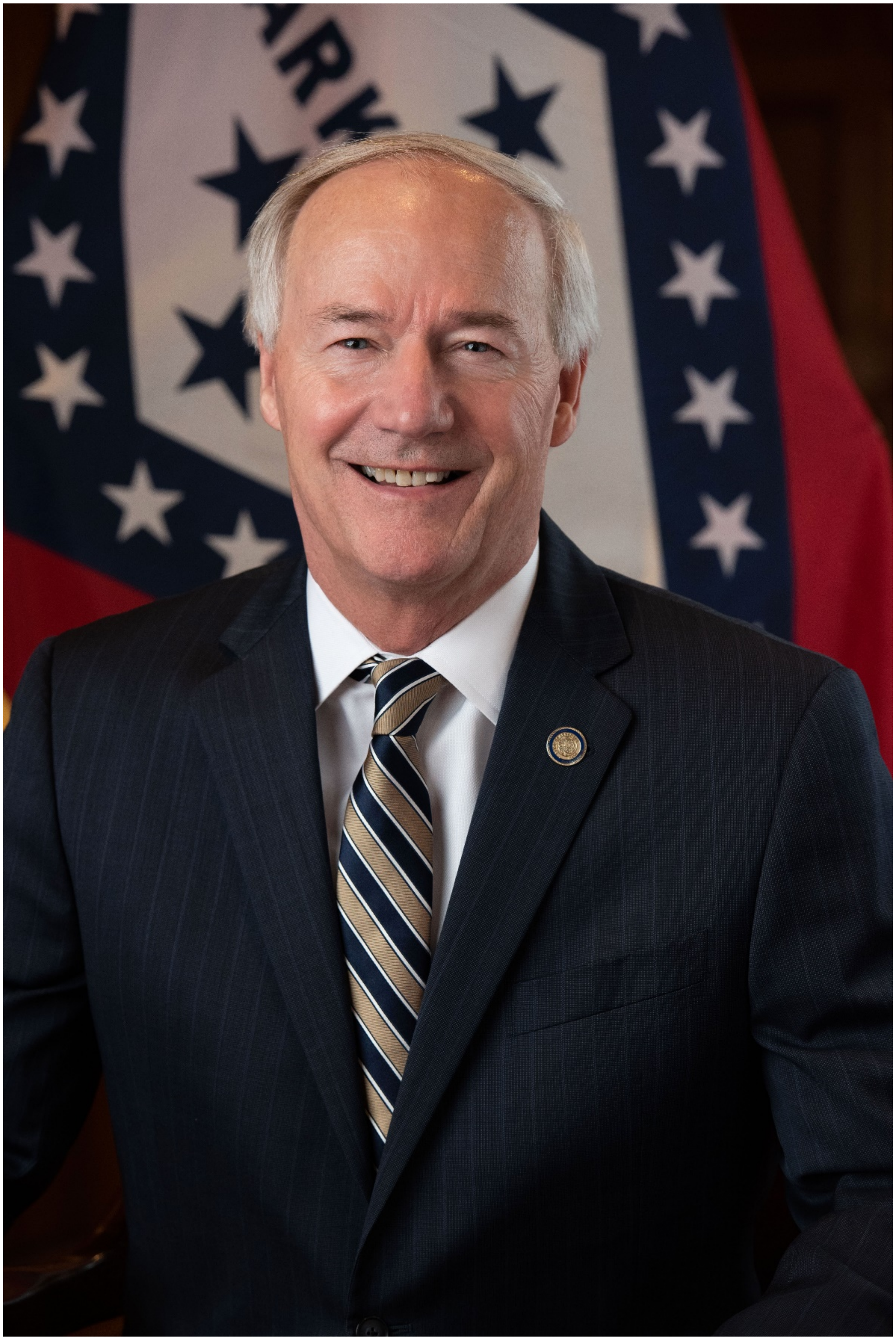
Asa Hutchinson
Governor

Larry W. Walther
Secretary
Department of Finance and Administration

Prepared By
The Department of Finance and Administration
Office of Accounting

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

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



Governor Asa Hutchinson

STATE OF ARKANSAS

ASA HUTCHINSON
GOVERNOR

January 15, 2021

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

I am pleased to submit the Fiscal Year 2020 Arkansas Comprehensive Annual Financial Report (CAFR). This annual publication demonstrates my commitment to accurate and timely financial reporting. The financial statements and accompanying disclosures provide detailed information of the State of Arkansas's financial status, accounting methods and economic data to the public.

The Fiscal Year 2020 CAFR goes beyond generally accepted accounting principles to highlight important statistical information of the State. For these efforts, I am pleased to report that the 2019 CAFR received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award twenty-two times for its transparency in reporting.

I appreciate the work performed by all State employees who have maintained financial records. Using this information, the Department of Finance and Administration team has worked over the last several months to complete this fiscal year 2020 report for your review.

Sincerely,

Asa Hutchinson

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

ARKANSAS

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2020

TABLE OF CONTENTS

	Page
Introductory Section	
Letter of Transmittal	i
GFOA – Certificate of Achievement for Excellence in Financial Reporting	xi
Organizational Chart	xii
Principal Officials	xiii
Financial Section	
Independent Auditor's Report	1
Management's Discussion and Analysis	7
Basic Financial Statements	
Government-Wide Financial Statements	
Statement of Net Position	20
Discretely Presented Component Units Consolidated Statement of Financial Position	22
Statement of Activities	24
Discretely Presented Component Units Consolidated Statement of Activities	26
Fund Financial Statements	
Governmental Fund Financial Statements	
Balance Sheet	28
Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position	29
Statement of Revenues, Expenditures and Changes in Fund Balance	30
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	31
Proprietary Funds Financial Statements	
Statement of Fund Net Position	32
Statement of Revenues, Expenses and Changes in Fund Net Position	34
Statement of Cash Flows	35
Fiduciary Funds Financial Statements	
Statement of Fiduciary Net Position	37
Statement of Changes in Fiduciary Net Position	38
Notes to the Financial Statements – Table of Contents	39
Required Supplementary Information	
Pension Funds Schedules	155
Schedule of Expenditures – Budget and Actual – General Fund	167
Notes to Schedule of Expenditures – Budget and Actual – General Fund	168
Ten-Year Claims Development Information – Employee Benefits Division – Public School Employee Health and Life Benefit Plan	170
Ten-Year Claims Development Information – Workers' Compensation Commission – Death and Permanent Total Disability Trust Fund	172
Ten-Year Claims Development Information – Workers' Compensation Commission – Second Injury Trust Fund	174
Other Postemployment Benefits Schedules	176

	Page
Combining Financial Statements	
Non-major Enterprise Funds	181
Combining Statement of Fund Net Position	182
Combining Statement of Revenues, Expenses and Changes in Fund Net Position	184
Combining Statement of Cash Flows	185
Fiduciary Funds	186
Combining Statement of Fiduciary Net Position – Pension Trust Funds	187
Combining Statement of Changes in Fiduciary Net Position – Pension Trust Funds	188
Combining Statement of Fiduciary Net Position – Agency Funds	189
Combining Statement of Changes in Assets and Liabilities – Agency Funds	190
Statistical Section (Consolidated)	
Financial Trends	
Schedule 1 Net Position by Component	194
Schedule 2 Changes in Net Position	196
Schedule 3 Fund Balances, Governmental Fund	200
Schedule 4 Changes in Fund Balance, Governmental Fund	202
Revenue Capacity Information	
Schedule 5 Revenue Base – Sales and Use Tax Collections by Industry	204
Schedule 6 Revenue Payers	206
Debt Capacity Information	
Schedule 7 Ratios of Outstanding Debt by Type	207
Schedule 8 Pledged Revenue Bond Coverage	208
Demographic and Economic Information	
Schedule 9 Demographic and Economic Indicators	209
Schedule 10 Principal Employers	210
Schedule 11 State Employees by Function	212
Operating Information	
Schedule 12 Operating Indicators by Function	214
Schedule 13 Capital Asset Statistics by Function	218
Other Information	
Schedule 14 Miscellaneous Statistics	219

INTRODUCTORY SECTION

ARKANSAS STATE GOVERNMENT

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January 15, 2021

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

In accordance with the requirements set forth in Arkansas Code of 1987 (Ark. Code Ann.) § 19-4-517, it is my pleasure to transmit to you the Comprehensive Annual Financial Report (CAFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2020.

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

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

Arkansas Legislative Audit performed the audit for the fiscal year ended June 30, 2020. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

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

PROFILE OF THE GOVERNMENT

Originally part of the Louisiana Purchase of 1803, Arkansas was organized into a territory in 1819 with the same northern, eastern, and southern borders it shares today. In 1836, Arkansas became the 25th state of the United States of America with a new border on the west. It currently stands as the 29th state in size with an area of 53,178 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 3.0 million, propagating industries ranging from agriculture to technology to commerce. Nicknamed "The Natural State," Arkansas is known throughout the country for its natural beauty, clear waters, and abundance of natural wildlife. The Constitution of the State provides for three distinct branches of government: executive, legislative, and judicial. The executive branch is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State, and State Land Commissioner, all of whom are elected by state-wide vote to serve four-year terms. The legislative branch is comprised of 35 state senators and 100 state representatives. Known collectively as the General Assembly, the senators and representatives begin the Regular Legislative Session in every odd-numbered year and the Fiscal Legislative Session in every even-numbered year. The judicial branch is comprised of three levels of courts: District Courts, the Circuit Courts, and the Appellate Courts, which are the Court of Appeals and the Supreme Court.

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

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

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

FACTORS AFFECTING ECONOMIC CONDITION

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

Local Economy

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

Arkansas is very proud of the five Fortune 500 companies that got their start and are headquartered here: Wal-Mart (ranked #1), Tyson Foods (79), Murphy USA (262), J.B. Hunt Transport Services (346), and Dillard's (468). In addition, Windstream Holdings (543), Murphy Oil (625), and ArcBest (786) are included in the top 1,000.

This year, the COVID-19 pandemic that has affected the United States and the world during the winter and spring of 2020 has led to efforts to reduce the spread of the virus. Many of these efforts are expected to have an adverse effect on the global, national, and state economy. Arkansas has taken a measured, systematic approach to slowing the spread of COVID-19 in the state. Arkansas never issued a "stay-at-home", "shelter-in-place", or "safer-at-home" order, and Arkansas avoided classifications of businesses and employees as "essential" and "non-essential." Arkansas's Secretary of Health analyzed data and statistics to identify the activities and businesses that should be limited to reduce the spread of COVID-19, and narrowly drawn measures were implemented to slow the spread of the virus.

The revenue forecast for Fiscal Year 2020 had been reduced by $353 million in anticipation of effects of the pandemic, but actual results exceeded the revised forecast by $368 million. This was the result of both better than expected economic activity and fewer taxpayers than expected taking advantage of delays in tax deadlines. Although the actual economic impacts of the pandemic in the future cannot be predicted with certainty, the State is trying to be conservative in its estimates of how revenues will be impacted.

The State has continued to attract new businesses and grow current businesses. During fiscal year 2020, the Arkansas Economic Development Commission (AEDC) awarded grants totaling $19.6 million to 70 counties, 78 communities, and 27 hospitals whose operations have been severely impacted by the coronavirus pandemic. The grants fall into one of four programs administered by Arkansas Economic Development Commission (AEDC): Arkansas Community and Economic Development Grant Program (ACEDP), Rural Services Block Grants, Rural Community Grants, and County Fair Building Grants.

The Arkansas Economic Development Commission's Division of Science and Technology won a National Science Foundation Track-1 grant for $20 million to systematically investigate key aspects of three barriers to big data (management, security/privacy, and model interpretability) and develop novel, integrated solutions to address them.

The top six new and expanding companies will invest $370 million creating 2,105 new jobs which include Carvana, DXC Technology, Nucor Steel Arkansas, Superior Group of Companies, Cornerstone PB Holdings LLC and Cornerstone Processing LLC, and Structurlam Mass Timber Corporation.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy showed a mixed trend in fiscal year 2020. Personal income and wage disbursements increased while total employment decreased in fiscal year 2020 as compared to fiscal year 2019.

State Personal Income: Personal income consists of wages and salaries, dividends, interest, rent, and transfer payments, such as social security and other retirement incomes. Personal income does not include realized capital gains from the sale of assets. Personal income, measured in current dollars, reached a total of $147.3 billion in fiscal year 2020. This represented an increase of $6.2 billion, or 4.7%, over fiscal year 2019. Fiscal year 2021 is estimated at $151.5 billion (current dollars), an increase of $4.2 billion, or 2.9%, over fiscal year 2020.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $59.9 billion in fiscal year 2020, an increase of $0.7 billion, or 1.3%, from fiscal year 2019. Fiscal year 2021 is estimated at $61.6 billion, an increase of $1.7 billion, or 2.9%, from fiscal year 2020.

Employment: In fiscal year 2020, revised payroll employment in Arkansas averaged 1.25 million jobs. This represented a decrease of approximately 19,540 jobs, or 1.5%, compared to fiscal year 2019. In fiscal year 2021, payroll employment is expected to average 1.24 million jobs. This represents a projected decrease of approximately 18 thousand jobs, or 1.4%, from fiscal year 2020.

Fiscal Year 2020 Net Available General Revenues: Actual net available general revenues collected totaled $5.8 billion, $295.4 million above forecast. The net available collected was $168.1 million, or 2.8%, below the net available in fiscal year 2019. Fiscal year 2021 net available general revenue collections are estimated at $5.7 billion, a decrease of $66.1 million, or 1.1%, below fiscal year 2020 and equal to net available distribution.

Selected Special Revenues: Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. Starting in fiscal year 2013, a portion of motor fuel taxes is also deposited to the Educational Adequacy Fund to offset the revenue loss from exempting truck tractors and semitrailers from sales tax. These revenues are deposited to the Educational Adequacy Fund to provide an adequate educational system. In fiscal year 2020, $528.1 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2021 net tax collections estimated to be $531.5 million. Effective July 1, 2019, Act 822 of 2019 requires remote sellers and marketplace facilitators who have aggregate sales exceeding established thresholds to collect and remit Arkansas sales and use taxes. Effective October 1, 2019, Act 822 of 2019 requires the collection and remittance of state and local sales taxes and tourism taxes on accommodations furnished by accommodation intermediaries to transient guests.

RELEVANT FINANCIAL POLICIES

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

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

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

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

Tax Abatements: The State provides tax abatements through 12 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development, and other programs. The **Advantage Arkansas** program provides income tax abatements to encourage economic development through job creation. The **ArkPlus** program provides income tax and sales and use tax abatements to encourage economic development through job creation and capital investments. The **InvestArk** program provides for abatement of sales and use taxes to encourage economic development through retention of current Arkansas businesses. The **Tax Back** program provides for abatement of sales and use taxes to encourage economic development through job creation. The **In-House Research and Development** program provides for abatement of income taxes to encourage economic development through research activities. The **Targeted Research** program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The **Targeted Business Payroll** program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the State average hourly wage, if less. The **Tourism Development** program provides for abatement of income taxes and sales and use taxes to encourage the development of tourism attractions within the State. The **Water Resource Conservation and**

Development program provides for abatement of income taxes to encourage investment in projects that increase the use of surface water and reduce agricultural irrigation water use. The **Wetland and Riparian Zone** program provides for abatement of income taxes to encourage landowners to restore and enhance existing wetlands and riparian zones or create new wetlands and riparian zones. The **Low-Income Housing** program provides for abatement of income taxes to encourage the development of housing for individuals and families with low income. The **Major Maintenance and Improvement** program provides for abatement of sales and use taxes to assist manufacturing and processing facilities in remaining competitive and preserving jobs.

MAJOR INITIATIVES

Education: The Arkansas Department of Education (ADE) continues to improve collaboration and efficiency among divisions. To assist with this effort, the agency began a comprehensive strategic planning process to identify vision and mission statements for ADE, as well as goals and implementation plans to meet those goals.

The department seeks opportunities to improve efficiency. Since transformation began on July 1, 2019, the division has identified cost savings of more than $2.1 million. These savings are realized through intranet app, information system, and computer purchase program savings. Through the strategic planning process, the division continues to identify opportunities to break down silos and improve efficiency, which result in enhanced service delivery and the saving of taxpayer dollars.

Highway and Transportation: The Arkansas Department of Transportation's (ARDOT) was successful in completing a number of construction projects across the state in 2020.

Construction crews completed:

- The Highway 412 Bypass in Paragould.
- The Interstate 630 in Little Rock widening project.
- A 2.5-mile section of the Bella Vista Bypass.
- The Highway 167 widening project in Calhoun County.
- Improvements to Interstate 530 in Pine Bluff.
- Resurfacing of 19 miles of Interstate 30 in Clark, Hempstead and Nevada Counties.
- On Interstate 30 in Clark County, reconstruction of two bridges.
- Highway 65 in Boone County widening project.
- The Highway 82 widening project.

ARDOT's two major road improvement programs progressed in 2020. The Department's Connecting Arkansas Program now has 17 projects completed totaling 89 miles of improvements. A total of 51 projects improving 347 miles of Interstate highway have been completed as part of the Interstate Rehabilitation Program.

State Parks and Tourism: Arkansas's statewide tourism tax collections continue to perform well. The state hosted nearly 33 million visitors in 2019 who spent $7.68 billion in total travel expenditures and provided $429 million in state taxes and $169 million in local taxes, according to data released this year. In addition, nearly 69,000 Arkansas jobs were directly related to the travel industry. Among the other key findings from 2019:

- Arkansas's total travel expenditures are up 4.2%.
- Travel-generated local tax is up 5.4%.
- Travel-generated state tax is up 5.3%.
- And travel-generated employment is up 1.4%.

Arkansas's tourism and hospitality sectors have been hit hard by COVID-19, and this was reflected in the 2% tourism development trust fund. Although previously on track to have a record-breaking year, collections ended FY20 down 2.06% from FY19. The Tourism Division aligned with the statewide "Arkansas Ready" and "Arkansas Ready for Business" messaging with a "Ready for Travel" campaign. This assisted in letting residents of Arkansas and neighboring states know that tourism and hospitality businesses were operating safely and ready for their business when they felt comfortable enough to travel. Arkansas Tourism continued to partner with the Arkansas Economic Development Commission with a joint "Welcome Home" project. Arkansas is an ideal place to call home and efforts have been enhanced to increase awareness to not only those who have never visited, but also to native Arkansans who now live elsewhere. With an emphasis on the state's low cost-of-living, exceptional quality-of-life factors, and professional opportunities, the state is an excellent choice for those looking to relocate whether retired or making a career move.

The Arkansas.com website and social media were used as outlets to promote our State's attractions via virtual tours, scavenger hunts, puzzles, and other activities that could be done from home. This marketing effort received an outstanding achievement award in web development from the Web Marketing Association. Arkansas.com, the state's official travel planning website, continued to receive accolades and recognition as an inspirational, highly effective information source. This year, the site received a Gold Adrian Award for digital marketing excellence. The annual Adrian Awards is one of the world's largest and most prestigious travel marketing competitions with more than 1,100 entries submitted this year. The Arkansas Travel Guide was produced as a full magazine-sized publication for the second year in a row. This changeover in the styling of the guide resulted in it being named a gold winner by the North American Travel Journalists Association. Arkansas Tourism was named the State Tourism Office of the Year by the Southeast Tourism Society. The award was given in light of team accomplishments throughout the office, including effective tourism marketing, creativity in design and development, and implementation of new projects.

Heritage: The Division of Arkansas Heritage (DAH), a division within the Arkansas Department of Parks, Heritage, and Tourism, is composed of four museums, three agencies, one archives, and a central office all dedicated to identifying, protecting and promoting our state's natural, cultural and historic resources.

DAH's agencies include the Arkansas Arts Council, Arkansas Historic Preservation Program, and the Arkansas Natural Heritage Commission. Our museums are the Delta Cultural Center, Historic Arkansas Museum, Mosaic Templars Cultural Center and the Old State House Museum. We also maintain two historic sites, Trapnall Hall in Little Rock and the Jacob Wolf House in Norfork, Arkansas. The Arkansas State Archives is our one archive with two branches - Southwest Arkansas Regional Archives (SARA) in Historic Washington State Park at Washington, Arkansas, and the Northeast Arkansas Regional Archives (NEARA) in Powhatan State Park at Powhatan, Arkansas. Three of DAH's four museums are accredited by the American Alliance of Museums.

The Division currently maintains 37 buildings (24 are historic structures that require special maintenance) and approximately 125,000 artifacts in four museums, archives collections and the Collection Management Facility. We also maintain a state-of-the-art herbarium at Division headquarters in the Arkansas Natural Heritage Commission (ANHC). The ANHC herbarium stores and catalogues 15,709 accessioned specimens representing 3,313 species as of FY20. The ANHC also manages approximately 70,000 acres of Arkansas's natural landscape, located in 76 natural areas. Stewardship of these lands requires proven techniques to preserve and sometimes restore unique and diverse ecosystems.

An agency of the Division, the Arkansas Historic Preservation Program (AHPP), received the results of a commissioned economic study, conducted by PlaceEconomics, that validated the financial impact made by programs within AHPP. The programs, Main Street Arkansas, the Arkansas Rehabilitation Tax Credit Program, County Courthouse Grant Program, and Historic Preservation Restoration Grants, have been instrumental in attracting nearly $224 million in private investment over the last ten years.

Human Services: The Arkansas Department of Human Services (DHS) has more than 7,000 employees who served more than 1.4 million Arkansans last year. DHS has faced unexpected challenges over the past year, yet has continued to strive to build a stronger agency – one that works as a team to address challenges, with a focus on being good stewards of the taxpayer dollar. That commitment is recognized in our motto: "We care. We act. We change lives." During the COVID-19 public health emergency in 2020, staff across our department quickly worked to implement changes to protect the safety of employees, clients, and partners while also making sure we continued to provide critical services to Arkansas's most vulnerable citizens. All the while, the agency made headway on key efforts to improve quality, streamline processes, and move forward with planned transformations.

The Division of County Operations (DCO) and the Office of Information Technology (OIT) continued to build and implement our new eligibility system, which will be used to process Medicaid, SNAP, and TEA applications, and can serve as an IT backbone for other State agencies. The Division of Developmental Disabilities Services (DDS) undertook a major effort to restructure and invest in the workforce at its five Human Development Centers (HDCs). All direct care staff were required to be certified nursing assistants (CNAs) starting July 1, 2020. DDS also announced plans to add 700 slots to its home- and community-based services waiver to continue efforts to eliminate the waitlist. The Division of Child Care and Early Childhood Education (DCCECE) administered federal COVID funding to provide essential workers with childcare assistance to help support an adequate statewide workforce in healthcare and essential services. The State of Arkansas through the Division of Children and Family Services (DCFS) became the third state to get federal approval of its Family First Family Prevention plan to support communities and families, prevent child abuse and neglect, and keep children from entering foster care. The Division of Aging, Adult & Behavioral Health Services (DAABHS) received more than $20 million in new grant funding to grow substance abuse prevention and celebrated 500 lives saved through the Arkansas Naloxone Program. The Division of Youth Services (DYS) continued its efforts to transform its portion of the juvenile justice system by providing additional funding for community providers, unifying treatment center operations under a single provider, and establishing an online accredited education platform for the Civilian Student Training Program (CSTP). The Division of Medical Services (DMS) began rolling out its Electronic Visit Verification (EVV) system to validate delivery of quality in-home services to seniors and adults with physical disabilities. The staff worked to quickly implement regulation changes and rule suspensions to address public health needs and assist Medicaid providers in health delivery during the pandemic.

Information Technology: The Department of Transformation and Shared Services, Division of Information Systems (DIS) is the lead information technology provider and policy maker for state executive branch public sector entities. DIS provides IT and Cyber Security planning, implementation, and support to other governmental entities. Overall, DIS provides approximately $70 million in IT products and solutions to approximately 1,500 governmental sites throughout the state including State agencies, boards and commissions, K-12 public schools, business and administrative departments of higher education, cities and counties, and public safety organizations. As a cost recovery agency, DIS charges the entities it serves for the products and solutions acquired from DIS, but the agency is legislatively prohibited from making a profit.

A priority for DIS is to use the State's buying power to generate cost savings and efficiencies and to strengthen security. It is home to the State Cybersecurity Office that safeguards citizen and government data flowing across the network by ensuring the data are kept secure, private, and confidential and are inaccessible to hackers. Some of the initiatives led by DIS include optimizing the State's data center assets to establish a shared information technology infrastructure foundation that eliminates disparate data centers and mitigate security risks; implementing Microsoft Office 365 to all executive branch departments; ensuring that sensitive state and private citizen data is handled responsibly and in compliance with federal and state laws governing protected data; and implementing a unified communications platform anchored by voice over internet protocol (VoIP) which will eliminate expensive and antiquated telephone systems.

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

For the fiscal year 2020, OAL had operating revenues of $532 million, paid gaming prizes of $369.6 million, paid selling and cashing commissions to Arkansas retailers of $30.1 million, and provided $89.3 million in scholarship funds, after payment of other lottery expenditures.

Health: The Arkansas Department of Health (ADH) coordinates statewide efforts to increase opportunities for Arkansans to live long and healthy lives. The ADH collaborates with a wide variety of partners in the public and private sectors to improve the health of individual Arkansans, protect the public from epidemics, and provide preventive health services in Arkansas communities. ADH transitioned 23 boards and commissions into our established shared services model and integrated them into the procedures and oversight of the ADH Office of Finance. Several boards and commissions were relocated to ADH-owned space, allowing for centralization and sharing of facilities and services, as well as financial savings.

ADH began work on the development of a new strategic plan to begin in 2020 with focus areas of concern for Arkansas: obesity; maternal and child health; addiction, mental health, and suicide; and vaccines and infectious disease, access to care, health education, social determinants of health, and public health workforce development. Specific goals and strategies for these areas were put on hold, as the COVID-19 pandemic necessitated the redirection of most public health resources, the creation of new ones, and a constant demand on the public health workforce. The ADH is the lead agency addressing the pandemic, working closely with the Governor's office, and in coordination with other State agencies such as the Department of Education, Department of Public Safety, and the Department of Finance and Administration. The ADH Emergency Operations Center was activated in March 2020 and an Incident Command Structure and Communication Center were put in place. Components of the response include the acquisition of PPE (personal protective equipment) and other supplies, the establishment of a call center, a dedicated dashboard for COVID-19 data, a messaging campaign, an advisory Pandemic Physicians Group, a quarantine facility, development of guidance and directives, expanded case investigation and contact tracing capabilities.

The Outbreak Emergency Response Team expanded to utilize repositioned ADH staff and the Army National Guard, with partner organizations providing additional assistance. Case investigators and contact tracers were trained to work with individual cases to help control the spread of COVID-19. Local Health Units provide testing and community outreach in every county. A secure database and Sara Alert System were established to handle COVID-19 data.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its CAFR for the fiscal year ended June 30, 2019. This was the twenty-second consecutive year that the State has achieved this prestigious award. To be awarded a Certificate of Achievement, a government unit must publish an easily readable and efficiently organized CAFR. The report must satisfy both accounting principles generally accepted in the United States of America and applicable legal requirements. The Certificate of Achievement is valid for a period of one year.

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

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

Sincerely,

Larry W Walther

Larry W. Walther
Secretary

ARKANSAS STATE GOVERNMENT

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

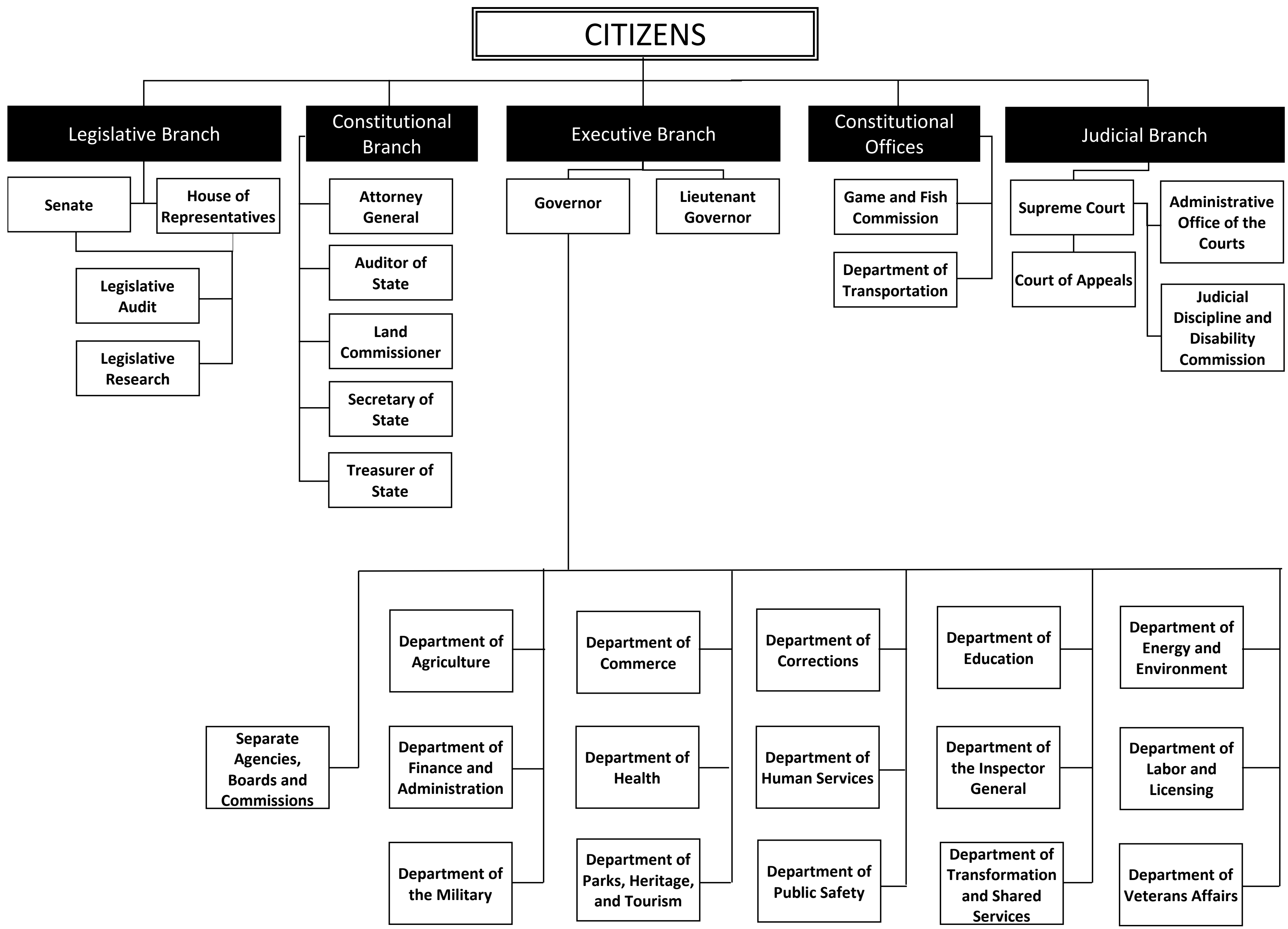
For its Comprehensive Annual
Financial Report
For the Fiscal Year Ended

June 30, 2019

Christopher P. Morrill

Executive Director/CEO

ARKANSAS
Organizational Chart



Principal Officials

Elected Officials

Governor

Asa Hutchinson

Lieutenant Governor

Tim Griffin

Attorney General

Leslie Rutledge

Auditor of State

Andrea Lea

Land Commissioner

Tommy Land

Secretary of State

John Thurston

Treasurer of State

Dennis Milligan

General Assembly

President Pro Tempore

Senator Jim Hendren

Speaker of the House

Representative Matthew Shepherd

Supreme Court

Chief Justice

John Dan Kemp

Associate Justice

Robin F. Wynne

Associate Justice

Courtney Rae Hudson

Associate Justice

Josephine L. Hart

Associate Justice

Shawn A. Womack

Associate Justice

Karen R. Baker

Associate Justice

Rhonda K. Wood

ARKANSAS STATE GOVERNMENT

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FINANCIAL SECTION

ARKANSAS STATE GOVERNMENT

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

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

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

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas (the State), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 17% of the assets and 28% of the revenues of the business-type activities opinion unit and 22% of the assets and 51% of the revenues of the Higher Education major enterprise fund opinion unit.
- The Construction Assistance Revolving Loan Fund or the Other Revolving Loan Funds (non-major enterprise funds), which, on a combined basis, represent 8% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit.

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

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

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

Opinions

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the State of Arkansas, as of June 30, 2020, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

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

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 15, 2021, on our consideration of the State of Arkansas's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. That report will be issued under separate cover in the *State of Arkansas Single Audit Report*. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State's internal control over financial reporting or on compliance. That report, upon its issuance, is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Arkansas's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

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

Little Rock, Arkansas
January 15, 2021
CAFR00120

MANAGEMENT'S DISCUSSION AND ANALYSIS

ARKANSAS STATE GOVERNMENT

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MANAGEMENT’S DISCUSSION AND ANALYSIS

Management of the State of Arkansas (the State) provides this narrative, overview and analysis of the financial activities of the State’s Comprehensive Annual Financial Report (CAFR) for the year ended June 30, 2020. The State’s June 30, 2020, financial statements received an unmodified opinion (see Independent Auditors’ Report for more information). We encourage readers to consider this information in conjunction with the additional information that is furnished in the letter of transmittal that can be found preceding this narrative and with the State’s financial statements which follow. The first section of the Management’s Discussion and Analysis **(**MD&A) is intended to familiarize readers with the accounting terminology and methods relevant to reporting financial information for the State. The second section of the MD&A is a summary of financial and statistical information that should be more meaningful because the readers have been exposed to the accounting terminology and methods used by the State.

FINANCIAL HIGHLIGHTS

Government-Wide Highlights

- The assets and deferred outflows of resources of the State exceeded its liabilities and deferred inflows of resources for the year ended June 30, 2020, by $17.7 billion (presented as total net position).
- The net position of the State increased by $1.0 billion during the fiscal year.
- The governmental activities net position increased by $887.4 million.
- The business-type activities net position increased by $142.6 million.
- Of the total net position, $14.3 billion (80.96%) reflects its investment in capital assets such as land, buildings, equipment, intangibles and infrastructure (roads, bridges and other immovable assets), less any related outstanding debt used to acquire these assets.
- The State’s restricted net position of $4.5 billion (25.32%) represents resources that are subject to restrictions on how they may be used.
- The State’s unrestricted net position was a negative $1.1 billion. This is primarily due to the State’s total other postemployment benefits liability that was recorded in accordance with Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*.

Fund Highlights

As of the close of business on June 30, 2020, The State’s General Fund reported a fund balance of $5.5 billion.

- The nonspendable fund balance is $117.7 million (2.14%).
- The restricted fund balance is $2.2 billion (40.29%).
- The committed fund balance is $2.3 billion (41.05%).
- The assigned fund balance is $118.2 million (2.15%).
- The unassigned fund balance is $788.6 million (14.36%).

The fund balance in the State’s General Fund increased $724.8 million during the fiscal year.

Long-Term Debt

Long-term debt payable for bonds, capital leases and notes as of June 30, 2020, was $3.9 billion. Additional debt totaling $644.8 million was entered into during the year. $53.4 million was attributable to the increase in notes payable, capital leases and leases payable for governmental activities; $529.1 million was attributable to increases in college and university revenue bonds; and $62.3 million was attributable to the increase in business-type notes payable and capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management's Discussion and Analysis is an introduction to the State's basic financial statements, which are comprised of three components. They consist of *Government-Wide Financial Statements*, *Fund Financial Statements and Notes to the Financial Statements. Required Supplementary Information* is included in addition to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements provide a broad view of the State's operations in a manner similar to a private sector business. The statements provide both short-term and long-term information about the State's financial position, which assists in assessing the State's economic condition at June 30, 2020. These financial statements are prepared using the full accrual basis of accounting, which recognizes all revenues when earned and expenditures at the time the related liabilities are incurred. These statements include the *Statement of Net Position* and the *Statement of Activities*.

- ***Statement of Net Position –*** This statement presents all the government's assets, deferred outflows of resources, liabilities and deferred inflows of resources; the difference between these items is reported as net position. Over time, increases or decreases in the State's net position may serve as a useful indicator of whether the overall financial position of the State is improving.
- ***Statement of Activities*** **-** This statement presents information showing how the State's net position changed during the year ended June 30, 2020, and a comparison between program revenues and direct expenditures for each function of the State.

Government-wide financial statements are divided into three categories:

- ***Governmental activities*** are primarily supported by taxes and intergovernmental revenues, also known as federal grants. Most services normally associated with state government fall into this category and include education (elementary and secondary); health and human services; transportation; law, justice and public safety; recreation and tourism; resource development; general government; commerce; and regulation of business and professionals.
- ***Business-type activities*** operate more like those of commercial enterprises. These activities are normally expected to recover all or a significant portion of their costs through user fees and charges to external users of goods and services and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include Higher Education, Workers' Compensation Commission, Division of Workforce Services, Office of the Arkansas Lottery, Public School Employees Health and Life Benefit Plan, Construction Assistance Revolving Loan Fund, other Revolving Loan Funds and other Enterprise Funds.
- ***Discretely presented component units*** **-** Although legally separate organizations, component units are important because the State is financially accountable for these entities. Discretely presented component units include Arkansas Development Finance Authority (ADFA), University of Arkansas Foundation, Inc., and University of Arkansas Fayetteville Campus Foundation, Inc. Complete financial statements can be obtained from their administrative offices. Addresses and other additional information about the State's component units are presented in the notes to the financial statements.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The State, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the State can be divided into three categories: *Governmental Funds*, *Proprietary Funds* and *Fiduciary Funds*.

- ***Governmental Fund Financial Statements* -** The focus of the governmental fund financial statements is the short-term information about the State's financial position and are prepared on the modified-accrual basis of accounting rather than the full accrual basis of accounting used for the government-wide financial statements. The governmental fund financial statements include a balance sheet and a statement of revenues, expenditures and changes in fund balance.

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

- ***Proprietary Fund Financial Statements* -** These funds charge fees for services provided to outside customers, including local governments and are used to show the activities of the State that operate more like those of a commercial business. Proprietary fund financial statements, like the government-wide financial statements, use the full accrual basis of accounting.

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

- ***Fiduciary Fund Financial Statements* -** Fiduciary funds show the activity of the funds used to account for resources held for the benefit of activities outside state government and are not reflected in the government-wide financial statements because the resources of these funds are not available to support the State's own programs. These funds use the full accrual basis of accounting.

  The State's fiduciary funds include pension trust funds: Arkansas Public Employees Retirement Systems, which includes Arkansas State Police Retirement System and Arkansas Judicial Retirement System, Arkansas Teacher Retirement System, Arkansas State Highway Employees Retirement System, the investment trust fund, the State Insurance Department agency funds and other agency funds.

Notes to the Financial Statements

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

Required Supplementary Information

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

Combining Financial Statements

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

GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Current assets	$ 7,704,630	$ 6,319,642	$ 3,729,867	$ 3,201,375	$ 11,434,497	$ 9,521,017
Noncurrent assets	187,963	192,065	1,314,415	1,089,165	1,502,378	1,281,230
Capital assets	13,225,717	12,932,372	4,220,038	4,173,672	17,445,755	17,106,044
Total assets	21,118,310	19,444,079	9,264,320	8,464,212	30,382,630	27,908,291
Deferred outflows of resources	1,204,063	870,382	101,992	104,994	1,306,055	975,376
Current liabilities	2,313,513	1,674,890	1,071,207	606,158	3,384,720	2,281,048
Long-term liabilities	6,747,000	6,238,080	3,011,673	2,821,871	9,758,673	9,059,951
Total liabilities	9,060,513	7,912,970	4,082,880	3,428,029	13,143,393	11,340,999
Deferred inflows of resources	774,834	801,876	74,690	75,069	849,524	876,945
Net position						
Net investment in capital assets	12,244,621	11,879,274	2,082,158	2,062,077	14,326,779	13,941,351
Restricted	3,284,221	2,899,173	1,195,709	1,135,777	4,479,930	4,034,950
Unrestricted	(3,041,816)	(3,178,832)	1,930,875	1,868,254	(1,110,941)	(1,310,578)
Total net position	$ 12,487,026	$ 11,599,615	$ 5,208,742	$ 5,066,108	$ 17,695,768	$ 16,665,723

The net position of the governmental activities increased $887.4 million. This is predominantly due to an increase in intergovernmental revenue due to the Coronavirus Aid, Relief, and Economic Security Act (CARES) for COVID-19.

The net position of the business-type activities increased $142.6 million. This change is primarily due to receiving additional CARES Act revenue to pay for the increase in benefits and aid payments due to an increase in unemployment in response to COVID-19. There was also an increase in capital grants and other revenue received for higher education services.

The book value of capital assets as of June 30, 2020, was $13.2 billion for governmental activities and $4.2 billion for business-type activities. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the State's investment in its capital assets are reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to fund these liabilities.

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

	Governmental Activities		Business-Type Activities		Totals	
	2020	2019	2020	2019	2020	2019
Revenues:						
Program revenues:						
Charges for services	$ 1,247,127	$ 1,279,492	$ 3,227,160	$ 3,371,765	$ 4,474,287	$ 4,651,257
Grants and contributions	9,284,516	8,286,029	2,399,838	884,186	11,684,354	9,170,215
General revenues:						
Personal and corporate taxes	3,652,717	3,526,596			3,652,717	3,526,596
Sales and use taxes	3,422,311	3,284,531			3,422,311	3,284,531
Gas and motor carrier	477,659	476,675			477,659	476,675
Other taxes	1,199,047	1,058,412	38,023	36,829	1,237,070	1,095,241
Other revenues:						
Investment earnings	110,418	187,790	74,149	85,734	184,567	273,524
Miscellaneous income	456,927	439,952	248,437	193,550	705,364	633,502
Total revenues	19,850,722	18,539,477	5,987,607	4,572,064	25,838,329	23,111,541
Expenses:						
Governmental expenses:						
General government	1,682,289	1,400,573			1,682,289	1,400,573
Education	3,736,183	3,702,592			3,736,183	3,702,592
Health and human services	9,561,794	9,291,574			9,561,794	9,291,574
Transportation	1,169,812	1,013,447			1,169,812	1,013,447
Law, justice and public safety	925,432	899,925			925,432	899,925
Recreation and tourism	204,395	204,801			204,395	204,801
Regulation of business and professionals	25,195	24,529			25,195	24,529
Resource development	141,779	139,021			141,779	139,021
Commerce	457,881	353,980			457,881	353,980
Interest expense	49,039	52,584			49,039	52,584
Business-type expenses:						
Higher education			4,274,112	4,185,164	4,274,112	4,185,164
Workers' Compensation Commission			12,892	19,629	12,892	19,629
Division of Workforce Services			1,757,900	100,296	1,757,900	100,296
Office of the Arkansas Lottery			444,164	421,017	444,164	421,017
Public School Employee Health and Life Benefit Plan			354,163	315,396	354,163	315,396
Revolving loans			11,254	7,956	11,254	7,956
Total expenses	17,953,799	17,083,026	6,854,485	5,049,458	24,808,284	22,132,484
Increase (decrease) in net position before special items and transfers	1,896,923	1,456,451	(866,878)	(477,394)	1,030,045	979,057
Special items:						
Assisted Living Incentives				(3,999)		(3,999)
Transfers - internal activities	(1,009,512)	(770,163)	1,009,512	770,163		
Total special items and transfers	(1,009,512)	(770,163)	1,009,512	766,164		(3,999)
Increase (decrease) in net position	887,411	686,288	142,634	288,770	1,030,045	975,058
Net position - beginning (as restated)	11,599,615	10,913,327	5,066,108	4,777,338	16,665,723	15,690,665
Net position - ending	$ 12,487,026	$ 11,599,615	$ 5,208,742	$ 5,066,108	$ 17,695,768	$ 16,665,723

As is typical for governmental activities, program expenditures exceeded program revenues. The excess program expenditures of $7.4 billion were funded by normal state taxing activities.

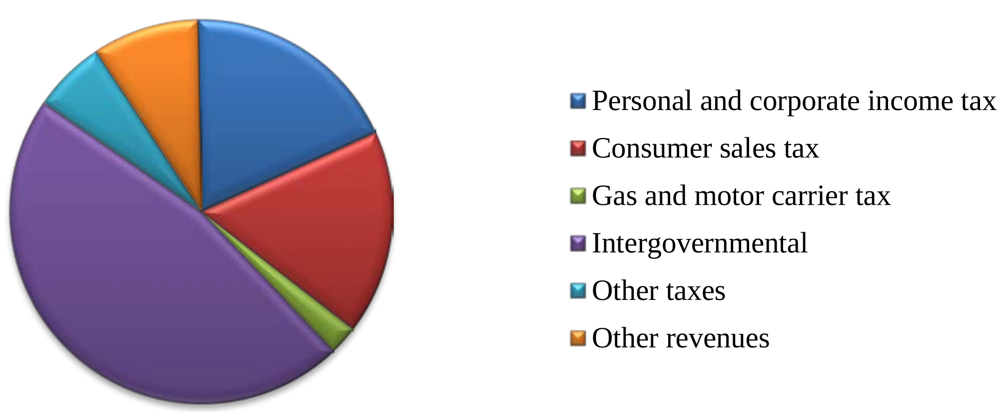
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Most State functions are financed through the General Fund. The State's most significant sources of revenue in the General Fund are taxes and intergovernmental (i.e., federal grants). The State's most significant areas of expenditure from the General Fund are the areas of education and health and human services. The following charts present actual General Fund revenues and expenditures for the years ended June 30, 2020, and 2019 (expressed in thousands). The information presented includes revenues by source for the General Fund, expenditures by function for the General Fund, and changes in fund balance for the General Fund. The fund financial statements provide greater detail than is presented in this overview.

Revenues by Source - General Fund (expressed in thousands)

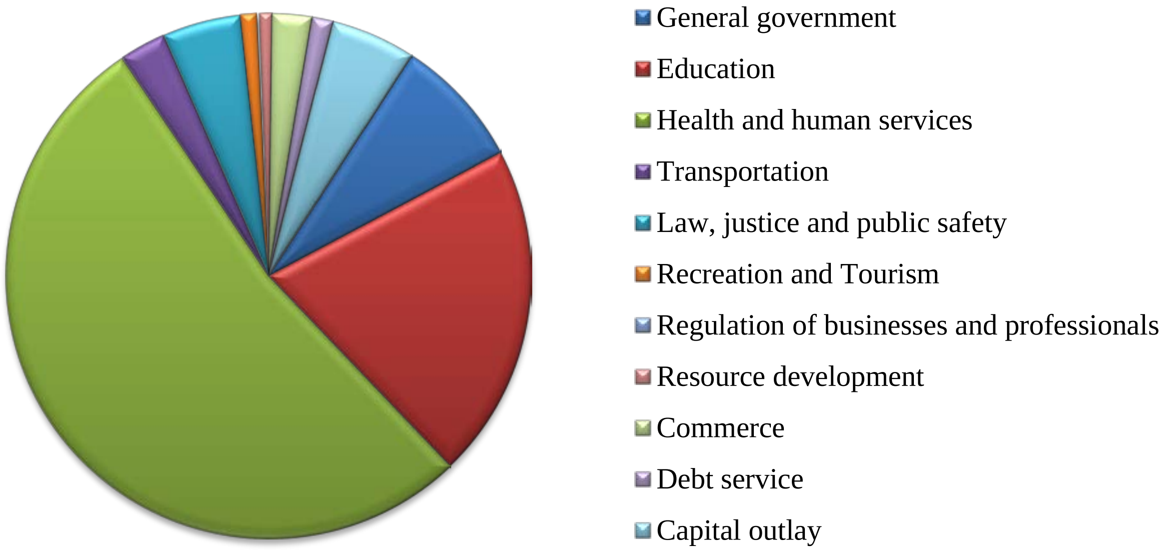
Revenues	2020	2019	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,654,603	$ 3,532,123	3.47%
Consumer sales tax	3,410,118	3,280,703	3.94%
Gas and motor carrier tax	477,660	476,683	0.20%
Intergovernmental	9,235,843	8,242,021	12.06%
Other taxes	1,204,519	1,057,303	13.92%
Other revenues	1,778,728	1,938,846	(8.26%)
Total	$ 19,761,471	$ 18,527,679	6.66%



Governmental revenues increased by 6.66%. Intergovernmental increased $993.8 million due to the CARES Act revenue for COVID-19. Personal and corporate income tax increased by $122.5 million and consumer sales tax revenue increased $129.4 million due to continued economic growth during the first half of the year. Other revenues decreased by $160.1 million partially due to an overall loss in fair market value for the State investments, as well as a decreased gambling revenue for the State due to COVID-19.

Expenditures by Function – General Fund (expressed in thousands)

Expenditures		2020		2019	Increase (Decrease) Percent
General government	$	1,457,416	$	1,382,768	5.40%
Education		3,732,911		3,655,522	2.12%
Health and human services		9,530,819		9,173,453	3.90%
Transportation		517,988		457,534	13.21%
Law, justice and public safety		873,435		852,412	2.47%
Recreation and Tourism		182,273		202,197	(9.85%)
Regulation of businesses and professionals		24,869		24,217	2.69%
Resource development		141,455		137,254	3.06%
Commerce		441,429		349,480	26.31%
Debt service		236,910		180,602	31.18%
Capital outlay		944,402		823,005	14.75%
Total	$	18,083,907	$	17,238,444	4.90%



The State's expenditures increased for the year ended June 30, 2020, by 4.90%. Health and Human Services expenditures increased by $357.4 million primarily due to the Supplemental Nutritional Assistance Program, non-monetary and other miscellaneous COVID-19-related items. Capital outlay expenditures increased by $121.4 million primarily due to Integrated Eligibility and Benefit Management Solutions Software and infrastructure projects being bid out.

Changes in Fund Balance – General Fund

The focus of the State's General Fund is to provide information on short-term inflows, outflows and balances of resources that can be spent. Such information is useful in assessing the State's financing requirements. For instance, the unassigned fund balance may serve as a useful measure of a government's net resources available for spending at June 30, 2020.

At June 30, 2020, the State's General Fund reported an ending fund balance of $5.5 billion, which is an increase of $724.8 million in comparison to June 30, 2019. The increase is predominantly related to CARES Act revenue and to continued economic growth during the first half of the fiscal year.

The classifications and amounts of fund balance were determined according to the provisions of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Note 1 provides an explanation of the various classifications.

Fund balance consisted of the following:

- Nonspendable, $117.7 million or 2.14%
- Restricted, $2.2 billion or 40.29%
- Committed, $2.3 billion or 41.05%
- Assigned, $118.2 million or 2.15%
- Unassigned, $778.6 million or 14.36%

Capital Assets and Debt Administration

Capital Assets

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

The investment in capital assets for the governmental and business-type activities was $32.2 billion and the accumulated depreciation was $14.8 billion at June 30, 2020. The net book value was $17.4 billion. Depreciation expense was $644.1 million for governmental activities and $285.1 million for business-type activities.

Major capital asset events during the current year ended June 30, 2020, included the following:

- Arkansas Game and Fish Commission expended $9.4 million on projects under construction that included the NW AR Education Center and others. Game and Fish also spent $3.4 million on vehicles, boats, mowers and other equipment and facilities.
- Arkansas Department of Transportation (ARDOT) constructed roads, bridges and interchanges for $697.8 million and purchased rights-of-way for $30.5 million. ARDOT also spent $26.7 million on various types of equipment.
- Department of Parks, Heritage, and Tourism expended $12.2 million on improvements to various parks, $2.0 million on vehicles and other equipment and $3.9 million on the construction and improvements to various visitor centers and marinas and the Hampson Archeological State Park Museum Building.
- Department of Corrections expended $11.9 million on renovations of a newly acquired building.
- Department of Human Services expended $91.3 million for software and $2.5 on various types of equipment and land improvement projects.
- Department of the Military expended $9.3 million on building renovations and infrastructure projects and $2.1 million on various types of equipment.

Major commitments concerning capital assets at June 30, 2020, included the following:

- ARDOT has $1.738 billion committed to the construction of highways.

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

Debt Administration

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

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

Governmental Activities

The State's governmental activities had $1.4 billion in bonds, loans payable, notes payable and capital leases outstanding at June 30, 2020, compared to $1.5 billion at June 30, 2019. The net decrease is approximately $135.7 million.

For the year ended June 30, 2020, bonds payable had a net decrease of $137.2 million. Principal payments on these bonds totaled $125.0 million. Capital leases to outside entities had a net decrease of $488,000. Loans payable, notes payable and capital leases payable to component units had a net increase of $2 million during the year ended June 30, 2020.

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

- The Arkansas State Police received $30.8 million from a note payable to a component unit for the design, acquisition, construction and equipping of headquarter facilities.
- The Division of Building Authority received $10.8 million from a capital lease with a component unit for a refunding issue.
- The Division of Information Systems received $159,600 from a capital lease with a component unit for capital improvements.
- The Division of Community Correction received $10.3 million from a capital lease with a component unit for the design, acquisition, construction and equipping of headquarter facilities.
- The Division of Correction received $436,242 from a capital lease with a component unit for energy saving improvements.

The State's governmental activities had approximately $119.6 million of claims and judgments outstanding at June 30, 2020, compared to $128.3 million at June 30, 2019. Other obligations include $158.0 million for accrued sick leave and vacation pay, $11.9 million for pollution remediation and $146.0 million for recycling tax obligations at June 30, 2020. The State's governmental activities also had $2.8 billion recorded for other postemployment benefits liability and $2.1 billion recorded for net pension liability at June 30, 2020.

Business-type Activities

The State's business-type activities had $2.5 billion in bonds, notes payable and capital leases outstanding at June 30, 2020, and $2.3 billion at June 30, 2019. The net increase was approximately $196.2 million.

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

- University of Arkansas – Fayetteville issued $59.7 million in various facility revenue bonds, Series 2019A to refund Series 2009 bonds.
- University of Arkansas – Fayetteville issued $139.2 million in various facility revenue bonds, taxable refunding Series 2019B to refund Series 2011A and Series 2012B bonds.
- University of Arkansas – UAMS issued $97.4 million in various facility revenue bonds taxable Series 2019B for the purpose of capital improvements.
- the University of Arkansas – Pulaski Tech, issued $56.7 million of student tuition and fee revenue bonds Series 2019A to refund student tuition and fee revenue bonds Series 2011.

The colleges and universities also entered into capital leases totaling $20.6 million and notes payable totaling $41.8 million. The State's business-type activities made reductions, through principal payments and refinancing, to bonds, notes payable and capital leases of $395.2 million during the fiscal year.

The State's business-type activities had approximately $385.9 million of claims and judgments outstanding at June 30, 2020, compared to $303.4 million at June 30, 2019. Other obligations included accrued sick leave and vacation pay of $132.6 million at June 30, 2020. The State's business-type activities also had $144.9 million recorded for other postemployment benefits liability and $186.0 million recorded for net pension liability at June 30, 2020.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

	Budgeted Amounts		Actual
Functions	Original	Final	Amounts
Commerce	$ 966,767	$ 687,242	$ 449,737
Education	4,292,697	4,224,551	3,730,532
General government	3,026,778	3,110,190	1,953,167
Health and human services	9,083,113	10,088,402	8,985,016
Law, justice and public safety	1,017,740	1,050,358	867,528
Recreation and tourism	294,996	314,213	222,286
Regulation of business and professiona	32,483	33,212	26,580
Resource development	332,878	372,715	193,103
Transportation	717,675	750,892	488,439
Capital outlay	2,170,333	1,915,563	866,874
Debt service	142,853	225,231	185,392
Total	$ 22,078,313	$ 22,772,569	$ 17,968,654

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

The final budget exceeded the original budget by $694.3 million. The increase in health and human services is mainly due to the CARES Act which provided unanticipated federal grants received by the State after the original budget was established.

In addition, supplemental appropriation and carryover of fund balances, as provided by law for payment of carryover obligations of the State, added to the increase in final budget numbers. The increase/decreases in commerce, education, law, justice and public safety, recreation and resource development, regulation of businesses and professionals, transportation, capital outlay, and debt service were primarily due to reallocation of appropriation for expenditures related to infrastructure, employee salaries and the parks and tourism conservation districts.

ECONOMIC OUTLOOK

The World Health Organization declared the coronavirus (COVID-19) a pandemic in March. The United States Congress passed legislation which included the Coronavirus Aid, Relief, and Economic Security Act or CARES Act to be distributed through the Coronavirus Relief Fund. The State received $1.25 billion to help fighting the COVID-19 pandemic during fiscal year 2020. The impact of the pandemic began in March with the closure of schools and quickly affected other areas of the economy throughout the State.

The State responded to the pandemic in April by cutting the net general-revenue by $205.9 million to $5.68 billion. The reduction of spending in April was important to be sure the State could manage our way through this pandemic from a financial standpoint. The impact of the pandemic on the State's future economy cannot be determined at this time but will depend on the spread and duration of the virus as well as the actions taken by governmental and health organizations to contain or mitigate the impact.

REQUESTS FOR INFORMATION

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

ARKANSAS STATE GOVERNMENT

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BASIC FINANCIAL STATEMENTS

Statement of Net Position
June 30, 2020
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Assets				
Current assets:				
Cash and cash equivalents	$ 1,421,637	$ 1,987,143	$ 3,408,780	$ 152,808
Cash and cash equivalents-restricted		113,146	113,146	
Investments	4,516,508	731,722	5,248,230	1,054
Receivables, net:				
Accounts	228,323	302,352	530,675	1,378
Taxes	737,601		737,601	
Medicaid	269,190		269,190	
Loans	9,995	5,808	15,803	3,936
Leases	94		94	
Interest	6,748	1,080	7,828	8,138
Other	30,418	8,543	38,961	
Internal balances	(65,672)	65,672		
Due from other governments	423,134	414,079	837,213	
Prepaid items	28,134	22,064	50,198	
Inventories	87,894	38,678	126,572	
Deposits with trustee	10,626	8,421	19,047	
Other current assets		31,159	31,159	
Total current assets	7,704,630	3,729,867	11,434,497	167,314
Noncurrent assets:				
Cash and cash equivalents, restricted		224,207	224,207	
Deposits with component unit	25,246		25,246	
Deposits with bond trustee		268,593	268,593	
Deposits with Multi-State Lottery Association		2,516	2,516	
Investments		291,323	291,323	225,875
Receivables, net		31,435	31,435	
Internal balances				63
Loans and mortgages receivable	146,424	465,554	611,978	366,189
Loans and capital leases receivable from primary government				197,295
Capital leases receivable	225		225	
Due from other governments		1,925	1,925	
Irrevocable split-interest agreements		2,104	2,104	
Financial assurance instruments		8,050	8,050	
Other noncurrent assets	16,068	18,708	34,776	29,734
Capital assets:				
Non-Depreciable	2,966,486	397,879	3,364,365	670
Depreciable, Net	10,259,231	3,822,159	14,081,390	4,336
Total noncurrent assets	13,413,680	5,534,453	18,948,133	824,162
Total assets	21,118,310	9,264,320	30,382,630	991,476
Deferred Outflows of Resources				
Related to pensions	628,074	48,439	676,513	859
Related to other postemployment benefits	554,659	16,999	571,658	935
Related to debt refundings	21,330	36,554	57,884	2,573
Total deferred outflows of resources	1,204,063	101,992	1,306,055	4,367
Total assets and deferred outflows of resources	$ 22,322,373	$ 9,366,312	$ 31,688,685	$ 995,843

Statement of Net Position
June 30, 2020
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Liabilities				
Current liabilities:				
Accounts payable	$ 85,997	$ 550,437	$ 636,434	$ 4,743
Prizes payable		22,495	22,495	
Accrued interest	5,425	18,761	24,186	2,876
Accrued and other current liabilities	301,888	71,157	373,045	46
Medicaid payable	224,453		224,453	
Income tax refunds payable	337,681		337,681	
Due to other governments	741,418	4,069	745,487	
Workers' compensation benefits payable		13,793	13,793	
Funds held in trust for others		11,753	11,753	
Bonds, notes and leases payable	250,954	127,249	378,203	27,556
Claims, judgments, arbitrage and compensated absences	132,433	191,254	323,687	
Pollution remediation obligations	2,777		2,777	
Unearned gain on refinancing sale of asset				116
Rebate/refund incentives payable	15,065		15,065	
Recycling tax obligation payable	11,255		11,255	
Other postemployment benefits liability	68,611	5,968	74,579	105
Unearned revenue	135,556	54,271	189,827	1,134
Total current liabilities	2,313,513	1,071,207	3,384,720	36,576
Long-term liabilities:				
Workers' compensation benefits payable		195,635	195,635	
Bonds, notes and leases payable	1,134,357	2,339,340	3,473,697	468,325
Claims, judgments, arbitrage and compensated absences	145,226	116,371	261,597	
Pollution remediation obligations	9,164		9,164	
Other postemployment benefits liability	2,700,887	138,983	2,839,870	4,058
Net pension liability	2,114,423	186,014	2,300,437	4,307
Deposits held on behalf of primary government				25,246
Other noncurrent liabilities	270,330	34,720	305,050	4,921
Unearned gain on refinancing sale of asset				98
Rebate/refund incentives payable	237,855		237,855	
Recycling tax obligation payable	134,758		134,758	
Unearned revenue		610	610	4,373
Total long-term liabilities	6,747,000	3,011,673	9,758,673	511,328
Total liabilities	9,060,513	4,082,880	13,143,393	547,904
Deferred Inflows of Resources				
Related to pensions	562,896	39,664	602,560	489
Related to other postemployment benefits	211,938	30,136	242,074	758
Related to irrevocable split-interest agreements		4,890	4,890	
Total deferred inflows of resources	774,834	74,690	849,524	1,247
Total liabilities and deferred inflows of resources	9,835,347	4,157,570	13,992,917	549,151
Net Position				
Net position:				
Net investment in capital assets	12,244,621	2,082,158	14,326,779	5,006
Restricted for:				
Expendable:				
Debt service	182,986	15,850	198,836	
Other capital projects	63,613	108,486	172,099	
Bond resolution and programs				306,153
Program requirements	2,039,254		2,039,254	
Lottery	117,084		117,084	
Tobacco settlement	134,646		134,646	
Transportation	746,638		746,638	
Scholarships and fellowships		54,179	54,179	
Research		57,628	57,628	
Public service		756,070	756,070	
Other		79,967	79,967	
Non-expendable - other		123,529	123,529	
Non-expendable - minority interest				179
Unrestricted	(3,041,816)	1,930,875	(1,110,941)	135,354
Total net position	12,487,026	5,208,742	17,695,768	446,692
Total liabilities, deferred inflows of resources and net position	$ 22,322,373	$ 9,366,312	$ 31,688,685	$ 995,843

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

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2020
(Expressed in thousands)

Assets		
Contributions receivable, net	$	61,908
Interest receivable		886
Cash value of life insurance		1,315
Land		348
Investments		1,365,656
Total assets	$	1,430,113
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	4,146
Annuity obligations		14,670
Total liabilities		18,816
Net assets:		
Without donor restrictions		117,130
With donor restrictions		1,294,167
Total net assets		1,411,297
Total liabilities and net assets	$	1,430,113

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

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2020
(Expressed in thousands)

Assets		
Contributions receivable, net	$	4,780
Investments		560,054
Total assets	$	564,834
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	1,336
Total liabilities		1,336
Net assets:		
With donor restrictions		563,498
Total net assets		563,498
Total liabilities and net assets	$	564,834

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

Statement of Activities
For the Year Ended June 30, 2020
(Expressed in thousands)

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	$ 1,682,289	$ 367,952	$ 750,335	$
Education	3,736,183	3,772	557,973	
Health and human services	9,561,794	378,902	7,121,266	3,054
Transportation	1,169,812	123,422	2,046	543,993
Law, justice and public safety	925,432	133,388	101,256	44
Recreation and tourism	204,395	57,642	20,782	2,201
Regulation of business and professionals	25,195	20,757	1,773	
Resource development	141,779	81,161	53,424	
Commerce	457,881	80,131	126,369	
Interest expense	49,039			
Total governmental activities	17,953,799	1,247,127	8,735,224	549,292
Business-type activities:				
Higher education	4,274,112	2,216,971	875,648	85,962
Workers' Compensation Commission	12,892	16,637		
Division of Workforce Services	1,757,900	124,681	1,404,501	
Office of the Arkansas Lottery	444,164	531,932		
Public School Employee Health and Life Benefit Plan	354,163	332,455		
Revolving loans	11,254	4,484	33,727	
Total business-type activities	6,854,485	3,227,160	2,313,876	85,962
Total primary government	$ 24,808,284	$ 4,474,287	$ 11,049,100	$ 635,254
Component unit:				
Arkansas Development Finance Authority	$ 35,719	$ 45,942	$ 13,771	

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

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

Net Revenue (Expense)			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
$ (564,002)	$	$ (564,002)	
(3,174,438)		(3,174,438)	
(2,058,572)		(2,058,572)	
(500,351)		(500,351)	
(690,744)		(690,744)	
(123,770)		(123,770)	
(2,665)		(2,665)	
(7,194)		(7,194)	
(251,381)		(251,381)	
(49,039)		(49,039)	
(7,422,156)		(7,422,156)	
	(1,095,531)	(1,095,531)	
	3,745	3,745	
	(228,718)	(228,718)	
	87,768	87,768	
	(21,708)	(21,708)	
	26,957	26,957	
	(1,227,487)	(1,227,487)	
(7,422,156)	(1,227,487)	(8,649,643)	
			$ 23,994
3,652,717		3,652,717	
3,422,311		3,422,311	
477,659		477,659	
1,199,047	38,023	1,237,070	
8,751,734	38,023	8,789,757	
110,418	74,149	184,567	4,255
456,927	248,437	705,364	
(1,009,512)	1,009,512		
8,309,567	1,370,121	9,679,688	4,255
887,411	142,634	1,030,045	28,249
11,599,615	5,066,108	16,665,723	418,443
$ 12,487,026	$ 5,208,742	$ 17,695,768	$ 446,692

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

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2020
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions	$ 10,798	$ 81,634	$ 92,432
Interest and dividends	3,243	5,233	8,476
Net realized and unrealized gains on investments	11,989	12,742	24,731
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	48,294	(48,294)	
Total revenues, gains and other support	74,324	51,315	125,639
Expenses and losses:			
Program services:			
University system support	71,751		71,751
Total program services	71,751		71,751
Supporting services:			
Management and general	1,976		1,976
Fundraising	1,416		1,416
Change in value of split-interest agreements	(58)	239	181
Provision for loss on uncollectible pledges	2	92	94
Total supporting services	3,336	331	3,667
Total expenses and losses	75,087	331	75,418
Change in net assets	(763)	50,984	50,221
Net assets - beginning	117,893	1,243,183	1,361,076
Net assets - ending	$ 117,130	$ 1,294,167	$ 1,411,297

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

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2020
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Amortization of pledge discount	$	$ 171	$ 171
Interest and dividends		3,562	3,562
Net realized and unrealized gains on investments		7,910	7,910
Net asset reclassifications, including release from restrictions - satisfaction of restrictions and change in donor restriction	23,388	(23,388)	
Total revenues, gains and other support	23,388	(11,745)	11,643
Expenses and losses:			
Program services:			
Fayetteville campus support	23,388		23,388
Total program services	23,388		23,388
Change in net assets		(11,745)	(11,745)
Net assets - beginning		575,243	575,243
Net assets - ending	$	$ 563,498	$ 563,498

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

Balance Sheet
Governmental Fund
June 30, 2020
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	1,421,637
Deposit with trustee		10,626
Investments		4,516,508
Receivable, net:		
Accounts		228,313
Taxes		737,601
Medicaid		269,190
Loans		156,419
Leases		319
Interest		6,748
Other		30,418
Due from other funds		120,560
Due from other governments		423,134
Advances to other funds		9,810
Prepaid items		27,990
Inventories		87,894
Deposits with component unit		25,246
Other assets		16,068
Total assets	$	8,088,481
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	82,439
Accrued and other current liabilities		314,777
Unearned income		135,556
Income tax refunds payable		337,681
Due to other governments		741,418
Due to other funds		197,686
Advances from other funds		1,900
Medicaid claims payable		224,453
Total liabilities		2,035,910
Deferred Inflows of Resources		
Related to revenues		562,708
Total liabilities and deferred inflows of resources		2,598,618
Fund balance:		
Nonspendable:		
Prepaid items		27,990
Inventories		87,894
Long-term loans		1,545
Long-term leases		319
Restricted		2,211,805
Committed		2,253,532
Assigned		118,213
Unassigned		788,565
Total fund balance		5,489,863
Total liabilities, deferred inflows of resources and fund balance	$	8,088,481

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

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position
June 30, 2020
(Expressed in thousands)

Total fund balances:				
Governmental fund			$	5,489,863
Amounts reported for governmental activities in the Statement of Net Position are different because:				
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. These assets consist of:				
Non-depreciable assets	$	2,966,486		
Depreciable assets		10,259,231		
Total capital assets				13,225,717
Bonds issued by the State have associated insurance costs that are paid from current "available" financial resources of governmental funds. However, these costs are amortized on the Statement of Activities.				141
Some of the State's revenues will be collected after year-end but are not "available" soon enough to pay for the current period's expenditures and therefore are deferred inflows of resources in the funds.				562,708
Deferred inflows and outflows of resources related to the State's pension liabilities are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.				
Total inflows	$	(562,896)		
Total outflows		628,074		65,178
Deferred inflows and outflows of resources related to the State's OPEB liabilities are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.				
Total inflows	$	(211,938)		
Total outflows		554,659		342,721
Deferred outflows resulting from loss on debt refunding are recognized in the Statement of Net Position and amortized on the Statement of Activities but are not recognized on the Balance Sheet.				21,330
Some liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities consist of:				
Bonds, notes and leases payable	$	(1,314,771)		
Claims, judgments, arbitrage and compensated absences		(264,770)		
Other non-current liabilities		(270,330)		
Refund/Rebate incentives payable		(252,920)		
Recycling Tax Obligation		(146,013)		
Total OPEB liability		(2,769,498)		
Pollution remediation obligation		(11,941)		
Unamortized bond issue premiums		(70,710)		
Accrued interest on bonds, notes, installment sales payable and leases		(5,425)		
Unamortized bond issue discounts		169		
Net pension liabilities		(2,114,423)		
Total long-term liabilities				(7,220,632)
Net position of governmental activities			$	12,487,026

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020
(Expressed in thousands)

	General Fund
Revenues:	
Taxes:	
Personal and corporate income	$ 3,654,603
Consumers sales and use	3,410,118
Gas and motor carrier	477,660
Other	1,204,519
Intergovernmental	9,235,843
Licenses, permits and fees	1,273,012
Investment earnings	110,418
Miscellaneous	395,298
Total revenues	19,761,471
Expenditures:	
Current:	
General government	1,457,416
Education	3,732,911
Health and human services	9,530,819
Transportation	517,988
Law, justice and public safety	873,435
Recreation and tourism	182,273
Regulation of business and professionals	24,869
Resource development	141,455
Commerce	441,429
Debt service:	
Principal retirement	176,063
Interest	60,754
Bond issuance costs	93
Capital outlay	944,402
Total expenditures	18,083,907
Excess of revenues over expenditures	1,677,564
Other financing sources (uses):	
Issuance of debt	30,755
Bond discounts/premiums	847
Issuance of capital leases	21,773
Sale of capital assets	3,297
Transfers in	175,438
Transfers out	(1,184,882)
Total other financing sources and uses	(952,772)
Net change in fund balance	724,792
Fund balance - beginning	4,765,071
Fund balance - ending	$ 5,489,863

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 724,792
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 944,402	
Depreciation expense	(644,077)	
Excess of capital outlay over depreciation expense		300,325
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to decrease net position.		(2,653)
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(30,755)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		(847)
Bond insurance costs are expenditures to governmental funds, but are prepaid funds, but decrease the long-term liabilities in the Statement of Net Position.		93
Some capital additions were financed through capital leases. In governmental funds, a capital lease arrangement is considered a source of financing, but in the Statement of Net Position, the lease obligation is reported as a liability.		(21,773)
Repayment of long-term debt is reported as an expenditure in governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. In the current year, these amounts consist of: bond, loan and lease principal retirement.		176,064
Because some revenues will not be collected for several months after the State's fiscal year-end, they are not considered "available" revenues and are deferred inflows of resources in the governmental funds.		107,242
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:		
Increase in claims, judgments, arbitrage and compensated absences	$ (12,155)	
Amortization of bond premiums and discounts	13,245	
Amortization of bond insurance costs	(7)	
Amortization of deferred outflows of resources related to debt refunding	(2,415)	
Decrease in pollution remediation obligations	3,456	
Loss on sale of capital assets	(3,468)	
Net change in pension related accounts	(199,567)	
Adoption subsidy	(5,025)	
Decrease in accrued interest	891	
Increase in other postemployment benefits obligations	(160,032)	
Total additional expenditures		(365,077)
Change in net position of governmental activities		$ 887,411

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

Statement of Fund Net Position
Proprietary Funds
June 30, 2020
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Assets						
Current assets:						
Cash and cash equivalents	$ 853,583	$ 57,924	$ 671,749	$ 4,033	$ 399,854	$ 1,987,143
Cash and cash equivalents - restricted				113,146		113,146
Investments	635,837	54,133	5,000		36,752	731,722
Receivables:						
Accounts receivable, net	233,173	7,529	39,078	17,691	4,881	302,352
Loans and notes receivable, net	5,808					5,808
Interest	407	99	51		523	1,080
Other current receivables	8,542	1				8,543
Due from other funds	19,365	573	166,670	4,466	3,415	194,489
Due from other governments	66,172		347,907			414,079
Advances to other funds	708				1,010	1,718
Inventories	38,678					38,678
Prepaid items	21,967	56		41		22,064
Deposits with bond trustee	8,421					8,421
Other current assets	31,159					31,159
Total current assets	1,923,820	120,315	1,230,455	139,377	446,435	3,860,402
Noncurrent assets:						
Cash and cash equivalents - restricted	203,707			20,500		224,207
Deposits with Multi-State Lottery Association				2,516		2,516
Investments:						
Restricted endowments	103,672					103,672
Unrestricted endowments	85,167					85,167
Restricted investments	6,890					6,890
Unrestricted investments	95,594					95,594
Receivables:						
Loans and notes receivable, net	10,181					10,181
Other noncurrent receivables	21,254					21,254
Due from other governments	1,925					1,925
Advances to other funds	858				5,471	6,329
Loans receivable - restricted					465,554	465,554
Deposits with bond trustee	268,593					268,593
Irrevocable split interest agreements	2,104					2,104
Financial assurance instruments		8,050				8,050
Other noncurrent assets	18,708					18,708
Capital assets:						
Non-depreciable	396,156	580			1,143	397,879
Depreciable, net	3,816,666	291	2,128	1,783	1,291	3,822,159
Total noncurrent assets	5,031,475	8,921	2,128	24,799	473,459	5,540,782
Total assets	6,955,295	129,236	1,232,583	164,176	919,894	9,401,184
Deferred Outflows of Resources						
Deferred outflows related to pensions	46,104	1,403		932		48,439
Deferred outflows related to OPEB	14,376	1,657		966		16,999
Deferred outflows related to debt refunding	36,554					36,554
Total deferred outflows of resources	97,034	3,060		1,898		101,992
Total assets and deferred outflows of resources	$ 7,052,329	$ 132,296	$ 1,232,583	$ 166,074	$ 919,894	$ 9,503,176

Statement of Fund Net Position
Proprietary Funds
June 30, 2020
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Liabilities						
Current liabilities:						
Accounts payable	$ 140,166	$ 18	$ 395,774	$ 920	$ 13,559	$ 550,437
Prizes payable				22,495		22,495
Accrued interest	18,695				66	18,761
Accrued and other current liabilities	66,864	308		3,935	50	71,157
Advances from other funds	2,060	53				2,113
Due to other funds	2,217	9	1,251	117,170	260	120,907
Due to other governments	1,449		2,620			4,069
Funds held in trust for others	11,753					11,753
Workers' compensation benefits payable		13,793				13,793
Bonds, notes and leases payable	122,624				4,625	127,249
Claims, judgments and compensated absences	167,758	127		72	23,297	191,254
Total other postemployment benefits liability	5,643	210		115		5,968
Unearned revenue	52,523	421	32	278	1,017	54,271
Total current liabilities	591,752	14,939	399,677	144,985	42,874	1,194,227
Noncurrent liabilities:						
Workers' compensation benefits payable		195,635				195,635
Advances from other funds	13,672	172				13,844
Bonds, notes and leases payable	2,311,510				27,830	2,339,340
Total other postemployment benefits liability	126,440	8,116		4,427		138,983
Net pension liability	174,504	6,863		4,647		186,014
Claims, judgments and compensated absences	115,360	631		356	24	116,371
Unearned revenue	610					610
Other noncurrent liabilities	26,670	8,050				34,720
Total noncurrent liabilities	2,768,766	219,467		9,430	27,854	3,025,517
Total liabilities	3,360,518	234,406	399,677	154,415	70,728	4,219,744
Deferred Inflows of Resources						
Deferred inflows related to pensions	38,730	595		339		39,664
Deferred inflows related to OPEB	28,904	844		388		30,136
Deferred inflows related to irrevocable split interest agreements	4,890					4,890
Total deferred inflows of resources	72,524	1,439		727		74,690
Total liabilities and deferred inflows of resources	3,433,042	235,845	399,677	155,142	70,728	4,294,434
Net Position						
Net investment in capital assets	2,074,942	871	2,128	1,783	2,434	2,082,158
Restricted for:						
Expendable						
Scholarships and fellowships	54,179					54,179
Debt service	15,850					15,850
Capital projects	108,486					108,486
Research	57,628					57,628
Public service	15,850			21,000	719,220	756,070
Other	76,952			3,015		79,967
Nonexpendable - other	123,529					123,529
Unrestricted (deficit)	1,091,871	(104,420)	830,778	(14,866)	127,512	1,930,875
Total net position	3,619,287	(103,549)	832,906	10,932	849,166	5,208,742
Total liabilities, deferred inflows of resources and net position	$ 7,052,329	$ 132,296	$ 1,232,583	$ 166,074	$ 919,894	$ 9,503,176

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

Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2020
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Operating revenues:						
Charges for sales and services	$ 2,216,971	$	$	$	$ 332,455	$ 2,549,426
Lottery collections				531,443		531,443
Licenses, permits and fees				489	4,484	4,973
Grants and contributions	350,133					350,133
Insurance taxes		16,637				16,637
Unemployment taxes			124,681			124,681
Other operating revenues	218,249	97	12,546	69		230,961
Total operating revenues	2,785,353	16,734	137,227	532,001	336,939	3,808,254
Operating expenses:						
Cost of sales and services				56,469		56,469
Lottery prize payments				369,608		369,608
Compensation and benefits	2,400,264	8,175		5,401		2,413,840
Supplies and services	1,141,025	430		8,431	19,723	1,169,609
General and administrative expenses	197,739	301		3,846	1,665	203,551
Federal financial assistance					8,553	8,553
Scholarships and fellowships	164,019					164,019
Benefit and aid payments		3,898	1,757,767		334,422	2,096,087
Depreciation and amortization	284,483	88	133	409	18	285,131
Total operating expenses	4,187,530	12,892	1,757,900	444,164	364,381	6,766,867
Operating income (loss)	(1,402,177)	3,842	(1,620,673)	87,837	(27,442)	(2,958,613)
Nonoperating revenues (expenses):						
Investment earnings	36,607	1,786	20,142	2,123	13,036	73,694
Net increase fair value investments					455	455
Taxes	38,023					38,023
Grants and contributions	525,515		1,404,501		33,727	1,963,743
Interest and amortization expense	(84,774)				(1,036)	(85,810)
Loss on sale of capital assets	(2,141)					(2,141)
Pollution and contamination remediation	333					333
Other nonoperating revenue	17,476					17,476
Total nonoperating revenues	531,039	1,786	1,424,643	2,123	46,182	2,005,773
Income (loss) before transfers and contributions	(871,138)	5,628	(196,030)	89,960	18,740	(952,840)
Transfers in	1,009,932		165,000	4,466	5,484	1,184,882
Transfers out	(66,231)		(11,852)	(93,731)	(3,624)	(175,438)
Capital grants and contributions	80,741					80,741
Capital donations from governmental activities	68					68
Other	5,221					5,221
Change in net position	158,593	5,628	(42,882)	695	20,600	142,634
Total net position - beginning	3,460,694	(109,177)	875,788	10,237	828,566	5,066,108
Total net position - ending	$ 3,619,287	$ (103,549)	$ 832,906	$ 10,932	$ 849,166	$ 5,208,742

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

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020
(Expressed in thousands)

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Cash flows from operating activities:						
Cash received from customers	$ 1,959,722	$	$	$ 527,426	$ 329,203	$ 2,816,351
Cash received from other government agencies	331,922					331,922
Auxiliary enterprise charges	299,563					299,563
Compensation and benefits	(2,349,195)	(21,161)	(1,381,803)	(4,987)	(339,102)	(4,096,248)
Payments to suppliers	(1,159,411)	(723)		(62,197)	(13,385)	(1,235,716)
Insurance taxes		17,162				17,162
Unemployment taxes			140,220			140,220
Payments for lottery prizes				(368,268)		(368,268)
Principal and interest on loans received	7,970					7,970
Loan administration received					839	839
Loans issued to students	(4,378)					(4,378)
Federal grant funds expended					(1)	(1)
Scholarships and fellowships	(164,178)					(164,178)
Other operating receipts (payments)	55,961	43	12,546	(4,193)	1,844	66,201
Net cash provided by (used in) operating activities	(1,022,024)	(4,679)	(1,229,037)	87,781	(20,602)	(2,188,561)
Cash flows from noncapital financing activities:						
Direct lending receipts	471,894					471,894
Direct lending payments	(479,594)				(4,810)	(484,404)
Direct lending interest					(1,635)	(1,635)
Taxes	33,811					33,811
Grants and contributions	515,922		1,061,443		33,960	1,611,325
Transfers in	1,001,626		1,393,640	3,904	2,315	2,401,485
Transfers out	(66,231)		(1,405,492)	(74,000)	(475)	(1,546,198)
Net cash provided by (used in) noncapital financing activities	1,477,428		1,049,591	(70,096)	29,355	2,486,278
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(115,486)					(115,486)
Interest paid on capital debts and leases	(62,140)					(62,140)
Acquisition and construction of capital assets	(261,908)	(6)		(942)	(1,143)	(263,999)
Proceeds from long-term borrowings	273,293					273,293
Proceeds from sale of capital assets	7,621					7,621
Capital grants and gifts	50,686					50,686
Net cash used in capital and related financing activities	(107,934)	(6)		(942)	(1,143)	(110,025)
Cash flows from investing activities:						
Purchase of investments	(386,330)				(30,246)	(416,576)
Proceeds from sale and maturities of investments	206,245	(19,648)			102,912	289,509
Interest and dividends on investments	13,539	1,778	20,179	2,123	5,402	43,021
Loan disbursements					(70,311)	(70,311)
Principal repayments on loans					41,766	41,766
Interest received on loans					7,362	7,362
Federal grant funds expended					(8,552)	(8,552)
Net cash provided by (used in) investing activities	(166,546)	(17,870)	20,179	2,123	48,333	(113,781)
Net increase (decrease) in cash and cash equivalents	180,924	(22,555)	(159,267)	18,866	55,943	73,911
Cash and cash equivalents - beginning	876,366	80,479	831,016	118,813	343,911	2,250,585
Cash and cash equivalents - ending	$ 1,057,290	$ 57,924	$ 671,749	$ 137,679	$ 399,854	$ 2,324,496

Continued on the following page

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2020
(Expressed in thousands)

Continued from the previous page

	Enterprise Funds					
	Higher Education	Workers' Compensation Commission	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:						
Operating income (loss)	$ (1,402,177)	$ 3,842	$ (1,620,673)	$ 87,837	$ (27,442)	$ (2,958,613)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	284,483	88	133	409	18	285,131
Pension expense				213		213
Other postemployment benefits expense				260		260
Federal grants expended					8,552	8,552
Other operating activities	4,850					4,850
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	2,669	569	15,539	(4,588)	(3,347)	10,842
Loans receivable	3,201					3,201
Inventory	(681)					(681)
Prepaid items	3,196	16		(15)		3,197
Deposits with Multi-State Lottery Association				64		64
Other current assets	94,278					94,278
Current liabilities	(17)					(17)
Accounts payable and other accrued liabilities	(16,061)	(9,987)	375,964	3,520	1,617	355,053
Total other postemployment benefits liabilities	(305)	1,953				1,648
Net pension liability	7,055	600				7,655
Deferred outflows related to pensions	1,470	244				1,714
Deferred outflows related to OPEB		(1,622)				(1,622)
Deferred inflows related to pensions	(1,362)	(512)				(1,874)
Deferred inflows related to OPEB		84				84
Compensated absences	13,749	46		68		13,863
Unearned revenue	(16,372)			13		(16,359)
Net cash provided by (used in) operating activities	$ (1,022,024)	$ (4,679)	$ (1,229,037)	$ 87,781	$ (20,602)	$ (2,188,561)
Non-cash investing, capital and financing activities:						
Amortization of bond discount	$ (1)					$ (1)
Amortization of bond premium	330					330
Amortization of cost associated with debt issuance and refundings	200					200
Assets acquired by capital lease	22,287					22,287
Capital assets purchased with bond proceeds held by trustee	2,738					2,738
Capital improvements received in lieu of payment	3,479					3,479
Costs of student loan principal and interest cancelled	(52)					(52)
Deposit of bond proceeds with trustee, including accrued interest and reserves	371,309					371,309
Donated capital assets/gifts	38,965					38,965
Donated scholarships from the foundation	318					318
Earnings on investments with trustee	3,334					3,334
(Increase) decrease in note receivables allowance for bad debt	157					157
Net gain/loss on the disposal of assets	7,944					7,944
Net increase/decrease in the fair value of investments	651					651
Payment of bond issuance cost and other fees from bond proceeds and reserves	1,739					1,739
Payment of debt service directly from trustee	7,306					7,306
Trade-in allowance for equipment	297					297
Unearned revenue from skybox purchase	85					85
Valuation adjustment to capital assets	(4)					(4)
Value of assets received from vendors for sponsorship agreements	3,568					3,568

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2020
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds	Agency Funds
Assets			
Cash and cash equivalents	$ 730,167	$ 25,643	$ 160,258
Receivables:			
Employee	10,157		
Employer	32,557		
Investment principal	43,122		
Interest and dividends	35,091	17	18
Other	1,189		23
Due from other funds	3,555		
Total receivables	125,671	17	41
Investments at fair value:			
Certificates of deposit			15,382
U.S. government securities	513,418	4,938	5,542
Bonds, notes, mortgages and preferred stock	956,605		202
Common stock	5,643,051		
Real estate	1,070,012		
International investments	2,676,013		
Mutual funds	558,923	2,955	4,145
Pooled investment funds	4,453,454		
Corporate obligations	1,291,828	1,937	502
Asset and mortgage-backed securities	202,946		
State recycling tax credits	176,000		
Other	9,379,500		
Total investments	26,921,750	9,830	25,773
Other assets			
Securities lending collateral	1,116,064		
Financial assurance instruments			255,092
Capital assets	14,519		
Other assets	339		
Total other assets	1,130,922		255,092
Total assets	28,908,510	35,490	441,164
Deferred Outflows of Resources			
Deferred outflows related to OPEB	2,565		
Total assets and deferred outflows of resources	$ 28,911,075	$ 35,490	$ 441,164
Liabilities			
Accounts payable and other liabilities	$ 24,076	$	$ 11,864
Investment principal payable	57,989		
Obligations under securities lending	1,118,097		
Total other postemployment benefits liability	12,716		
Due to other governments			149,423
Due to other funds	11		
Due to third parties			279,877
Total liabilities	1,212,889		441,164
Deferred Inflows of Resources			
Deferred inflows related to other post employment benefits	1,222		
Total liabilities and deferred inflows of resources	$ 1,214,111	$	$ 441,164
Net Position			
Net position restricted for pensions	27,696,964		
Net position - amounts held in trust for pool participants		35,490	
Total net position	$ 27,696,964	$ 35,490	$

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

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2020
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds
Additions:		
Contributions:		
Members	$ 236,073	$
Employers	778,596	
Pool participants (deposits)		8,178
Supplemental contributions	13,426	
Title fees	4,754	
Court fees	1,051	
Reinstatement fees	1,459	
Total contributions	1,035,359	8,178
Investment income:		
Net increase in fair value of investments	(86,370)	2
Interest, dividends and other	296,691	553
Other investment income	8,965	
Securities lending income, net of expenses	8,122	
Total investment income	227,408	555
Less investment expense	84,072	
Net investment income	143,336	555
Miscellaneous	5,227	
Total additions	1,183,922	8,733
Deductions:		
Benefits paid to participants or beneficiaries	2,004,710	
Refunds of employee/employer contributions	27,407	
Pool participants (withdrawals)		11,277
Administrative expenses	20,291	8
Total deductions	2,052,408	11,285
Change in net position held in trust for employees' pension benefits	(868,486)	
Change in net position held in trust for pool participants		(2,552)
Net position - beginning	28,565,450	38,042
Net position - ending	$ 27,696,964	$ 35,490

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

Notes to the Financial Statements – Table of Contents

Note	Description	Page
1	Summary of Significant Accounting Policies	40
2	Deposits and Investments	52
3	Derivatives	65
4	Securities Lending Transactions	67
5	Receivables	68
6	Interfund Activity	69
7	Capital Assets	71
8	Long-Term Liabilities	74
9	Pledged Revenues	88
10	Arbitrage Rebate and Excess Earnings Liability	90
11	Leases	90
12	Pollution Remediation	92
13	Fund Balance/Net Position	94
14	Pensions	96
15	Postemployment Benefits Other Than Pensions	110
16	Additional Information – Enterprise Funds	126
17	Risk Management Programs	128
18	Commitments and Contingencies	136
19	Business Incentives	140
20	Tax Abatements	141
21	Joint Ventures	146
22	Subsequent Events	147

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

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

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

(b) Reporting Entity

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

(c) Component Units

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

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

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

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

Complete financial statements of ADFA can be obtained by contacting:

ADFA 1 Commerce Way, Little Rock, AR 72202 https://adfa.arkansas.gov/financial-statements/

The Governmental Fund of the State has significant transactions with ADFA. During the 2020 fiscal year, the Governmental Fund paid $32.0 million to ADFA for loan payments and $2.1 million for interest on loans. Additional information on loans and notes payable to Component Unit can be found in Note 8. The Governmental Fund paid $21.4 million for lease payments and $4.3 million for interest on leases. Additional information on leases payable to Component Unit can be found in Note 11. The Governmental Fund paid $5.0 million to ADFA for the Tobacco Settlement Debt Service Account. Additional information on this transaction can be found in Note 18.

In addition, two nonprofit foundations are included as discretely presented component units following the government-wide financial statements. Although the State does not control the timing or amount of receipts from either of these foundations, the economic resources that the foundations hold and invest are almost entirely restricted by the donors for distribution and use benefiting the State and are significant to the State. As a result, these foundations are considered component units of the State in accordance with generally accepted accounting principles.

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

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

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

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

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

During the year ended June 30, 2020, the foundations distributed $96.1 million to, or on behalf of, the University of Arkansas.

(d) Measurement Focus and Basis of Accounting

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

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

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

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

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

(e) Government-Wide Financial Statements

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

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

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

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

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

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

(f) Fund Financial Statements

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

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

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

Governmental Fund

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

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

Proprietary Funds

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

Higher Education Fund

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

Workers' Compensation Commission Fund

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

Department of Commerce
Division of Workforce Services – Unemployment Insurance Fund

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

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

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

Non-Major Enterprise Funds

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

Fiduciary Funds

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

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

Cash and Cash Equivalents

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

Investments

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

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

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

The University of Arkansas (UA) System and the UA Foundation have established an external investment pool (the Pool). The investments in the Pool are managed by the UA Foundation. The UA Board of Trustees and the UA Foundation, Inc., Board of Trustees are the sponsors of this investment pool and are responsible for its operation and oversight. Participation in the Pool is voluntary. At June 30, 2020, four campuses, one division and six foundations participated in the Pool. The foundations hold approximately $1.9 billion (external portion) of the investments in the Pool. The Pool issues a publicly available financial report, which may be obtained by writing the University of Arkansas Foundation, 535 Research Center Boulevard, Suite 120, Fayetteville, AR 72701.

Interfund Receivables and Payables

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

Inventories and Prepaid Items

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

Noncurrent Cash and Investments

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

Capital Assets

Methods Used to Value Capital Assets

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

Capitalization Policies

All land and other non-depreciable assets are capitalized regardless of cost. Buildings and building improvements are capitalized when the cost of the building, or an improvement which becomes an integral part of a building, exceeds $100,000. All other tangible assets, including equipment, are capitalized when the cost of an individual item exceeds $5,000 and the estimated useful life exceeds one year. Intangible assets are recorded at historical cost and depreciated using the same method for tangible assets. It is the State’s policy to capitalize intangible assets when the individual item’s cost exceeds $1 million for internally generated software or $5,000 for all other intangible assets, and the estimated useful life exceeds one year.

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

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

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

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

Items Not Capitalized and Depreciated

The State possesses certain capital assets that have not been capitalized and depreciated because the assets cannot be reasonably valued and/or the assets have inexhaustible useful lives. These assets include works of art and historical treasures, such as statues, monuments, historical documents, paintings, rare library books, miscellaneous capital-related artifacts and furnishings, etc. GASB Statement No. 34 does not require these items to be capitalized because (1) the items are held for reasons other than financial gain, (2) the items are protected, kept unencumbered, cared for and preserved, and (3) the items are subject to a State policy requiring the proceeds from the sales of collection items be used to acquire other items for collections. The State also acts as an agent for the tracking and disbursement of federal surplus property. The assigned value of this property at June 30, 2020, was $28.6 million and is not reflected in the financial statements.

Depreciation and Useful Lives

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

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

Accrued and Other Current Liabilities

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

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

Income Tax Refunds Payable

Income tax refunds are accounted for as a reduction in the appropriate tax revenue category. The amount reported as income tax refunds payable at June 30, 2020, is related to projected refund estimates attributable to fiscal year 2020 tax revenues.

Compensated Absences

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

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

Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

Pensions

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

Bond-Related Items

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

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

Net Position/Fund Balance

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

Fund Balance Classifications

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

Non-spendable fund balance

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

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

This amount is the residual classification for the General Fund.

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

See Note 13 for additional information about fund balances.

Restricted Assets/Net Position

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

Reclassifications

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

(h) Use of Estimates

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

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

In May 2020, GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The objective of this Statement was to provide temporary relief to governments due to the COVID-19 pandemic. The relief was provided in the form of postponement of effective dates of certain Statements. The Statement was effective when issued. The information for the following Statements discussed below reflect the implementation dates provided in Statement No. 95:

- GASB Statement No. 84
- GASB Statement No. 87
- GASB Statement No. 90
- GASB Statement No. 91
- GASB Statement No. 92
- GASB Statement No. 93

GASB Statement No. 84, *Fiduciary Activities,* provides criteria for identifying fiduciary activities of state and local governments and addresses accounting and financial reporting requirements for those fiduciary activities. Activities meeting the criteria are required to be reported in the fiduciary fund financial statements. An exception to that requirement is provided for a business-type activity that normally expects to hold custodial assets for three months or less. The Statement defines the four fiduciary funds that should be reported. A significant change is changing the name of agency funds to custodial funds. Custodial funds will report fiduciary activities not required to be reported in one of the other fiduciary fund types. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (i.e., fiscal year 2021).

GASB Statement No. 87, *Leases*, provides accounting and financial reporting requirements for leases by governments. The Statement requires recognition of certain lease assets and liabilities for leases that previously were classified as operating leases. The Statement establishes a single model for lease accounting based on the principle that leases are financing arrangements of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right-to-use lease asset. A lessor is required to recognize a lease receivable and a deferred inflow of resources. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (i.e., fiscal year 2022).

GASB Statement No. 90, *Majority Equity Interests,* clarifies accounting and financial reporting requirements for a government that holds a majority equity interest in an organization that remains legally separate. The Statement requires the majority equity interest to be reported as an investment if it meets the definition of an investment as provided in GASB Statement No. 72. If the majority equity interest does not meet the definition of an investment, the legally separate entity is to be reported as a component unit. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019 (i.e., fiscal year 2021).

GASB Statement No. 91, *Conduit Debt Obligations*, establishes a single method of reporting conduit debt obligations by issuers. The single method is designed to reduce diversity in practice. The Statement defines a conduit debt obligation. A government issues a conduit debt obligation for the benefit of a third party that is not part of the government's financial reporting entity. The issuer should not recognize a liability for the obligation as the third party is primarily responsible for repaying the debt. However, if the issuer makes additional or voluntary commitments, it should recognize a liability for the commitments if certain criteria are met. The issuer must disclose general information about their conduit debt obligations and a description of each commitment. The requirements of this Statement are effective for reporting periods beginning after December 15, 2021 (i.e., fiscal year 2023).

GASB Statement No. 92, *Omnibus 2020,* addresses several practice issues to improve consistency of application and comparability in accounting and financial reporting. Issues addressed include:

- Intra-entity transfers of assets
- Reporting assets accumulated for postemployment benefits
- Application of GASB Statement No. 84 to postemployment benefit arrangements
- Measurement of asset retirement obligations in a government acquisition
- Reporting by public entity risk pools
- Reference to nonrecurring fair value measurements in authoritative guidance
- Terminology used to refer to derivative instruments in authoritative guidance

The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (i.e., fiscal year 2022).

GASB Statement No. 93, *Replacement of Interbank Offered Rates,* addresses accounting and financial reporting issues related to the replacement of an interbank offered rate (IBOR). IBORs are commonly used as the basis for variable payments in various financial instruments and derivative instruments. The London Interbank Offered Rate (LIBOR) is expected to be terminated as an IBOR by the end of 2021. This Statement provides guidance on accounting for the replacement of an IBOR. The requirements of this Statement are effective for reporting periods beginning after June 15, 2021 (i.e., fiscal year 2022).

GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements,* addresses accounting and financial reporting issues related to public-public partnerships and public-private partnerships (PPPs) and availability payment arrangements (APA). PPPs are arrangements in which the transferor contracts with an operator to provide public services by conveying the use of a nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement requires PPPs that meet the definition of a lease to be accounted for using provisions in GASB Statement No. 87. For all other PPPs, the applicable provisions in this Statement are to be applied. APAs are arrangements in which the government compensates an operator for services such as designing, constructing, financing, maintaining or operating a nonfinancial asset for a period of time in an exchange or exchange-like transaction. Applicable provisions of this Statement are to be applied to APAs. The requirements of this Statement are effective for reporting periods beginning after June 15, 2022 (i.e., fiscal year 2023).

GASB Statement No. 96, *Subscription-Based Information Technology Arrangements,* addresses accounting and financial reporting of subscription-based information technology arrangements (SBITAs). A SBITA is a contract that coveys control of the right to use another party's (the vendor) information technology (IT) software, either alone or in combination with tangible capital assets (underlying IT assets) for a specified period of time. This Statement provides that the government should recognize a right-to-use subscription asset, an intangible asset, and a corresponding subscription liability. The subscription liability is measured using the future expected subscription payments discounted to their present value. The subscription asset is measured as the sum of the subscription liability, payments made in advance, and any implementation costs. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022 (i.e., fiscal year 2023).

GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*, addresses issues related to evaluating a potential component unit and accounting and financial reporting of IRC Section 457 deferred compensation plans. For purposes of determining whether a potential component unit should be reported by a primary government, this Statement makes amendments to previous guidance regarding appointment of a voting majority and the financial burden criterion. For purposes of determining if an IRC Section 457 plan should be reported by the sponsoring government, this Statement requires the plan to be reported as a pension plan if it meets the definition. In addition, if the IRC Section 457 plan does not meet the definition of a pension plan, it should be determined if it should be reported as a fiduciary activity. Requirements are effective immediately except that the following are effective for fiscal years beginning after June 15, 2021 (i.e., fiscal year 2022):

- Requirements related to accounting and financial reporting of Section 457 plans.
- Requirements related to determining whether the primary governments is financially accountable for potential component units except those specifically exempted from the requirements as described in the Statement.

(2) Deposits and Investments

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

(a) Deposits

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

Ark. Code Ann. § 19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher education, abide by the recommendations of the State Board of Finance (SBF). The SBF promulgated Rule 2012-A, effective July 14, 2012, that details requirements for the management of State agencies’ cash funds, including investment activities and the collateralization of these funds, and is referenced in the Financial Management Guide (FMG) issued by the Department of Finance and Administration (DFA) for use by all State agencies.

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

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

The SBF policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §19-3-510 and §19-3-518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed the FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

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

At June 30, 2020, the reported bank balances of the general fund were $907,064,404. Of this amount, $3,623,991 was uninsured and uncollateralized.

At June 30, 2020, the reported bank balances of the enterprise funds were $1,343,812,160. Of this amount, $1,246,169 was uninsured and uncollateralized and $189,878 was uninsured and collateralized with securities held by the pledging financial institution.

At June 30, 2020, the reported bank balances of the fiduciary funds were $625,410,977. Of this amount, $1,729,785 was uninsured and uncollateralized.

At June 30, 2020, the reported bank balances of the component unit were $9,2000,000. Of this amount, $244,000 was uninsured and uncollateralized and $549,000 was uninsured and collateralized with securities held by the pledging financial institution.

(b) Investments

Interest Rate Risk

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

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

As of June 30, 2020, the State of Arkansas had the following debt investments and maturities (expressed in thousands):

		Investment Maturities (in years)			
Investment Type	Fair Value	Less Than 1	1 to 5	6 to 10	More Than 10
General fund					
Bonds	$ 86,634	$ 29,260	$ 27,762	$ 29,612	$
Commercial paper	912,053	912,053			
Domestic securities	89				89
Money market mutual fund	1,845,547	1,845,547			
Mortgage-backed securities	1,883,799	76,131	29,004	500,879	1,277,785
Negotiable certificates of deposit	15,026	12,564	2,462		
U.S. treasuries	9,104	9,104			
U.S. government agencies	493,982	52,492	47,222	339,181	55,087
Subtotal	5,246,234	2,937,151	106,450	869,672	1,332,961
Enterprise funds					
Bonds	71,527	32,671	35,055	3,659	142
Commercial paper	87,015	87,015			
Commingled Funds	189,286	189,286			
External investment pools	165,394	165,394			
Money market mutual funds	214,112	214,112			
Mortgage-backed securities	64,030	2,588	986	17,024	43,432
Negotiable certificates of deposit	5,672	4,801	871		
Other	139		139		
Short-term investments	249,765	249,765			
U.S. government agencies	98,514	53,452	29,154	12,750	3,158
U.S. treasuries	282,159	149,262	127,666	5,105	126
Subtotal	1,427,613	1,148,346	193,871	38,538	46,858
Fiduciary funds					
Asset- and mortgage-backed securities	276,510	188,539	24,309	13,691	49,971
Bond funds	756,313		109,281	592,493	54,539
Commercial paper and loans	203,828	191,041	10,763	2,024	
Corporate bonds and notes	2,551,853	387,332	927,947	681,609	554,965
External investment pools	1,607,760	347,512	30,527	1,229,721	
Municipal bonds	16,848	1,789	7,798	4,682	2,579
Short-term investments	641,540	640,615		925	
State recycling tax credits	176,000	16,000	64,000	80,000	16,000
U.S. government agencies	223,017	4,088	25,365	26,605	166,959
U.S. treasuries	301,097	43,425	98,882	102,477	56,313
Subtotal	6,754,766	1,820,341	1,298,872	2,734,227	901,326
Component unit					
Commingled funds	48,524	48,524			
Money market mutual funds	97,159	97,159			
Mortgage-backed securities	187,980		3,376	20,905	163,699
Mutual bond funds	6,291			6,291	
U.S. government agencies	1,557	1,054	503		
U.S. treasuries	38	38			
Subtotal	341,549	146,775	3,879	27,196	163,699
Total	$ 13,770,162	$ 6,052,613	$ 1,603,072	$ 3,669,633	$ 2,444,844

Corporate Debt

As of June 30, 2020, the Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS) and Arkansas State Highway Employees Retirement System (ASHERS) all held corporate debt with fair values of $778,596,590, $325,664,164 and $211,788,537, respectively. Corporate bonds are debt instruments that are issued by private corporations. They have a term maturity and can have either a fixed or variable interest rate. Variable interest rate bonds have adjustments that are made periodically and vary directly with movements in interest rates. As of June 30, 2020, only $16,850,897 of the bonds held by ASHERS were considered sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2020, APERS and ATRS held convertible bonds with fair values of $297,060,494 and $599,569,199, respectively. Convertible bonds convey an option to the bondholder to exchange each bond for a specified number of shares of common stock of the corporation. Convertible bonds offer lower coupon rates and promised yields to maturity than do nonconvertible bonds. A variable coupon varies directly with movements in interest rates.

Promissory Notes

As of June 30, 2020, ATRS held promissory notes with a fair value of $257,463,572. Promissory notes are a form of debt that companies use to raise money in exchange for payment of a fixed amount of periodic income at a specified date or on demand. Three unsecured promissory notes were issued to Big River Steel Holdings, LLC, and one secured note was issued to Highland Pellets, LLC.

Credit Risk

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

The SBF policy is that readily marketable commercial paper carry an investment rating of A-1 or better by Standard and Poor's Ratings Services (S&P) and P-1 by Moody's Investors Service (Moody's) for maturities not exceeding 180 days. For maturities not exceeding 90 days, the ratings for commercial paper should be A-2 or better by S&P and P-2 or better by Moody's. The Board's policy for corporate bonds of maturity of one year or less is that they should have ratings of A- or A3 or better by at least two of the credit ratings agencies that rate the issue (S&P, Moody's or Fitch Ratings Inc. (Fitch)), and bonds of maturity over one year should have ratings of AA- or better by each of the credit ratings agencies that rate the issue (S&P, Moody's and Fitch). ASHERS has adopted a formal investment policy for credit risk with some of the guidelines being debt securities are to have an investment rating of BAA or better by Moody's or a rating of BBB or better by S&P and commercial paper is to be rated P-1 by Moody's or A-1 by S&P. APERS, ATRS and the institutions of higher education do not have a credit risk policy.

The State's exposure to credit risk as of June 30, 2020, is as follows (expressed in thousands):

Rating		Fair Value
General fund		
AAA	$	1,987,066
AA		279,999
A		64,748
BBB		75
A-1+		8,542
A-1		903,511
Unrated		2,002,309
Subtotal		5,246,250
Enterprise funds		
AAA		254,442
AA		68,145
A		4,695
BBB		2,418
B		144
A-1+		4,591
A-1		61,436
Unrated		722,642
Subtotal		1,118,513
Fiduciary funds		
AAA		720,627
AA		403,286
A		1,040,721
BBB		553,476
BB		277,033
B		176,272
CCC or below		49,407
A-1+		124
A-1		214,620
Unrated		3,319,200
Subtotal		6,754,766
Component unit		
AAA		286,694
Unrated		54,855
Subtotal		341,549
Total ratings	$	13,461,078

Custodial Credit Risk

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

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

At June 30, 2020, the reported amount of the enterprise funds' investments was $1,485,143,256. Of this amount, $1,423,847 was uninsured and unregistered with securities held by the counterparty's trust department or agent but not in the government's name.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributable to the magnitude of the State's investment in any one issuer that represents 5% or more of total investments. The State places no limit on the amount the State Treasury may invest in U.S. government agency securities. The SBF policy for corporate debt, including both commercial paper and bonded debt of an issuer, is that 1) no investment shall be made in any single issuer which, at the time of purchase, exceeds 5% of the total portfolio of the Treasury or the STMMT and 2) that total corporate debt, including bonds and commercial paper, will not exceed 30% of the total portfolio of the Treasury or the STMMT, with the exception that second-tier commercial paper may not exceed 5% of the total portfolio of the Treasury or the STMMT. ASHERS has adopted a formal investment policy for concentration of credit risk with some of the guidelines being no more than 5% of total assets may be invested in the debt securities of any one issuer and no more than 3% of total assets may be invested in any one debt issue. ATRS and APERS do not have formal investment policies for concentration of credit risk. The State's investments representing 5% or more of total investments of the general fund included Federal Home Loan Mortgage Corporation (FHLMC) securities of $1,221,885,580 (23.29%) and Federal National Mortgage Association (FNMA) securities of $791,229,128 (15.08%). The State's investments representing 5% or more of total investments of the component unit included FNMA securities of $24,961,000 (7.31%).

Foreign Currency Risk

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

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

The exposure to foreign currency risk for investments and deposits at June 30, 2020, is as follows (expressed in thousands):

Currency	Total Exposure	Equities	Fixed Income	Forward Currency Contracts (1)	Investment Principal - Receivable	Investment Principal - Payable	Accrued Income	Cash Deposits
Argentine Peso	$ 986	$	$ 609	$ (10)	$	$	$	$ 387
Australian Dollar	25,620	25,577					43	
Brazilian Real	28,675	28,660					15	
British Pound Sterling	481,147	479,306		(763)	2,319	(179)	452	12
Canadian Dollar	51,250	51,085					165	
Chinese Yuan Renminbi	4,150	26,082		(21,989)				57
Danish Krone	23,616	22,643					973	
Euro	621,678	619,673	1,383	(686)		(147)	1,463	(8)
Hong Kong Dollar	94,687	93,619		972			96	
Indian Rupee	431							431
Indonesian Rupiah	17,097	17,097						
Israeli Shekel	4,685	4,685						
Japanese Yen	316,219	322,272		(6,604)	111		317	123
Mexican Nuevo Peso	4,738	4,738						
New Taiwan Dollar	22,272	22,272						
New Zealand Dollar	3,768	3,768						
Norwegian Krone	3,682	3,640					42	
Singapore Dollar	12,947	12,947						
South African Rand	54,337	54,337						
South Korean Won	112,087	111,932					155	
Swedish Krona	105,372	105,311		11			50	
Swiss Franc	189,773	195,003		(7,153)	87		1,836	
Thailand Baht	2,032	2,032						
Total fair value	$ 2,181,249	$ 2,206,679	$ 1,992	$ (36,222)	$ 2,517	$ (326)	$ 5,607	$ 1,002

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

Depositary Receipts

A depositary receipt is a negotiable certificate issued by a bank to represent a foreign company's publicly traded securities. A custodian bank in the foreign country holds the actual shares, often in a form of an American Depository Receipt (ADR), which is listed and traded on exchanges based in the United States, or a Global Depository Receipt (GDR), which is traded in established non-U.S. markets. Indirectly, depository receipts are exposed to foreign currency risk since the non-U.S. company would be doing business in a foreign currency. At June 30, 2020, ASHERS had $11,945,883 invested in ADRs.

Fair Value Measurement

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

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

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

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

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

The following table represents the State of Arkansas's investments and securities lending collateral measured at fair value on a recurring basis by valuation hierarchy as of June 30, 2020 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 86,634	$ 353	$ 86,281	$
Domestic securities	680	680		
Mortgage-backed securities	1,883,799		1,883,799	
Mutual funds	105	105		
Negotiable certificates of deposit	15,026	2,002	13,024	
U.S. government agencies	493,982	741	493,241	
U.S. treasuries	9,104	9,104		
Total investments at fair value	2,489,330	$ 12,985	$ 2,476,345	$
Investments measured at net asset value (NAV)				
First American Funds - Treasury & Government Obligations	10,735			
Total investments	$ 2,500,065			

Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 5,860	$ 2,927	$ 2,933	$
Bond Funds	380	380		
Commingled funds	206,581	15,599	190,982	
Domestic equities	5,745	5,613	131	1
Exchange traded funds	6,522	6,522		
External investment pools	16,501	15,339		1,162
International equities	10		10	
Marketable alternatives	470			470
Money Market Mutual Fund	13	13		
Mortgage-backed securities	64,030		64,030	
Mutual funds	3,389	3,389		
Negotiable certificates of deposit	44,562	37,207	7,355	
Non-marketable alternatives	2,950			2,950
Other	222	5	139	78
Other debt securities	105,741	751	104,990	
Short-term Investments	9,636	9,556	80	
U.S. government agencies	380,679	45,684	330,018	4,977
U.S. treasuries	5,053	5,053		
Total investments at fair value	858,344	$ 148,038	$ 700,668	$ 9,638
Investments measured at net asset value (NAV)				
External investment pool - UA Foundation	159,079			
Short-term investment fund pool - UA System	235,688			
External investment pool - UAFS Foundation	231			
External investment pools - NAC:				
Intermediate Term Fund	881			
Multi-Strategy Equity Fund	220			
Multi-Strategy Bond Fund	128			
Total investments at NAV	396,227			
Total investments	$ 1,254,571			

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Fiduciary funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Asset- and mortgage-backed securities	$ 251,054	$	$ 251,054	$
Corporate bonds and notes	1,930,857		1,660,606	270,251
Domestic equities	6,537,336	6,537,327		9
International equities	2,504,667	2,504,667		
International obligations	95,315		95,315	
Investment derivatives	(395)	(268)	(127)	
Limited partnerships	46,037	17,761		28,276
Municipal bonds	16,848		16,848	
Mutual and exhange traded funds	2,204,342	568,174	1,636,168	
Preferred stock	47,488	38,610	8,878	
Real estate	53,377	703		52,674
State recycling tax credits	176,000		176,000	
U.S. government agencies	194,771		194,771	
U.S. treasuries	329,343	164,849	164,494	
Total investments at fair value	14,387,040	$ 9,831,823	$ 4,204,007	$ 351,210
Investments measured at net asset value (NAV)				
Pooled investments:				
Commingled domestic equities	344,016			
Commingled international equities	1,077,549			
Commingled domestic fixed income	544,935			
Commingled funds	3,221,564			
Diversified investment funds	261,999			
Farmland funds	204,544			
Fund of funds	183,288			
Hedge funds	1,397,222			
Infrastructure funds	279,611			
Opportunistic funds	37,965			
Private equity funds	2,418,196			
Real estate funds	2,165,919			
Reinsurance funds	265,564			
Timberland funds	377,655			
Total investments at NAV	12,780,027			
Total investments	$ 27,167,067			
Securities lending collateral measured at fair value (1)				
Asset-backed securities	$ 204,731	$	$ 204,731	$
Commercial paper	169,068		169,068	
Floating rate notes	330,784		330,784	
Repurchase agreements	74,201		74,201	
Short-term investment pool (1)	21,479	21,479		
Total securities lending collateral at fair value	800,263	$ 21,479	$ 778,784	$
Securities lending collateral measured at net asset value (NAV)				
Quality D short-term investment pool (1)	315,801			
Total securities lending collateral	$ 1,116,064			

Component unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Commingled funds	$ 48,524	$	$ 48,524	$
Mortgage-backed securities	187,980		187,980	
Mutual bond funds	6,291		6,291	
U.S. agencies obligations	1,557		1,557	
Total investments at fair value	$ 244,352	$	$ 244,352	$

(1) Cash collateral received for security lending of Fiduciary funds totaled $1,118,098. The amount reported above is the fair value of the collateral at June 30, 2020.

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

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

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

The following table represents the State of Arkansas's investments measured at fair value on a nonrecurring basis by valuation hierarchy as of June 30, 2020 (expressed in thousands):

Component Unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate owned	$ 3,666	$	$	$ 3,666

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

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

Investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the following table as of June 30, 2020 (expressed in thousands):

General Fund

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
First American Funds - Government Obligations	$ 10,735		Daily	N/A

Enterprise Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
External investment pool - UA Foundation	$ 159,079		Daily	7-30 days
Short-term investment fund pool - UA System	235,688		Daily	0-3 days
External investment pool - UAFS Foundation	231		Daily	0 days
External investment pools - NAC:				
Intermediate Term Fund	881		Weekly	5 day
Multi-Strategy Equity Fund	220		Monthly	5 day
Multi-Strategy Bond Fund	128		Monthly	5 day
Total investments at NAV	$ 396,227			

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Fiduciary Funds

Investments measured at net asset value (NAV)		Total		Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
Pooled investments:						
Commingled domestic equities	$	344,016	$		Daily	T+1; T+3
Commingled international equities		1,077,549			Daily	T+1; T+3
Commingled domestic fixed income		544,935			Daily	T+3
Commingled funds		3,221,564			Daily-Quarterly	1 to 30 days
Diversified investment funds		261,999			Daily-Monthly	T+2; T+3; N/A
Farmland funds		204,544		15,464	Daily-Quarterly	30 to 60 days
Fund of funds		183,288			Last day of each Quarter	1yr; 2yrs; 3yrs; >3yrs; 55% liquidity; then 20%; then 15%; then 10%
Hedge funds		1,397,222		18,288	Weekly-Annually	3 to 90 days
Infrastructure funds		279,611		46,115	Quarterly	90 days
Opportunistic funds		37,965		73,800	Quarterly	60 days
Private equity funds		2,418,196		1,190,898	N/A	N/A
Real estate funds		2,165,919		510,363	Quarterly; 7-year lock up	T+45; T+90; 45 to 90 days; N/A
Reinsurance funds		265,564			Semiannually-Annually	60 - 90 days
Timberland funds		377,655			Quarterly; None	N/A; Partnership terminates December 2027; 90 days
Total investments at NAV	$	12,780,027	$	1,854,928		

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

External investment pools – University of Arkansas (UA)

This type of investment includes two pools: One is broadly invested in global equities, hedge funds, bonds, natural resources and real estate, while the other pool invests in treasuries, government agency bonds, corporate bonds, commercial paper, negotiable certificates of deposit and money market funds. The assets invested in both pools are accounted for at fair value determined according to the principles of the Financial Accounting Standards Board.

Intermediate Term Fund – North Arkansas College (NAC)

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

Multi-Strategy Equity Fund – NAC

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

Multi-Strategy Bond Fund – NAC

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

Pooled investments

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

Diversified investment funds

This investment type includes a fund that uses an unleveraged, actively managed, unconstrained, multi-asset strategy and a fund that uses modest leverage with a broadly diversified portfolio. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Farmland funds

The State has two farmland funds. One fund is an open-ended fund comprised of units that represent the State's ownership of underlying agricultural related assets. This fund may be redeemed quarterly with proper notification to the fund manager. The other fund holds the State's direct investments in farmland and related assets. These investments cannot be easily redeemed. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Distributions from the fund may be received in cash flows from operations or return of capital from sales of assets. The holding period is at the discretion of the fund manager based on the fund's purchase or sale of the underlying assets in the portfolio.

Fund of funds

This investment type is made up of a combination of hedge funds. It diversifies by allocating the portfolio to selected strategies and a variety of hedge funds and relying on a manager to monitor the allocation. The selected strategies will vary based on market conditions and can include the following types: fundamental equity, event-driven, fundamental credit, multi-strat, commodity, macro rates, thematic macro, quantitative, CTA and special situation. The value of the investments in this asset class has been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed on the last day of each quarter. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Hedge funds

Hedge funds consist of three risk premia funds that target absolute returns through long-short positions across various factors and classes, two long/short equity funds that seek to profit from securities identified as both undervalued and overvalued, two global macro funds that profit from broad market swings caused by political or economic events, two credit funds that invest primarily in debt instruments of other companies and one event driven fund and one co-investment fund that acquire enough shares of a company to gain a controlling interest in order to make corrections to potentially increase a stock's value. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. Redemption ranges from monthly to annually depending on the manager (with the exception of one fund that currently has a 1-year hold). Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

Infrastructure funds

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

Opportunistic funds

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

Private equity funds

Private equity includes 52 buyout funds, three distressed debt funds, two growth equity funds, 13 hard asset funds, four mezzanine funds, six multi-strategy funds, eight turnaround funds, 13 venture capital funds and three structured capital funds that invest mostly in private companies across a variety of industries. The value of the investments in this type have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. The nature of private equity investments is that distributions are received through the liquidation of the underlying assets of the fund. The expected holding period of a private equity portfolio company is 2 to 10 years.

Real estate funds

Real estate funds include eight core funds, 20 value added funds, and 21 opportunistic funds that invest primarily in the United States, Europe and Asia. Fund investments can be made in the debt, equity, or a combination of both in real estate property ventures. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed with proper notification to the fund manager. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets in the real estate funds is 2 to 10 years.

Reinsurance funds

Reinsurance funds invest in insurance products designed to collect premiums from an insurance company for taking a specific type and level of risk associated with natural disasters. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments can be redeemed annually. Distributions from each fund may be received as cash flows from operations or return of capital from sales of assets. The expected holding period of underlying assets is 6 months to 1 year.

Timberland funds

The State has three timberland funds that invest in acquisition, growth, and disposition of timber and associated properties. The value of the investments in this asset class have been determined using the NAV per share (or its equivalent) of the State's ownership interest in partners' capital. These investments cannot be easily redeemed. Distributions from the fund may be received as cash flows from operations or return of capital from sales of assets. The holding period for these assets is at the discretion of the fund manager based on the fund's purchase or sale of the underlying assets.

Securities lending collateral

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

(3) Derivative Instruments

The State invests in various asset-backed securities, mortgage-backed securities and various derivative instruments. These investments are reported at fair value in the balance sheet as government securities, asset- and mortgage-backed securities and international securities. They are also included in the totals of government securities, corporate securities and international securities, depending on the issuer, in the disclosure of investment risk (see Note 2 on Deposits and Investments). The State invests in these securities to enhance yields on investments.

Mortgage-Backed Securities

As of June 30, 2020, governmental activities, business-type activities, fiduciary funds and component units held mortgage-backed securities with fair values of $1.9 billion, $64.0 million, $316.9 million and $188.0 million, respectively. The yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost.

Asset-Backed Securities

As of June 30, 2020, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $307.1 million. These securities represent interests in various trusts consisting of pooled financial assets other than mortgage loans conveyed by the issuing parties. The ability to recover the amount of principal invested in these securities depends on the performance and quality of the trust assets.

Forward Currency Contracts

APERS and ATRS enter into various currency contracts to manage exposure of foreign portfolio holdings to changes in foreign currency exchange rates. A forward exchange contract is a commitment to purchase or sell a foreign currency at a future date at a negotiated rate. Risks associated with such contracts include movement in the value of the foreign currency in relation to the U.S. dollar and the ability of the counterparty to perform. The contracts are valued at forward exchange rates, and the changes in the value of open contracts are recognized as unrealized appreciation/depreciation in the statement of changes in plan net position. The realized gain or loss on closed forward currency contracts represents the difference between the original value of the original contracts and the closing value of such contracts and is included in the net increase (decrease) in fair value of investments in the statement of changes in plan net position. At June 30, 2020, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $5.332 million, collectively. Fair values of these outstanding contracts were $5.355 million, resulting in an unrealized gain of $23,000. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $39.278 million at June 30, 2020. Fair values of these contracts were $39.428 million, resulting in an unrealized loss of approximately $150,000.

Derivative Instruments

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

The fair value balances and notional amounts of derivative instruments outstanding at June 30, 2020, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

	Changes in Fair Value		Fair Value at June 30, 2020	
Type	**Classification**	**Amount**	**Classification**	**Amount**
Foreign currency forwards	Net increase (decrease) in fair value of investments	$ (67,684)	Investment derivatives	$ (126,742)
Futures	Net increase (decrease) in fair value of investments	(657,149)	Investment derivatives	(267,985)

Continued on the following page

Continued from the previous page

Foreign Currency Forward		**Fair Value**			**Notional Amount**
Argentine Peso	$	394	ARS	$	697,253
Swiss Franc		(17,871)	CHF		6,710,986
Chinese Yuan Renminbi		(103,449)	CNY		(155,477,262)
Euro		(46,809)	EUR		(1,237,000)
British Pound Sterling		7	GBP		9,062
Japanese Yen		38,090	JPY		(663,632,842)
Swedish Krona		440	SEK		5,895,026
United States Dollar		2,456	USD		3,681,897
Total foreign currency forwards	$	(126,742)		$	(803,352,880)
Futures	$	(267,985)	USD	$	13,000,000

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) participate in securities lending programs as authorized by Arkansas Code and the Boards of Trustees' policies whereby investment securities are transferred to an independent broker or dealer in exchange for collateral in the form of cash and cash equivalents, letters of credit, securities guaranteed by the U.S. Government or an agency thereof equal to at least 100% of the fair value of the securities loaned for ATRS and equal to at least 102% for domestic loans and 105% for international loans for APERS. The programs are administered by custodial agent banks. The types of securities on loan at June 30, 2020, include U.S. Government securities, corporate securities and international securities. With the exception of cash collateral, the pensions do not have the ability to pledge or sell the collateral securities received unless there is borrower default. The pensions invest cash collateral received; accordingly, investments made with cash collateral received appear as assets on the statements of plan net position. As the pensions must return the cash collateral to the borrower upon expiration of the loan, a corresponding liability is recorded as obligations under securities lending. These securities have also been included in the preceding summary of deposits and investments (see Note 2). The weighted average maturity of collateral investments generally does not match the maturity of the loans. The custodial agents provide the pensions with an indemnification if insolvency causes the borrower to fail to return the securities lent or to fail to pay the income on the securities to the trust while lent. However, in the history of the pensions' participation in such programs, no losses resulting from default have occurred. As of June 30, 2020, the carrying value and fair value of the underlying securities was $1.1 billion. At June 30, 2020, the pension systems had no credit risk exposure to borrowers because the amounts the pension systems owed the borrowers was less than the amounts the borrowers owed the pension systems or because the custodian's indemnification eliminated the credit risk.

(5) Receivables

Receivables at June 30, 2020, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes (1)	Employee/ Employer	Medicaid	Capital Lease Receivable (2)	Loans	Investment-Related	Other Receivables	Allowance for Uncollectibles	Total
General Fund	$ 339,078 (3)	$ 1,156,853	$	$ 269,190	$ 319	$ 259,453	$ 6,748	$ 32,591	$ (635,224)	$ 1,429,008
Higher Education Fund	573,617					22,677	407	29,796	(347,132)	279,365
Workers' Compensation Commission	7,529 (3)						99	1		7,629
Division of Workforce Services	112,907						51		(73,829)	39,129
Office of the Arkansas Lottery	17,691									17,691
Non-major enterprise funds	4,881					465,554	523			470,958
Pension trust			42,714				78,213	1,189		122,116
Investment trust							17			17
Agency							18	23		41
Total	$ 1,055,703	$ 1,156,853	$ 42,714	$ 269,190	$ 319	$ 747,684	$ 86,076	$ 63,600	$ (1,056,185)	$ 2,365,954

(1) Receivable balances of $4,801 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $10 and $1 Interfund receivables due to the General Fund and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

Component Units

	Accounts	Loans	Capital Lease Receivable	Investment-Related	Contributions	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Development Finance Authority	$ 1,378	$ 517,323 (1)	$ 128,031	$ 8,138	$	$ (77,871)	$ 576,999
University of Arkansas Foundation				886	62,795	(887)	62,794
University of Arkansas Fayetteville Campus Foundation					4,780		4,780
Total	$ 1,378	$ 517,323	$ 128,031	$ 9,024	$ 67,575	$ (78,758)	$ 644,573

(1) The financial statements for ADFA for the year ending June 30, 2020, incorporate the financial statements of the Venture Capital Investment Trust Fund, a component unit of ADFA, for the fiscal year ending December 31, 2019. ADFA reports receivables of $63,000 (net of loans payable) in loans made to the component unit that were made after December 31, 2019. These receivables are included in the balance of ADFA's loans.

(6) Interfund Activity

Interfund Receivables and Payables (expressed in thousands):

Due To	Due From: General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 1,891	$ 9	$ 1,221	$ 117,169	$ 260	$ 10 (1)	$ 120,560
Higher Education Fund	19,335			30				19,365
Workers' Compensation Commission	245	326			1		1 (1)	573
Division of Workforce Services	166,670							166,670
Office of the Arkansas Lottery	4,466							4,466
Non-major Enterprise Funds	3,415							3,415
Pension trust	3,555 (2)							3,555
Total	$ 197,686	$ 2,217	$ 9	$ 1,251	$ 117,170	$ 260	$ 11	$ 318,604

(1) $10 and $1 Interfund receivables due to the General Fund and Workers' Compensation Commission, respectively, from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

(2) $3,555 Interfund payables due from the General Fund to the Pension Trust Fund were reclassified as accounts payable on the Government-wide Statement of Net Position.

Interfund receivables and payables include (1) $19.3 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $4.5 million due from the General Fund to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued; (3) $3.6 million due from the General Fund to the Pension Trust for employers' contributions; (4) $1.9 million due from the Higher Education Fund to the General Fund for workers' compensation contributions and administrative costs, unemployment contributions, information technology services and grants; (5) $117.2 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing and administrative costs; (6) $3.4 million of pharmacy rebates is due from the General Fund to the Public School Employee Insurance Plan; and (7) $166.7 million due from the General Fund to the Division of Workforce Services Enterprise Fund, of which $165.0 million is to reimburse the fund for the increase in unemployment benefits paid due to the COVID-19 pandemic. All amounts are expected to be repaid within one year.

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

Advances To	Advances From: General Fund	Higher Education Fund	Non-Major Enterprise Funds	Total
General Fund	$	$ 1,566	$ 334	$ 1,900
Higher Education Fund	9,585		6,147	15,732
Workers' Compensation Commission	225			225
Total	$ 9,810	$ 1,566	$ 6,481	$ 17,857

Advances include (1) an outstanding balance of $3.6 million loaned from the General Fund (i.e., Transformation and Shared Services – Division of Building Authority) to Higher Education for the Sustainable Building Design Program used to pay for energy improvements; (2) an outstanding balance of $6.0 million loaned from the Department of Finance and Administration State Budget Stabilization Trust Fund to Henderson State University; (3) an outstanding balance of $1.6 million loaned from the University of Arkansas for Medical Sciences to the Department of Human Services used in the construction of the West Central Power Plant; and (4) an outstanding balance of $6.1 million loaned from the Community/Technical College Revolving Loan program providing low interest loans to community and technical colleges for capitalizable education and general projects with variable interest rates.

Transfers (expressed in thousands):

	Transfers In						
Transfers Out	**General Fund**	**Higher Education**	**Department of Workforce Services**	**Workers' Compensation Commission**	**Office of the Arkansas Lottery**	**Non-Major Enterprise Funds**	**Total**
General Fund	$	$ 1,009,932	$ 165,000	$	$ 4,466	$ 5,484	$ 1,184,882
Higher Education	66,231						66,231
Division of Workforce Services	11,852						11,852
Office of the Arkansas Lottery	93,731						93,731
Non-major Enterprise Funds	3,624						3,624
Total	$ 175,438	$ 1,009,932	$ 165,000	$ 0	$ 4,466	$ 5,484	$ 1,360,320

Transfers include (1) $66.2 million transferred from the Higher Education Fund to the General Fund, which includes $59.7 million of State funding provided to the University of Arkansas Medical Sciences transferred to the Department of Human Services for the Medicaid Program; (2) $11.9 million transferred from Division of Workforce Services to the General Fund, which includes $3.3 million used to fund the Special Penalty and Interest Fund used for refunds of interest and penalties paid; (3) $93.7 million transferred from the Office of the Arkansas Lottery to the General Fund for the 2020/2021 academic school year; (4) $3.6 million transferred to the General Fund from the Non-Major Enterprise Funds, which includes $3.1 million transferred from the Safe Drinking Water Revolving Loan Fund to the Arkansas Department of Health for administration of the program; (5) $1.0 billion transferred from the General Fund to the Higher Education Fund for state funding of higher education institutions; (6) $4.5 million transferred from the General Fund back to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued; (7) $5.4 million transferred from the Arkansas Natural Resources Commission to the Non-Major Enterprise Funds, which includes $3.3 million for the administration of the Safe Drinking Water Revolving Loan Program, and $2.1 million to the Construction Assistance Revolving Loan Fund Program for the state match portion of the Waste Disposal and Pollution Abatement Facilities General Obligation Bond Fund; and (8) $165 million transferred from the General Fund to the Division of Workforce Services Enterprise Fund to reimburse the fund for the increase in unemployment benefits paid due to the COVID-19 pandemic.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2020, was as follows (expressed in thousands):

	Balance June 30, 2019	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2020
Governmental activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 1,026,111	$ 345	$ 40,775	$ (93)	$ 1,067,138
Construction in progress	1,992,852	(952,139)	829,230	(324)	1,869,619
Other non-depreciable/amortizable assets	23,446	43	6,242	(2)	29,729
Total capital assets, non-depreciable/amortizable	3,042,409	(951,751)	876,247	(419)	2,966,486
Capital assets, depreciable/amortizable:					
Improvements other than building	197,190	9,096	3,118	(7)	209,397
Buildings	1,812,258	20,150	12,431	(2,214)	1,842,625
Equipment	832,455	772	49,883	(30,380)	852,730
Infrastructure	16,641,336	916,681	2,158	(22,867)	17,537,308
Intangibles	379,202	1,888	378	(1,304)	380,164
Other depreciable/amortizable assets	9,720	3	186	(134)	9,775
Total capital assets, depreciable/amortizable	19,872,161	948,590	68,154	(56,906)	20,831,999
Less accumulated depreciation/amortization for:					
Improvements other than building	(126,153)	(60)	(6,509)	6	(132,716)
Buildings	(751,859)	(38)	(35,565)	1,681	(785,781)
Equipment	(576,366)	(90)	(53,646)	27,713	(602,389)
Infrastructure	(8,378,398)	(1)	(514,713)	22,867	(8,870,245)
Intangibles	(141,756)	(2)	(33,391)	1,300	(173,849)
Other depreciable/amortizable assets	(7,666)		(253)	131	(7,788)
Total accumulated depreciation/amortization	(9,982,198)	(191)	(644,077)	53,698	(10,572,768)
Total net of depreciation/amortization	9,889,963	948,399	(575,923)	(3,208)	10,259,231
Total capital assets, net	$ 12,932,372	$ (3,352)	$ 300,324	$ (3,627)	$ 13,225,717

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

Continued on the following page

Continued from the previous page

	Balance June 30, 2019	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2020
Business-type activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 173,563	$ 130	$ 5,638	$ (346)	$ 178,985
Construction in progress	178,384	(179,065)	189,928	(6,955)	182,292
Construction in progress - intangibles	12,301	(2,105)	22,017		32,213
Easements	2,675				2,675
Art/historic treasures	1,000		6		1,006
Other non-depreciable/amortizable assets	767	(18)	103	(144)	708
Total capital assets, non-depreciable/amortizable	368,690	(181,058)	217,692	(7,445)	397,879
Capital assets, depreciable/amortizable:					
Improvements other than building	35,628		5,771	(2)	41,397
Buildings	5,712,311	156,340	51,295	(5,022)	5,914,924
Equipment	890,741	(11,993)	49,383	(28,802)	899,329
Infrastructure	661,875	17,213	9,948	(781)	688,255
Intangibles	232,966	20,357	1,308	(172)	254,459
Library holdings	229,339	7,556	4,659	(1,364)	240,190
Other depreciable/amortizable assets	16,318	(1,937)	27	(9,279)	5,129
Total capital assets, depreciable/amortizable	7,779,178	187,536	122,391	(45,422)	8,043,683
Less accumulated depreciation/amortization for:					
Improvements other than building	(17,995)		(1,882)	2	(19,875)
Buildings	(2,585,134)	10,717	(180,318)	1,990	(2,752,745)
Equipment	(716,777)	2,044	(51,099)	26,958	(738,874)
Infrastructure	(290,956)	98	(29,928)	360	(320,426)
Intangibles	(166,335)	(3,808)	(14,608)	147	(184,604)
Library holdings	(190,060)	(7,556)	(6,828)	1,359	(203,085)
Other depreciable/amortizable assets	(6,939)	1,938	(468)	3,554	(1,915)
Total accumulated depreciation/amortization	(3,974,196)	3,433	(285,131)	34,370	(4,221,524)
Total Capital assets, depreciable/amortizable, net	3,804,982	190,969	(162,740)	(11,052)	3,822,159
Business-type activities capital assets, net	$ 4,173,672	$ 9,911	$ 54,952	$ (18,497)	$ 4,220,038

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

Component Units

Activity for ADFA for the year ended June 30, 2020, was as follows (expressed in thousands):

	Balance June 30, 2019	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2020
ADFA:					
Capital assets, non-depreciable/amortizable:					
Land	$ 670	$	$	$	$ 670
Capital assets, depreciable/amortizable:					
Building	2,032				2,032
Equipment	5,133		172	(41)	5,264
Intangibles	10,629				10,629
Total capital assets, depreciable/amortizable	17,794		172	(41)	17,925
Less accumulated depreciation/amortization for:					
Building	(786)		(63)		(849)
Equipment	(1,369)		(762)	20	(2,111)
Intangibles	(10,629)				(10,629)
Total accumulated depreciated/amortization	(12,784)		(825)	20	(13,589)
Total Capital assets, depreciable/amortizable, net	5,010		(653)	(21)	4,336
ADFA capital assets, net	$ 5,680	$	$ (653)	$ (21)	$ 5,006

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

Activity for U of A Foundation, Inc., for the year ended June 30, 2020, was as follows (expressed in thousands):

	Balance June 30, 2019	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2020
U of A Foundation, Inc.:					
Capital assets, non-depreciable/amortizable:					
Land	$ 31	$	$ 464	$ (147)	$ 348

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

Depreciation and Amortization

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

Primary Government

Governmental Activities:	
Education	$ 2,242
Commerce	3,215
Recreation and tourism	22,591
Health and human services	36,722
Transportation	532,222
Law, justice and public safety	31,374
Resource development	3,516
General government	11,999
Regulation of business and professionals	196
Total depreciation and amortization expense	$ 644,077

Business-type Activities:	
Enterprise funds	$ 285,131
Total depreciation and amortization expense	$ 285,131

Component Unit

ADFA	$ 825
Total depreciation and amortization expense	$ 825

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2020, are summarized as follows (expressed in thousands):

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due within One Year	Due Greater Than One Year
Governmental Activities:						
Bonds payable:						
General obligation	$ 1,250,480	$	$ 125,040	$ 1,125,440	$ 223,850	$ 901,590
Add (deduct):						
Issuance premium (discount):						
General obligation	79,888		12,935	66,953	12,942	54,011
Debt to component unit	2,799	847	58	3,588	307	3,281
Total bonds payable	1,333,167	847	138,033	1,195,981	237,099	958,882
Notes payable to component unit	59,399	30,755	29,115	61,039	3,909	57,130
Capital leases	1,039		488	551	501	50
Capital leases with component unit	127,387	21,773	21,420	127,740	9,445	118,295
Total loan, notes and leases payable	187,825	52,528	51,023	189,330	13,855	175,475
Total bonds, loan, notes and leases payable	1,520,992	53,375	189,056	1,385,311	250,954	1,134,357
Recycling tax obligation (1)	156,913		10,900	146,013	11,255	134,758
Claims, judgments and arbitrage (1)	128,297	314,078	322,760	119,615	105,961	13,654
Compensated absences (1)	149,550	114,365	105,871	158,044	26,472	131,572
Total claims, judgments, arbitrage and compensated absences	277,847	428,443	428,631	277,659	132,433	145,226
Pollution remediation (1)	15,397	799	4,255	11,941	2,777	9,164
Total OPEB liability (1)	2,104,109	665,389		2,769,498	68,611	2,700,887
Net pension liability (1)	2,057,384	154,418	97,379	2,114,423		2,114,423
Governmental activities total	$ 6,132,642	$ 1,302,424	$ 730,221	$ 6,704,845	$ 466,030	$ 6,238,815

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

Continued on the following page

Continued from the previous page

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance Revolving Loan Fund	$ 20,220	$	$ 2,745	$ 17,475	$ 2,640	$ 14,835
Safe Drinking Water Revolving Loan Fund	15,215		2,065	13,150	1,985	11,165
College and University						
Revenue bonds	1,950,875	493,255	349,035	2,095,095	89,330	2,005,765
Revenue bonds from direct placement	11,957	918	328	12,547	457	12,090
Add:						
Issuance premiums (discounts)	129,848	34,948	19,349	145,447	10,545	134,902
Total bonds payable	2,128,115	529,121	373,522	2,283,714	104,957	2,178,757
Notes payable from direct placement	66,038	41,788	12,603	95,223	12,735	82,488
Notes payable with component unit	8,998		481	8,517	496	8,021
Total notes payable	75,036	41,788	13,084	103,740	13,231	90,509
Capital leases	67,219	20,558	8,642	79,135	9,061	70,074
Total bonds, notes and leases payable	2,270,370	591,467	395,248	2,466,589	127,249	2,339,340
Claims and judgments	303,394	618,235	535,759	385,870	190,234	195,636
Compensated absences	118,530	80,056	65,947	132,639	16,291	116,348
Total claims, judgments and compensated absences	421,924	698,291	601,706	518,509	206,525	311,984
Total OPEB liability	146,519		1,568	144,951	5,968	138,983
Net pension liability	181,130	4,883		186,013		186,013
Business-type activities total	$ 3,019,943	$ 1,294,641	$ 998,522	$ 3,316,062	$ 339,742	$ 2,976,320

	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Development Finance Authority:						
Bonds payable	$ 556,282	$ 35,307	$ 115,104	$ 476,485	$ 17,451	$ 459,034
Notes payable from direct placement	11,640	10,202	1,701	20,141	10,105	10,036
Add: issuance premiums (discounts)	109		854	(745)		(745)
Total bonds and notes payable ADFA	568,031	45,509	117,659	495,881	27,556	468,325
Total OPEB liability	2,992	1,171		4,163	105	4,058
Net pension liability	3,948	358		4,306		4,306
U of A Foundation						
Annuity obligations	15,492	2,003	2,825	14,670	1,544	13,126
Component units total	$ 590,463	$ 49,041	$ 120,484	$ 519,020	$ 29,205	$ 489,815

Primary Government

Governmental Activities

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

General obligation bonds outstanding at June 30, 2020, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %		Balance
Federal Highway Grant Anticipation and Tax Revenue G.O. Bonds:				
2012 Series Federal Highway G.O.Bonds	2025	3.00 - 5.00	$	99,980
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00		97,305
2014 Series Federal Highway G.O.Bonds	2027	5.00		125,590
Four-Lane Highway Construction and Improvement G.O. Bonds:				
2013 Series Four Lane Highway G.O.Bonds	2023	1.00 - 5.00		422,445
Arkansas Economic Development Commission Bonds:				
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11		56,580
Arkansas Natural Resources Commission Bonds:				
2012A Series Water, Waste and Pollution	2027	1.50 - 3.30		13,950
2012B Series Water, Waste and Pollution	2048	2.00 - 4.00		35,025
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30		10,615
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50		7,615
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66		12,685
2016A Series Water, Waste and Pollution	2034	3.00 - 5.00		24,405
2017A Series Water, Waste and Pollution	2028	2.00 - 2.80		14,445
2017B Series Water, Waste and Pollution	2040	2.13 - 5.00		17,410
2019A Series Water, Waste and Pollution	2050	2.09 - 3.35		29,370
Higher Education Bonds:				
2015 Series, G.O. Bonds	2029	4.00 - 4.25		125,880
2016 Series, G.O. Bonds	2022	2.00 - 3.00		32,140
Total			$	1,125,440

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 223,850	$ 43,801	$ 267,651
2022	231,580	33,350	264,930
2023	236,855	25,260	262,115
2024	95,710	16,498	112,208
2025	83,865	12,634	96,499
2026-2030	167,835	29,182	197,017
2031-2035	42,825	11,681	54,506
2036-2040	18,190	6,245	24,435
2041-2045	15,815	3,317	19,132
2046-2050	8,915	682	9,597
Total	$ 1,125,440	$ 182,650	$ 1,308,090

Details of general obligation bonds outstanding are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds – Act 511 of 2007 and a statewide election conducted November 8, 2011, authorized the State to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act authorizes the bonds to be issued in several series of various principal amounts, provided that the total principal amount of bonds outstanding does not exceed $575.0 million. The bonds were issued to pay the cost of reconstructing and renovating the interstate highways and related facilities in the State of Arkansas. The Arkansas State Highway Commission may not issue any additional bonds pursuant to Act 511 of 2007. The bonds are payable primarily from Federal Interstate Maintenance Funds (FIMF) and by State revenues derived from the tax on diesel fuel at the rate of four cents per gallon. Current and prior-year revenues and apportionments and projected revenues and apportionments for these bonds are as follows (expressed in thousands):

Designated Revenues for GARVEE Bonds

Revenues and Apportionments			Projected Revenues and Apportionments		
Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF	Year ending June 30:	Additional Diesel Tax Revenues	Apportioned FIMF
2016	$ 16,730	$ 99,311	2021	$ 17,000	$ 109,383
2017	17,534	100,927	2022	17,000	111,571
2018	18,039	103,074	2023	17,000	113,802
2019	18,399	105,135	2024	17,000	116,078
2020	18,164	107,238	2025	17,000	100,000

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

The Arkansas State Highway Commission may issue additional bonds pursuant to Amendment 91 to the Arkansas Constitution in the aggregate principal amount of $831.1 million. Such additional bonds must have a maturity date no later the June 30, 2023. An amendment to the Arkansas Constitution was approved by the voters on November 3, 2020, removing the expiration date of the collection of the ½ cent sales tax. No bonds were issued under this act in the 2020 fiscal year. The bonds are payable primarily from a ½ cent sales tax collection authorized under the Amendment. Current revenue for these bonds is as follows (expressed in thousands):

Designated Revenues for Four Lane Highway Construction and Improvement Bonds

Year ending June 30:		Sales Tax Collections
2016	$	171,611
2017		175,419
2018		187,427
2019		194,138
2020		202,932

General Obligation Amendment 82 Bonds – Amendment 82 to the State Constitution was approved by a vote of the people in 2004 and modified by Amendment 90, which was approved by a vote of the people in 2010. The amendment authorized the issuance of general obligation bonds for the purpose of financing the costs of infrastructure or other needs to attract large economic development projects. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The 2014 series, the first issuance under this authority, is for a total of $125.0 million to provide $70.0 million in infrastructure improvements, $50.0 million in a loan, and $5.0 million for issuance costs. No bonds were issued under this act in the 2020 fiscal year.

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

Higher Education General Obligation Bonds – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit and resources of the State. The act limited the total principal amount to approximately $250.0 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and the College Savings Bond Act of 1989 shall not have scheduled debt service payments on a combined basis in excess of $24.0 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for State institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this act in the 2020 fiscal year.

Revenue Bond Guaranty Fund – Under the Arkansas Development Finance Authority Bond Guaranty Act of 1985, the Arkansas Economic Development Commission (AEDC) may guarantee amortization payments on industrial development revenue bonds issued by counties and municipalities within the State of Arkansas. At June 30, 2020, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $13.2 million.

AEDC has security interest in property, plant and equipment purchased with proceeds of revenue bonds guaranteed by the Revenue Bond Guaranty Fund. Assets held by AEDC, as a result of bankrupt companies defaulting on revenue bonds, are capitalized for financial statement purposes at an amount equal to the outstanding principal of the defaulted bond issue. AEDC maintains these facilities until a buyer can be found. At June 30, 2020, the equity interest in vacant industrial facilities totaled approximately $3.2 million. No bonds are outstanding in the 2020 fiscal year.

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

Future amounts required to pay principal and interest on notes payable to component unit at June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 3,909	$ 1,886	$ 5,795
2022	4,055	1,704	5,759
2023	3,907	1,582	5,489
2024	4,482	1,460	5,942
2025	4,697	1,328	6,025
2026-2030	17,106	4,750	21,856
2031-2035	17,002	2,491	19,493
2036-2040	5,881	447	6,328
Total	$ 61,039	$ 15,648	$ 76,687

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

Future amounts required to pay principal and interest on the recycling tax obligation at June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 11,255	$ 4,745	$ 16,000
2022	11,620	4,380	16,000
2023	11,998	4,002	16,000
2024	12,388	3,612	16,000
2025	12,791	3,209	16,000
2026-2030	70,465	9,535	80,000
2031-2035	15,496	504	16,000
Total	$ 146,013	$ 29,987	$ 176,000

Business-Type Activities

Special Obligation Bonds – Special Obligation Bonds outstanding at June 30, 2020, issued pursuant to specific statutory provisions enacted by the Legislature and paid from specifically dedicated fees and other revenues generated by a particular program that does not constitute general debt of the State, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Construction Assistance Revolving Loan Fund	2028	3.25-5.00	$ 17,475
Safe Drinking Water Revolving Loan Fund	2028	3.25-5.00	13,150
Total			$ 30,625

Details of the Special Obligation Bonds outstanding are as follows:

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

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

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized premiums of approximately $1.0 million for the CA fund and $800,000 for the SDW Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 4,625	$ 1,395	$ 6,020
2022	4,425	1,164	5,589
2023	4,430	943	5,373
2024	4,425	721	5,146
2025	4,365	500	4,865
2026-2028	8,355	484	8,839
Total	$ 30,625	$ 5,207	$ 35,832

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

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized discounts/premiums of approximately $143.6 million. At June 30, 2020, business-type activity revenue bonds outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Beebe	2039	1.00-4.00	$ 27,025
Arkansas State University – Jonesboro	2044	0.70-5.78	117,775
Arkansas State University – Midsouth	2042	1.00-4.70	18,935
Arkansas State University – Mountain Home	2033	2.00-3.12	4,885
Arkansas State University – Newport	2033	0.66-3.08	3,350
University of Arkansas - System			
Cossatot Community College of the University of Arkansas	2035	1.00-3.63	3,040
Phillips Community College of the University of Arkansas	2039	2.00-4.00	9,590
University of Arkansas – Fayetteville	2050	0.87-5.00	780,565
University of Arkansas – Fort Smith	2039	2.00-5.00	54,190
University of Arkansas – Little Rock	2038	0.53-5.00	95,620
University of Arkansas – Monticello	2042	1.94-5.00	25,940
University of Arkansas – Pine Bluff	2036	1.88-5.00	13,690
University of Arkansas – Pulaski Technical College	2041	1.80-5.00	78,470
University of Arkansas Community College – Hope-Texarkana	2039	1.00-4.00	2,330
University of Arkansas Community College – Morrilton	2046	2.00-5.00	9,980
University of Arkansas Community College – Rich Mountain	2049	1.00-4.15	12,025
University of Arkansas for Medical Sciences	2042	2.90-5.00	350,540

(1) Fiscal year

Continued on the following page

Continued from the previous page

Other Institutions	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas Northeastern College	2047	1.95-4.00	$ 6,975
Arkansas Tech University	2044	1.00-5.00	71,799
Black River Technical College	2044	2.00-4.00	8,963
East Arkansas Community College	2040	2.00-3.63	3,095
Henderson State University	2040	1.00-5.00	46,790
National Park College	2049	2.00-4.00	29,580
North Arkansas College	2037	2.00-3.00	6,505
Northwest Arkansas Community College	2035	2.00-4.55	26,400
Ozarka College	2043	2.00-3.95	5,115
South Arkansas Community College	2039	2.00-4.00	2,880
Southern Arkansas University – Magnolia	2048	1.00-4.25	65,670
Southern Arkansas University Tech – Camden	2043	1.70-4.50	4,900
University of Central Arkansas	2050	1.00-6.13	221,020
Total			$ 2,107,642

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 89,787	$ 84,394	$ 174,181
2022	92,671	80,794	173,465
2023	96,165	77,053	173,218
2024	95,115	73,267	168,382
2025	96,185	69,460	165,645
2026-2030	505,713	287,220	792,933
2031-2035	524,443	180,407	704,850
2036-2040	369,031	85,435	454,466
2041-2045	174,417	29,647	204,064
2046-2050	64,115	5,343	69,458
Total	$ 2,107,642	$ 973,020	$ 3,080,662

Business-type activity notes payable outstanding at June 30, 2020, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %		Balance
Arkansas State University - System				
Arkansas State University – Jonesboro	2024	2.97	$	3,748
Arkansas State University – Midsouth	2038	3.30		1,425
Arkansas State University – Newport	2028	3.75		829
University of Arkansas - System				
University of Arkansas – Fayetteville	2024	1.95-5.50		15,864
University of Arkansas for Medical Sciences	2027	0.50-3.21		14,742
University of Arkansas for Math/Science	2030	2.5		1,000
University of Arkansas System Office	2029	3.00		27,000
University of Arkansas Community College – Rich Mountain	2023	2.60-4.15		836
Other Institutions				
East Arkansas Community College	2040	2.43		2,662
Henderson State University (2)	2040	0.40-5.74		28,760
National Park College	2027	0		413
North Arkansas College	2031	2.63-3.74		1,354
Northwest Arkansas Community College	2030	2.69		1,600
Ozarka College	2025	3.85		337
Southern Arkansas University – Magnolia	2029	0.00-4.25		1,482
University of Central Arkansas	2028	3.94		1,688
Total			$	103,740

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

The variable rates of interest are calculated at periodic intervals. Such calculations are primarily based on the lenders' changes in the index determined by the Prime Rate or the London Interbank Offered Rate. Other variable rates are calculated using the rate in effect at the financial statement date. Actual rates will vary.

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

Future amounts required to pay principal and interest on business-type activity notes payable as of June 30, 2020, were as follows (expressed in thousands):

		Principal		Interest		Total
Year ending June 30:						
2021	$	13,231	$	2,874	$	16,105
2022		14,824		2,394		17,218
2023		14,317		2,004		16,321
2024		10,059		1,629		11,688
2025		8,503		1,366		9,869
2026-2030		26,436		3,982		30,418
2031-2035		9,497		1,828		11,325
2036-2040		6,873		400		7,273
Total	$	103,740	$	16,477	$	120,217

Component Units

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

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

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

During the normal course of business, ADFA issues economic development revenue bonds and multi-family housing revenue bonds on behalf of private companies within the State of Arkansas. The bonds are payable solely from and secured by a pledge of revenues from the private companies to which the bond proceeds were remitted and, accordingly, are not obligations of ADFA or the State of Arkansas and are excluded from the ADFA combined financial statements. At June 30, 2020, the bonds outstanding issued under these programs aggregated $1.6 billion.

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

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

Bonds and notes payable at June 30, 2020, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %		Balance
Single family bonds payable	2044	2.49-5.10	$	69,239
Federal housing note payable	2046	1.00		2,736
Bond guaranty program	2040	2.28-6.00		42,367
State facilities bonds and note payable	2038	2.00-5.00		193,085
General fund note payable	2021	0.35		10,000
Tobacco bonds payable	2047	4.77-5.10		73,206
Student Loan Program bonds	2044	LIBOR + .45-.90		105,248
Total			$	495,881

The principal amount shown below differs from the amount on the balance sheet due to accreted interest of $58.8 million and unamortized premiums and discounts of $745,000. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2020, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 27,556	$ 10,386	$ 37,942
2022	31,403	9,725	41,128
2023	24,951	9,153	34,104
2024	25,341	8,566	33,907
2025	23,709	7,929	31,638
2026-2030	139,851	30,520	170,371
2031-2035	103,008	16,055	119,063
2036-2040	62,185	5,301	67,486
2041-2045	107,381	1,304	108,685
2046-2050	10,029	1	10,030
Total	$ 555,414	$ 98,940	$ 654,354

U of A Foundation – The U of A Foundation receives gifts in return for lifetime annuities from some of its contributors. The terms of these annuities vary depending upon the life expectancy of the recipients. The quarterly payments as of June 30, 2020, were $441,000 including interest ranging from 3.00% to 15.00%.

Aggregate annual maturities of annuity obligations at June 30, 2020, were as follows (expressed in thousands):

	Principal
Year ending June 30:	
2021	$ 1,544
2022	1,202
2023	1,128
2024	899
2025	798
2026-2030	7,437
2031-2035	826
2036-2040	588
2041-2045	208
2046-2050	40
Total	$ 14,670

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

Current Refundings

Primary Government

During fiscal year 2020, the State issued $28.4 million of current refunding Driver's License Refunding Bonds Series 2020 bonds to redeem the Driver's License Revenue Bonds Series 2017. The bonds bear interest rates of 2.30% and mature in fiscal year 2035. The refunding provided an economic gain of $1.3 million and a reduction of future debt service payments of $13,000.

Higher Education

On September 26, 2019, Southern Arkansas University issued Student Fee Secured Refunding Bonds, Series 2019-A, in the amount of $5.6 million with interest rates of 2.75% to 4% to refund $5.85 million of the Series 2013 Bonds, with interest rates of 2.00% to 3.875%. Bond proceeds of $5.7 million and debt service reserves of $212,000 were deposited into an escrow account with the trustee for payment of the prior bond and the bonds were called on October 10, 2019. The University refunded the bonds to obtain an economic gain of $495,000. On September 26, 2019, Southern Arkansas University, issued Auxiliary Enterprises Secured Refunding Bonds, Series 2019-B, in the amount of $7.01 million with interest rates of 3% to 4% to refund $7.97 million of the Series 2014 Bonds, with interest rates of 1.00% to 4.00% bond proceeds of $7.38 million and debt service reserves of $733,000 were deposited into an escrow account with the trustee for payment of the prior bond, with the bonds being called on December 12, 2019. The University refunded the bonds to obtain an economic gain of $790,000. The refunding of the above bond issues resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $403,000, reported as a deferred outflow of resources and amortized over the remaining life of the bonds.

On December 18, 2019, Arkansas State University – Jonesboro, issued $1.6 million in tax exempt refunding bonds with interest rates of 2.00% to 3.00% to refund $1.6 million of outstanding bonds, with an unamortized discount of $6,000, dated December 7, 2010, with interest rates of 2% to 4.125%. Net proceeds of $1.6 million after payment of $41,000 for bond issuance costs and a premium of $26,000 were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $38 was transferred from the debt service reserve of the 2010 issue. U.S. Treasury obligations of $1.6 million purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2010 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2010 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by $140,000 over the next 11 years and to obtain an economic gain of $110,000. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $38,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2030 using the straight-line method. Additionally, the 2010 Series had an unamortized difference between the reacquisition price and the net carrying amount of $35,000. This will continue to be amortized through the year 2030 using the straight-line method.

On December 18, 2019, Arkansas State University – Jonesboro, issued $3.8 million in taxable refunding bonds with interest rates of 2.004% to 3.651% to refund $3.9 million of outstanding bonds dated December 1, 2012, with interest rates of 0.866% to 4.7%. Net proceeds of $3.7 million after payment of $72,000 for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $4,000 was transferred from the debt service reserve of the 2012 issue. U.S. Treasury obligations of $3.7 million purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by $629,000 over the next 23 years and to obtain an economic gain of $511,000. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $78,000. This difference, reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2042 using the straight-line method.

On December 18, 2019, Arkansas State University – Mountain Home, issued $4.9 million in taxable refunding bonds with interest rates of 2.004% to 3.119% to refund $4.8 million of outstanding bonds dated December 1, 2012, with interest rates of 0.666% to 4.25%. Net proceeds of $4.8 million after payment of $91,000 for bond issuances costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $151 was transferred from the debt service reserve of the 2012 issue. U.S. Treasury obligations of $4.8 million, purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012 Series Bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012 bonds were called on December 18, 2019. The University refunded the bonds to reduce its total debt service payments by $305,000 over the next 13 years and to obtain an economic gain of $257,000. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $51,000. This difference reported in the accompanying financial statements as a deferred outflow of resources, will be amortized through the year 2032 using the straight-line method. Additionally, the 2012 Series had an unamortized difference between the reacquisition price and the net carrying amount of $17,000. This will continue to be amortized through the year 2032 using the straight-line method.

On August 22, 2019, the University of Arkansas – Fayetteville, issued $59.7 million in Various Facility Revenue Bonds, Series 2019A, with interest rates of 4.0% to 5.0%. A portion of the bond proceeds were used to accomplish the current refunding of Series 2009 Bonds. Net bond proceeds and premiums of $42.7 million from Series 2019A along with $1.9 million of cash from the University was deposited into an escrow account to retire the bonds. All outstanding bonds dated December 15, 2009, were refunded on November 1, 2020. The refunding resulted in a difference between the reacquisition price and then net carrying amount of the old debt of $20,000. This difference, reported in the accompanying financial statements as Deferred outflows of resources, will be amortized through the fiscal year 2039. The University completed the refunding to reduce its total debt service payments over the next 21 years by $10.0 million and to obtain a net present value economic gain of $8.1 million. The escrow account was closed out when the refunded bonds were redeemed as of November 1, 2020. The remaining proceeds were provided to fund various capital improvements. Projects include renovation, furnishing, and equipping of Mullins Library; acquisition, construction, and equipping of intramural sports facilities, Student Success Center, north chilled water plant and utility systems; and the acquisition, construction, improvement, renovation, equipping and/or furnishing of other capital improvements and infrastructure and the acquisition of various equipment or real property for the campus.

On November 5, 2019, the University of Arkansas – Fayetteville, issued $139.2 million in Various Facility Revenue Bonds, Taxable Refunding Series 2019B. The bonds, with interest rate of 1.76% to 3.40% were issued to accomplish the taxable advance refunding of Various Facility Revenue Bonds (Fayetteville Campus), Series 2011A and Series 2012B, as well as to pay cost of issuing the bonds. Net bond proceeds and premiums of $138.7 million were deposited into an escrow account to retire $79.0 million of the outstanding Series 2011A Bonds and $50.6 million of the outstanding Series 2012B Bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $654,000. The difference, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through the fiscal year 2041. The University completed the refunding to reduce its total debt service payments over the next 24 years by $22.3 million and to obtain an economic gain of $16.3 million. The escrow account had a balance of $136.6 million and the remaining outstanding defeased bonds had a balance of $129.6 million as of June 30, 2020.

On November 12, 2019, North Arkansas College issued Special Obligation Refunding Bonds Series 2019 totaling $6.5 million with interest rates of 2.0% to 3.0% to refund $2.7 million of outstanding bonds dated August 1, 2012, with interest rates of 1.0% to 3.875% and to refund $3.8 million of outstanding bonds dated November 1, 2012, with interest rates of 2.0% to 3.75%. Net proceeds of $6.5 million, after payment of $82,000 bond issuance costs plus bond premium of $22,000, were deposited with the trustee. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $138,000. The bonds were called on November 12, 2019. The college refunded the bonds to reduce its total debt service payments by $363,000 over a period of 18 fiscal years and to obtain an economic gain of $345,000.

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

On November 5, 2019, the University of Arkansas – Pulaski Tech, issued $56.7 million of the Board of Trustees of the University of Arkansas Student Tuition and Fee Revenue Bonds Taxable Refunding Series 2019A. The bonds, with interest rates of 1.796% to 3.452%, were issued to accomplish the taxable advance refunding of $59.5 million of the Board of Trustees of the University of Arkansas Student Tuition and Fee Revenue Bonds Series 2011 as well as to pay the costs of issuing the bonds. Net bond proceeds of $63.3 million including University contributions of $805,000 and the release of the 2011 escrow account balance of $5.8 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $4.1 million, reported in the accompanying financial statements as deferred outflows of resources, will be amortized through fiscal year 2041. The University completed the refunding to reduce its total debt service payments over the next 21 years by $18.3 million and to obtain an economic gain of $12.8 million (including the funds released from escrow of $5.9 million, net of funds on hand of $1,431). The escrow account had a balance of $60.7 million and the remaining outstanding defeased bonds had a balance of $59.5 million at June 30, 2020.

(9) Pledged Revenues

Primary Government

Governmental Activities

The State has committed to appropriate each year, from various fee revenues, amounts sufficient to cover the principal and interest requirements on bonds issued by the Arkansas Development Finance Authority (ADFA). ADFA has pledged, as the sole security for the bonds, the annual appropriations from the State. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid during the year ended June 30, 2020 (expressed in thousands):

Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
License plate fees	Construction of prison facilities	2039	$ 30,750	38.91%	$ 4,159	$ 1,617
Probation and parole fees	Construction of building	2039	24,131	8.68%	14,624	1,415
Court filing fees	Construction of building	2030	4,984	50.34%	990	784
Rental income	Purchase of building	2030	13,021	66.31%	1,964	1,372
State park revenue	Construction of state park facilities	2024	9,034	62.03%	3,641	2,582
Permit fees	Construction of building	2041	22,603	5.16%	20,851	1,100
Drivers license revenue	Construction of building	2035	32,058	27.28%	7,836	2,417

(1) Fiscal year

Business-Type Activities

For purposes of extinguishing long-term debt issues, certain revenues have been pledged as security. The following is a summary of the remaining principal and interest due (approximate amount of pledge), the gross pledged revenue collected and principal and interest paid as of June 30, 2020 (expressed in thousands):

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
University of Arkansas at Fayetteville	Various facility revenue	Construction and renovation of facilities, refunding of prior issues and land purchases	2050	$ 953,374	7.25%	$ 438,406	$ 51,117
	Athletic fees	Construction of facilities and refunding of prior issues	2037	217,790	13.62%	94,090	15,180
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	70,880	9.21%	40,511	7,672
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2038	68,058	5.48%	68,939	7,039
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2037	56,188	22.11%	14,946	3,976
University of Arkansas at Monticello	Student fee & various facility revenue	Construction of facilities and refunding of prior issues	2042	29,333	5.56%	23,970	1,479
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2038	9,220	9.22%	5,557	514
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2042	499,257	2.46%	923,278	20,825
	Parking fees	Construction of facilities and refunding of prior issues	2043	8,200	13.45%	2,651	1,604
University of Arkansas at Pine Bluff	Student tuition & fee revenue	Refunding of prior issues and capital improvements	2036	18,585	3.40%	34,122	1,168
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2035	3,973	6.36%	4,167	264
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	12,944	22.61%	3,013	682
University of Arkansas Community College at Hope-Texarkana	Student fees	Construction of facilities and refunding of prior issues	2039	3,123	5.19%	3,166	409
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	16,255	9.85%	6,347	814
University of Arkansas - Pulaski Technical College	Student fees	Construction and renovation of facilities and refunding of prior issues	2041	110,369	21.82%	24,091	2,222
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	6,011	61.54%	444	269
	Student tuition & fee revenue & auxiliary revenue	Capital improvements	2049	13,557	20.54%	2,276	460
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	46,626	2.10%	92,370	2,527
	Housing fees	Construction of facilities and refunding of prior issues	2042	95,862	33.57%	12,981	6,326
	Student union/parking fees	Refunding of prior issues	2025	6,857	39.32%	3,488	1,609
	Recreation center fees	Construction of facilities	2037	16,126	59.81%	1,586	948
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	26,435	17.72%	9,326	1,858
	Housing fees	Construction of facilities and refunding of prior issues	2039	9,288	70.95%	689	494
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	28,743	42.93%	3,043	1,303
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	5,739	10.91%	4,048	482
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	3,953	3.92%	7,763	432
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	38,697	16.73%	11,017	3,527
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	47,277	2.81%	69,994	2,978
	Athletic/food service revenue	Construction of facilities	2043	13,918	4.44%	13,640	645
Henderson State University	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	54,740	21.16%	12,934	2,888
	Student recreation center revenue	Construction of student recreation center	2032	7,550	85.02%	740	558
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2027	1,936	1.03%	26,956	403
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2048	54,939	5.45%	35,987	1,963
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2048	46,736	12.06%	13,845	1,519

(1) Fiscal year

Continued on the following page

Continued from the previous page

Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
Southern Arkansas University - Tech Branch	Student tuition & fee revenue	Capital improvements and refunding of prior issue	2043	$ 7,292	7.25%	$ 4,376	$ 314
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2050	160,406	8.45%	63,287	6,766
	Housing fees	Construction of facilities and refunding of prior issues	2049	150,144	52.96%	9,776	7,329
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2042	28,597	8.77%	14,817	2,175
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	4,287	52.80%	406	213
National Park College	Millage revenue	Capital improvements and refunding of prior issue	2048	34,021	82.82%	1,467	1,211
	Student tuition & fee revenue, auxiliary revenue & housing revenue	Acquisition, construction, furnishing and equipping a new student housing facility	2049	13,490	16.60%	2,803	220
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2047	11,198	50.52%	821	414
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2037	8,156	53.60%	895	68
South Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2039	4,091	37.71%	571	217
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	35,545	18.05%	13,131	2,366
	Student tuition	Land purchase	2035	2,462	1.07%	15,408	164
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	12,516	9.69%	5,384	659
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	7,116	26.09%	1,186	376

(1) Fiscal year

(10) Arbitrage Rebate and Excess Earnings Liability

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

(11) Leases

Capital Lease Receivables

In February 2009, a capital lease receivable was entered into with the Arkansas Development Finance Authority (ADFA), a discretely presented component unit of the State, and the Arkansas Economic Development Commission (AEDC), a division of the Arkansas Department of Commerce, as lessors, and Victory Lumber, LLC, as lessee. The capital lease expires February 29, 2024, and bears no interest rate. The original amount of the lease was $927,000, which includes buildings, all movable property, fixtures, furniture and equipment located on the premises. In December of 2012, another capital lease receivable was entered into with AEDC, as lessor, and Fiberglass Fabricators, Inc., as lessee. The capital lease expires December 1, 2022, and bears an interest rate of 5.00%. The original amount of the lease was $250,000, which includes buildings, structures and other improvements located on the premises. There are no contingent rentals or unearned income on either lease at June 30, 2020.

Future amounts to be received as of June 30, 2020, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2021	$ 94	$ 3	$ 97
2022	95	2	97
2023	81		81
2024	49		49
Total	$ 319	$ 5	$ 324

Capital Lease Obligations

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

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

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

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

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

Assets acquired through capital leases as of June 30, 2020, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / infrastructure	$	$ 8,016
Buildings	211,902	56,367
Machinery and equipment	3,684	78,916
Less: Accumulated depreciation	(51,916)	(60,730)
Total	$ 163,670	$ 82,569

Future minimum commitments under operating and capital leases by fund type as of June 30, 2020, were as follows (expressed in thousands):

Capital Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2021	$ 511	$ 11,355
2022	51	10,199
2023		8,261
2024		7,513
2025		7,097
2026-2030		30,422
2031-2035		17,710
2036-2040		3,196
Total minimum lease payments	562	95,753
Less: Interest	(11)	(16,619)
Present value of future minimum lease payments	$ 551	$ 79,134

Capital Leases with Component Unit

	Governmental Activities
Year ending June 30:	
2021	$ 13,785
2022	13,588
2023	13,624
2024	13,290
2025	13,067
2026-2030	48,747
2031-2035	35,797
2036-2040	12,494
2041-2045	465
Total minimum lease payments	164,857
Less: Interest	(37,117)
Present value of future minimum lease payments	$ 127,740

Operating Leases

	Governmental Activities	Business-Type Activities
Year ending June 30:		
2021	$ 30,714	$ 12,955
2022	18,041	7,236
2023	10,936	4,797
2024	8,055	3,885
2025	5,684	3,167
2026-2030	4,185	11,111
2031-2035	591	3,586
2036-2040	384	117
2041-2045		119
2046-2050		122
2051-2055		124
2056-2060		126
2061-2065		128
2066-2070		103
2071-2075		37
Total minimum lease payments	$ 78,590	$ 47,613
Total rental expenditure/ expense (2020)	$ 43,708	$ 15,651

(12) Pollution Remediation

Primary Government

Governmental Activities

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

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

	2020	2019
Balance, beginning of year	$ 15,397	$ 16,740
Incurred claims	799	
Payments	(4,255)	(3,789)
Adjustments		2,446
Balance, end of year	$ 11,941	$ 15,397
Current portion	$ 2,777	$ 4,371
Noncurrent portion	9,164	11,026
	$ 11,941	$ 15,397

The State's polluted sites are primarily from chemical and fuel spills, asbestos and former landfills where pollution remediation has already commenced, with monitoring being completed as necessary.

Of the above-mentioned obligations, $8.5 million is covered by the Hazardous Substance Remedial Action Trust Fund (HSRATF), which was established by Ark. Code Ann. § 19-5-930 pursuant to the Arkansas Remedial Action Trust Fund Act (RATFA), and Ark. Code Ann. § 8-7-501, which provides the State with the funds and authority to investigate, control, prevent, abate, treat or contain releases of hazardous substances for the protection of human health and the environment. Funding for RATFA is generated mostly by fees collected from companies that require disposal of large quantities of hazardous waste annually as well as other fees assessed by RATFA, if required. The HSRATF had a cash and cash equivalent balance of $7.1 million at June 30, 2020.

Of the above-mentioned obligations, $3.4 million is covered by the Landfill Post Closure Trust Fund (LPCTF), which was established by Ark. Code Ann. § 19-5-979. Funding for LPCTF is generated mostly by landfill disposal fees. The LPCTF had a cash and cash equivalent balance of $7.5 million at June 30, 2020. While the largest parts of the Nabors projects are completed, there will be ongoing expenses related to testing and ground water monitoring. The budget projections for future investigations, design and corrective action cost estimation for closed landfills for the upcoming fiscal year are $1.9 million.

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

Business-Type Activities

The University of Arkansas at Fayetteville provided technical services on a voluntary basis for deconstruction and green fielding of the Southwest Experimental Fast Oxide Reactor (SEFOR) site. The University expensed $946,000 in pollution remediation obligation in fiscal year 2020. The University has received total funds for remediation costs of $25.8 million from the United States Department of Energy

(DOE). Remediation of the SEFOR site was completed in 2019 and as of June 30, 2020, there was no pollution remediation liability or receivable cost recoveries.

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

	2020	2019
Balance, beginning of year	$ 946	$ 7,937
Incurred claims		374
Payments	(946)	(7,838)
Adjustments		473
Balance, end of year	$	$ 946

(13) Fund Balance/Net Position

Governmental Fund Balances – Restricted, Committed and Assigned

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

A summary of the nature and purpose of these fund balances by fund type at June 30, 2020, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 11,107	$ 27,500	$ 25,166
Debt service	217,821		
Program requirements	1,067,883	797,194	
Lottery funds	117,084		
Tobacco settlement	51,272	56,867	
Transportation programs	746,638	466,272	
Disaster assistance		6,271	
State employee insurance		81,972	
Other		817,456	93,047
Total	$ 2,211,805	$ 2,253,532	$ 118,213

The State's fund balance includes (1) $1.1 billion in federal program revenue, coronavirus relief funds, private grants and revenue restricted by enabling legislation for specific programs, of which 46.56% is held by the health and human services function of the State, 39.35% is held by the general government function of the State to be used for administrative costs that are federally funded, 3.96% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management and 3.62% is held by the education function of the State; (2) $746.6 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of Amendment 97; (3) $797.2 million in revenue committed by the Arkansas General Assembly through legislation for State programs (i.e., Arkansas long-term reserve, property tax relief trust, health and human services, education, operations of the Oil and Gas Commission, Arkansas natural and cultural resources and sustainable building design) as specified in Arkansas Code; (4) $466.3 million in revenue provided to the Arkansas Department of Transportation committed for maintenance, operation and improvement of State highways as specified in Arkansas Code; and (5) $817.5 million committed for various reasons as specified in Arkansas Code, including education assistance, educator compensation reform, Medicaid reserve, economic development and risk financing activities.

Net Position Restricted by Enabling Legislation

Enabling legislation is limited to legislation that the government itself approves. It establishes restriction if it includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. “Legally enforceable” means that a government can be compelled by an external party, such as citizens, public interest groups, or the judiciary, to use resources created by enabling legislation only for the purpose specified by the legislation. At June 30, 2020, the government-wide statement of net position reported $3.3 billion in restricted net position for governmental activities, of which $1.0 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $55.8 million on investments that are available for expenditure by the respective governing boards. Such amounts are included in Restricted Net Position in accordance with the restriction of the gift instrument. Arkansas Code outlines the restrictions placed on the endowment fund and the net appreciation. Ark. Code Ann. § 28-69-804 states, “Subject to the intent of a donor expressed in the gift instrument, an institution may appropriate for expenditure or accumulate so much of an endowment fund as the institution determines is prudent for the uses, benefits, purposes, and duration for which the endowment fund is established. Unless stated otherwise in the gift instrument, the assets in an endowment fund are donor-restricted assets until appropriated for expenditure by the institution.”

Deficit Net Position

The Workers’ Compensation Commission (WCC) had a $103.5 million deficit in net position as of June 30, 2020. The deficit is due to a change in actuarial assumptions during the fiscal year ended June 30, 1997. During 1987, the structure of the law changed by tying workers’ compensation payments to the State’s average weekly wage, beginning on January 1, 1989. However, the threshold at which the agency’s Permanent and Total Disability Trust Fund takes over indemnity payments was not changed and remained static at $75,000 from 1982 to 2008, although the State maximum total disability rate has increased over 300% since that time. This increased payout of claims, without a concomitant increase in the takeover threshold and without any increase in the premium tax that funds the agency, is the primary contributor to the deficit. A major step toward reducing the deficit was taken during the 2007 legislative session with the passage of Act 1599, which set the threshold to 325 times the maximum total disability rate until it was removed as of June 30, 2019, with the passage of Act 5 below. The resulting reductions in claims paid have not been sufficient to cover the added liability caused by a change in the actuarial assumptions increasing the assumed life expectancy of claimants. Therefore, Act 5 of the Third Extraordinary Session of 2016 was passed. It provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. § 11-9-502, the current premium tax rate of 3% will change to 1.5%.

(14) Pensions

Defined Benefit Plans

Plan descriptions

The State provides pension benefits through the following plans:

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

Benefit provisions of each plan are established and amended by Arkansas Code Title 24. Each plan issues a financial report, which may be obtained by contacting the appropriate plan.

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

Benefits Provided

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

APERS

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

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

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

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

ATRS

Members are eligible for full retirement benefits at age 60 with five or more years of actual or reciprocal service or at any age with 28 or more years of credited service. Members with 25 years of actual or reciprocal service who have not attained age 60 may receive an annuity reduced by 0.83% multiplied by the number of months by which the early retirement precedes the earlier of (1) completion of 28 years of credited service or (2) attainment of age 60. The normal retirement benefit, paid monthly, is determined based on (1) the member's final average salary and (2) the number of years of service. Final average salary is based on the highest three years of salary.

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

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

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

AJRS

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

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

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

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

ASPRS

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

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

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

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

The ASPRS also provides disability and survivor benefits.

ASHERS

Members are eligible for full retirement benefits as follows:

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

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

The retirement benefit is paid monthly and is determined based on the member's average salary and the number of years and months of credited service. Average salary is the average of the highest 36 consecutive months' salary. Retiree benefits are calculated each year on July 1 for the following 12 months. The redetermined amount shall be the amount of the benefit payable as of June 30 each year, increased by a percentage calculated using the Consumer Price Index for Urban Wage Earners & Clerical Workers for the one-year period ending December of the previous calendar year. The increase is capped at 3% and calculated benefits for the next year will not be less than the previous year.

The ASHERS also provides disability and survivor benefits.

Employees Covered by Benefit Terms

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

	AJRS (2020)	ASPRS (2020)	ASHERS (2019)
Inactive employees or beneficiaries currently receiving benefits	148	746	3,579
Inactive employees entitled to but not yet receiving benefits	8	108	269
Active employees	142	482	3,745
Total	298	1,336	7,593

Contributions

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

APERS

Contribution provisions applicable to the participating employers are established by the APERS Board of Trustees and should be based on an independent actuary's determination of the rate required to fund the plan. The General Assembly and certain agencies employing individuals in Public Safety positions must also remit additional amounts. For the fiscal year ended June 30, 2019, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 38.99%. Contributions to APERS from the State were $193.9 million for the year ended June 30, 2020.

During a member's participation in the APERS deferred retirement option plan (DROP), the employer continues to make contributions and the employee ceases to make contributions.

ATRS

The funding policy of ATRS provides for periodic employer contributions at statutorily-established rates based on annual actuarial valuations. For the fiscal year ended June 30, 2019, the employer contribution rate was 14% of covered employee payroll. Contributions to ATRS from the State were $14.4 million for the year ended June 30, 2020.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 6% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 1999, all new members under contract for 181 or more days are required to be contributory. Noncontributory members may make an irrevocable election to become contributory on July 1 of each fiscal year.

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

AJRS

Employer contributions for Tier One and Tier Two are 12% of active member payroll. In addition, the State makes an annual transfer to the plan based on the dollar amount of actuarially determined employer contribution determined in the most recent actuarial valuation less the employer statutory contribution amount, reduced by court cost revenue received. The State's supplemental contribution for fiscal year 2020 was $5.1 million.

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

ASPRS

Employer contributions are 22% of active member payroll. In addition, the State makes an annual transfer to the plan based on the actuarially determined employer rate in the most recent annual actuarial valuation less the employer statutory contribution, reduced by the driver's license reinstatement fees. The State's supplemental contribution for fiscal year 2020 was $7.7 million. For any members still employed and covered by the Tier One contributory plan, the employee contribution rate is 9.25% of the member's salary.

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

ASHERS

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

The statutory employer contribution rate is 14.9% of the pay of each covered employee not in the deferred retirement option program (DROP). Employer contributions are not made on the pay of employees in Tier One DROP. Employer contributions are 6.9% on the pay of employees in Tier Two DROP.

Covered employees not in Tier One DROP are required to contribute 6.5% of their compensation. In 2019, Act 295 was enacted increasing employee contribution to 7% over a 2-year period in 0.5% increments and increasing the State match to 14.9%.

Net Pension Liability

At June 30, 2020, the State reported the following liabilities and assets for the various plans (expressed in thousands):

Primary Government

	Measurement Date	Net Pension Liability
APERS	June 30, 2019	$ 1,579,726
ATRS	June 30, 2019	143,543
AJRS	June 30, 2020	15,816
ASPRS	June 30, 2020	138,386
ASHERS	June 30, 2019	422,966
Total		$ 2,300,437

Component Unit - APERS

	Measurement Date	Net Pension Liability
ADFA	June 30, 2019	$ 4,307

The net pension liability was measured as of the date stated, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

For APERS and ATRS, the State's proportion of the net pension liability was based on actual contributions in the 2020 fiscal year of all participating employers. At June 30, 2020, the State's proportion was 65.48% for APERS and 3.44% for ATRS, a decrease of 0.30% and a decrease of 0.15%, respectively.

Actuarial assumptions

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

	APERS	ATRS	AJRS	ASPRS	ASHERS
Actuarial valuation date	June 30, 2019	June 30, 2019	June 30, 2020	June 30, 2020	June 30, 2019
Inflation rate	3.25% wages, 2.50% price	2.75% wages, 2.50% price	3.25% wages, 2.50% price	3.25% wages, 2.50% price	2.50%
Salary increases (1)	3.25%	2.75%	3.25%	3.25%	3.00%
Investment rate of return (1)	7.15%	7.50%	5.75% `	7.15%	7.50%
Mortality rates	RP-2014 Healthy Annuitant Benefit weights generational Mortality Tables for males and females.	RP-2014 Healthy Annuitant, Disabled Annuitant and Employee Mortality headcount weighted tables for males and females.	RP-2014 Mortality Healthy Annuitant Tables for males and females, adjusted for mortality improvement back to observation period base year of 2006.	RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females.	RP-2000 Combined Healthy for males and females with blue collar adjustments, scaled at 105% and 100% with no setback. Generational mortality improvements in accordance with Scale AA from the table's base year of 2000 (both before and after the measurement date).
Actuarial experience study dates	July 1, 2012 - June 30, 2017	July 1, 2010 - June 30, 2015	July 1, 2011 - June 30, 2016	July 1, 2012 - June 30, 2017	N/A

(1) Includes assumed inflation

Investment Rate of Return

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

APERS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2019 to 2028 were provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.20%
International equity	24.00%	6.33%
Real assets	16.00%	3.32%
Absolute return	5.00%	3.56%
Domestic fixed	18.00%	1.54%
Total	100.00%	

ATRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the plan's trustees after considering input from the plan's investment consultant and actuary.

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2019, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	53.00%	5.10%
Fixed income	15.00%	1.40%
Alternatives	5.00%	4.20%
Real assets	15.00%	5.00%
Private equity	12.00%	6.30%
Cash equivalents	0.00%	0.60%
Total	100.00%	

AJRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based on capital market assumptions provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.22%
International equity	15.00%	6.69%
Real estate	8.00%	4.81%
Domestic fixed	40.00%	0.57%
Cash equivalents	0.00%	0.02%
Total	100.00%	

ASPRS

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2020 to 2029 were based on capital market assumptions provided by the plan's investment consultants.

For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.22%
International equity	24.00%	6.69%
Real assets	16.00%	4.81%
Absolute return	5.00%	3.05%
Domestic fixed	18.00%	0.57%
Total	100.00%	

ASHERS

The plan operates with an asset allocation of no more than 75%, with a plus 5% tolerance, of the System's portfolio invested in equities, and no more than 75%, with a plus 5% tolerance, invested in fixed income. The rate of return on pension plan investments, net of pension plan investment expenses was 8.21%.

Discount rate

The discount rate for each plan was determined as follows:

APERS

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

ATRS

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

AJRS

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

ASPRS

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

ASHERS

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumption made, found that the pension plan's net position was projected to make all projected future benefit payments of current plan members. Therefore, the single discount rate of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability.

Changes in the Net Pension Liability

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

	Increase (Decrease)		
ASPRS	**Total Pension Liability (a)**	**Plan Fiduciary Net Position (b)**	**Net Pension Liability (a-b)**
Balances, June 30, 2019	$ 458,133,785	$ 337,739,012	$ 120,394,773
Changes for the year:			
Service cost	5,861,499		5,861,499
Interest	31,967,469		31,967,469
Changes in benefit terms	997,533		997,533
Differences between expected and actual experience	7,543,752		7,543,752
Contributions – employer		21,873,425	(21,873,425)
Net investment income		6,700,845	(6,700,845)
Benefit payments, including refunds of employee contributions	(27,934,141)	(27,934,141)	
Administrative expense		(195,463)	195,463
Net changes	18,436,112	444,666	17,991,446
Balances, June 30, 2020	$ 476,569,897	$ 338,183,678	$ 138,386,219
AJRS			
Balances, June 30, 2019	$ 284,488,459	$ 267,279,487	$ 17,208,972
Changes for the year:			
Service cost	7,096,255		7,096,255
Interest	16,175,509		16,175,509
Differences between expected and actual experience	2,340,115		2,340,115
Contributions – employer		8,572,697	(8,572,697)
Contributions – employee		1,138,323	(1,138,323)
Net investment income		17,434,154	(17,434,154)
Benefit payments, including refunds of employee contributions	(13,446,760)	(13,446,760)	
Administrative expense		(141,891)	141,891
Other changes		1,129	(1,129)
Net changes	12,165,119	13,557,652	(1,392,533)
Balances, June 30, 2020	$ 296,653,578	$ 280,837,139	$ 15,816,439
ASHERS			
Balances, June 30, 2019	$ 1,991,358,627	$ 1,472,472,865	$ 518,885,762
Changes for the year:			
Service cost	19,699,067		19,699,067
Interest	128,527,434		128,527,434
Benefit changes	(21,398,912)		(21,398,912)
Changes in assumptions	(216,056,489)		(216,056,489)
Contributions – employer		19,281,642	(19,281,642)
Contributions – employee		9,249,680	(9,249,680)
Differences between expected and actual experience	26,324,123		26,324,123
Net investment income		4,559,025	(4,559,025)
Benefit payments, including refunds of employee contributions	(119,412,266)	(119,412,266)	
Administrative expense		(74,348)	74,348
Net changes	(182,317,043)	(86,396,267)	(95,920,776)
Balances, June 30, 2020	$ 1,809,041,584	$ 1,386,076,598	$ 422,964,986

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

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

Primary Government

	1% Lower Than Current Discount Rate		Current Discount Rate		1% Higher Than Current Discount Rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
APERS	6.15%	$ 2,531,907	7.15%	$ 1,579,726	8.15%	$ 794,134
ATRS	6.50%	235,998	7.50%	143,543	8.50%	66,866
AJRS	4.75%	51,276	5.75%	15,816	6.75%	(14,242)
ASPRS	6.15%	190,394	7.15%	138,386	8.15%	86,057
ASHERS	6.50%	644,879	7.50%	422,965	8.50%	243,211

Component Unit - APERS

	1% Lower Than Current Discount Rate		Current Discount Rate		1% Higher Than Current Discount Rate	
	Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability (Asset)
ADFA	6.15%	$ 6,902	7.15%	$ 4,306	8.15%	$ 2,165

Pension Plan Fiduciary Net Position

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

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

For the year ended June 30, 2020, the State recognized total pension expense of $232.8 million, which consists of $6.8 million, $113.0 million, $84.4 million, $5.0 million and $23.6 million for the ATRS, APERS, ASHERS, AJRS and ASPRS plans, respectively. At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
APERS		
Differences between expected and actual experience	$ 42,993	$ 2,347
Changes of assumptions	85,743	60,727
Net differences between projected and actual earnings on pension plan investments		11,999
Changes in proportion and differences between State contributions and proportionate share of contribution	40,064	51,418
State contributions subsequent to the measurement date	193,899	
Total	$ 362,699	$ 126,491

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		Deferred Outflows of Resources		Deferred Inflows of Resources
ATRS				
Differences between expected and actual experience	$	3,854	$	1,502
Changes of assumptions		21,335		
Net differences between projected and actual earnings on pension plan investments				10,112
Changes in proportion and differences between State contributions and proportionate share of contribution		3,494		17,443
State contributions subsequent to the measurement date		14,448		
Total	$	43,131	$	29,057
AJRS				
Differences between expected and actual experience	$	1,827	$	2,885
Changes of assumptions				
Net differences between projected and actual earnings on pension plan investments				6,849
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	1,827	$	9,734
ASPRS				
Differences between expected and actual experience	$	6,031	$	1,498
Changes of assumptions		2,537		1,562
Net differences between projected and actual earnings on pension plan investments		12,158		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date				
Total	$	20,726	$	3,060
ASHERS				
Differences between expected and actual experience	$	53,788	$	11,691
Changes of assumptions		122,077		422,527
Net differences between projected and actual earnings on pension plan investments		49,056		
Changes in proportion and differences between State contributions and proportionate share of contribution				
State contributions subsequent to the measurement date		23,209		
Total	$	248,130	$	434,218
Total				
Differences between expected and actual experience	$	108,493	$	19,923
Changes of assumptions		231,692		484,816
Net differences between projected and actual earnings on pension plan investments		61,214		28,960
Changes in proportion and differences between State contributions and proportionate share of contribution		43,558		68,861
State contributions subsequent to the measurement date		231,556		
Total	$	676,513	$	602,560

Component Unit - APERS

		Deferred Outflows of Resources		Deferred Inflows of Resources
ADFA				
Differences between expected and actual experience	$	117	$	6
Changes of assumptions		234		166
Net differences between projected and actual earnings on pension plan investments				33
Changes in proportion and differences between State contributions and proportionate share of contribution				284
State contributions subsequent to the measurement date		508		
Total	$	859	$	489

$231.6 million reported as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows (expressed in thousands):

Primary Government

Year ended June 30:	APERS	ATRS	AJRS	ASPRS	ASHERS	Total
2021	$ 69,182	$ 2,453	$ (5,036)	$ 3,348	$ 25,501	$ 95,448
2022	(44,919)	(4,760)	(2,106)	3,911	(126,221)	(174,095)
2023	(3,263)	131	(617)	6,114	(92,550)	(90,185)
2024	21,308	1,892	(148)	4,293	(16,026)	11,319
2025		(90)				(90)

Component Unit - APERS

Year ended June 30:	ADFA
2021	$ 58
2022	(234)
2023	(20)
2024	59

State Employee Deferred Compensation Plan

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

In 1991, the Attorney General opined (Opinion 91-088) that the annuity contracts purchased with the employees' deferred compensation were covered by the Arkansas Life and Disability Insurance Guaranty Association Act, as described in Ark. Code Ann. § 23-96-101- 121, and liability for losses due to failure or nonperformance of contractual obligations due to impairment or insolvency of member insurers was insured under this act, to the extent of $100,000 per participating employee. Act 1604 of the Regular Session of 2001 increased the coverage amount to $300,000 per participating employee.

The assets of the plan are held in trust by the custodian, Voya Institutional Trust Company (VITC) of New York, NY, according to terms specified by contract, for the exclusive benefit of plan participants and their beneficiaries. The plan is also administered by VITC, acting under contract in an agency capacity for the Department of Transformation and Shared Services – Employee Benefits Division to provide investment direction, asset transfer or withdrawal instruction or other instruction to the custodian. In accordance with GASB Statement No. 32, plan balances and activities are not reflected in the State's financial statements. According to the custodian, plan assets totaled $870.0 million at June 30, 2020.

Higher Education

All active higher education employees who work 20 or more hours per week have the option of participating in APERS, ATRS, the Variable Annuity Life Insurance Company (VALIC), the Teachers Insurance Annuity Association – College Retirement Equities Fund (TIAA-CREF), the Fidelity Fund or other approved plans.

The board of trustees of each respective college or university established a defined contribution plan as set forth under Section 403(b) of the Internal Revenue Code. Participation in the plan is authorized under Arkansas Code, and the plan is administered by the president of the college or university or his or her designee. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The funds available under the plan primarily include VALIC, TIAA-CREF and the Fidelity Fund.

Each college or university contributes a percentage of an employee's salary ranging from 10% to 14% to a VALIC, TIAA-CREF, Fidelity Fund or other retirement account. These amounts are allocated between the funds according to the employee's choice. In addition, employees may make voluntary contributions of any amount up to the individual maximum allowance. During 2020, total employer contributions to VALIC, TIAA-CREF and Fidelity were $140.4 million, while contributions to other plans were $435,146. Employee contributions to VALIC, TIAA-CREF and Fidelity were $152.5 million, while contributions to other plans were $455,947.

(15) Postemployment Benefits Other Than Pensions (OPEB)

Governmental Activities

(a) Plan Descriptions

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

- Arkansas State Police Medical and Rx Plan (ASP); Medical (administered by Health Advantage), Rx Plan (administered by MedImpact), Dental (administered by Delta Dental) and Vision (administered by Humana)
- Arkansas State Employee Health Plan (ASE); Medical (administered by Transformation and Shared Services - Employee Benefits Division for active and retirees, Arkansas Public Employees Retirement System for deferred retirees) and Rx (administered by MedImpact)

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

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

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

Benefits Provided

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

ASP

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

ASE

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

Employees Covered by Benefit Terms

At June 30, 2020, the following employees were covered by each plan:

	ASP	ASE
Inactive employees or beneficiaries currently receiving benefits	915	15,925
Inactive employees entitled to but not yet receiving benefits		10,077
Active employees	656	30,830
Total	1,571	56,832

(b) Total OPEB Liability

At June 30, 2020, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Primary Government

	Measurement Date	Total OPEB Liability
ASP	June 30, 2020	$ 238,959
ASE	June 30, 2020	2,566,674
Total		$ 2,805,633

Component Unit - ADFA

	Measurement Date	Total OPEB Liability
ASE	June 30, 2020	$ 4,163

Actuarial Assumptions and Other Inputs

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

	ASP		ASE (5)	
Actuarial valuation date	June 30, 2019		June 30, 2019	
Inflation rate	3.25%		2.20%	
Discount rate	2.66%	(1)	2.21%	(2)
Salary increase, including inflation			3.00%	
Healthcare cost trend rates	8.0% initial 4.25% ultimate		5.70% initial 4.60% ultimate	(3)
Mortality rate	Pub-2010 Public Retirement Plans Mortality Table for Public Safety, projected with Scale MP-2018 from 2010.		RP 2014 Healthy Annuitant benefits weighted generational mortality tables for males and females, adjusted for fully generational mortality improvements using Scale MP-2017.	
Retirees' share of benefit-related costs	34.25%		41% - 64%	
Actuarial experience study dates	N/A		July 1, 2012 through June 30, 2017	(4)

(1) The discount rate was determined by using the S&P Municipal Bond 20 Year High Grade Bond Index.
(2) The discount rate was determined by using the Bond Buyer General Obligation 20-Bond Municipal Index, a tax-exempt municipal bond rate based on an index of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
(3) Rates reflected are Post-Medicare. Pre-Medicare cost trend rates reflected a 1.00% higher initial rate, with the same ultimate rate.
(4) Used actuarial experience study performed for APERS.
(5) ASE assumptions do not include National Park College (NPC). NPC has their own actuarial report for their employees on the State plan. The effect on the above assumptions are considered immaterial.

(c) Changes in the Total OPEB Liability

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

Primary Government	Total OPEB Liability ASP		Total OPEB Liability ASE	
Balance, June 30, 2019	$ 220,115		$ 1,919,141	(3)
Changes for the current fiscal year:				
Service cost	9,701		70,390	
Interest	6,234		68,690	
Changes of benefit terms				
Differences between expected and actual experience			(66,272)	
Changes in assumptions or other inputs	5,920	(1)	628,360	(2)
Change in proportion			(120)	
Benefit payments	(3,011)		(53,515)	
Net changes	18,844		647,533	
Balance, June 30, 2020	$ 238,959		$ 2,566,674	

Component Unit - ADFA	Total OPEB Liability ASE	
Balance, June 30, 2019	$ 2,992	
Changes for the current fiscal year:		
Service cost	114	
Interest	112	
Changes of benefit terms		
Differences between expected and actual experience	(108)	
Changes in assumptions or other inputs	1,020	(2)
Changes in proportion	120	
Benefit payments	(87)	
Net changes	1,171	
Balance, June 30, 2020	$ 4,163	

(1) The discount rate used was 2.79% at June 30, 2019 and 2.66% at June 30, 2020.
(2) The discount rate used was 3.50% at June 30, 2019 and 2.21% at June 30, 2020.
(3) Beginning balance adjusted to add in National Park College.

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

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

Primary Government

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASP	1.66%	$ 288,237	2.66%	$ 238,959	3.66%	$ 203,654
ASE	1.21%	$ 3,074,607	2.21%	$ 2,565,358	3.21%	$ 2,166,903
NPC	1.66%	1,370	2.66%	1,316	3.66%	1,264
ASE total		$ 3,075,977		$ 2,566,674		$ 2,168,167

Component Unit – ADFA

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	1.21%	$ 4,990	2.21%	$ 4,163	3.21%	$ 3,517

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

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

Primary Government

	Total OPEB Liability		
	1% Decrease	Current Health Care Cost Trend Rate (1)	1% Increase
ASP	$ 197,270	$ 238,959	$ 300,179
ASE	$ 2,104,217	$ 2,565,358	$ 3,178,566
NPC	1,231	1,316	1,412
ASE total	$ 2,105,448	$ 2,566,674	$ 3,179,978

Component Unit - ADFA

	Total OPEB Liability		
	1% Decrease	Current Health Care Cost Trend Rate (1)	1% Increase
ASE	$ 3,415	$ 4,163	$ 5,158

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

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

For the year ended June 30, 2020, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Primary Government

	Total OPEB Expense
ASP	$ 22,488
ASE	193,972
NPC	226
ASE Total	$ 194,198
Total	$ 216,686

Component Unit – ADFA

	Total OPEB Expense
ASE	$ 117

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

Primary Government

	ASE		NPC	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 7,788	$ (58,338)	$	$
Changes of assumptions and other inputs	502,695	(153,750)	1,025	
Change in proportion		(120)		
State payments subsequent to the measurement date				
Total	$ 510,483	$ (212,208)	$ 1,025	$

	ASP		TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 26,533	$	$ 34,321	$ (58,338)
Changes of assumptions and other inputs	14,507		518,227	(153,750)
Change in proportion				(120)
State payments subsequent to the measurement date				
Total	$ 41,040	$	$ 552,548	$ (212,208)

Component Unit – ADFA

	ASE	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 13	$ (95)
Changes of assumptions and other inputs	802	(663)
Change in proportion	120	
State payments subsequent to the measurement date		
Total	$ 935	$ (758)

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

Primary Government

	Year ended June 30:						
	2021	2022	2023	2024	2025	Thereafter	Total
ASP	$ 6,552	$ 6,552	$ 6,552	$ 6,552	$ 6,552	$ 8,280	$ 41,040
ASE	$ 54,884	$ 54,884	$ 75,999	$ 112,389	$	$	$ 298,156
NPC	146	146	146	146	146	295	1,025
ASE total	$ 55,030	$ 55,030	$ 76,145	$ 112,535	$ 146	$ 295	$ 299,181

Component Unit – ADFA

	Year ended June 30:						
	2021	2022	2023	2024	2025	Thereafter	Total
ASE	$ (22)	$ (22)	$ 12	$ 209	$	$	$ 177

Note: The impact of the COVID-19 pandemic is uncertain. There is the potential that plan expenses could be materially impacted in the future.

Business-Type Activities

Higher Education

(a) General Information

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

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

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

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

- Arkansas Northeastern College Retirement Option (ANC)

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

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

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

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

Benefits Provided

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

Arkansas State University (ASU)

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

Arkansas Tech University (ATU)

The plan offers postemployment health benefits for retirees reaching age 60 and completing 10 years of service. For employees who retired prior to July 1, 1998, ATU pays the medical premium of the employee for the employee’s lifetime. For employees that retire on or after July 1, 1998, ATU will pay the medical premium of the employee until the employee is 65 or is eligible for Medicare. Surviving spouses of retirees or active employees are eligible for Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage upon the member’s death. Spousal eligibility ends when the spouse becomes Medicare eligible. There is no explicit subsidy for spousal coverage. Life insurance benefits are available to retirees in the amount of $20,000. Dental benefit eligibility is the same as medical eligibility. For employees that retired on or after July 1, 2017, the retiree pays the same percentage of dental premiums as they paid when active. Employees that retired prior to July 1, 2017, the plan pays 100% of their dental premiums.

Henderson State University (HSU)

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

Northwest Arkansas Community College (NWACC)

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

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

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

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

University of Arkansas (U of A)

The plan offers postemployment classic medical plan coverage, as well as prescription drug, dental and life insurance benefits. Employees are eligible for retirement benefits if their age plus service equals 70 points and if, immediately prior to retirement they have completed 10 or more consecutive years of continuous coverage under the plan. Benefits are provided until the retiree becomes Medicare eligible.

A closed group of retirees within Pulaski Technical College (PTC) pay 0% of the active premium for single coverage but are responsible for the total cost of the insurance premium for spouse and any unmarried dependents. Retirees who retired after February 1, 2017, pay 100% of premiums for single coverage and spouse coverage.

Retirees that retired prior to January 1, 2019, from University of Arkansas Community College at Rich Mountain (UACCRM) pay 17% of the active premium for single coverage but are responsible for the total cost of the insurance premium for spouse and unmarried dependents. Retirees who retired after January 1, 2019, pay 100% of premiums for single and spouse coverage.

University of Central Arkansas (UCA)

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

Arkansas Northeastern College (ANC)

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

Black River Technical College (BRTC)

The plan offers postemployment health insurance coverage to employees who retire directly from active employment, are at least age 60 and have at least 10 years of service or, are at least age 55 and meet the "Rule of 70" criteria. If an employee retires before age 65, the College will pay the individual health insurance premium until the retiree reaches age 65 or becomes eligible for Medicare.

East Arkansas Community College (EACC)

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

National Park College (NPC)

The plan offers postemployment health and life insurance benefits to active employees who retire and are at least age 60 with 10 or more years of service or are at least age 55 and meet the "Rule of 70." A retiree can self-pay their health and life insurance until they reach age 65. At age 65, they can continue their coverage, but must pay 100% of the premium.

North Arkansas College (NAC)

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

Ozarka College (OC)

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

South Arkansas Community College (SACC)

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

Employees Covered by Benefit Term

At June 30, 2020, the following employees were covered by benefit terms of each plan:

Plan	Inactive employees or beneficiaries currently receiving benefit payments (1)	Active Employees	Total
ASU	116	1,948	2,064
ATU	57	883	940
HSU	22	215	237
NWACC	1	347	348
SAUT	9	143	152
SAU	14	381	395
U of A	2,180	19,959	22,139
UCA	127	1,276	1,403
ANC	9	121	130
BRTC	13	148	161
EACC	6	118	124
NPC	2	75	77
NAC	3	171	174
OC	1	87	88
SACC	3	151	154
Total	2,563	26,023	28,586

(1) There are no inactive employees entitled to but not yet receiving benefit payments.

(b) Total OPEB Liability

At June 30, 2020, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

	Measurement Date	Total OPEB Liability
ASU	June 30, 2020	$ 17,739
ATU	June 30, 2019	8,692
HSU	June 30, 2020	4,427
NWACC	June 30, 2020	1,305
SAUT	June 30, 2020	1,427
SAU	June 30, 2020	2,945
U of A	June 30, 2019	74,747
UCA	June 30, 2020	3,834
ANC	June 30, 2020	699
BRTC	June 30, 2020	1,872
EACC	June 30, 2020	753
NPC	June 30, 2020	506
NAC	June 30, 2020	1,040
OC	June 30, 2020	812
SACC	June 30, 2020	734
Total		$ 121,532

Actuarial Assumptions and Other Inputs

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

	ASU		ATU		HSU		NWACC		SAUT	
Actuarial valuation date	January 1, 2020		June 30, 2019		January 1, 2020		June 30, 2019		June 30, 2020	
Inflation rate	2.00%		2.40%		2.00%		3.00%		3.00%	
Salary increases	1% through 2022; 2.5% thereafter		3.25% per year plus salary scale increases		1% through 2022; 2.5% thereafter		N/A		N/A	
Discount rate	2.44%	(1)	3.50%	(2)	2.21%	(4)	2.66%	(3)	2.66%	(3)
Healthcare cost trend rates	5.00% initial 4.80% ultimate		7.50% initial 4.50% ultimate		6.0% initial 4.8% ultimate		10.0% initial 5.0% ultimate		9.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	50%		0% to 100%		12%		19% to 22%		96% to 99%	
Mortality rates	PUB-2010 for general employees with genearational projection according to Scale MP-2019		SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017		PUB-2010 for general employees with genearational projection according to Scale MP-2019		RP 2014 Mortality Table		PUB-2010 for general employees with genearational projection according to Scale MP-2019	
Actuarial experience study dates	June 30, 2016, based on census data from 2013 to 2016		N/A		N/A		N/A		N/A	

	SAU		U of A		UCA		ANC		BRTC	
Actuarial valuation date	June 30, 2020		June 30, 2019		June 30, 2020		June 30, 2020		June 30, 2020	
Inflation rate	2.00%		2.20%		2.00%		3.00%		3.00%	
Salary increases	N/A		4.00%		N/A		N/A		N/A	
Discount rate	2.21%	(4)	3.50%	(2)	2.21%	(4)	2.66%	(4)	2.66%	(4)
Healthcare cost trend rates	7.00% initial 4.00% ultimate		5.30% initial 4.00% ultimate		7.0% initial 4.0% ultimate		9.0% initial 5.0% ultimate		9.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	12%		10% to 100%		16% to 100%		9% to 76%		0% to 13%	
Mortality rates	RP-2014 Mortality Table with Improvement Scale MP-2019		RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014		RP-2014 Mortality Table with Improvement Scale MP-2019		PUB-2010 for general employees with genearational projection according to Scale MP-2019		PUB-2010 for general employees with genearational projection according to Scale MP-2019	
Actuarial experience study dates	N/A		N/A		N/A		N/A		N/A	

	EACC		NPC		NAC		OC		SACC	
Actuarial valuation date	June 30, 2020		July 1, 2019		June 30, 2019		June 30, 2019		June 30, 2019	
Inflation rate	3.00%		3.00%		3.00%		3.00%		3.00%	
Salary increases	N/A		N/A		N/A		N/A		N/A	
Discount rate	2.66%	(4)	2.66%	(3)	2.66%	(3)	2.66%	(3)	2.66%	(3)
Healthcare cost trend rates	9.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate		9.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate		10.0% initial 5.0% ultimate	
Retirees' share of benefit-related costs	0% to 100%		25%		100%		15%		0% to 75%	
Mortality rates	PUB-2010 for general employees with genearational projection according to Scale MP-2019		RP-2014 Mortality Table		RP-2014 Mortality Table		RP-2014 Mortality Table		RP-2014 Mortality Table	
Actuarial experience study dates	N/A		N/A		N/A		N/A		N/A	

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

(c) Changes in the Total OPEB Liability

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

	ASU		ATU		HSU	
Balance, June 30, 2019	$ 25,398		$ 8,330		$ 4,271	
Changes for the current fiscal year:						
Service cost	1,427		557		205	
Interest cost	840		332		147	
Changes of benefit terms	999		(217)			
Differences between expected and actual experience	(10,257)		(144)		76	
Changes in assumptions or other inputs	(519)	(1)	475	(2)	(117)	(1)
Benefit payments	(149)		(641)		(155)	
Net changes	(7,659)		362		156	
Balance, June 30, 2020	$ 17,739		$ 8,692		$ 4,427	

	NWACC		SAUT		SAU	
Balance, June 30, 2019	$ 1,198		$ 1,492		$ 2,549	
Changes for the current fiscal year:						
Service cost	58		111		240	
Interest cost	34		42		86	
Changes of benefit terms						
Differences between expected and actual experience			(211)		(202)	
Changes in assumptions or other inputs	15	(3)	30	(3)	302	(4)
Benefit payments			(37)		(30)	
Net changes	107		(65)		396	
Balance, June 30, 2020	$ 1,305		$ 1,427		$ 2,945	

	U of A		UCA		ANC	
Balance, June 30, 2019	$ 70,183		$ 3,163		$ 558	
Changes for the current fiscal year:						
Service cost	4,026		255		31	
Interest cost	2,831		106		16	
Changes of benefit terms						
Differences between expected and actual experience	(3,244)		(3)		77	
Changes in assumptions or other inputs	3,131	(3)	369	(4)	48	(4)
Benefit payments	(2,180)		(56)		(31)	
Net changes	4,564		671		141	
Balance, June 30, 2020	$ 74,747		$ 3,834		$ 699	

	BRTC		EACC		NPC	
Balance, June 30, 2019	$ 1,767		$ 603		$ 469	
Changes for the current fiscal year:						
Service cost	102		42		34	
Interest cost	50		17		13	
Changes of benefit terms						
Differences between expected and actual experience	(8)		91			
Changes in assumptions or other inputs	37	(4)	25	(4)	3	(3)
Benefit payments	(76)		(25)		(13)	
Net changes	105		150		37	
Balance, June 30, 2020	$ 1,872		$ 753		$ 506	

	NAC		OC		SACC	
Balance, June 30, 2019	$ 957		$ 742		$ 643	
Changes for the current fiscal year:						
Service cost	44		39		70	
Interest cost	27		21		19	
Changes of benefit terms						
Differences between expected and actual experience						
Changes in assumptions or other inputs	12	(3)	10	(3)	8	(3)
Benefit payments					(6)	
Net changes	83		70		91	
Balance, June 30, 2020	$ 1,040		$ 812		$ 734	

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

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

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

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASU	1.44%	$ 19,141	2.44%	$ 17,739	3.44%	$ 16,451
ATU	2.50%	9,447	3.50%	8,692	4.50%	8,048
HSU	1.21%	4,683	2.21%	4,427	3.21%	4,184
NWACC	1.66%	1,439	2.66%	1,305	3.66%	1,185
SAUT	1.66%	1,519	2.66%	1,427	3.66%	1,341
SAU	1.21%	3,206	2.21%	2,945	3.21%	2,708
U of A	2.50%	84,400	3.50%	74,747	4.50%	66,753
UCA	1.21%	4,154	2.21%	3,834	3.21%	3,544
ANC	1.66%	726	2.66%	699	3.66%	644
BRTC	1.66%	1,993	2.66%	1,872	3.66%	1,757
EACC	1.66%	805	2.66%	753	3.66%	704
NPC	1.66%	544	2.66%	506	3.66%	470
NAC	1.66%	1,148	2.66%	1,040	3.66%	945
OC	1.66%	900	2.66%	812	3.66%	733
SACC	1.66%	798	2.66%	734	3.66%	674

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

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

	Total OPEB Liability		
	1% Decrease	Current Healthcare Cost Trend Rate (1)	1% Increase
ASU	$ 16,076	$ 17,739	$ 19,693
ATU	8,110	8,692	9,367
HSU	4,070	4,427	4,837
NWACC	1,136	1,305	1,508
SAUT	1,274	1,427	1,613
SAU	2,632	2,945	3,319
U of A	69,182	74,747	81,227
UCA	3,474	3,834	4,258
ANC	632	699	778
BRTC	1,673	1,872	2,110
EACC	669	753	856
NPC	447	506	578
NAC	908	1,040	1,200
OC	697	812	951
SACC	628	734	865

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

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

For the year ended June 30, 2020, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

	Total OPEB Expense
ASU	$ 2,249
ATU	465
HSU	172
NWACC	97
SAUT	140
SAU	339
U of A	3,726
UCA	368
ANC	60
BRTC	158
EACC	72
NPC	21
NAC	100
OC	62
SACC	90
Total	$ 8,119

At June 30, 2020, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

	ASU		ATU		HSU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 2,209	$ (8,710)	$	$ (480)	$ 63	$ (813)
Changes of assumptions and other inputs	596	(441)	428	(1,804)		(194)
State benefit payments and administrative expenses subsequent to the measurement date			699			
Total	$ 2,805	$ (9,151)	$ 1,127	$ (2,284)	$ 63	$ (1,007)

	NWACC		SAUT		SAU	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$	$ (125)	$	$ (191)	$ 469	$ (473)
Changes of assumptions and other inputs	167		51		279	(96)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 167	$ (125)	$ 51	$ (191)	$ 748	$ (569)

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	U of A		UCA		ANC	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 277	$ (5,101)	$ 336	$ (141)	$ 70	$
Changes of assumptions and other inputs	2,836	(7,307)	337	(406)	52	
State benefit payments and administrative expenses subsequent to the measurement date	2,245					
Total	$ 5,358	$ (12,408)	$ 673	$ (547)	$ 122	$

	BRTC		EACC		NPC	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$	$ (7)	$ 82	$	$	$ (3)
Changes of assumptions and other inputs	61		33		8	(186)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 61	$ (7)	$ 115	$	$ 8	$ (189)

	NAC		OC		SACC	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 183	$	$	$ (25)	$	$ (17)
Changes of assumptions and other inputs	101		41		21	
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 284	$	$ 41	$ (25)	$ 21	$ (17)

	TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 3,689	$ (16,086)
Changes of assumptions and other inputs	5,011	(10,434)
State benefit payments and administrative expenses subsequent to the measurement date	2,944	
Total	$ 11,644	$ (26,520)

$2.9 million reported as deferred outflows of resources related to OPEB resulting from State benefit payments subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows (expressed in thousands):

	Fiscal Year-ended June 30:						
	2021	**2022**	**2023**	**2024**	**2025**	**Thereafter**	**Total**
ASU	$ (1,017)	$ (1,017)	$ (1,017)	$ (1,032)	$ (1,239)	$ (1,024)	$ (6,346)
ATU	(206)	(206)	(206)	(206)	(206)	(826)	(1,856)
HSU	(180)	(180)	(180)	(180)	(166)	(58)	(944)
NWACC	5	5	5	5	5	17	42
SAUT	(14)	(14)	(14)	(14)	(14)	(70)	(140)
SAU	13	13	13	13	13	114	179
U of A	(3,129)	(3,084)	(2,213)	(508)	(149)	(212)	(9,295)
UCA	7	7	7	7	7	91	126
ANC	14	14	14	14	14	52	122
BRTC	6	6	6	6	6	24	54
EACC	13	13	13	13	13	50	115
NPC	(26)	(26)	(26)	(26)	(26)	(51)	(181)
NAC	28	28	28	28	28	144	284
OC	2	2	2	2	2	6	16
SACC		1		1		2	4

Reconciliation of Total OPEB Liability to Financial Statements	
Governmental	$ 2,769,498
Business-type	144,951
Fiduciary	12,716
Component units	4,163
Total OPEB liability	$ 2,931,328

(16) Additional Information – Enterprise Funds

The Construction Assistance Revolving Loan Program was created pursuant to the 1987 Amendments (Federal Law: 100-4) to the 1977 Clean Water Act (Federal Law: 92-500) to provide a perpetual fund for financing the construction of wastewater treatment facilities for municipalities and other public entities.

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

Condensed Statement of Net Position (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Current assets	$ 141,540	$ 126,406
Noncurrent assets		
Advances to other funds	334	
Other noncurrent assets	293,944	171,610
Total assets	$ 435,818	$ 298,016
Current liabilities		
Due to other funds	$	$ 260
Other current liabilities	2,960	2,186
Noncurrent liabilities	15,879	11,951
Total liabilities	18,839	14,397
Net position		
Restricted	416,979	283,619
Total liabilities and net position	$ 435,818	$ 298,016

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

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Operating revenue/expenses:		
Licenses, permits and fees	$ 2,901	$ 1,583
Operating expenses	(6,990)	(3,220)
Operating income (loss)	(4,089)	(1,637)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	6,632	4,517
Grants and contributions	12,416	21,311
Interest Expense	(591)	(445)
Nonoperating revenue	18,457	25,383
Transfers in (out), net	2,079	162
Change in net position	16,447	23,908
Total net position, beginning of year	400,532	259,711
Total net position, end of year	$ 416,979	$ 283,619

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Net cash provided by:		
Operating activities	$ 1,844	$ 847
Noncapital financing activities	10,924	18,812
Investing activities	39,596	32,977
Net increase	52,364	52,636
Cash and cash equivalents, beginning	86,194	73,272
Cash and cash equivalents, ending	$ 138,558	$ 125,908

(17) Risk Management Programs

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

Primary Government

Governmental Activities

(a) Health and Life Plans

State Employee Health and Life Benefit Plan

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

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

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

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

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

	2020	2019
Claim liability, beginning of year	$ 26,200	$ 27,100
Incurred claims:		
Provision for insured events of current year	284,190	272,692
Provision for insured events of prior years	(3,410)	
Total incurred claims	280,780	272,692
Payments:		
Claims payments attributed to insured events of current year	267,272	255,897
Claims payments attributed to insured events of prior years	23,245	17,695
Total payments	290,517	273,592
Claim liability, end of year	$ 16,463	$ 26,200

Arkansas State Police Health Insurance Plan

Pursuant to Ark. Code Ann. § 12-8-210, the Arkansas State Police (ASP) offers healthcare benefits to active uniformed members and retirees. The ASP Human Resource section serves as Plan Administrator. A contracted third-party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the plan. Healthcare benefits are funded by employer and retired employee contributions and Act 1500 of 2001. Act 1500 stipulates that for every Arkansas driver's license sold, $12 of the license fee is used to fund the ASP Health Plan. The plan is partially self-funded; reinsurance stop loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the ASP with final approval by the ASP Commission. The ASP Commission is authorized by Ark. Code Ann. § 12-8-210 to direct the plan. The current monthly budgeted premium, set on July 1, 2018, is $905 per budgeted commissioned position.

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

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

The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2020, are as follows (expressed in thousands):

	2020	2019
Claim liability, beginning of year	$ 488	$ 1,020
Incurred claims:		
Provision for insured events of current year	11,415	12,882
Increase (decrease) in provision for insured events of prior years	90	334
Total incurred claims and claim adjustment expense	11,505	13,216
Payments:		
Claims payments attributed to insured events of current year	10,872	12,393
Claims payments attributed to insured evens of prior years	578	1,355
Total payments	11,450	13,748
Claim liability, end of year	$ 543	$ 488

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

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

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

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

	2020	2019
Claim liability, beginning of year	$ 82,394	$ 81,652
Incurred claims:		
Provision for insured events of current year	14,351	17,674
Increase (decrease) in provision for insured events of prior years	(2,506)	(2,742)
Total incurred claims and claim adjustment expense	11,845	14,932
Payments:		
Claims payments attributed to insured events of current year	4,465	5,799
Claims payments attributed to insured events of prior years	7,933	8,391
Total payments	12,398	14,190
Claim liability, end of year	$ 81,841	$ 82,394

(c) Petroleum Storage Tank Trust Fund

The Petroleum Storage Tank Trust Fund (Storage Tank Fund) was established to provide owners and operators of petroleum storage tanks in the State protection from losses associated with accidental releases from qualified storage tanks. In order for a storage tank to qualify under the Storage Tank Fund, it must be registered with all fees paid and meet certain other requirements at the time of the release. The Storage Tank Fund reimburses tank owners up to $1.5 million per occurrence, with a $7,500 deductible, as well as third-party property claims or bodily injury claims for damages up to $1.0 million per occurrence, also with a $7,500 deductible. The Storage Tank Fund is funded by an environmental assurance fee, collected at the wholesale level, of three-tenths of a cent for each gallon of fuel. The first party claim liability is determined through the use of the responsible party's consulting estimates of the remaining corrective action for each site. The third-party claim liability for a release is estimated at one half the plan limits (less the $7,500 deductible) once a third-party claim is filed until actual damages are determined and the liability is recorded in Governmental Activities.

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

	2020	2019
Claim liability, beginning of year	$ 18,868	$ 10,208
Incurred claims:		
Provision for insured events of current year	4,162	12,632
Payments:		
Claims payments attributed to insured events of current year	4,161	3,972
Claim liability, end of year	$ 18,869	$ 18,868

(d) Risk Management Office

The State established the Risk Management Office (RISK), Act 272 of 1981, in accordance with State law for the purpose of analyzing and making recommendations as to cost effective loss control and safety programs for the various State agencies. Accordingly, State agencies retain the ultimate decision authority over whether to purchase commercial insurance coverage for losses. However, Ark Code Ann. § 25-35-104 does require mandatory participation for those State agencies that choose to procure property and causality insurance offered through the Arkansas Multi-Agency Insurance Trust Fund (AMAIT). The University of Arkansas System has its own program that the RISK does not oversee.

For those State buildings covered by commercial insurance through the AMAIT Plan, the building and contents are generally insured for replacement cost subject to a $2.5 million aggregate retention paid from the AMAIT, Act 1762 of 2003, with varying deductible amounts retained by the State agency entities from $2,500 up to $100,000 per occurrence. The total annual payout by AMAIT is capped at $2.5 million. Losses arising from earth movement are generally insured for the full amount of losses and subject to a deductible of 5% of the combined building and content total value at the location where the loss or damage occurs. Due to market conditions, limited availability, and excessive cost, total earth movement coverage is limited to $100 million aggregate limit in Insurance Services Office (ISO) earthquake zones 2 and 3 and $200 million for zones 4 and 5. The State has secured domestic and foreign terrorism insurance coverage. Certain State agencies have chosen not to purchase commercial insurance on certain buildings, and as such, losses for these buildings are recorded as expenditures in the General Fund when incurred. Flood coverage is provided with varying limits and deductibles according to the various flood zones. Aggregate limits vary from $30 million in a Special Flood Hazard Zone A, with a $1 million deductible per occurrence, per location, per agency, up to $100 million in Zone X, with a $100,000 deductible per occurrence, per agency. Both earthquake and flood coverage limits are annual aggregate total maximum limits for the State.

The State does not purchase commercial general liability insurance coverage for claims arising from third party losses on State property as the State relies on sovereign immunity against such claims. Claims against the State for such losses are heard before the State Claims Commission. Act 1188 of 2015 amended the AMAIT to allow for cyber security insurance. Cyber data liability insurance including, but not limited to, first-party and third-party coverage for all participating State agencies became effective on August 14, 2018.

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

For those State vehicles covered by commercial business auto insurance, each participating agency determines which, if any, vehicles to insure for physical damage and is subject to a per occurrence deductible of $500 comprehensive and $1,000 collision coverage. Also, such commercial business auto insurance generally provides coverage against liability losses up to $250,000 per occurrence in-state and $5.0 million per occurrence out-of-state. The participating State agency does not have a per occurrence deductible on third liability claims. Twenty-three state entities including public funded higher education institutions and State agencies have elected to purchase $1.0 million per occurrence liability limit coverage in-state. Two State agencies (Arkansas Department of Transportation and Arkansas State Police) have elected not to purchase commercial business auto insurance, and losses on such vehicles are recorded as expenditures in the General Fund as incurred. Auto liability losses arising from uninsured vehicles are heard and adjudicated by the State Claims Commission.

Business-Type Activities

(a) Health and Life Plans

Higher Education Health Plans

The Board of Trustees of the University of Arkansas System (UA System) and Arkansas State University (ASU) sponsor self-funded health plans for employees and their eligible dependents. All UA System campuses participate in the health and dental plans. The plans are also offered to employees of the University of Arkansas Winthrop Rockefeller Institute, the University of Arkansas Foundation, Inc., the Razorback Foundation, Inc., the Walton Arts Center and the University of Arkansas Technology Development Foundation. All ASU campuses participate in the health plan, which is administered by Arkansas Blue Advantage Administrators.

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

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

	2020	2019
Claim liability, beginning of year	$ 19,929	$ 19,056
Incurred Claims:		
Provision for insured events of current year	194,469	194,982
Increase (decrease) in provision for insured events of prior years	(3,043)	(2,682)
Total incurred claims and claim adjustment expense	191,426	192,300
Payments:		
Claims payments attributed to insured events of current year	175,327	175,052
Claims payments attributed to insured events of prior years	16,886	16,375
Total Payments	192,213	191,427
Claim liability, end of year	$ 19,142	$ 19,929

The universities purchase specific reinsurance to reduce their exposure on large claims. Under the specific arrangements, the reinsurance carrier pays for claims for covered individuals that exceed specified limits. Such limits are $1.1 million and $300,000 for the UA System and ASU, respectively.

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

Public School Employee Health and Life Benefit Plan

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

Through September 30, 2003, the health and life plans were fully insured. Subsequent to that date, the health plan became self-insured, and the life component remained fully insured. The pharmacy plan has been self-insured since the inception of the plan. While the health plan was fully insured, most plan participants' premiums for health, life and pharmacy coverage were collected from the school districts by the health insurance companies, and the life and pharmacy components of the premium were paid by the health insurance companies to the life insurance company and EBD, respectively. Premiums for certain retirees and COBRA participants were collected by EBD, and the health and life components were paid to the health and life insurance companies, respectively. Employee contributions and school district matching provide funding for the Public School Employee Health and Life Benefit Plan. Premiums are set by the State and Public School Life and Health Insurance Board and are based upon family composition and claims history. The mix of employee contributions and school district matching was determined individually by the school districts, with school district match being at least $159 in plan year 2020. Some school districts provided additional support for their employees through locally generated funding. Act 1745 of 2001 provides the Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Ark. Code Ann. § 6-17-1117 so that the contribution rate increases annually by the same percentage that the Legislature increases the salary and benefit component of the per-student foundation funding amount under Ark. Code Ann. § 6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1, 2017, Ark. Code Ann. § 6-17-1117 authorizes the Department of Education (DOE) to pay an additional matching amount of $55 million per fiscal year to EBD. Effective July 1, 2009, Act 1421 of 2009 authorizes the DOE to pay an additional matching amount of $15 million per fiscal year, for a total of $70 million, to EBD.

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

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

	2020	2019
Claim liability, beginning of year	$ 28,000	$ 29,000
Incurred claims:		
Provision for insured events of current year	319,895	281,668
Provision for insured events of prior years	5,136	
Total incurred claims	325,031	281,668
Payments:		
Claims payments attributed to insured events of current year	296,448	264,185
Claims payments attributed to insured events of prior years	33,262	18,483
Total payments	329,710	282,668
Claim liability, end of year	$ 23,321	$ 28,000

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

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

Death and Permanent Total Disability Trust Fund

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

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

The following represents the changes in claim liabilities for the fund during the current and prior fiscal years (expressed in thousands):

	2020	2019
Claim liability, beginning of year	$ 219,365	$ 222,188
Incurred claims:		
Provision for insured events of current year		6,937
Increase (decrease) in provision for insured events of prior years	(6,725)	(6,338)
Increase due to decrease in discount period	10,622	10,755
Total incurred claims and claim adjustment expense	3,897	11,354
Payments:		
Claims payments attributed to insured events of prior years	13,833	14,177
Claim liability, end of year	$ 209,429	$ 219,365

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

Second Injury Trust Fund

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

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

	2020	2019
Claim liability, beginning of year	$ 1	$ 28
Incurred claims:		
Increase (decrease) in provision for insured events of prior years	(1)	(2)
Increase due to decrease in discount period		
Total incurred claims and claim adjustments expense	(1)	(2)
Payments:		
Claims payments attributed to insured events of prior years		25
Claim liability, end of year	$	$ 1

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

(18) Commitments and Contingencies

Primary Government

Governmental Activities

(a) Litigation

The State, its agencies and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, alleged inmate wrongs and other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law and other alleged violations of state and federal laws. Certain claims have been adjudicated against the State but remained unpaid by the State as of the balance sheet date. The State has accrued liabilities in the approximate amount of $1.9 million for the payment of such claims. Included in that amount are claims of $280,000 approved by the General Assembly and waiting payment through an appropriations bill as of June 30, 2020 through the Arkansas State Claims Commission (the Commission). The Commission may authorize awards up to $15,000 without legislative approval. Claims awarding death and disability benefits for certain public employees do not require legislative approval. Awards are recorded in government financial statements. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate the liability to be approximately $3,000.

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

	2020	2019
Litigation, beginning of year	$ 347	$ 421
Incurred litigation	5,786	524
Litigation payments/dismissals	(4,234)	(598)
Litigation, end of year	$ 1,899	$ 347

(b) Federal Grants

The State, including its institutions of higher education, receives significant financial assistance from the U.S. Government in the form of grants and federal revenue sharing entitlements. Entitlement to those resources is generally conditioned upon compliance with the terms and conditions of the grant agreements and applicable federal regulation, including the expenditure of the resources for eligible purposes. Substantially all grants are subject to financial and compliance audits under either the Federal Single Audit Act or by grantor agencies of the federal government or their designees. At June 30, 2020, the amount of expenditures were disallowed and returned to the grantor as a result of the financial and compliance audits was $2.44 million.

(c) Construction and Other Commitments

At June 30, 2020, the State had commitments of approximately $1.8 billion for construction and other contracts and approximately $1.7 billion for professional service contracts. The Arkansas Natural Resources Commission has approved $17.2 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2020.

(d) Bond Guarantees

The Arkansas Development Finance Authority (ADFA) has authority to guarantee bonds issued by cities and counties for industrial development purposes, bonds and loans issued by ADFA and obligations issued by a venture capital investor group. As of June 30, 2020, there was on deposit in ADFA's Guaranty Reserve Account approximately $16.0 million. As of June 30, 2020, ADFA had outstanding guarantees on obligations aggregating approximately $59.8 million in principal amount. Approximately $4.5 million in principal amount were in default and in a workout posture. In the event that it is necessary to meet its guarantee obligations, ADFA may issue its revenue bonds which will be secured by a pledge of interest earnings derived from investment of the State's daily Treasury balances. No such bonds have yet been issued by ADFA.

The Arkansas Economic Development Commission (AEDC) has authority to guarantee repayment of indebtedness incurred by private borrowers, not to exceed $5 million in each instance, to promote industrial development within the State. In connection with such guarantees given in the past, AEDC has received fees which have been deposited into a guaranty fund. In the event AEDC's guarantee is called upon, moneys in the guaranty fund are applied to satisfy the obligation. In the event moneys in the guaranty fund are insufficient to repay any such obligation, AEDC is authorized to issue its revenue bonds secured by a pledge of interest earnings on the State's daily Treasury balances. An issue of such bonds previously issued by AEDC have now been fully paid. As of June 30, 2020, there was approximately $11.5 million on deposit in AEDC's Bond Reserve Guaranty Fund. As of June 30, 2020, AEDC had outstanding guarantees on approximately $13.2 million in principal amount of debt in connection with the program described above. Approximately $1.3 million in principal amount were in default.

(e) Tobacco Settlement

In November 1998, Arkansas joined 46 states and five territories in a settlement with the nation's largest tobacco manufacturers. The settlement includes base payments to states totaling $206.0 billion over 25 years and continues in perpetuity. For 2002 and thereafter, the first $5 million must be distributed to the Tobacco Settlement Debt Service Account and the amounts remaining are distributed to the Tobacco Settlement Program Account.

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

In fiscal year 2006, ADFA issued $36.8 million in Tobacco Settlement Revenue Bonds. ADFA has made the proceeds of the bonds available to the University of Arkansas Board of Trustees (UA Board) to fund an expansion to the Arkansas Cancer Research Center (ACRC) on the campus of the University of Arkansas for Medical Sciences (UAMS). The bonds have an approximate yield to maturity of 4.77% to 5.10%, and principal and accumulated interest are payable beginning in 2021 through 2031 for $22.2 million of serial bonds and beginning in 2036 through 2046 for $14.6 million of term bonds. Funds received from the Arkansas Tobacco Settlement Funds Act of 2000 are pledged for debt service and are the primary source of payment for the bonds. In accordance with a loan agreement dated June 1, 2006, between the UA Board and ADFA, the UA Board will be required to make debt service payments on the Series 2006 bond issue in the event of a shortfall in tobacco settlement revenues. However, no such payments will be made unless the debt service revenues are insufficient to make such payments. Management believes the debt service revenues will be sufficient to service the entire principal and interest due. The *Global Insights USA, Inc.*, report, prepared in August 2006 on the *Forecast of U.S. Cigarette Consumption (2004-2046)*, indicates that tobacco consumption in 2046 is expected to decline by 54% from the 2003 level. For fiscal year 2003, Arkansas received $60.1 million from the Tobacco Settlement Fund. Using the 54% decline from above, Arkansas should receive approximately $27.6 million in 2046, with the first $5.0 million dedicated to pay the debt service on the above bond issue. If debt service revenues would have been considered insufficient at June 30, 2020, the University would have incurred a liability of $73.2 million related to the issue. This amount includes draw down of funds related to the project, issuance costs, discounts, accreted interest and other expenses related to the issue.

While Arkansas's share of the base payments will not change over time, the amount of the annual payment is subject to a number of modifications, including adjustments for inflation and usage volumes. Some of the adjustments may result in increases in the payments (inflation, for example), while other adjustments will likely cause decreases in payments (volume adjustments, for example). The net effect of these adjustments on future payments is unclear; therefore, the financial statements only reflect the amounts that were earned in fiscal year 2020. In fiscal year 2020, the State recorded a total of $53 million, with $5 million being transferred to ADFA for the Tobacco Settlement Debt Service Account.

Business-Type Activities

(a) Litigation

The State's business-type activities and employees may be defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the State for property damage and personal injury, other alleged torts, alleged breaches of contract, condemnation proceedings, challenges of State law and other alleged violations of state and federal laws. At June 30, 2020, there were no accrued liabilities involving litigation for business-type activities. For other cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgment can be reasonably estimated, the Attorney General and other counsel estimate that there is no liability at June 30, 2020.

(b) Settlements

Higher Education

The University of Arkansas for Medical Sciences (UAMS) has contractual agreements with governmental and other third-party payors that provide for reimbursements at amounts different from their established rates. At June 30, 2020, UAMS had an estimated net settlement payable of approximately $134.0 million. These settlements are initially paid out for cost-reimbursable items at a tentative rate, with the final settlement determined after submission of an annual cost report by the hospital and an external audit.

(c) Construction and Other Commitments

Higher Education

At June 30, 2020, the State had commitments in its business-type activities of approximately $311.0 million for construction and other contracts and approximately $5.0 million for professional service contracts.

Office of the Arkansas Lottery

The Arkansas Department of Finance and Administration Office of the Arkansas Lottery (OAL) contracts with two vendors for its online lottery game services, instant ticket lottery game services and gaming system. These services are incurred as a percentage of sales, and as such, future obligations cannot be easily determined. OAL has multi-year contracts with both vendors that expire in fiscal year 2027. Total fees paid on these contracts for the fiscal year ended June 30, 2020, were $26.3 million.

OAL has a contract with a third vendor to provide a business plan and other consultancy services that will expire on June 30, 2020. The base compensation costs are $365,000 per year, and reimbursable travel costs will not exceed $100,000 per year. Incentive compensation costs are incurred as a percentage of operating income, and as such, future obligations cannot be easily determined. In fiscal year 2020, $2.6 million incentive compensation costs and $21,000 travel costs were paid by OAL.

Component Unit Activities

Construction and Other Commitments

Arkansas Development Finance Authority

ADFA has $8.2 million recorded as cash and investments in the statement of net position that may be disbursed under loan and lease agreements closed prior to June 30, 2020.

In 2003, ADFA initiated the funding for the Arkansas Institutional Fund (AIF), an institutional fund of venture capital investment program funds created by the Arkansas General Assembly in 2001. The Venture Capital Act of 2001 authorizes ADFA to assist in increasing the availability of equity and near-equity capital for emerging, expanding, relocating and restructuring enterprises in the State through the creation of an institutional partnership fund. The Bond Guaranty Fund is subject to the first $10.0 million of losses incurred by the AIF. The funding is structured as a guaranteed line of credit with a financial institution, with draws occurring on an as-needed basis. The outstanding balance as of June 30, 2020, was $22.2 million. There is an additional $3.4 million in approved but not yet funded investments that are anticipated to become part of the AIF.

Outstanding commitments to various funds/companies were $3.9 million for the year ending June 30, 2020.

At June 30, 2020, the Bond Guaranty Fund guaranteed a letter of credit with a financial institution for up to $3.75 million in the event of non-performance by the borrower.

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

(19) Business Incentives

(a) Create Rebate Program

The Create Rebate Program is authorized by the Consolidated Incentives Act of 2003 (Ark. Code Ann. §§ 15-4-2701 – 2714). Financial incentive agreements are offered to non-retail, for-profit businesses in highly competitive circumstances at the discretion of the director of the Arkansas Economic Development Commission. The agreements can be offered for a period of up to 10 years. Cash payments are based on a company's annual payroll for new, full-time permanent employees. To be eligible, a company is required to maintain a minimum payroll of $2.0 million annually for new, full-time permanent employees and file a claim with the Department of Finance and Administration (DFA). No claims may be filed until the minimum annual payroll of $2.0 million is met. The threshold must be met within 24 months of inception of the agreement. The State has accrued liabilities in the approximate amount of $250.7 million for the Create Rebate business incentive.

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

	2020	2019
Create Rebate business incentives, beginning of year	$ 226,211	$ 150,208
Incurred Create Rebate business incentives, net of allowance	42,367	87,474
Create Rebate business incentives payments/dismissals	(17,834)	(11,471)
Create Rebate business incentives, end of year	$ 250,744	$ 226,211
Current Create Rebate business incentives	$ 12,889	$ 11,600
Noncurrent Create Rebate business incentives	237,855	214,611

(b) Tax Back Program

The Tax Back Program is authorized under Ark. Code Ann. § 15-4-2706(d). The program provides sales and use tax refunds on the purchase of building materials, machinery and equipment to qualifying businesses that create new jobs as a result of construction, expansion or facility modernization projects in Arkansas. All claims for refunds must be filed with the Revenue Division of DFA within three years from the date of purchase. The State has accrued liabilities in the approximate amount of $2.2 million for the Tax Back business incentive. For more information on the Tax Back Program, refer to Note 20.

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

	2020	2019
Tax Back business incentives, beginning of year	$ 3,036	$ 5,356
Incurred Tax Back business incentives, net of allowance	2,327	959
Tax Back business incentives payments/dismissals	(3,187)	(3,279)
Tax Back business incentives, end of year	$ 2,176	$ 3,036
Current Tax Back business incentives	$ 2,176	$ 3,036
Noncurrent Tax Back business incentives	0	0

(20) Tax Abatements

As of June 30, 2020, the State provides tax abatements through 12 programs. These programs provide incentives in the form of reduced taxes for the purposes of business development and job creation, housing development, tourism development and other programs.

(a) Advantage Arkansas Program

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

(b) ArkPlus Program

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

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

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

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

(c) InvestArk Program

The InvestArk Program provides for abatement of sales and use taxes to encourage economic development through retention of current Arkansas businesses. The program is authorized under Ark. Code Ann. § 15-4-2706(c). To be eligible, a business must have been in continuous operation in the State for at least two years, hold a direct-pay sales and use tax permit from the Revenue

Division prior to submitting an application and propose an investment of at least $5.0 million. An eligible business must apply for this program prior to the start of eligible activities and file the endorsements with the application. Upon approval, the AEDC shall certify the project to the Revenue Division. At the end of each calendar year, the business shall certify the amount of project expenditures to the Revenue Division. The amount of the sales and use tax credit is five-tenths of one percent (0.5%) above the State sales and use tax rate at the time the financial incentive agreement is signed with the AEDC. Credits taken cannot exceed 50% of the direct pay sales and use tax liability for taxable purchases. Any unused credits can be carried forward up to five years after first earned. No other commitments are made by the State under this program. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided.

(d) Tax Back Program

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

(e) In-House Research and Development Program

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

(f) Targeted Research Program

The Targeted Research Program provides for abatement of taxes to encourage economic development through research activities of targeted businesses or in areas of strategic value. The program is authorized under Ark. Code Ann. § 15-4-2708(c) and (d). Targeted businesses must be in one of six business sectors as determined by the AEDC. Areas of strategic value are fields having long-term economic or commercial value to the State and identified in the research and development plan approved by the executive director of the AEDC. Eligible businesses must apply with the AEDC prior to the start of research activities. The income tax credit is equal to 33% of qualified expenditures and may be used to offset 100% of an eligible business's annual income tax liability. Targeted businesses may sell unused credits as authorized by Ark. Code Ann. § 15-4-2709. Unused credits provided for research in areas of strategic value may be carried forward up to nine years. The maximum amount of credits awarded to an eligible business for research in areas of strategic value is $50,000. A financial incentive agreement under this program may not exceed five years. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program.

(g) Targeted Business Payroll Program

The Targeted Business Payroll Program provides for abatement of income taxes to encourage the development of jobs that pay significantly more than the average hourly wage of the county in which the business is located or the State average hourly wage, if less. The program is authorized under Ark. Code Ann. § 15-4-2709. To be eligible, a business must be identified by the AEDC as being in a business sector targeted for growth under Ark. Code Ann. § 15-4-2703(43). An eligible business must apply for this program prior to the start of eligible activities. The eligible business must meet annual payroll requirements as well as average hourly wage requirements. The term of the financial incentive agreement cannot exceed five years. An income tax credit is earned equal to 10% of the targeted business' annual payroll but not to exceed $100,000 in any one year. Any unused credits may be carried forward up to nine years after the year the credit is earned. The targeted business may apply to the AEDC for permission to sell unused credits. Because taxes are abated after qualified expenditures are made, no recapture provisions are provided. No other commitments are made by the State under this program. No income taxes were abated under this program for the fiscal year ended June 30, 2020.

(h) Tourism Development Program

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

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

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

(i) Water Resource Conservation and Development Program

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

(j) Wetland and Riparian Zone Program

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

(k) Low Income Housing Program

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

(l) Major Maintenance and Improvement Program

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

A summary of the taxes abated by tax abatement program for fiscal year ended June 30, 2020, is as follows (expressed in thousands):

Tax Abatement Program		2020
Income Tax Abatements		
ArkPlus Program	$	2,079
In-House Research and Development Program		18,169
Advantage Arkansas Program		408
Water Resource Conservation and Development Program		514
Low Income Housing Program		761
Targeted Research Program		2,365
Wetland and Riparian Zone Program		266
Sales and Use Tax Abatements		
InvestArk Program		33,629
Tourism Development Program		1,199
Major Maintenance and Improvement Program		3,828
Tax Back Program		2,327

(21) Joint Ventures

GASB Statement No.14, The Financial Reporting Entity, as amended, defines a joint venture as a legal entity or other organization that results from a contractual arrangement and that is owned, operated or governed by two or more participants as a separate and specific activity subject to joint control in which the participants retain 1) an ongoing financial interest or 2) an ongoing financial responsibility. During the fiscal year ended June 30, 2020, the Office of Arkansas Lottery (OAL) was an active participant in several joint venture arrangements with the Multi-State Lottery Association (MUSL).

Multi-State Lottery Association

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

As a member of MUSL, the OAL is required to contribute to various prize reserve funds for Powerball® and Mega Millions® which are maintained by MUSL. The MUSL prize reserve funds serve as a contingency reserve to protect MUSL and its member state lotteries from unforeseen prize payment liabilities. MUSL periodically reallocates the prize reserve funds among the member state lotteries based on relative Powerball® and Mega Millions® sales levels. All remaining funds remitted, and the related interest earnings (net of administrative costs), less any portion of unanticipated prize claims that may have been paid from the fund, would be returned to the OAL if it were to ever leave MUSL. As of June 30, 2020, the OAL had reserve fund deposits with MUSL of $2.6 million. MUSL does not maintain prize reserves funds for Lucky for Life®. Instead, each participating lottery is responsible for maintaining their own prize reserve funds for potential Lucky for Life® prize payments. OAL Lucky for Life® reserve balance at June 30, 2020, was $500,000.

A copy of the MUSL financial statements may be obtained by submitting a written request to MUSL, Attn: Bret Toyne, Executive Director or Shannon Underwood, Director of Finance, 4400 N.W. Urbandale Drive, Urbandale, Iowa 50322.

The OAL's portion of the MUSL's games for the fiscal year ended June 30, 2020, is summarized in the table below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 20,531	$ 9,437
Mega Millions®	16,863	8,208
Lucky for Life®	2,971	1,395

(22) Subsequent Events

Primary Government

Governmental Activities

In March 2020, the Federal government enacted the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). The CARES Act provided funding for several economic assistance programs to address the impact of the COVID-19 outbreak. The CARES Act established the Coronavirus Relief Fund (CRF) to provide assistance to states and other local and tribal governments with necessary expenditures incurred to address the public health emergency. The assistance had to be applied to allowable expenditures incurred in the period beginning March 1, 2020, and ending December 30, 2020. The State of Arkansas received CRF assistance in the amount of $1.25 billion. Any CRF funds not expended by December 30, 2020, must be returned to the U. S. Treasury. Because of the requirement to return unexpended CRF funds, the State accrued a liability of $640.6 million for CRF funds unexpended as of June 30, 2020. In December 2020, the Federal government enacted the Consolidated Appropriations Act, 2021, that included an extension of the time frame to expend CRF funds through December 31, 2021. As of December 31, 2020, the State of Arkansas had expended $1.1 billion of the CRF assistance received.

Administrative Office of the Courts

On September 30, 2020, the State of Arkansas closed on the Arkansas Development Finance Authority State Agencies Facilities Revenue Refunding and Construction Bonds (Justice Building Project) Series 2020 with a par amount of $14.6 million. The bonds were issued to provide $13.0 million to renovate the Arkansas Justice building, $4.2 million to refund outstanding State Agencies Facilities Revenue Refunding Bonds (Justice Building Project) Series 2008 and Series 2015, $840,000 to fund the debt service reserve and $205,000 to pay costs related to the issuance. Proceeds of $18.2 million included a $1.5 million premium and $2.1 million of other contributed funds.

Arkansas Department of Agriculture

On September 30, 2020, the Arkansas Natural Resources Commission (ANRC) closed on the State of Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds Taxable Refunding Series 2020A with a par amount of $14.0 million. The bonds were issued to refund $14.1 million outstanding State of Arkansas Water, Waste Disposal and Pollution Abatement Facilities General

Obligation Bonds Refunding Series 2012A and provide $105,000 to pay costs related to the issuance. Proceeds of $14.2 million included $240,000 of other contributed funds.

On September 30, 2020, the ANRC also closed on the State of Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds Taxable Refunding Series 2020B with a par amount of $35.0 million. The bonds were issued to refund $37.3 million outstanding State of Arkansas Water, Waste Disposal and Pollution Abatement Facilities General Obligation Bonds Refunding Series 2012B and provide $416,000 to pay costs related to the issuance. Proceeds of $37.7 million included a $393,000 reoffering premium and $2.3 million of other contributed funds.

Arkansas Department of Commerce

On July 30, 2020, the State of Arkansas closed on the Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Arkansas Department of Commerce Project) Series 2020-A with a par amount of $19.4 million, on the Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Arkansas Department of Commerce Project) Series 2020-B with a par amount of $5.6 million and on the Arkansas Development Finance Authority State Agencies Facilities Revenue Bonds (Arkansas Department of Commerce Project) Taxable Series 2020-C with a par amount of $510,000. The bonds were issued to reimburse the Arkansas Development Finance Authority for the cost of acquiring and equipping the Arkansas Department of Commerce building, acquiring related parking facilities, acquiring additional property and paying the cost of issuance. These bonds were issued with a net original issue premium of $1.0 million and generated proceeds of $26.5 million.

Arkansas Department of Corrections

On December 18, 2020, the State of Arkansas closed on the Arkansas Development Finance Authority State Agency Energy Conservation Bonds (Arkansas Department of Correction Project) Series 2020 with a par amount of $19.2 million. The bonds were issued to provide funds to acquire, construct and equip phase II of the energy savings project, which consists primarily of energy conservation measures for prison facilities.

Arkansas Department of Human Services

In October 2020, the Department broke ground at its Booneville Human Development Center for phase I of new 8-bedroom residential buildings that will serve as homes to the Department’s Developmental Disabilities Division’s clients. Completion of the first buildings in phase I are expected in April 2021. The total estimated cost for phase I is $3.5 million.

Arkansas Department of Parks, Heritage and Tourism

On October 27, 2020, the State of Arkansas closed on the Arkansas Development Finance Authority State Agencies Facilities Revenue Refunding Bonds (Division of Arkansas Heritage Project) Taxable Series 2020 with a par amount of $6.4 million. The bonds were issued to advance refund $6.4 million Arkansas Development Finance Authority State Agencies Facilities Revenue Refunding Bonds (Division of Arkansas Heritage Project) Series 2014. Proceeds of $6.5 million included $150,000 in transfers from the 2014 bonds’ funds and accounts that were used, in part, to pay the cost of issuing the bonds.

On November 30, 2020, the Department closed on the purchase of 636 acres of land to be held for conservation purposes. The acquisition cost of $1.2 million was funded by $930,000 in federal grant revenue and $310,000 of other State funds.

Arkansas Department of Public Safety

On December 29, 2020, the State of Arkansas closed on the Arkansas Development Finance Authority Public Safety Charges Revenue Bonds (Arkansas Division of Emergency Management Project) Series 2020 with a par amount of $85.8 million. The bonds were issued to provide (i) $95.1 million to design, acquire, construct and equip the Arkansas Wireless Information Network with additions, enhancements and maintenance, (ii) $5.7 million to fund the debt service reserve and (iii) $800,000 to pay the cost of issuance. Proceeds of $101.6 million included a $13.8 million reoffering premium and $2.0 million of other contributed funds.

Arkansas Department of Transportation

On December 9, 2020, the Arkansas Highway Commission approved a refunding bond issue to refund $287.7 million of currently outstanding bonds. The transaction is expected to save approximately $12.8 million in interest thru the end of fiscal year 2023. This transaction is expected to close in April 2021.

Business-Type Activities

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

On August 14, 2020, The Arkansas Department of Higher Education (ADHE) refunded $4.5 million to the OAL for the fiscal year ended June 30, 2020. Additionally, at the request of ADHE, on September 24, 2020, a payment of $38.0 million was made from the Education Trust Account to ADHE.

University of Arkansas - Fayetteville

On September 11, 2020, the University executed a loan agreement with Regions Bank in the amount of $18.6 million. The overall loan consisted of two parts, one a tax-exempt loan in the amount of $4.7 million and the other a taxable loan in the amount of $13.9 million. The purpose of the loan is to pay for and/or refund a portion of the debt service for multiple series of bonds benefiting the University's Fayetteville Department of Athletics for the amounts due in 2020 and 2021.

University of Arkansas – Fort Smith

On October 20, 2020, the University closed on the Board of Trustees of the University of Arkansas Student Fee Revenue Bonds (Fort Smith Campus) Taxable Refunding Series 2020A with a par amount of $10.7 million and Tax-Exempt Refunding Series 2020B with a par amount of $5.8 million. These bonds were issued to refund $17.0 million of outstanding Board of Trustees of the University of Arkansas Student Fee Revenue Bonds (Fort Smith Campus) Series 2012 and 2010B. The University completed the refunding to reduce its total debt service payments over a period of fifteen years by $2.4 million, and to have an economic gain (difference between the present values of the old and new debt service payments) of $2.2 million.

University of Arkansas – Little Rock

On October 20, 2020, the University closed on the Various Facilities Revenue Bonds (UA Little Rock Campus) Taxable Refunding Series 2020 Bonds with a par amount of $18.8 million. Proceeds from this issue will be used to refund certain maturities of the Board's Auxiliary Enterprises Capital Improvement Revenue Bonds (UALR Campus), Series 2012A totaling $11.6 million and advance refund certain maturities of the Board's Auxiliary Enterprises Refunding Revenue Bonds (UALR Campus), Series 2012B totaling $7.2 million. The University completed the refunding to reduce its total debt service payments over a period of sixteen years by $2.6 million, and to have an economic gain (difference between the present values of the old and new debt service payments) of $2.2 million.

University of Arkansas - Monticello

On October 1, 2020, the University closed on the Board of Trustees of the University of Arkansas Various Facilities Revenue Bonds (Monticello Campus) Refunding Series 2020A with a par value of $5.2 million and Taxable Refunding Series 2020B with a par value of $7.0 million. These bonds were issued to refund $6.4 million of outstanding Various Facilities Revenue Refunding Bonds, Series 2012 and $6.5 million of outstanding Auxiliary Facilities Revenue Bonds, Series 2012, respectively. Bond proceeds of $13.6 million (including a $1.4 million premium) were deposited to the Escrow Deposit fund to retire the 2012 bonds on November 2, 2020 and October 1, 2020, respectively. The University completed the refunding to reduce its total debt service payments over a period of seventeen years by $1.3 million, and to have an economic gain (difference between the present values of the old and new debt service payments) of $1.3 million.

University of Arkansas for Medical Sciences

On October 28, 2020, the University closed on the Board of Trustees of the University of Arkansas Various Facilities Revenue Refunding Bonds (UAMS Campus) Tax-Exempt Series 2020 with a principal amount of $24.3 million. Proceeds from this sale will be used to refund certain maturities of the Board's Various Facilities Revenue Bonds (UAMS Campus), Series 2010A totaling $31.2 million. The University completed the refunding to reduce its total debt service payments over a period of eleven years by $8.6 million, and to have an economic gain (difference between the present values of the old and new debt service payments, less the release of the prior debt service reserve fund) of $6.2 million.

University of Central Arkansas

On July 30, 2020, the University closed on the Board of Trustees of the University of Central Arkansas Student Housing System Revenue Bonds Refunding Series 2020B with a par amount of $29.8 million and Taxable Refunding Series 2020C with a par amount of $13.4 million. The bonds were issued to provide $44.4 million to refund certain maturities of the Board's Various Housing Revenue Bonds and to pay $641,000 of costs related to the issuance. Proceeds of $45.0 million included a $557,000 premium and $1.2 million of other contributed funds.

On July 30, 2020, the University closed on the Board of Trustees of the University of Central Arkansas Student Fee Revenue Bonds Refunding Series 2020D with a par amount of $9.5 million. The bonds were issued to provide $10.7 million to refund the Board's Student Fee Revenue Refunding Bonds Series 2010B and to pay $181,000 of costs related to the issuance. Proceeds of $10.9 million included a $709,000 premium and $690,000 of other contributed funds.

On November 5, 2020, the University closed on the Board of Trustees of the University of Central Arkansas Student Fee Revenue Bonds Taxable Refunding Series 2020E with a par amount of $12.5 million. The bonds were issued to provide $12.2 million to refund the Board's Student Fee Revenue Capital Improvement Bonds Series 2014 and to pay $265,000 of costs related to the issuance.

Southern Arkansas University

On November 19, 2020, the University closed on the Board of Trustees of Southern Arkansas University Student Fee Secured Refunding Bonds Series 2020 with a par amount of $7.6 million. The bonds were issued to provide $7.3 million to refund the Board's Student Fee Secured Capital Improvement Bonds Series 2013-B and the Board's Student Fee Secured Capital Improvement and Refunding Bonds Series 2015, to provide $514,000 to fund the debt service reserve fund and to pay $133,000 of costs related to the issuance. Proceeds of $7.9 million included a $70,000 premium and $259,000 of other contributed funds.

Northwest Arkansas Community College

On July 28, 2020, the College closed on the Northwest Arkansas Community College District (District) Capital Improvement Refunding Bonds Taxable Series 2020A with a par value of $8.1 million and Tax-Exempt Series 2020B with a par value of $5.3 million. These bonds were issued to provide $13.4 million to advance refund the District's Capital Improvement Bonds, Series 2010A&B and to pay $207,000 of costs related to the issuance. Proceeds of $13.6 million included a $71,000 premium and $124,000 of other contributed funds.

ARKANSAS STATE GOVERNMENT

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REQUIRED SUPPLEMENTARY INFORMATION

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 7,096	$ 6,919	$ 6,927	$ 7,221	$ 7,230	$ 5,342
Interest	16,175	15,878	15,379	16,121	15,770	14,883
Differences between expected and actual experience	2,340	(4,482)	(744)	(3,463)	(5,184)	12,970
Changes of assumptions				2,369		24,290
Benefit payments	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(6)	(22)		(78)	(1)	(14)
Net changes in total pension liability	12,164	5,313	8,793	9,860	5,808	46,708
Total pension liability - beginning	284,488	279,175	270,382	260,522	254,714	208,006
Total pension liability - ending (a)	$ 296,652	$ 284,488	$ 279,175	$ 270,382	$ 260,522	$ 254,714
Plan Fiduciary Net Position						
Employer contributions	$ 8,573	$ 8,234	$ 8,421	$ 8,486	$ 5,561	$ 5,690
Employee contributions	1,138	988	1,016	1,063	1,011	946
Net investment income	17,434	14,656	19,162	28,044	(1,744)	9,972
Benefit payments	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(6)	(22)		(79)	(1)	(14)
Administrative expense	(142)	(147)	(142)	(169)	(159)	(138)
Other	1	42				
Net change in plan fiduciary net position	13,557	10,771	15,688	25,035	(7,339)	5,693
Plan fiduciary net position - beginning	267,279	256,508	240,820	215,785	223,124	217,431
Plan fiduciary net position - ending (b)	$ 280,836	$ 267,279	$ 256,508	$ 240,820	$ 215,785	$ 223,124
State's net pension liability - ending (a-b)	$ 15,816	$ 17,209	$ 22,667	$ 29,562	$ 44,737	$ 31,590
Plan fiduciary net position as a percentage of total pension liability	94.67%	93.95%	91.88%	89.07%	82.83%	87.60%
Covered payroll	$ 24,586	$ 23,603	$ 23,435	$ 22,918	$ 22,308	$ 22,308
Net pension liability as percentage of covered payroll	64.33%	72.91%	96.72%	128.99%	200.54%	141.61%

Notes to Schedule

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

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 5,861	$ 6,691	$ 6,577	$ 5,474	$ 5,488	$ 6,102
Interest	31,967	31,300	30,678	30,323	29,470	29,219
Benefit Changes	998					
Differences between expected and actual experience	7,544	(1,805)	467	(3,053)	1,757	(3,107)
Changes of assumptions			(4,529)	15,875		8,703
Benefit payments	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Net changes in total pension liability	18,436	11,256	9,008	23,987	10,680	17,558
Total pension liability - beginning	458,134	446,878	437,870	413,883	403,203	385,645
Total pension liability - ending (a)	$ 476,570	$ 458,134	$ 446,878	$ 437,870	$ 413,883	$ 403,203
Plan Fiduciary Net Position						
Employer contributions	$ 21,873	$ 21,254	$ 21,004	$ 19,961	$ 19,713	$ 19,784
Employee contributions						95
Net investment income	6,701	17,031	28,823	31,484	(210)	6,132
Benefit payments	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Administrative expense	(195)	(554)	(229)	(208)	(206)	(196)
Net change in plan fiduciary net position	445	12,801	25,413	26,605	(6,738)	2,456
Plan fiduciary net position - beginning	337,739	324,938	299,525	272,920	279,658	277,202
Plan fiduciary net position - ending (b)	$ 338,184	$ 337,739	$ 324,938	$ 299,525	$ 272,920	$ 279,658
State's net pension liability - ending (a-b)	$ 138,386	$ 120,395	$ 121,940	$ 138,345	$ 140,963	$ 123,545
Plan fiduciary net position as a percentage of total pension liability	70.96%	73.72%	72.71%	68.41%	65.94%	69.36%
Covered payroll (1)	$ 33,311	$ 30,288	$ 29,593	$ 29,077	$ 29,449	$ 29,929
Net pension liability as a percentage of covered payroll	415.44%	397.50%	412.06%	475.79%	478.67%	412.79%

Notes to Schedule

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

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

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

	2020	2019	2018	2017	2016	2015
Total Pension Liability						
Service cost	$ 19,699	$ 23,601	$ 42,816	$ 18,935	$ 18,413	$ 16,863
Interest	128,527	113,809	110,544	126,829	115,441	112,962
Benefit changes	(21,399)		(101,042)			
Differences between expected and actual experience	26,324	49,165	(31,507)	20,926	20,791	
Changes of assumptions	(216,056)	(331,140)	(137,435)	790,990	91,941	
Benefit payments, including refunds of employee contributions	(119,412)	(115,747)	(111,905)	(106,756)	(102,246)	(95,455)
Net changes in total pension liability	(182,317)	(260,312)	(228,529)	850,924	144,340	34,370
Total pension liability - beginning	1,991,359	2,251,671	2,480,200	1,629,276	1,484,936	1,450,566
Total pension liability - ending (a)	$ 1,809,042	$ 1,991,359	$ 2,251,671	$ 2,480,200	$ 1,629,276	$ 1,484,936
Plan Fiduciary Net Position						
Employer contributions	$ 19,282	$ 19,294	$ 19,175	$ 19,232	$ 19,059	$ 18,615
Employee contributions	9,250	9,164	9,144	9,379	9,138	8,884
Net investment income	4,559	205,498	133,168	(60,344)	25,384	234,209
Benefit payments, including refunds of employee contributions	(119,412)	(115,748)	(111,905)	(106,756)	(102,246)	(95,455)
Administrative expense	(75)	(56)	(130)	(118)	(91)	(43)
Net change in plan fiduciary net position	(86,396)	118,152	49,452	(138,607)	(48,756)	166,210
Plan fiduciary net position - beginning	1,472,473	1,354,321	1,304,869	1,443,476	1,492,232	1,326,022
Plan fiduciary net position - ending (b)	$ 1,386,077	$ 1,472,473	$ 1,354,321	$ 1,304,869	$ 1,443,476	$ 1,492,232
State's net pension liability - ending (a-b)	$ 422,965	$ 518,886	$ 897,350	$ 1,175,331	$ 185,800	$ (7,296)
Plan fiduciary net position as a percentage of total pension liability	76.62%	73.94%	60.15%	52.61%	88.60%	100.49%
Covered payroll (2) (3)	$ 146,461	$ 148,528	$ 141,155	$ 141,906	$ 140,544	$ 137,262
Net pension liability as a percentage of covered payroll	288.79%	349.35%	635.72%	828.24%	132.20%	(5.32)%

Notes to Schedule

(1) Measurement date is as of the State's prior fiscal year-end date.
(2) The covered payroll is the reported salary for active members (who are not in the DROP) as of the measurement date. If the reported salary was for a period of less than 12 months, it has been annualized.
(3) Starting in fiscal year 2019 the covered payroll is the payroll on which contributions to a pension plan are based.

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

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

	2020	2019	2018
Actuarially determined contribution	$ 8,573	$ 8,234	$ 8,421
Contributions in relation to the actuarially determined contribution	8,573	8,234	8,421
Contribution deficiency (excess)	$ 0	$ 0	$ 0
Covered payroll	$ 24,586	$ 23,603	$ 23,435
Contributions as a percentage of covered payroll	34.87%	34.89%	35.93%

Notes to Schedule

Valuation date:

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	Multiple periods of 14, 19 and 20 years
Asset valuation method	4-year smoothed market, 25% corridor
Inflation	2.50% price inflation
Salary increases	3.25%
Investment rate of return	5.75%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 mortality tables, adjusted for mortality improvement back to the observation period base year of 2006, and using the MP-2016 improvement scale.

Other information:

Assumptions were updated based on the five-year Experience Study covering the period July 1, 2011 through June 30, 2016. There were no benefit changes reflected in the June 30, 2018 valuation.

	2017	2016	2015	2014	2013	2012	2011
	$ 8,485	$ 5,561	$ 5,690	$ 6,117	$ 5,672	$ 5,465	$ 5,221
	8,485	5,561	5,690	6,117	5,672	5,465	5,221
	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
	$ 22,918	$ 22,308	$ 22,308	$ 19,782	$ 19,586	$ 19,202	$ 19,338
	37.02%	24.93%	25.51%	30.92%	28.96%	28.46%	27.00%

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

	2020	2019	2018
Actuarially determined contribution	$ 16,900	$ 15,600	$ 15,200 (2)
Contributions in relation to the actuarially determined contribution	21,900	21,300	21,000
Contribution deficiency (excess)	$ (5,000)	$ (5,700)	$ (5,800) (2)
Covered payroll (1)	$ 33,300	$ 30,300	$ 30,000
Contributions as a percentage of covered payroll	65.77%	70.30%	70.00%

Notes to Schedule

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

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

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, closed
Remaining amortization period	20 years
Asset valuation method	4-year smoothed market
Inflation	2.50% price inflation
Salary increases	3.55% to 7.75% including inflation
Investment rate of return	7.15%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition
Mortality	Based on RP-2006 Healthy Annuitant benefit weighted generational morality table for males and females. Mortality rates are multiplied by 135% for males and 125% for females and are adjusted for future mortality improvements using Scale MP-2017.

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

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

	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 23,209	$ 19,282	$ 19,294	$ 19,175	$ 19,232	$ 19,059	$ 18,615
Contributions in relation to the statutorily determined contribution	23,209	19,282	19,294	19,175	19,232	19,059	18,615
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll (1) (2)	$ 149,977	$ 146,461	$ 148,528 (3)	$ 141,155	$ 141,906	$ 140,544	$ 137,262
Contributions as a percentage of covered payroll	15.47%	13.16%	12.99% (3)	13.58%	13.55%	13.56%	13.56%

Notes to Schedule

(1) The covered payroll is the reported salary for active members (who are not in the DROP) as of the measurement date. If the reported salary was for a period of less than 12 months, then it has been annualized.
(2) Starting in fiscal year 2019 the covered payroll is the payroll on which contributions to a pension plan are based.
(3) Restated to match actuary.

The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to 2014.

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

	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	65.48%	65.78%	65.68%	66.75%	67.27%	67.64%
State's proportionate share of the net pension liability (asset)	$ 1,579,726	$ 1,451,086	$ 1,697,154	$ 1,596,332	$ 1,238,862	$ 959,763
State's covered payroll	$ 1,196,492	$ 1,179,811	$ 1,101,174	$ 1,125,557	$ 1,112,250	$ 1,105,688
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	132.03%	122.99%	154.12%	141.83%	111.38%	86.80%
Plan fiduciary net position as a percentage of the total pension liability	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

Notes to Schedule

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

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

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

	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	3.44%	3.60%	3.79%	3.96%	4.14%	4.29%
State's proportionate share of the net pension liability (asset)	$ 143,543	$ 130,937	$ 159,385	$ 174,692	$ 134,997	$ 112,517
State's covered payroll	$ 106,771	$ 109,372	$ 111,173	$ 115,753 (2)	$ 119,107	$ 121,357
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	134.44%	119.72%	143.37%	150.92%	113.34%	92.72%
Plan fiduciary net position as a percentage of the total pension liability	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

Notes to Schedule

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.
(2) Restated to match actuary.

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

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

	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 193,899	$ 191,079	$ 180,533	$ 170,844	$ 174,479	$ 175,750	$ 177,950
Contributions in relation to the statutorily determined contribution	193,899	191,079	180,533	170,844	174,479	175,750	177,950
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 1,162,673	$ 1,196,492 (1)	$ 1,179,811 (1)	$ 1,101,174	$ 1,125,557 (1)	$ 1,112,250 (1)	$ 1,105,688
Contributions as a percentage of covered payroll	16.68%	15.97%	15.30%	15.51%	15.50%	15.80%	16.09%

Notes to Schedule

(1) Restated to match actuary.

The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to 2014.

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

	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 14,448	$ 14,876	$ 15,213	$ 15,619	$ 16,337	$ 17,118	$ 17,352
Contributions in relation to the statutorily determined contribution	14,448	14,876	15,213	15,619	16,337	17,118	17,352
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 99,760	$ 106,771 (1)	$ 109,372	$ 111,173	$ 115,753 (1)	$ 119,107 (1)	$ 121,357
Contributions as a percentage of covered payroll	14.48%	13.93%	13.91%	14.05%	14.11%	14.37%	14.30%

Notes to Schedule

(1) Restated to match actuary.

The State implemented GASB Statement No. 68 in fiscal year 2015. Information for this schedule was not available prior to 2014.

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2020
(Expressed in thousands)

	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts	Variance with Final Budget – Positive (Negative)
Expenditures (1)				
Current:				
Commerce	$ 966,767	$ 687,242	$ 449,737	$ 237,505
Education	4,292,697	4,224,551	3,730,532	494,019
General Government	3,026,778	3,110,190	1,953,167	1,157,023
Health and human services	9,083,113	10,088,402	8,985,016	1,103,386
Law, justice and public safety	1,017,740	1,050,358	867,528	182,830
Recreation and tourism	294,996	314,213	222,286	91,927
Regulation of business and professionals	32,483	33,212	26,580	6,632
Resource Development	332,878	372,715	193,103	179,612
Transportation	717,675	750,892	488,439	262,453
Capital outlay	2,170,333	1,915,563	866,874	1,048,689
Debt service	142,853	225,231	185,392	39,839
Total expenditures	$ 22,078,313	$ 22,772,569	$ 17,968,654	$ 4,803,915

Notes to Schedule

(1) Expenditures are appropriated; amounts blocked determine available budget. Blocking is revised quarterly to match the forecast revisions of available resources. Expenditures may not exceed the lesser of budget or resources available.

See Notes to Schedule of Expenditures – Budget and Actual on next page.

Required Supplementary Information
Notes to Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2020

(a) Budgetary Basis of Accounting

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

(b) Budgetary Basis Reporting – Budgetary Process

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

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

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

The General Assembly also must enact legislation pursuant to the Revenue Stabilization Law (the Stabilization Law) to provide an allotment process of funding line item expenditure appropriations in order to comply with the State law prohibiting deficit spending. The Governor may restrict spending to a level below appropriation amounts. The State uses specific funds (i.e., general and special revenue allotment accounts) for receipt and distribution of revenues. Pursuant to the Stabilization Law, all general revenue receipts are deposited in the General Revenue Allotment Account. From the General Revenue Allotment Account, 3% of all revenues are distributed to the Constitutional Officers Fund and the Central Services Fund to provide support for the State's elected constitutional offices (legislators, executive department and judges), their staffs and DFA. The balance, net of income tax refunds, court settlement arrangements, etc., is then distributed to separate funds proportionately as established by the Stabilization Law. Special revenues are deposited into the Special Revenue Allotment Account from which 3% of revenues collected by DFA, and 1.5% of all special revenues collected by other agencies are first distributed to support the State's elected officials, their staffs and DFA. The balance is then distributed to the funds for which the special revenues were collected as provided by law. Special revenues, which are primarily user taxes, are generally earmarked for the program or agency providing the related service.

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

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

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

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

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

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

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

Total GAAP basis expenditures General Fund	$	18,083,814
Less non-cash expenditures		(777,315)
Less non-appropriated expenditures		(7,915,104)
Plus expenditures eliminated or reclassed as transfers for reporting purposes		7,927,743
Plus refunds treated as reduction of revenue for financial statements purposes		748,399
Less basis of accounting differences		(98,883)
Total statutory basis expenditures General Fund	$	17,968,654

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

	2020	2019	2018	2017
Premium and investment revenues:				
Premium income	$ 325,116,026	$ 314,954,651	$ 309,752,545	$ 305,452,670
Investment interest income	2,169,178	3,380,809	2,525,713	1,167,240
Totals	$ 327,285,204	$ 318,335,460	$ 312,278,258	$ 306,619,910
Unallocated expenses:				
Operating costs	$ 6,747,838	$ 6,683,244	$ 8,668,569	$ 9,037,550
Estimated incurred claims and expenses, end of fiscal year	$ 325,031,000	$ 281,668,000	$ 271,486,000	$ 241,903,000
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year (3)	329,712,000	282,668,000	269,586,000	245,903,000
One year later		290,217,000	271,399,761	241,802,196
Two years later			271,401,376	241,874,673
Re-estimated incurred claims and expenses (2):				
End of fiscal year	325,031,000	281,668,000	271,486,000	241,903,000
One year later		281,668,000	271,486,000	241,903,000
Two years later			271,486,000	241,903,000
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Increase (decrease) in net incurred claims and claim adjustment expenses from original estimate	0	0	0	0
Number of plan participants	64,394	62,416	60,929	59,388

Notes to Schedule

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

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

(3) Restated

2016	2015	2014	2013	2012	2011
$ 301,501,278	$ 301,894,264	$ 274,117,377	$ 276,235,566	$ 273,702,538	$ 271,802,235
292,270	181,804	95,121	94,975	180,027	302,462
$ 301,793,548	$ 302,076,068	$ 274,212,498	$ 276,330,541	$ 273,882,565	$ 272,104,697
$ 10,579,867	$ 11,658,122	$ 8,533,361	$ 6,977,013	$ 6,374,870	$ 3,423,965
$ 253,985,000	$ 234,202,000	$ 256,961,000	$ 282,627,000	$ 259,244,000	$ 251,536,000
252,285,000	234,202,000	256,961,000	280,127,000	259,784,000	251,536,000
253,882,147	234,066,260	256,700,395	279,891,538	259,449,420	251,226,738
253,952,179	234,171,258	256,930,541	280,097,026	259,757,662	251,508,249
253,985,000	234,202,000	256,961,000	282,627,000	259,244,000	251,536,000
253,985,000	234,202,000	256,961,000	282,627,000	259,244,000	251,536,000
253,985,000	234,202,000	256,961,000	282,627,000	259,244,000	251,536,000
0	0	0	0	0	0
0	0	0	0	0	0
58,181	57,879	58,253	57,087	54,866	53,347

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

	2020	2019	2018	2017
Premium and investment revenues:				
Premium income	$ 8,094,866	$ 8,655,652	$ 9,753,376	$ 10,074,701
Investment interest income	1,593,050	3,710,195	1,333,563	1,395,741
Totals	$ 9,687,916	$ 12,365,847	$ 11,086,939	$ 11,470,442
Unallocated expenses:				
Operating costs (2)	$ 575,733	$ 595,682	$ 270,595	$ 277,340
Estimated incurred claims and expenses, end of fiscal year	$ 0	$ 6,937,646	$ 7,334,183	$ 7,334,041
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	0	4,183,068	2,940,203	1,242,119
One year later		4,075,961	6,254,793	2,260,839
Two years later			6,939,375	1,272,953
Three years later				1,468,021
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	(2,861,685)	(394,808)	(5,866,020)
Number of fund participants receiving benefits at end of year	1,188	1,235	1,265	1,333

Notes to Schedule

(1) GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, as amended, requires disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation Death and Permanent Total Disability Fund and also provides certain other required information. This schedule provides 10-year claim development information for the program as described by Statement No. 10, as amended.

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

2016	2015	2014	2013	2012	2011
$ 9,519,983	$ 8,642,283	$ 5,588,765	$ 8,867,656	$ 10,462,123	$ 7,390,622
718,453	515,618	573,589	731,425	970,017	1,701,541
$ 10,238,436	$ 9,157,901	$ 6,162,354	$ 9,599,081	$ 11,432,140	$ 9,092,163
$ 220,142	$ 227,326	$ 247,135	$ 248,942	$ 274,375	$ 257,079
$ 6,864,888	$ 6,706,673	$ 7,593,766	$ 7,037,748	$ 7,645,295	$ 6,413,633
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	50,000	20,000
0	0	0	0	50,000	0
	0	0	0	50,000	0
		14,706	909	108,153	70,500
			48,260	335,378	302,306
				627,619	613,257
					1,017,058
2,754,013	2,600,334	1,416,083	1,268,529	3,312,740	3,904,725
4,978,108	4,457,931	3,051,235	3,500,691	4,740,760	7,110,289
5,441,589	4,575,545	4,304,721	4,863,077	5,986,391	8,706,668
5,459,593	4,561,986	5,263,245	4,913,891	5,202,993	8,585,328
5,206,901	4,713,597	4,684,459	4,138,525	6,372,372	9,497,819
	4,539,697	3,139,690	3,770,078	5,485,430	9,237,490
		3,387,149	5,104,367	6,892,816	8,023,104
			4,826,707	8,007,415	9,103,467
				8,165,079	10,160,828
					9,483,657
(1,657,987)	(2,166,976)	(4,206,617)	(2,211,041)	519,784	3,070,024
1,369	1,403	1,442	1,474	1,481	1,501

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

	2020	2019	2018	2017
Premium and investment revenues:				
Premium taxes	$ 0	$ 0	$ 0	$ 0
Interest income	21,525	34,708	22,971	13,028
Totals	$ 21,525	$ 34,708	$ 22,971	$ 13,028
Unallocated expenses:				
Operating costs (2)	$ 1,200	$ 1,635	$ 251,556	$ 256,492
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount period	$ 0	$ 0	$ 0	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Number of fund participants receiving benefits at end of year	0	0	0	1

Notes to Schedule

(1) GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation Second Injury Trust Fund and also provides certain other required information. This schedule provides 10-year claim development information for the program as described by Statement No. 10, as amended.

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

2016	2015	2014	2013	2012	2011
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
6,783	3,600	3,311	4,315	5,512	9,679
$ 6,783	$ 3,600	$ 3,311	$ 4,315	$ 5,512	$ 9,679
$ 333,837	$ 343,313	$ 361,793	$ 396,593	$ 483,246	$ 526,189
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
	0	0	0	0	0
		0	0	0	0
			0	0	0
				0	0
					0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
	0	0	0	0	0
		0	0	0	0
			0	0	0
				0	0
					0
0	0	0	0	0	0
1	0	0	3	3	3

Required Supplementary Information
Other Postemployment Benefits
Ten -Year Schedule of Changes in Total OPEB Liability and Related Ratios
(Expressed in thousands)

Plan	Fiscal Year		Service Cost	Interest Cost	Change of Benefit Terms	Difference Between Expected and Actual Experience
Primary Government						
Arkansas State Police	2020		$ 9,701	$ 6,234	$	$
	2019		6,409	5,062		35,377
	2018		6,114	4,959		
Arkansas Employee Benefits Plan	2020		70,390	68,690		(66,272)
	2019	(2)	66,616	78,141		12,982
	2018		69,996	73,092		(13,267)
Component Unit						
Arkansas Employee Benefits Plan	2020		114	112		(108)
	2019		104	122		20
	2018		132	137		(55)
Higher Education						
Arkansas Northeast College	2020		31	16		77
	2019		29	16		
	2018		29	17		
Arkansas State University	2020		1,427	840	999	(10,257)
	2019		1,522	743		3,152
	2018		1,433	671		
Arkansas Tech University	2020		557	332	(217)	(144)
	2019		691	333	(446)	(177)
	2018		655	331		(274)
Black River Technical College	2020		102	50		(8)
	2019		100	50		
	2018		98	50		
East Arkansas Community College	2020		42	17		91
	2019		41	17		
	2018		40	16		
Henderson State University	2020		205	147		76
	2019		409	143	(322)	(612)
	2018		425	147		(569)
North Arkansas College	2020		44	27		
	2019		22	18		219
	2018		21	18		
National Park College	2020		34	13		
	2019		43	20		(4)
	2018		42	20		
Northwest Arkansas Community College	2020		58	34		
	2019		53	33		(152)
	2018		52	32		
Ozarka College	2020		39	21		
	2019		36	21		(30)
	2018		35	20		
South Arkansas Community College	2020		70	19		
	2019		54	18		(21)
	2018		52	17		
Southern Arkansas University - Technical Branch	2020		111	42		(211)
	2019		108	42		
	2018		105	40		
Southern Arkansas University	2020		240	86		(202)
	2019		156	56		545
	2018		160	60		(360)
University of Arkansas System Self-Funded Plan	2020		4,026	2,831		(3,244)
	2019		3,953	2,569	832	(3,266)
	2018		4,589	2,321		
University of Central Arkansas	2020		255	106		(3)
	2019		204	86		407
	2018		198	85		(191)
	2017 to 2010	(1)				

Notes to Schedule:

(1) The State implemented GASB Statement No. 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.

(2) Restated to add National Park College.

Note: No assets are accumulated in a trust that meets the criteria in paragraph 4 of GASB Statement No. 75 for any of the plans above.

Changes in Assumptions and other inputs	Benefit Payments	Net Change in Total OPEB Liability	Total OPEB Liability Beginning	Total OPEB Liability Ending	Total OPEB Liability Proportionate Share	Covered Employee Payroll	Total OPEB Liability as a Percentage of Covered Employee Payroll
$ 5,920	$ (3,011)	$ 18,844	$ 220,115	$ 238,959		$ 37,504	637.16%
8,488	(3,811)	51,525	168,590	220,115		35,433	621.21%
3,949	(3,614)	11,408	157,182	168,590		33,508	503.13%
628,240	(53,515)	647,533	1,919,141	2,566,674	99.84%	1,461,341	175.64%
(194,015)	(60,316)	(96,592)	2,015,733	1,919,141	99.84%	1,437,502	133.51%
(92,281)	(58,018)	(20,478)	2,036,211	2,015,733	99.81%	1,403,276	143.64%
1,140	(87)	1,171	2,992	4,163	0.16%	3,372	123.46%
(966)	(94)	(814)	3,806	2,992	0.16%	3,428	87.28%
(144)	(109)	(39)	3,845	3,806	0.19%	3,394	112.14%
48	(31)	141	558	699		8,188	8.54%
7	(46)	6	552	558		7,859	7.10%
5	(65)	(14)	566	552		8,382	6.59%
(519)	(149)	(7,659)	25,398	17,739		123,778	14.33%
595	(767)	5,245	20,153	25,398		115,592	21.97%
325	(948)	1,481	18,672	20,153		117,068	17.21%
475	(641)	362	8,330	8,692		45,450	19.12%
(381)	(691)	(671)	9,001	8,330		46,943	17.74%
(1,990)	(788)	(2,066)	11,067	9,001		43,684	20.60%
37	(76)	105	1,767	1,872		6,807	27.50%
19	(77)	92	1,675	1,767		6,832	25.86%
15	(66)	97	1,578	1,675		6,980	24.00%
25	(25)	150	603	753		6,450	11.67%
8	(21)	45	558	603		5,016	12.02%
6	(21)	41	517	558		6,613	8.44%
(117)	(155)	156	4,271	4,427		24,379	18.16%
(136)	(145)	(663)	4,934	4,271		23,949	17.83%
(3)	(149)	(149)	5,083	4,934		20,614	23.94%
12		83	957	1,040		7,188	14.47%
101		360	597	957		6,815	14.04%
8		47	550	597		6,955	8.58%
3	(13)	37	469	506		4,667	10.84%
(239)	(10)	(190)	659	469		4,115	11.40%
7	(20)	49	610	659		10,496	6.28%
15		107	1,198	1,305		17,481	7.47%
173		107	1,091	1,198		26,429	4.53%
15		99	992	1,091		20,606	5.29%
10		70	742	812		4,225	19.22%
29	(5)	51	691	742		4,144	17.91%
10	(13)	52	639	691		3,854	17.93%
8	(6)	91	643	734		7,956	9.23%
11	(12)	50	593	643		7,670	8.38%
7	(11)	65	528	593		7,786	7.62%
30	(37)	(65)	1,492	1,427		6,064	23.53%
17	(43)	124	1,368	1,492		5,923	25.19%
13	(37)	121	1,247	1,368		6,071	22.53%
302	(30)	396	2,549	2,945		23,902	12.32%
(113)	(30)	614	1,935	2,549		24,822	10.27%
(1)	(16)	(157)	2,092	1,935		23,815	8.13%
3,131	(2,180)	4,564	70,183	74,747		1,328,526	5.63%
(691)	(2,019)	1,378	68,805	70,183		1,309,045	5.36%
(13,905)	(2,109)	(9,104)	77,909	68,805		1,320,436	5.21%
369	(56)	671	3,163	3,834		78,963	4.86%
(491)	(50)	156	3,007	3,163		79,580	3.97%
	(61)	31	2,976	3,007		82,107	3.66%

ARKANSAS STATE GOVERNMENT

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COMBINING FINANCIAL STATEMENTS

NON-MAJOR ENTERPRISE FUNDS

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

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

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

Other Revolving Loan Funds – These programs are responsible for providing a perpetual fund for financing the planning, design, acquisition, construction, expansion, equipping and/or rehabilitation for water systems; financing of capitalizable educational and general projects for community and technical colleges; financing of energy efficiency and conservation projects for residential homes; establishment of a cooperative pilot program with the Clinton Climate Initiative to increase the energy efficiency of Arkansas companies and provide audit and retrofit opportunities for their employees; financing of energy efficiency retrofits and green energy implementation for industries; and providing funding for communities to address affordable housing needs in metropolitan and rural areas in Arkansas.

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2020
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Assets				
Current assets:				
Cash and cash equivalents	$ 138,558	$ 122,950	$ 138,346	$ 399,854
Investments	2,479	34,273		36,752
Receivables:				
Accounts	169	4,335	377	4,881
Interest	334	25	164	523
Due from other funds		3,415		3,415
Advances to other funds			1,010	1,010
Total current assets	141,540	164,998	139,897	446,435
Noncurrent assets:				
Advances to other funds	334		5,137	5,471
Loans receivable, restricted	293,944		171,610	465,554
Capital assets:				
Non-depreciable		1,143		1,143
Depreciable, net		1,291		1,291
Total noncurrent assets	294,278	2,434	176,747	473,459
Total assets	$ 435,818	$ 167,432	$ 316,644	$ 919,894

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2020
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Liabilities				
Current liabilities:				
Accounts payable	$ 254	$ 13,148	$ 157	$ 13,559
Accrued interest	66			66
Accrued and other current liabilities			50	50
Due to other funds			260	260
Loans and bonds payable	2,640		1,985	4,625
Unearned Revenue		1,017		1,017
Claims, judgments and compensated absences		23,297		23,297
Total current liabilities	2,960	37,462	2,452	42,874
Noncurrent liabilities:				
Loans and bonds payable	15,879		11,951	27,830
Claims, judgments and compensated absences		24		24
Total noncurrent liabilities	15,879	24	11,951	27,854
Total liabilities	18,839	37,486	14,403	70,728
Net Position:				
Net investment in capital assets		2,434		2,434
Restricted for:				
Program requirements	416,979		302,241	719,220
Unrestricted		127,512		127,512
Total net position	416,979	129,946	302,241	849,166
Total liabilities and net position	$ 435,818	$ 167,432	$ 316,644	$ 919,894

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2020
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Operating revenues:				
Charges for sales and services	$	$ 332,455	$	$ 332,455
Licenses, permits and fees	2,901		1,583	4,484
Total operating revenues	2,901	332,455	1,583	336,939
Operating expenses:				
Supplies and services		19,723		19,723
General and administrative expenses	1,028		637	1,665
Benefits and aid payments		334,422		334,422
Federal financial assistance	5,962		2,591	8,553
Depreciation and amortization		18		18
Total operating expenses	6,990	354,163	3,228	364,381
Operating income (loss)	(4,089)	(21,708)	(1,645)	(27,442)
Nonoperating revenues (expenses):				
Investment earnings	6,632	2,104	4,300	13,036
Grants and contributions	12,416		21,311	33,727
Interest and amortization expense	(591)		(445)	(1,036)
Net increase in fair value of investments			455	455
Total nonoperating revenues (expenses)	18,457	2,104	25,621	46,182
Income (loss) before transfers and contributions	14,368	(19,604)	23,976	18,740
Transfers in	2,079	94	3,311	5,484
Transfers out		(475)	(3,149)	(3,624)
Change in net position	16,447	(19,985)	24,138	20,600
Total net position - beginning	400,532	149,931	278,103	828,566
Total net position - ending	$ 416,979	$ 129,946	$ 302,241	$ 849,166

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2020
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Public School Employee Health and Life Benefit Plan	Revolving Loan Funds and Other Enterprise Funds	Total
Cash flows from operating activities:				
Cash received from customers	$	$ 329,203	$	$ 329,203
Payments of benefits		(339,102)		(339,102)
Payments to suppliers		(13,385)		(13,385)
Loan administration received			839	839
Federal grant funds expended			(1)	(1)
Other operating receipts	1,844			1,844
Net cash provided by (used in) operating activities	1,844	(23,284)	838	(20,602)
Cash flows from noncapital financing activities:				
Direct lending payments	(2,745)		(2,065)	(4,810)
Direct lending interest	(933)		(702)	(1,635)
Grants and contributions	12,523		21,437	33,960
Transfers in	2,079	94	142	2,315
Transfers out		(475)		(475)
Net cash provided by (used in) noncapital financing activities	10,924	(381)	18,812	29,355
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets		(1,143)		(1,143)
Cash flows from investing activities:				
Purchase of investments	(2,501)	(27,745)		(30,246)
Proceeds from sale and maturities of investments	56,906		46,006	102,912
Interest and dividends on investments	1,549	2,079	1,774	5,402
Loan disbursements	(39,894)		(30,417)	(70,311)
Principal repayments on loans	24,825		16,941	41,766
Interest received on loans	4,673		2,689	7,362
Federal grant funds expended	(5,962)		(2,590)	(8,552)
Net cash provided by investing activities	39,596	(25,666)	34,403	48,333
Net increase (decrease) in cash and cash equivalents	52,364	(50,474)	54,053	55,943
Cash and cash equivalents - beginning	86,194	173,424	84,293	343,911
Cash and cash equivalents - ending	$ 138,558	$ 122,950	$ 138,346	$ 399,854
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating loss	$ (4,089)	$ (21,708)	$ (1,645)	$ (27,442)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization		18		18
Federal grants expended	5,962		2,590	8,552
Net changes in assets, liabilities and deferred outflows/inflows:				
Accounts receivable	1	(3,252)	(96)	(3,347)
Accounts payable and other accrued liabilities	(30)	1,658	(11)	1,617
Net cash provided by (used in) operating activities	$ 1,844	$ (23,284)	$ 838	$ (20,602)

FIDUCIARY FUNDS

Fiduciary funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals, private organizations or other governments and/or funds. The trust and agency funds consist of the following:

Pension Trust Funds – These funds are accounted for in essentially the same manner as proprietary funds and include the Public Employees Retirement System (which also administers the State Police Retirement System and the Judicial Retirement System), the Teacher Retirement System and the State Highway Employees Retirement System.

Agency Funds – These funds are custodial in nature and do not involve measurement of operations. Included in these funds are assets held by the Insurance Department and various other state agencies.

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2020
(Expressed in thousands)

	Public Employees Retirement System	State Police Retirement System	Judicial Retirement System	Teacher Retirement System	State Highway Employees Retirement System	Total
Assets						
Cash and cash equivalents	$ 178,656	$ 15,442	$ 2,307	$ 348,739	$ 185,023	$ 730,167
Receivables:						
Employee	432		46	9,379	300	10,157
Employer	7,727	1	123	24,093	613	32,557
Investment principal	20,182	760	309	21,871		43,122
Interest and dividends	18,206	686	918	12,923	2,358	35,091
Other	67	9		1,084	29	1,189
Due from other funds				3,555		3,555
Total receivables	46,614	1,456	1,396	72,905	3,300	125,671
Investments at fair value:						
U.S. government securities	298,615	11,249	25,018	29,478	149,058	513,418
Bonds, notes, mortgages and preferred stock	106,894	4,027	3,566	722,189	119,929	956,605
Common stock	3,041,400	114,567	45,245	1,949,176	492,663	5,643,051
Real estate	956,388	36,026	24,221	52,674	703	1,070,012
International investments	1,623,128	61,142	18,122	961,675	11,946	2,676,013
Mutual funds				401,770	157,153	558,923
Pooled investment funds	1,839,963	69,310	109,619	2,258,034	176,528	4,453,454
Corporate obligations	536,596	20,213	42,880	582,519	109,620	1,291,828
Asset and mortgage-backed securities	163,801	6,170	9,304	21,872	1,799	202,946
State recycling tax credit				176,000		176,000
Other	(321)	(12)	(48)	9,379,881		9,379,500
Total investments	8,566,464	322,692	277,927	16,535,268	1,219,399	26,921,750
Other assets						
Securities lending collateral	750,513	28,271		315,801	21,479	1,116,064
Capital assets	14,406			113		14,519
Other assets	264			75		339
Total other assets	765,183	28,271		315,989	21,479	1,130,922
Total assets	9,556,917	367,861	281,630	17,272,901	1,429,201	28,908,510
Deferred Outflows of Resources						
Deferred outflows related to OPEB	1,255			1,310		2,565
Total assets and deferred outflows of resources	$ 9,558,172	$ 367,861	$ 281,630	$ 17,274,211	$ 1,429,201	$ 28,911,075
Liabilities						
Accounts payable and other liabilities	8,847	522	275	13,928	504	24,076
Investment principal payable	21,559	812	518	35,050	50	57,989
Obligations under securities lending	752,430	28,343		315,851	21,473	1,118,097
Postemployment benefits liability	6,131			6,585		12,716
Due to other funds	9			2		11
Total liabilities	788,976	29,677	793	371,416	22,027	1,212,889
Deferred Inflows of Resources						
Deferred inflows related to other post employment benefits	503			719		1,222
Total liabilities and deferred inflows of resources	$ 789,479	$ 29,677	$ 793	$ 372,135	$ 22,027	$ 1,214,111
Net Position						
Net position restricted for pensions	$ 8,768,693	$ 338,184	$ 280,837	$ 16,902,076	$ 1,407,174	$ 27,696,964

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2020
(Expressed in thousands)

	Public Employees Retirement System	State Police Retirement System	Judicial Retirement System	Teacher Retirement System	State Highway Employees Retirement System	Total
Additions:						
Contributions:						
Members	$ 71,471	$ 94	$ 1,138	$ 153,105	$ 10,265	$ 236,073
Employers	298,919	7,205	3,035	446,228	23,209	778,596
Supplemental contributions	578	7,705	5,143			13,426
Title fees		4,754				4,754
Court fees		656	395			1,051
Reinstatement fees		1,459				1,459
Total contributions	370,968	21,873	9,711	599,333	33,474	1,035,359
Investment income:						
Net increase (decrease) in fair value of investments	72,556	2,805	11,609	(267,695)	94,355	(86,370)
Interest, dividends and other	129,772	4,938	6,887	130,593	24,501	296,691
Other investment income	1,366	53		7,546		8,965
Securities lending income, net of expenses	4,586	172		3,073	291	8,122
Total investment income	208,280	7,968	18,496	(126,483)	119,147	227,408
Less investment expense	33,718	1,267	1,060	39,381	8,646	84,072
Net investment income	174,562	6,701	17,436	(165,864)	110,501	143,336
Miscellaneous	5,124			101	2	5,227
Total additions	550,654	28,574	27,147	433,570	143,977	1,183,922
Deductions:						
Benefits paid to participants or beneficiaries	587,454	27,934	13,441	1,255,066	120,815	2,004,710
Refunds of employee/employer contributions	15,835		6	9,592	1,974	27,407
Administrative expenses	11,963	195	142	7,901	90	20,291
Total deductions	615,252	28,129	13,589	1,272,559	122,879	2,052,408
Change in net position held in trust for employees' pension benefits	(64,598)	445	13,558	(838,989)	21,098	(868,486)
Net position - beginning	8,833,291	337,739	267,279	17,741,065	1,386,076	28,565,450
Net position - ending	$ 8,768,693	$ 338,184	$ 280,837	$ 16,902,076	$ 1,407,174	$ 27,696,964

Combining Statement of Fiduciary Net Position
Agency Funds
June 30, 2020
(Expressed in thousands)

	Insurance Department	Other Agencies	Total
Assets			
Cash and cash equivalents	$ 3,725	$ 156,533	$ 160,258
Receivables:			
Interest and dividends		18	18
Other		23	23
Total receivables		41	41
Investments at fair value:			
Certificates of deposit	500	14,882	15,382
Bonds, government securities, notes and mortgages		10,391	10,391
Total investments	500	25,273	25,773
Financial assurance instruments	253,902	1,190	255,092
Total assets	$ 258,127	$ 183,037	$ 441,164
Liabilities			
Accounts payable and other liabilities	$	$ 11,864	$ 11,864
Due to other governments		149,423	149,423
Due to third parties	258,127	21,750	279,877
Total liabilities	$ 258,127	$ 183,037	$ 441,164

Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Fiscal Year Ended June 30, 2020
(Expressed in thousands)

	Insurance Department			
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	$ 3,701	$ 27	$ 3	$ 3,725
Receivables:				
Interest and dividends				
Investments at fair value:				
Certificates of deposit	500			500
Financial assurance instruments	238,626	15,276		253,902
Total assets	$ 242,827	$ 15,303	$ 3	$ 258,127
Liabilities				
Due to third parties	$ 242,827	$ 15,303	$ 3	$ 258,127
Total liabilities	$ 242,827	$ 15,303	$ 3	$ 258,127

	Other Agencies			
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	$ 148,724	$ 6,403,090	$ 6,395,281	$ 156,533
Receivables:				
Interest and dividends	88	18	88	18
Other	9	1,046	1,032	23
Investments at fair value:				
Certificates of deposit	20,332	50	5,500	14,882
Bonds, government securities, notes, mortgages and preferred stock	1,948	10,391	1,948	10,391
Financial assurance instruments	1,190			1,190
Total assets	$ 172,291	$ 6,414,595	$ 6,403,849	$ 183,037
Liabilities				
Accounts payable and other liabilities	$ 5,756	$ 24,474	$ 18,366	$ 11,864
Due to other governments	145,609	150,366	146,552	149,423
Due to third parties	20,926	79,032	78,208	21,750
Total liabilities	$ 172,291	$ 253,872	$ 243,126	$ 183,037

	Total - All Agency Funds			
	Balance June 30, 2019	Additions	Reductions	Balance June 30, 2020
Assets				
Cash and cash equivalents	$ 152,425	$ 6,403,117	$ 6,395,284	$ 160,258
Receivables:				
Interest and dividends	88	18	88	18
Other	9	1,046	1,032	23
Investments at fair value:				
Certificates of deposit	20,832	50	5,500	15,382
Bonds, government securities, notes, mortgages and preferred stock	1,948	10,391	1,948	10,391
Financial assurance instruments	239,816	15,276		255,092
Total assets	$ 415,118	$ 6,429,898	$ 6,403,852	$ 441,164
Liabilities				
Accounts payable and other liabilities	$ 5,756	$ 24,474	$ 18,366	$ 11,864
Due to other governments	145,609	150,366	146,552	149,423
Due to third parties	263,753	94,335	78,211	279,877
Total liabilities	$ 415,118	$ 269,175	$ 243,129	$ 441,164

STATISTICAL SECTION

ARKANSAS STATE GOVERNMENT

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Statistical Section – Table of Contents

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

The Statistical Section is divided into 6 sections as follows:

Contents **Page**

Financial Trends 194

These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. Fund perspective schedules are presented for the last 10 years, except where noted.

Revenue Capacity Information 204

These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.

Debt Capacity Information 207

These schedules contain trend information to help the reader understand the State's outstanding debt and the capacity to repay that debt.

Demographic and Economic Information 209

These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.

Operating Information 214

These schedules contain service and infrastructure data in relation to the services the State provides and the activities it performs.

Other Information 219

This schedule provides miscellaneous information about the State.

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

	2020	2019	2018	2017 (1)
Primary government				
Governmental activities				
Net investment in capital assets	$ 12,244,621	$ 11,879,274	$ 11,602,289	$ 11,116,044
Restricted	3,284,221	2,899,173	2,426,386	2,318,037
Unrestricted	(3,041,816)	(3,178,832)	(3,115,348)	(3,044,139)
Total governmental activities net position	12,487,026	11,599,615	10,913,327	10,389,942
Business-type activities				
Net investment in capital assets	2,082,158	2,062,077	2,015,796	1,992,873
Restricted	1,195,709	1,135,777	1,193,250	1,132,263
Unrestricted	1,930,875	1,868,254	1,568,292	1,398,280
Total business-type activities net position	5,208,742	5,066,108	4,777,338	4,523,416
Total primary government				
Net investment in capital assets	14,326,779	13,941,351	13,618,085	13,108,917
Restricted	4,479,930	4,034,950	3,619,636	3,450,300
Unrestricted	(1,110,941)	(1,310,578)	(1,547,056)	(1,645,859)
Total primary government activities net position	$ 17,695,768	$ 16,665,723	$ 15,690,665	$ 14,913,358

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

2016	2015	2014	2013	2012	2011
$ 10,573,154	$ 10,418,250	$ 9,441,544	$ 9,714,929	$ 9,632,774	$ 9,296,899
2,142,787	1,627,433	2,098,642	1,319,560	1,256,134	1,175,983
(1,548,988)	(1,406,667)	(1,402,681)	449,360	589,166	1,024,091
11,166,953	10,639,016	10,137,505	11,483,849	11,478,074	11,496,973
1,997,666	1,995,542	1,966,036	1,929,075	1,889,473	1,805,096
1,046,934	1,049,397	1,008,203	928,743	892,101	849,209
1,233,085	1,019,309	829,571	747,820	556,124	429,293
4,277,685	4,064,248	3,803,810	3,605,638	3,337,698	3,083,598
12,570,820	12,413,792	11,407,580	11,644,004	11,522,247	11,101,995
3,189,721	2,676,830	3,106,845	2,248,303	2,148,235	2,025,192
(315,903)	(387,358)	(573,110)	1,197,180	1,145,290	1,453,384
$ 15,444,638	$ 14,703,264	$ 13,941,315	$ 15,089,487	$ 14,815,772	$ 14,580,571

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

	2020 (2)	2019	2018	2017 (1)
Governmental expenses				
General government	$ 1,682,289	$ 1,662,161	$ 1,695,822	$ 1,607,462
Education	3,736,183	3,765,007	3,755,721	3,751,603
Health and human services	9,561,794	9,284,039	8,872,832	8,949,631
Transportation	1,169,812	1,013,447	1,070,420	1,290,944
Law, justice and public safety	925,432	899,186	847,513	820,043
Recreation and tourism	204,395	280,067	289,991	277,979
Regulation of business and professionals	25,195	126,535	122,444	126,905
Resource development	141,779			
Commerce	457,881			
Interest expense	49,039	52,584	56,192	60,318
Total expenses	17,953,799	17,083,026	16,710,935	16,884,885
Program revenues				
Charges for services				
General government	367,952	446,659	433,410	433,652
Education	3,772	5,157	5,011	5,632
Health and human services	378,902	384,045	408,368	414,670
Transportation	123,422	126,967	123,462	122,438
Law, justice and public safety	133,388	89,698	95,302	67,948
Recreation and tourism	57,642	95,372	98,008	101,985
Regulation of business and professionals	20,757	131,594	100,122	116,413
Resource development	81,161			
Commerce	80,131			
Operating grants	8,735,224	7,719,932	7,477,492	7,691,132
Capital grants and contributions	549,292	566,097	780,600	781,522
Total program revenues	10,531,643	9,565,521	9,521,775	9,735,392
Net (expense)	(7,422,156)	(7,517,505)	(7,189,160)	(7,149,493)
General revenues, special items and transfers				
Taxes				
Personal and corporate income	3,652,717	3,526,596	3,237,048	3,163,104
Consumer sales and use	3,422,311	3,284,531	3,216,406	3,114,497
Gas and motor carrier	477,659	476,675	475,227	468,822
Other	1,199,047	1,058,412	1,043,766	1,023,700
Investment earnings	110,418	187,790	61,087	60,201
Miscellaneous income	456,927	439,952	457,515	346,077
Special items:				
Disposal of operations				33,611
Issuance of tax credits				(187,598)
Transfers - internal activities	(1,009,512)	(770,163)	(778,504)	(766,675)
Restatement				(883,257)
Total general revenues, special items and transfers	8,309,567	8,203,793	7,712,545	6,372,482
Total governmental activities change in net position	$ 887,411	$ 686,288	$ 523,385	$ (777,011)

(1) Fiscal year 2017 balances restated in fiscal year 2018.
(2) Primary government functional areas changed in 2020 due to Act 910 of 2019. Did not restate prior years.

2016	2015	2014	2013	2012	2011
$ 1,553,087	$ 1,581,265	$ 1,676,440	$ 1,538,578	$ 1,559,775	$ 1,477,309
3,718,585	3,677,244	3,595,660	3,587,503	3,648,068	3,769,004
8,461,524	8,119,737	7,195,051	6,769,015	6,709,730	6,411,416
954,670	909,171	867,095	823,616	766,297	759,872
829,280	789,477	797,423	747,845	794,165	748,590
275,987	283,446	284,506	258,084	265,156	350,530
134,567	132,211	148,008	124,065	118,934	120,320
61,920	61,106	52,805	41,036	39,852	44,824
15,989,620	15,553,657	14,616,988	13,889,742	13,901,977	13,681,865
415,138	431,891	392,937	349,146	348,130	336,193
5,092	2,111	3,413	5,537	6,372	6,675
413,515	471,443	453,436	427,284	427,079	385,693
120,004	121,225	114,417	110,722	113,081	110,831
95,585	88,904	73,989	83,600	79,734	75,051
97,925	119,160	85,792	83,163	81,637	81,076
116,206	106,167	100,084	86,797	97,271	87,526
7,333,883	7,043,670	6,010,077	5,642,584	5,756,464	6,092,989
572,654	520,477	590,791	609,062	644,621	551,523
9,170,002	8,905,048	7,824,936	7,397,895	7,554,389	7,727,557
(6,819,618)	(6,648,609)	(6,792,052)	(6,491,847)	(6,347,588)	(5,954,308)
3,222,351	3,209,528	3,000,440	3,013,345	2,794,097	2,688,093
3,028,285	2,932,562	2,877,342	2,570,848	2,543,873	2,483,908
463,126	443,413	431,725	437,310	442,658	444,555
989,901	1,006,692	995,644	955,369	945,773	927,922
84,100	40,471	70,578	(1,911)	40,374	43,232
335,198	380,547	304,621	313,003	367,531	343,874
(775,406)	(768,742)	(921,211)	(784,945)	(805,617)	(844,028)
	(94,351)	(1,313,431)	(5,397)		(28,325)
7,347,555	7,150,120	5,445,708	6,497,622	6,328,689	6,059,231
$ 527,937	$ 501,511	$ (1,346,344)	$ 5,775	$ (18,899)	$ 104,923

Continued on the next page

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

Continued from the previous page

	2020	2019	2018	2017 (1)
Business-type expenses				
Higher education	$ 4,274,112	$ 4,185,164	$ 4,125,923	$ 3,971,283
Workers' Compensation Commission	12,892	19,629	18,410	12,115
Division of Workforce Services	1,757,900	100,296	130,895	147,061
Office of the Arkansas Lottery	444,164	421,017	409,282	366,200
War Memorial Stadium Commission (2)				2,630
Public School Employee Health and Life Benefit Plan	354,163	315,396	297,257	270,234
Revolving loans	11,254	7,956	6,610	4,281
Total expenses	6,854,485	5,049,458	4,988,377	4,773,804
Program revenues				
Charges for services				
Higher education	2,216,971	2,329,275	2,247,823	2,234,590
Workers' Compensation Commission	16,637	18,159	19,409	19,905
Division of Workforce Services	124,681	185,418	198,337	242,692
Office of the Arkansas Lottery	531,932	516,222	500,484	449,911
War Memorial Stadium Commission (2)				1,639
Public School Employee Health and Life Benefit Plan	332,455	318,482	310,412	306,087
Revolving loans	4,484	4,209	2,611	2,589
Operating grants	2,313,876	811,887	796,739	784,516
Capital grants and contributions	85,962	72,299	112,104	46,482
Total program revenues	5,626,998	4,255,951	4,187,919	4,088,411
Net (expense)	(1,227,487)	(793,507)	(800,458)	(685,393)
Business-type revenues, special items and transfers				
Taxes				
Other	38,023	36,829	34,966	32,397
Investment earnings	74,149	85,734	66,185	68,636
Miscellaneous income	248,437	193,550	174,725	96,293
Special items:				
Assisted Living Incentive Fund (3)		(3,999)		
Disposal of operations				(664)
Transfers - internal activities	1,009,512	770,163	778,504	766,675
Restatement				(32,213)
Total business-type revenues, special items and transfers	1,370,121	1,082,277	1,054,380	931,124
Total business-type activities change in net position	142,634	288,770	253,922	245,731
Total primary government change in net position	$ 1,030,045	$ 975,058	$ 777,307	$ (531,280)

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

2016	2015	2014	2013	2012	2011
$ 3,806,452	$ 3,676,886	$ 3,607,528	$ 3,499,550	$ 3,472,444	$ 3,362,705
19,905	17,922	19,806	18,368	45,243	29,768
216,398	256,048	360,753	521,449	618,522	776,734
368,085	337,072	331,471	352,063	379,139	371,716
3,419	2,828	3,103	3,242	3,425	3,545
284,984	266,650	287,165	306,798	286,331	275,743
4,848	9,934	9,745	10,267	5,168	12,940
4,704,091	4,567,340	4,619,571	4,711,737	4,810,272	4,833,151
2,039,020	1,825,742	1,655,419	1,572,301	1,524,943	1,471,639
17,864	16,240	20,209	17,372		
301,567	327,907	421,348	454,253		
456,317	409,214	410,627	440,105	473,624	465,075
2,279	2,056	1,785	2,337	2,394	2,760
302,445	303,474	275,969	277,390	275,639	274,073
4,024	4,269	4,241	4,273	4,155	4,001
826,300	856,669	975,632	1,129,853	1,218,671	1,325,685
31,627	71,050	31,609	31,602	66,419	44,313
3,981,443	3,816,621	3,796,839	3,929,486	3,565,845	3,587,546
(722,648)	(750,719)	(822,732)	(782,251)	(1,244,427)	(1,245,605)
31,935	31,148	30,650	30,402	491,994	449,146
21,217	30,869	62,242	37,655	28,051	52,979
107,527	180,398	180,502	210,293	172,865	153,592
775,406	768,742	921,211	784,945	805,617	844,027
		(173,701)	(13,104)		
936,085	1,011,157	1,020,904	1,050,191	1,498,527	1,499,744
213,437	260,438	198,172	267,940	254,100	254,139
$ 741,374	$ 761,949	$ (1,148,172)	$ 273,715	$ 235,201	$ 359,062

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

	2020	2019	2018	2017
General fund				
Nonspendable	$ 117,748	$ 111,863	$ 108,481	$ 106,448
Restricted	2,211,805	1,984,048	1,594,604	1,488,099
Committed	2,253,532	2,025,202	1,981,386	1,837,219
Assigned	118,213	71,693	72,964	152,890
Unassigned	788,565	572,265	414,529	547,275
Total general fund	$ 5,489,863	$ 4,765,071	$ 4,171,964	$ 4,131,931

	2016		2015		2014		2013		2012		2011
$	100,632	$	124,784	$	322,476	$	320,289	$	288,814	$	306,275
	1,507,742		1,409,242		1,189,822		555,555		494,217		553,509
	1,489,615		1,449,480		1,223,617		1,286,331		1,505,457		1,555,139
	337,504		267,283		387,191		205,204		252,590		382,308
	788,136		811,336		581,395		952,630		714,519		685,463
$	4,223,629	$	4,062,125	$	3,704,501	$	3,320,009	$	3,255,597	$	3,482,694

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

	2020	2019	2018	2017
Revenues:				
Taxes:				
Personal and corporate income	$ 3,654,603	$ 3,532,123	$ 3,232,455	$ 3,165,911
Consumer sales and use	3,410,118	3,280,703	3,218,765	3,113,922
Gas and motor carrier	477,660	476,683	475,225	469,542
Other	1,204,519	1,057,303	1,044,078	1,023,060
Intergovernmental	9,235,843	8,242,021	8,231,911	8,443,611
Licenses, permits and fees	1,273,012	1,304,469	1,293,003	1,291,699
Investment earnings	110,418	187,790	61,087	60,201
Miscellaneous	395,298	446,587	410,043	347,449
Total revenues	19,761,471	18,527,679	17,966,567	17,915,395
Expenditures: (2)				
Current:				
General government	1,457,416	1,539,201	1,536,902	1,446,481
Education	3,732,911	3,762,150	3,752,555	3,748,403
Health and human services	9,530,819	9,239,216	8,834,154	8,930,024
Transportation	517,988	457,534	493,272	680,353
Law, justice and public safety	873,435	852,412	814,586	789,376
Recreation and tourism development	182,273	259,939	265,003	257,494
Regulation of business and professionals	24,869	124,385	119,428	125,232
Resource development	141,455			
Commerce	441,429			
Debt service:				
Principal retirement	176,064	116,756	155,947	102,397
Interest expense	60,753	63,846	67,455	77,568
Bond issuance costs	93			63
Capital outlay	944,402	823,005	1,136,524	1,133,099
Total expenditures	18,083,907	17,238,444	17,175,826	17,290,490
Excess of revenues over expenditures	1,677,564	1,289,235	790,741	624,905
Other financing sources (uses):				
Issuance of debt	30,755	43,041	13,428	22,199
Issuance of refunding debt				131,840
Bond discounts/premiums	847	1,342		9,846
Payment to refunding escrow agent				(140,877)
Lease proceeds	21,773	26,225	9,047	2,807
Sale of capital assets	3,297	3,427	4,420	4,922
Transfers in	175,438	208,501	203,878	180,819
Transfers out	(1,184,882)	(978,664)	(983,431)	(959,820)
Restatement				
Total other financing uses	(952,772)	(696,128)	(752,658)	(748,264)
Special Items:				
Disposal of operations			1,950 (1)	31,661
Net change in fund balances	724,792	593,107	40,033	(91,698)
Fund balances-beginning	4,765,071	4,171,964	4,131,931	4,223,629
Fund balances-ending	$ 5,489,863	$ 4,765,071	$ 4,171,964	$ 4,131,931
Debt service as a percentage of noncapital expenditures:	1.38%	1.10%	1.39%	1.11%

(1) Final installment of the fiscal year 2017 disposal of the Arkansas Department of Health In-Home Services.
(2) Primary government functional areas changed in 2020 due to Act 910 of 2019. Did not restate prior years.

2016	2015	2014	2013	2012	2011
$ 3,219,066	$ 3,207,038	$ 3,002,722	$ 3,011,514	$ 2,798,083	$ 2,697,352
3,031,524	2,929,426	2,880,146	2,571,964	2,552,282	2,491,772
462,761	443,058	433,108	436,390	442,772	444,232
989,962	1,005,951	997,563	956,482	944,406	927,452
7,888,337	7,564,360	6,584,513	6,232,982	6,402,940	6,642,135
1,327,225	1,368,678	1,253,365	1,182,989	1,186,346	1,109,258
84,100	40,471	70,578	(1,911)	40,374	43,232
330,258	334,145	308,919	324,745	352,317	344,241
17,333,233	16,893,127	15,530,914	14,715,155	14,719,520	14,699,674
1,468,346	1,535,963	1,537,466	1,410,902	1,426,718	1,367,985
3,715,057	3,676,561	3,588,822	3,583,254	3,644,195	3,764,814
8,458,304	8,162,633	7,195,414	6,761,841	6,696,046	6,401,101
521,237	508,716	455,070	422,153	379,278	391,019
796,987	768,521	766,498	718,798	763,725	719,401
255,074	264,169	265,133	238,143	246,158	330,301
131,865	128,769	145,026	120,715	117,450	119,058
99,689	165,416	124,425	125,590	83,111	204,701
76,631	71,526	63,393	46,206	44,865	52,665
63	1,062	33	1,231	1,365	
875,513	899,502	817,693	725,445	744,000	683,872
16,398,766	16,182,838	14,958,973	14,154,278	14,146,911	14,034,917
934,467	710,289	571,941	560,877	572,609	664,757
892	374,709	717,036	264,159	85,170	11,391
28,495	135,155			39,565	
1,665	51,338	55,260	33,742	1,588	
(43,636)	(150,513)	(46,908)	(19,368)	(127,300)	
11,323	1,478	4,757	6,325	3,869	
3,707	3,880	3,617	3,596	3,011	4,083
174,908	179,278	183,161	304,538	216,443	188,947
(950,317)	(947,990)	(1,104,372)	(1,089,457)	(1,022,052)	(1,032,902)
					(28,820)
(772,963)	(352,665)	(187,449)	(496,465)	(799,706)	(857,301)
161,504	357,624	384,492	64,412	(227,097)	(192,544)
4,062,125	3,704,501	3,320,009	3,255,597	3,482,694	3,675,238
$ 4,223,629	$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597	$ 3,482,694
1.14%	1.55%	1.33%	1.28%	0.95%	1.93%

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

	2020		2019		2018		2017	
Industry	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total
Agriculture, forestry, fishing and hunting	$ 114,384	0.21%	$ 112,348	0.22%	$ 94,688	0.19%	$ 92,103	0.19%
Mining	161,907	0.30%	164,244	0.31%	170,316	0.34%	127,753	0.26%
Utilities	4,935,097	9.14%	4,981,909	9.49%	5,150,000	10.19%	4,761,393	9.82%
Construction	930,484	1.72%	918,210	1.75%	848,747	1.68%	868,432	1.79%
Manufacturing	4,435,943	8.21%	4,146,807	7.90%	3,800,632	7.52%	3,960,281	8.17%
Wholesale trade	4,561,076	8.45%	4,403,208	8.39%	4,262,562	8.43%	3,882,947	8.01%
Retail trade	26,085,606	48.30%	24,691,217	47.03%	23,338,973	46.16%	22,165,564	45.71%
Transportation and warehousing	303,591	0.56%	269,546	0.51%	272,277	0.54%	286,595	0.59%
Information	2,406,815	4.46%	2,617,057	4.99%	2,886,407	5.71%	2,930,387	6.04%
Finance and insurance	127,926	0.24%	113,528	0.22%	102,196	0.20%	108,919	0.22%
Real estate, rental and leasing	1,385,852	2.57%	1,365,668	2.60%	1,288,153	2.55%	1,218,863	2.51%
Professional, scientific and technical services	283,406	0.52%	231,362	0.44%	216,562	0.43%	211,277	0.44%
Management of companies and enterprises	5,050	0.01%	1,626	0.00%	1,133	0.00%	715	0.00%
Administrative, support, waste management and remediation services	1,108,804	2.05%	1,051,761	2.00%	1,023,010	2.02%	960,065	1.98%
Educational services	73,623	0.14%	75,830	0.14%	69,919	0.14%	71,001	0.15%
Health care and social services	57,766	0.11%	69,703	0.13%	54,836	0.11%	71,528	0.15%
Arts, entertainment and recreation	298,737	0.55%	307,170	0.59%	279,755	0.55%	251,958	0.52%
Accommodation and food services	4,770,199	8.83%	5,014,457	9.55%	4,789,282	9.47%	4,629,764	9.55%
Other services (except public administration)	1,845,453	3.42%	1,841,655	3.51%	1,792,064	3.54%	1,762,280	3.64%
Public administration	117,368	0.21%	119,368	0.23%	114,991	0.23%	124,613	0.26%
Total (1)	$ 54,009,087	100.0%	$ 52,496,674	100.0%	$ 50,556,503	100.0%	$ 48,486,438	100.0%
Direct sales tax rate	6.50% (General 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 3.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 0.125% (Food) 0.625 (Mfg util tax) 1.625% (Elec.) 4.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)	

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

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

ARKANSAS

2016		2015		2014		2013		2012		2011	
Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total	Revenue base	Percent of total
$ 97,579	0.21%	$ 96,945	0.21%	$ 91,716	0.21%	$ 115,784	0.27%	$ 92,128	0.21%	$ 97,379	0.24%
174,093	0.37%	213,038	0.45%	250,153	0.56%	258,330	0.59%	181,088	0.42%	163,822	0.40%
4,690,082	10.02%	4,459,479	9.51%	4,759,648	10.59%	4,698,734	10.76%	4,452,417	10.30%	4,095,947	9.93%
811,057	1.73%	703,596	1.50%	660,847	1.47%	656,891	1.50%	688,112	1.59%	589,146	1.43%
4,038,757	8.63%	3,966,593	8.46%	3,663,359	8.15%	3,460,971	7.93%	3,571,937	8.26%	3,404,998	8.25%
3,835,197	8.19%	4,465,509	9.53%	4,249,892	9.46%	4,218,855	9.66%	4,221,149	9.76%	3,974,829	9.64%
21,332,067	45.58%	21,183,817	45.18%	20,915,302	46.54%	20,157,488	46.16%	20,070,357	46.43%	19,055,734	46.20%
252,137	0.54%	287,545	0.61%	299,491	0.67%	224,173	0.51%	233,875	0.54%	277,598	0.67%
2,632,096	5.62%	3,006,826	6.41%	2,200,618	4.90%	2,279,914	5.22%	2,241,656	5.19%	2,590,266	6.28%
94,030	0.20%	83,532	0.18%	69,464	0.16%	57,604	0.13%	56,659	0.13%	55,309	0.13%
1,123,616	2.40%	989,814	2.11%	882,398	1.96%	835,438	1.91%	828,549	1.92%	877,160	2.13%
213,535	0.46%	194,865	0.42%	158,906	0.35%	122,357	0.28%	145,274	0.34%	144,678	0.35%
2,156	0.00%	4,691	0.01%	675	0.00%	61	0.00%	65	0.00%	483	0.00%
884,244	1.89%	852,431	1.82%	799,814	1.78%	758,810	1.74%	759,235	1.76%	689,466	1.67%
64,333	0.14%	57,180	0.12%	40,810	0.09%	43,528	0.10%	46,640	0.11%	44,236	0.11%
52,051	0.11%	85,280	0.18%	22,360	0.05%	86,618	0.20%	85,379	0.20%	56,141	0.13%
289,079	0.62%	271,720	0.58%	264,002	0.59%	231,319	0.53%	186,121	0.43%	167,512	0.41%
4,457,348	9.52%	4,293,021	9.16%	4,008,663	8.92%	3,900,648	8.93%	3,820,416	8.84%	3,515,932	8.52%
1,711,584	3.66%	1,631,985	3.48%	1,556,550	3.46%	1,519,925	3.48%	1,480,057	3.42%	1,374,149	3.33%
50,447	0.11%	35,182	0.08%	42,316	0.09%	41,735	0.10%	65,628	0.15%	75,043	0.18%
$ 46,805,488	100.0%	$ 46,883,049	100.0%	$ 44,936,984	100.0%	$ 43,669,183	100.0%	$ 43,226,742	100.0%	$ 41,249,828	100.0%
6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 1.50% (Food) 1.625% (Mfg util tax) 3.25% (Elec.) 1/1-12/31/14 1.625% (Elec.) 1/1/15 0.625% (Mfg Repair Appr. Project) 7/1/14 5.50% (Mfg Repair) 7/1/14		6.50% (General) 1.50% (Food) 3.25% (Mfg util tax) 3.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 4.25% (Electricity)		6.00% (General) 1.50% (Food) 2.75% (Mfg util tax) 5.25% (Electricity)		6.00% (General) 2.00% (Food) 3.25% (Mfg util tax)	

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2011
(Expressed in thousands, except number of taxpayers)

	2020				2011			
Industry	Sales tax collected	Percent of total	Number of taxpayers	Percent of total	Sales tax collected	Percent of total	Number of taxpayers	Percent of total
Agriculture, forestry, fishing and hunting	$ 6,807	0.22%	999	1.37%	$ 5,803	0.25%	670	1.08%
Mining	9,517	0.31%	220	0.30%	9,610	0.42%	146	0.24%
Utilities	299,045	9.78%	727	1.00%	244,098	10.68%	722	1.17%
Construction	60,431	1.98%	3,245	4.45%	35,326	1.55%	1,929	3.12%
Manufacturing	230,392	7.54%	5,967	8.17%	191,827	8.39%	4,095	6.63%
Wholesale	281,667	9.21%	6,327	8.67%	235,576	10.31%	5,821	9.43%
Retail trade	1,342,229	43.90%	26,452	36.22%	972,983	42.57%	23,755	38.46%
Transportation and warehousing	19,634	0.64%	956	1.31%	16,647	0.73%	1,632	2.64%
Information	156,432	5.12%	1,236	1.69%	155,269	6.79%	954	1.54%
Finance and insurance	8,314	0.27%	389	0.53%	3,319	0.15%	277	0.45%
Real estate, rental and leasing	89,685	2.93%	1,820	2.49%	52,583	2.30%	1,465	2.37%
Professional, scientific and technical services	18,389	0.60%	2,338	3.20%	8,680	0.38%	1,406	2.28%
Management of companies and enterprises	328	0.01%	23	0.03%	29	0.00%	5	0.01%
Administrative, support, waste management and remediation services	72,053	2.36%	3,986	5.46%	41,360	1.81%	3,346	5.42%
Educational services	4,780	0.16%	386	0.53%	2,651	0.12%	265	0.43%
Health care and social services	3,721	0.12%	1,142	1.56%	3,355	0.15%	1,043	1.69%
Arts, entertainment and recreation	19,324	0.63%	1,434	1.96%	10,030	0.44%	928	1.50%
Accommodation and food services	308,419	10.09%	7,861	10.76%	209,660	9.17%	6,483	10.50%
Other services (except public administration)	119,373	3.90%	7,436	10.18%	82,374	3.61%	6,767	10.96%
Public administration	6,972	0.23%	89	0.12%	4,167	0.18%	51	0.08%
Total	$ 3,057,512	100.00%	73,033	100.00%	$ 2,285,347	100.00%	61,760	100.00%

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

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Governmental										
General obligation bonds	$ 1,125,440	$ 1,250,480	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868
Revenue bond guaranty fund						300	590	3,775	2,545	1,385
Add (deduct):										
Unamortized bond refunding loss (1)								(18,043)	(21,072)	(16,849)
Issuance premiums	70,541	82,687	94,654	108,042	112,405	123,199	84,980	43,406	17,438	21,287
Loan payable to component unit			4,200							
Notes payable to component unit	61,039	59,399	59,567	60,514	68,915	79,163	85,694	92,051	98,883	100,674
Notes payable to pension trust fund										2,685
Revolving loan fund										155
Capital leases	551	1,039	1,499	1,891	2,202	2,581	2,947	3,245	3,576	
Capital leases with component unit	127,740	127,387	110,185	109,493	114,926	123,076	129,017	129,855	128,540	131,468
Installment sale with component unit							10,340	10,870	11,380	11,870
Total governmental activities debt	1,385,311	1,520,992	1,580,450	1,727,310	1,816,596	1,931,129	1,687,122	1,077,372	922,988	1,008,543
Business-Type										
Special obligation:										
War Memorial Stadium Commission					500	1,000	1,500	2,000	2,500	3,000
Construction Assistance Revolving Loan Fund	17,475	20,220	23,140	25,485	27,890	35,295	40,220	52,020	63,340	41,995
Safe Drinking Water Revolving Loan Fund	13,150	15,215	17,420	19,185	20,995	22,800	24,065	24,375	24,375	
College & university revenue bonds	2,095,095	1,951,875	1,973,331	1,898,326	1,836,895	1,879,827	1,859,395	1,806,426	1,651,225	1,594,226
Revenue bonds from direct placement	12,547	10,957								
Add: issuance premiums	145,447	129,848	134,062	119,742	115,742	97,062	77,148	55,914	27,663	15,635
Notes payable from direct placement	95,223	66,038	69,155	66,945	83,988	92,045	98,305	118,465	66,170	56,988
Notes payable with component unit	8,517	8,998	9,466	9,921	10,137	134	561	1,083	1,509	2,046
Capital leases	79,135	67,219	66,288	60,808	46,802	39,327	38,308	52,110	43,537	46,178
Capital leases with component unit									358	420
Total business-type activities debt	2,466,589	2,270,370	2,292,862	2,200,412	2,142,949	2,167,490	2,139,502	2,112,393	1,880,677	1,760,488
Total Primary Government Debt	$ 3,851,900	$ 3,791,362	$ 3,873,312	$ 3,927,722	$ 3,959,545	$ 4,098,619	$ 3,826,624	$ 3,189,765	$ 2,803,665	$ 2,769,031
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	2.71%	2.80%	2.97%	3.15%	3.30%	3.50%	3.37%	2.97%	2.62%	2.78%
Per capita (3)	$ 1,274	$ 1,256	$ 1,287	$ 1,309	$ 1,324	$ 1,376	$ 1,290	$ 1,078	$ 950	$ 942
Net General Obligation Bonded Debt										
Gross bonded debt (4)	$ 1,125,440	$ 1,250,480	$ 1,310,345	$ 1,447,370	$ 1,518,148	$ 1,602,810	$ 1,373,554	$ 812,213	$ 681,698	$ 755,868
Less: debt service funds (5)	(182,986)	(168,094)	(197,637)	(245,864)	(58,985)	(235,713)	(287,305)	(299,325)	(273,434)	(274,725)
Net bonded debt	$ 942,454	$ 1,082,386	$ 1,112,708	$ 1,201,506	$ 1,459,163	$ 1,367,097	$ 1,086,249	$ 512,888	$ 408,264	$ 481,143
Per capita (3)	$ 312	$ 359	$ 370	$ 400	$ 488	$ 459	$ 366	$ 173	$ 138	$ 164
Supplementary Information										
Component Unit Debt										
Arkansas Development Finance Authority (6):										
Bonds payable	476,485	556,282	593,955	625,743	714,085	809,992	1,064,883	1,099,498	1,035,581	1,195,621
Notes payable from direct placement	20,141	11,640	29,441	82,656	66,906	70,421	24,582	1,223	223,393	231,007
Add: issuance premiums	(745)	109	152		104	315	642	555	854	1,318
Less: unamortized bond issuance cost				(1,046)	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)	
U of A Foundation annuity obligations	14,670	15,492	15,458	14,069	14,065	15,068	16,259	15,204	14,804	15,967
Total Component Unit Debt	510,551	583,523	639,006	721,422	794,014	894,549	1,105,019	1,111,345	1,269,204	1,443,913
Total Debt	$ 4,362,451	$ 4,374,885	$ 4,512,318	$ 4,649,144	$ 4,753,559	$ 4,993,168	$ 4,931,643	$ 4,301,110	$ 4,072,869	$ 4,212,944
Debt Ratios										
Ratio of total debt to personal income (2)	3.07%	3.23%	3.46%	3.73%	3.96%	4.26%	4.34%	4.01%	3.81%	4.23%
Per capita (3)	$ 1,443	$ 1,450	$ 1,499	$ 1,549	$ 1,590	$ 1,677	$ 1,662	$ 1,454	$ 1,380	$ 1,432

(1) Beginning in fiscal year 2014, the unamortized bond refunding loss was reclassified to a separately reported deferred outflow of resources in accordance with GASB Statement No. 65.
(2) Personal income data can be found in Schedule 9.
(3) Population can be found in Schedule 9.
(4) Bond detail can be found in Note 8 to the financial statements.
(5) As restated to reflect full accrual rather than modified accrual balances.
(6) As restated to reflect the merger of Student Loan Authority and Development Finance Authority in fiscal year 2018
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Schedule 8
Pledged Revenue Bond Coverage (Unaudited)
Last Ten Years
(Expressed in thousands)

Colleges and Universities	Revenue Available for Debt Service (1)	Principal	Interest	Total Debt Service	Coverage
Refunding Bonds					
2020	$ 1,280,786	$ 34,084	$ 29,383	$ 63,467	20.18
2019	1,298,006	25,741	23,747	49,488	26.23
2018	1,219,331	22,950	23,469	46,419	26.27
2017	1,154,332	21,709	22,991	44,700	25.82
2016	1,109,845	22,100	23,213	45,313	24.49
2015	482,896	18,055	14,683	32,738	14.75
2014	438,138	15,866	13,867	29,733	14.74
2013	219,191	9,406	6,228	15,634	14.02
2012	182,429	8,771	6,367	15,138	12.05
2011	161,448	12,380	6,747	19,127	8.44
Housing Bonds					
2020	$ 105,077	$ 10,295	$ 10,072	$ 20,367	5.16
2019	87,094	8,795	9,354	18,149	4.80
2018	87,884	8,360	9,070	17,430	5.04
2017	72,549	9,264	9,816	19,080	3.80
2016	95,859	8,492	10,894	19,386	4.94
2015	49,479	6,840	9,149	15,989	3.09
2014	55,863	7,269	10,332	17,601	3.17
2013	31,803	5,013	7,387	12,400	2.56
2012	35,424	4,650	7,908	12,558	2.82
2011	54,774	4,380	7,532	11,912	4.60
Facilities Bonds					
2020	$ 739,535	$ 39,000	$ 40,962	$ 79,962	9.25
2019	793,099	43,395	46,314	89,709	8.84
2018	779,721	38,572	46,107	84,679	9.21
2017	757,397	38,645	41,486	80,131	9.45
2016	686,937	35,693	37,739	73,432	9.35
2015	1,196,485	38,710	50,003	88,713	13.49
2014	1,099,298	36,326	50,194	86,520	12.71
2013	1,223,066	39,196	55,601	94,797	12.90
2012	1,234,079	37,213	50,729	87,942	14.03
2011	1,176,401	29,904	46,107	76,011	15.48
General Revenue and Other Bonds					
2020	$ 19,311	$ 2,275	$ 2,575	$ 4,850	3.98
2019	11,116	2,300	2,860	5,160	2.15
2018	10,398	2,135	2,809	4,944	2.10
2017	17,005	3,035	3,075	6,110	2.78
2016	21,106	6,105	3,214	9,319	2.26
2015	19,377	3,585	4,040	7,625	2.54
2014	20,785	2,665	3,624	6,289	3.31
2013	10,277	2,575	3,047	5,622	1.83
2012	10,266	1,900	3,460	5,360	1.92
2011	7,898	1,975	2,312	4,287	1.84

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

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

Calendar year		Total Population (in thousands)		Total Personal Income (in millions)		Per Capita Personal Income	Unemployment rate
2020	(1)	3,023	$	142,192	$	47,036	5.1%
2019		3,018		135,334		44,845	3.4%
2018		3,010		130,297		43,292	3.6%
2017		3,001		124,684		41,543	3.7%
2016		2,990		120,060		40,155	4.0%
2015		2,978		117,181		39,348	5.0%
2014		2,967		113,546		38,264	6.0%
2013		2,959		107,241		36,237	7.2%
2012		2,952		106,985		36,239	7.6%
2011		2,941		99,572		33,860	8.3%

(1) Projected numbers

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

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

Schedule 10
Principal Employers (Unaudited)
Fiscal Year 2020 as Compared to 2011

2020	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	50,121	4.1%
2	Arkansas State Government	32,499	2.6%
3	Tyson Foods, Inc.	24,000	1.9%
4	U.S. Federal Government	20,700	1.7%
5	University of Arkansas for Medical Sciences	11,613	0.9%
6	Baptist Health	10,863	0.9%
7	Sisters of Mercy Health System	5,628	0.5%
8	J.B Hunt Transport Services, Inc.	4,894	0.4%
9	CHI- St Vincent	4,505	0.4%
10	Kroger Food Stores	4,470	0.4%
		169,293	13.8%

2011	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	47,796	4.1%
2	Arkansas State Government	34,260	2.9%
3	Tyson Foods, Inc.	24,000	2.0%
4	U.S. Federal Government	20,900	1.8%
5	Baptist Health	7,813	0.7%
6	Sisters of Mercy Health System	6,300	0.5%
7	J.B. Hunt Transportation Services	4,300	0.4%
8	Arkansas Children's Hospital	4,261	0.4%
9	Simmons Foods Inc	3,935	0.3%
10	Fedex	3,750	0.3%
		157,315	13.4%

Source: Arkansas Business and the Department of Finance and Administration Revenue Division

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

Full-Time Employees (1)

	2020	2019	2018	2017
Resource Development				
Agriculture Department	562	583	572	561
All other	582	563	600	584
Commerce				
Division of Workforce Services	963	928	914	878
All other	700	853	848	876
Law, Justice, and Public Safety				
Division of Correction	3770	4,121	4,098	4,072
Department of the Military	1401	725	512	725
Arkansas State Police	946	986	968	958
All other	2754	2,591	2,617	2,536
Education				
Division of Elementary and Secondary Education	339	366	369	383
All other	635	628	716	779
General Government				
Department of Finance and Administration - Revenue	1,255	1,293	1,297	1,354
All other	2,111	2,169	2,175	2,245
Health and Human Services				
Department of Human Services	7,375	7,710	7,882	8,039
Department of Health	2,027	2,054	2,028	2,117
All other	836	827	845	830
Regulation of Business and Professionals				
Arkansas Public Service Commission	100	101	103	106
All other	297	314	293	288
Recreation and Tourism				
Department of Parks, Heritage and Tourism	1,083	1,343	1,365	1,385
Arkansas Game and Fish Commission	642	686	689	677
All other	275	228	234	251
Transportation				
Department of Transportation	3,695	3,692	3,701	3,671
Proprietary Funds				
Colleges and Universities (2)	28,004	28,472	28,577	27,050
Workers' Compensation Commission	86	88	90	89
Office of the Arkansas Lottery	65	64	66	66
State Total	60,503	61,385	61,559	60,520

(1) Functional areas changed for 2020 due to Act 910 of 2019. Restated prior years.
(2) Commencing in 2016, the educational institutions included part-time faculty and graduate assistants in their employee counts.

Source: Department of Transformation and Shared Services, Arkansas Department of Transportation; Arkansas Democrat-Gazette

2016	2015	2014	2013	2012	2011
558	566	563	577	575	609
582	608	620	629	636	643
893	941	1,023	1,066	1,115	1,178
888	932	873	927	951	994
4,143	4,102	4,011	4,169	4,158	4,056
1,046	978	987	595	605	622
997	995	971	958	956	963
2,478	2,224	2,191	2,223	2,161	2,127
374	401	394	399	381	372
777	793	727	812	833	873
1,338	1,385	1,389	1,415	1,425	1,426
2,277	2,321	2,291	2,461	2,352	2,339
7,772	7,852	7,878	7,923	7,948	7,891
2,362	2,633	2,657	2,724	2,725	2,863
826	829	778	663	855	864
105	104	103	107	106	111
293	291	299	307	309	307
1,384	1,403	1,357	1,356	1,360	1,350
694	671	711	702	636	627
260	267	298	268	265	262
3,715	3,634	3,531	3,511	3,567	3,587
26,893	22,861	23,107	23,442	22,593	22,491
96	101	104	107	108	113
65	64	81	80	85	83
60,816	56,956	56,944	57,421	56,705	56,751

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

	2020	2019	2018	2017
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	780,643	903,612	863,312	932,555
Registered vehicles	4,950,287	4,306,610	4,377,091	4,334,774
Income Tax Administration				
Total electronic tax filers	1,263,203	1,302,435	1,218,689	1,152,797
EFT estimate payments by corporations	7,786	8,030	7,211	6,619
EFT withholding payments	722,082	685,368	647,558	613,249
Education				
Division of Elementary and Secondary Education				
All school districts				
Average daily membership	455,763	456,479	459,275	459,774
Number of certified personnel (1)	N/A	36,610	36,581	36,238
Average salary of K-12 classroom full-time employees (1)	N/A	$ 50,295	$ 49,840	$ 49,104
Per pupil expenditures (1)	N/A	$ 10,229	$ 10,039	$ 9,807
Foundation aid per student	$ 6,899	$ 6,781	$ 6,713	$ 6,646
Assessed valuation (in millions)	$ 51,718	$ 50,347	$ 48,797	$ 47,624
Higher Education				
Public institutions				
Net enrollment	141,693	143,974	146,540	149,198
Undergraduate degrees awarded	36,624	36,799	33,461	33,060
Graduate degrees awarded	7,391	7,395	7,468	7,248
Private institutions				
Fall net enrollment	15,660	16,002	16,029	16,529
Undergraduate degrees awarded	2,424	2,724	2,637	2,757
Graduate degrees awarded	609	626	603	637
Health and Human Services				
Department of Human Services				
Foster care recipients	7,568	7,673	8,358	9,032
Percent of population	0.23%	0.24%	0.26%	0.28%
SNAP recipients	496,712	429,378	508,171	537,536
Percent of population	15.11%	13.22%	15.82%	16.92%
Medicaid recipients (2)	1,085,938	1,086,485	824,868	1,164,197
Percent of population	33.04%	33.44%	25.68%	36.65%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)				
Recipients	117,548	128,946	136,003	141,694
Percent of population	4.02%	3.97%	4.23%	4.46%
Doses of vaccine administered	470,962	498,515	504,859	554,079

(1) Fiscal year 2020 figures were not available as of print date.
(2) In fiscal year 2016, the number of people who purchased health care through the Health Care Independence Act, commonly known as the Private Option, increased. As a result, the number of Medicaid recipients also increased as more people became eligible for Medicaid.

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Department of Finance and Administration - Revenue Division; Department of Education; Department of Higher Education; Department of Health; Department of Human Services; Department of Transportation; Department of Correction; Department of Parks, Heritage and Tourism; and Department of Commerce

2016	2015	2014	2013	2012	2011
912,820	893,069	930,474	789,172	799,564	778,521
4,252,854	4,149,491	4,082,014	3,990,259	3,904,307	3,818,476
1,137,497	1,106,280	1,059,101	991,465	971,603	878,471
6,123	5,616	5,200	4,399	3,475	2,342
577,097	539,549	435,403	460,028	411,925	211,129
459,858	460,693	461,597	460,019	457,737	457,717
36,028	36,260	36,380	36,436	36,290	35,637
$ 48,976	$ 48,575	$ 48,060	$ 47,316	$ 46,946	$ 46,663
$ 9,701	$ 9,365	$ 9,457	$ 9,324	$ 9,379	$ 9,315
$ 6,584	$ 6,521	$ 6,393	$ 6,267	$ 6,144	$ 6,023
$ 46,135	$ 45,163	$ 44,335	$ 43,027	$ 41,877	$ 40,484
150,046	151,350	153,804	157,132	158,606	155,881
33,094	27,467	31,924	29,163	28,955	30,729
6,331	5,222	5,684	6,027	5,976	5,412
16,619	16,497	16,104	16,605	17,351	16,500
2,781	2,363	2,709	2,490	2,621	2,425
600	601	605	568	560	501
8,555	7,686	7,513	7,701	7,739	7,959
0.27%	0.25%	0.25%	0.26%	0.26%	0.27%
642,571	659,887	685,812	696,343	693,564	678,358
20.46%	21.24%	22.54%	23.13%	23.55%	23.22%
1,085,787	933,033	902,378	777,922	776,050	770,792
34.57%	30.03%	29.66%	25.83%	26.35%	26.38%
148,441	149,536	152,902	160,723	165,795	169,732
4.73%	4.81%	5.03%	5.34%	5.63%	5.81%
663,689	665,550	630,304	580,498	534,759	688,116

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

Continued from previous page

	2020	2019	2018	2017
Transportation				
Department of Transportation				
Miles of state highway maintained	16,465	16,465	16,466	16,449
Law, Justice and Public Safety				
Division of Correction				
Custody population count	15,762	15,594	15,637	15,885
Inmate cost per day	$ 64	$ 62	$ 61	$ 60
Operating capacity	15,095	14,710	14,540	14,900
Inmate care/custody operating expenses (in thousands)	$ 369,247	$ 354,108	$ 351,613	$ 346,549
Arkansas State Police				
Commissioned officers	544	535	532	526
Number of homicides investigated (3)	72	80	63	73
Total citations issued	186,734	195,127	179,863	162,928
Total motorist assists	21,876	26,039	27,522	27,064
Total number of traffic accidents	16,881	18,201	18,778	19,862
Total criminal investigations	1,670	1,712	1,682	1,712
Recreation and Tourism				
Department of Parks, Heritage and Tourism				
Acres of state parks maintained	54,770	54,769	54,680	54,643
Game and Fish Commission				
Fishing licenses sold	641,987	593,556	648,985	647,888
Hunting licenses sold	589,237	580,096	615,322	506,497
Lifetime licenses sold	23,786	22,955	21,404	30,826
Other licenses sold (4)	16,692	15,773	15,954	21,349
Commerce				
Department of Insurance				
Number of active licensed insurance agents	156,501	138,665	130,144	123,313
Total consumer complaints received	2,163	2,267	2,270	2,409
Total consumer complaints closed	2,195	2,381	2,301	2,386
Total dollars recovered for consumers (in thousands)	$ 3,885	$ 6,128	$ 4,822	$ 3,200

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

(4) In fiscal year 2016 and prior years, the quantity of reprinted license sales was reported as other licenses. In fiscal year 2017, a new process was implemented, and there is no longer a charge for reprinted licenses. As a result, the quantity of other licenses sold decreased.

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Department of Finance and Administration - Revenue Division; Department of Education; Department of Higher Education; Department of Health; Department of Human Services; Department of Transportation; Department of Correction; Department of Parks, Heritage and Tourism; and Department of Commerce

2016	2015	2014	2013	2012	2011
16,431	16,424	16,418	16,411	16,398	16,414
16,050	15,410	14,558	14,061	14,151	14,129
$ 60	$ 63	$ 64	$ 63	$ 60	$ 62
14,821	14,397	13,794	13,467	13,919	13,496
$ 338,441	$ 336,640	$ 324,189	$ 318,689	$ 316,659	$ 304,658
559	553	528	524	535	536
200	246	198	239	219	211
222,922	230,655	227,756	232,158	207,651	246,417
26,872	26,552	30,374	30,447	24,002	28,838
18,962	17,853	20,983	16,050	14,813	14,977
1,820	1,870	2,614	2,818	4,017	4,152
54,602	54,466	54,372	54,358	54,374	54,343
681,493	653,598	689,698	667,536	722,041	663,426
505,058	515,307	502,568	488,217	467,167	454,794
28,997	28,643	28,922	29,380	27,721	25,379
36,873	36,347	36,291	35,776	39,193	34,243
119,066	110,192	101,089	88,910	85,865	83,231
2,437	2,417	2,376	2,100	2,387	2,352
2,218	2,310	2,209	1,923	2,221	2,167
$ 3,557	$ 3,173	$ 3,578	$ 4,174	$ 3,982	$ 4,678

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

	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
General Government										
Department of Finance and Administration - Revenue										
Vehicles	152	176	177	183	170	191	179	172	174	180
Education										
Division of Elementary and Secondary Education										
Vehicles (1)	9	8	7	7	7	5	5	216	217	202
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	458	451	450	448	448	444	442	446	448	444
Vehicles	571	565	618	635	617	606	572	595	582	560
Department of Health										
Buildings	8	8	8	7	7	7	7	7	7	7
Vehicles	124	129	134	136	140	139	137	142	138	135
Transportation										
Department of Transportation										
Passenger vehicles	1,775	1,820	1,728	1,841	1,845	1,761	1,738	1,729	1,743	1,808
Law, Justice and Public Safety										
Division of Correction										
Correctional units	21	21	20	21	21	21	19	19	19	20
Vehicles	441	457	414	414	421	422	429	417	428	411
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	899	880	868	875	868	921	943	829	820	809
Recreation and Tourism										
Department of Parks, Heritage and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	409	415	430	406	393	400	385	396	372	353
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	857	893	892	962	948	961	945	918	890	895
Boats	543	554	585	569	581	569	569	585	599	589
Regulation of Business and Professionals										
Vehicles	116	109	115	115	118	120	121	120	129	118

(1) The school buses formerly owned by this agency were used by the Pulaski County School District. After the School Desegregation Lawsuit was settled, the buses were transferred to the School District in fiscal year 2014.

Source: Arkansas State Police, Arkansas Game and Fish Commission, Arkansas Department of Transportation, Department of Finance and Administration Office of Accounting, Department of Education, Department of Correction, Department of Parks, Heritage and Tourism

Schedule 14
Miscellaneous Statistics (Unaudited)

Arkansas lies in the southeastern region of the United States. Its name was derived from the Osage Sioux language form the local Quapaw tribe which means “People of the South Wind.” More than half of the State of Arkansas is covered by forestland with the Ozark National Forest, the oldest national forest in the South, covering more than one million acres. It also has over 600,000 acres of lakes and 9,700 miles of streams and rivers. Arkansas has the only active diamond mine in the United States along with the only mine where you can mine your own diamonds. Arkansas is the birthplace of President Bill Clinton, Johnny Cash, Paul “Bear” Bryant, Billy Bob Thornton, and Jerry Van Dyke.

State Capital	Little Rock
Statehood	June 15, 1836
Nickname	The Natural State
State Motto	Regnat populus (The people rule)
Land Area	34,034,560 Acres
Counties	75
Largest Cities	Little Rock, Fort Smith, Fayetteville, Springdale and Jonesboro
Highest Point	Mount Magazine, 2,753 feet
Lowest Point	Ouachita River, 55 feet
State Seal	Adopted in its basic form in 1864, and in its present form in 1907
State Flag	Adopted by the General Assembly of 1913
State Bird	Mockingbird - Adopted by the General Assembly of 1929
State Tree	Loblolly Pine Tree - Adopted by the General Assembly of 1939
State Gem	Diamond - Adopted by the General Assembly of 1967
State Insect	Honeybee - Adopted by the General Assembly of 1973
State Rice Production	National leader in rice production

Source: Arkansas Secretary of State and Arkansas General Assembly

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