ARKANSAS

The Natural State

Annual Comprehensive Financial Report
Fiscal Year Ended
June 30, 2021

ARKANSAS

Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2021

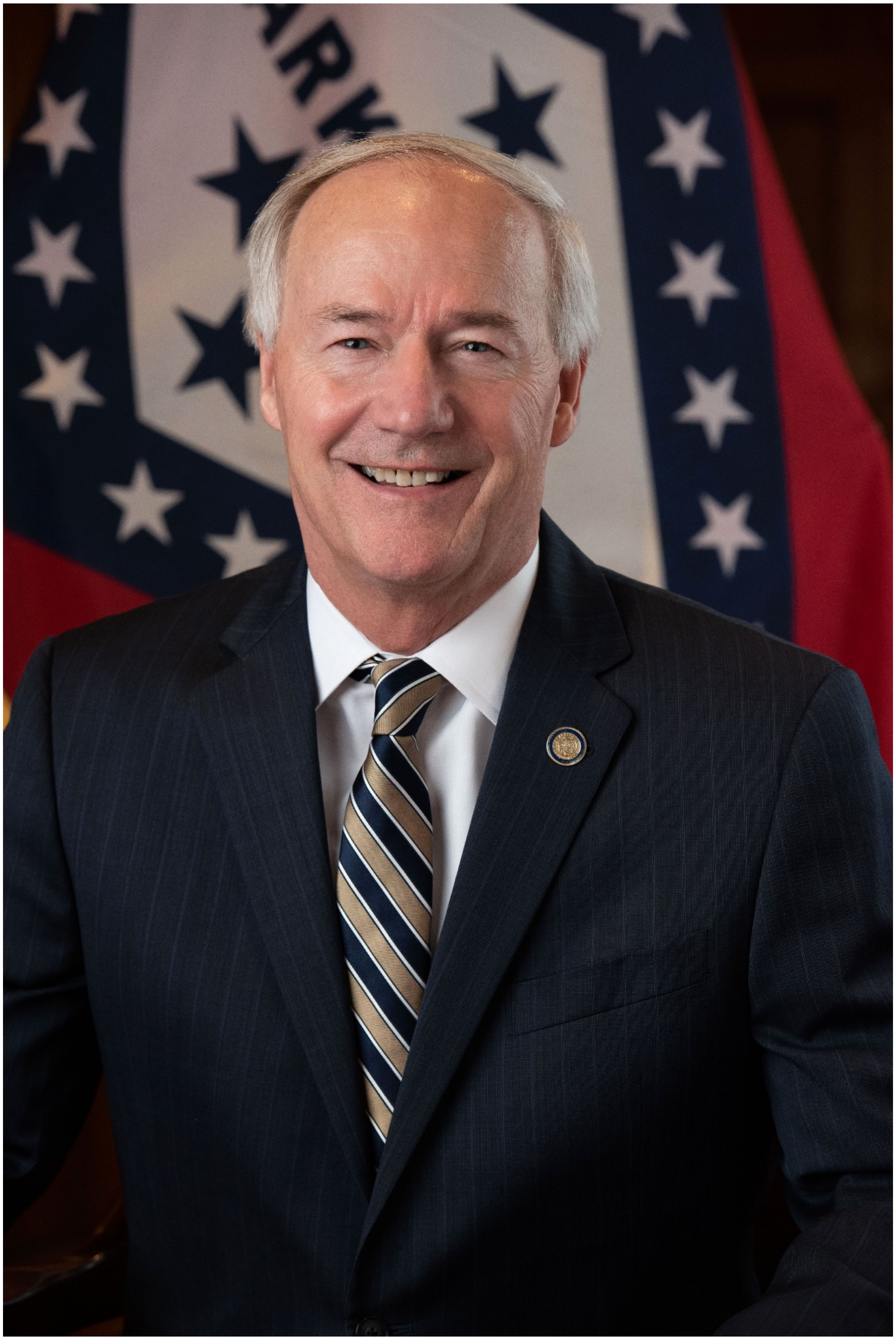
Asa Hutchinson
Governor

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 Annual Comprehensive Financial Report, were reduced by Ark. Code Ann. § 25-1-203. The report is available in electronic form at https://www.dfa.arkansas.gov/accounting-office/acfr.

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



Governor Asa Hutchinson

STATE OF ARKANSAS
ASA HUTCHINSON
GOVERNOR

January 21, 2022

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

I am pleased to submit the Fiscal Year 2021 Arkansas Annual Comprehensive Financial Report (ACFR). 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 2021 ACFR goes beyond generally accepted accounting principles to highlight important statistical information of the State. For these efforts, I am pleased to report that the 2020 Comprehensive Annual Financial Report received the Government Finance Officers Association Certificate of Achievement for Excellence in Financial Reporting. Arkansas has received this prestigious award twenty-three 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 2021 report for your review.

Sincerely,

Asa Hutchinson

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Acknowledgments

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

ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2021

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January 21, 2022

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 Annual Comprehensive Financial Report (ACFR) of the State of Arkansas (the State) for the fiscal year ended June 30, 2021.

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, 2021. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditor's 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: the District Courts, the Circuit Courts, and the Appellate Courts, which are the Court of Appeals and the Supreme Court.

Budgetary control is maintained through legislative appropriation. Agencies submit budgetary requests to DFA, which compiles the executive budget on behalf of the Governor, who then submits it to the Legislature for approval. DFA maintains control over the spending patterns of the State through control at the line-item level. See Notes to Schedule of Expenditures – Budget and Actual – General Fund in the Required Supplementary Information (RSI) section 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 four Fortune 500 companies that got their start and are headquartered here: Wal-Mart (ranked #1), Tyson Foods (73), J.B. Hunt Transport Services (315), and Murphy USA (322). In addition, Windstream Holdings (548), Dillard's (585), ArcBest (755), and Murphy Oil (965) are included in the top 1,000.

During 2021, the COVID-19 pandemic continued to affect the United States which 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 economies. 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 State has continued to attract new businesses and grow current businesses. Construction has now begun to widen and improve Zeuber Road in Little Rock to meet heavy industrial standards in anticipation of two new companies locating there. The $5.0 million project was made possible through funding from the U.S. Economic Development Administration, Arkansas Economic Development Commission (ADEC), the City of Little Rock, and Pulaski County.

During fiscal year 2021, AEDC awarded grants totaling $536,000 to 65 counties and 150 schools, school districts, and conservation districts. The grants fall into the Rural Services Block Grants which are funded by the Arkansas Game and Fish Commission (AGFC) through fines collected from hunting and fishing violations and administered by AEDC. Only money collected in the county where the violation occurred may be used as grant funds for that county.

The top eight new and expanding companies will invest $420.7 million creating 1,725 new jobs which includes Amazon, Americold Realty Trust, Butterball, Emerson, Mars Petcare, Nestle', Nice Pak, and Tyson Foods.

ECONOMIC CONDITION AND OUTLOOK

Arkansas's economy showed a mixed trend in fiscal year 2021. Personal income and wage disbursements increased while total employment decreased in fiscal year 2021 as compared to fiscal year 2020.

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 $148.8 billion in fiscal year 2021. This represented an increase of $8.3 billion, or 5.9%, over fiscal year 2020. Fiscal year 2022 is estimated at $151.5 billion (current dollars), an increase of $2.7 billion, or 1.8%, over fiscal year 2021.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to $64.2 billion in fiscal year 2021, an increase of $3.4 billion, or 5.5%, from fiscal year 2020. Fiscal year 2022 is estimated at $68.6 billion, an increase of $4.4 billion, or 6.9%, from fiscal year 2021.

Employment: In fiscal year 2021, revised payroll employment in Arkansas averaged 1.3 million jobs. This represented a decrease of approximately 9,742 jobs, or (0.8%), compared to fiscal year 2020. In fiscal year 2022, payroll employment is expected to average 1.3 million jobs. This represents a projected increase of approximately 25,279 jobs, or 2.0%, from fiscal year 2021.

Fiscal Year 2021 Net Available General Revenues: Actual net available general revenues collected totaled $6.8 billion, $1.2 billion above forecast. The net available collected was $1.1 billion, or 19.0%, above the net available in fiscal year 2020. Fiscal year 2022 net available general revenue collections are estimated at $6.1 billion, a decrease of $732.9 million, or (10.7%), below fiscal year 2021 with a year-end surplus indicated at $263.2 million.

S**elected 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 2021, $597.5 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2022 net tax collections estimated to be $607.3 million.

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 its day-to-day operations that provide support to students, institutions of higher education, and communities. These ongoing supports continue and include tremendous cost savings. Since the beginning of government transformation in 2019, ADE has saved more than $5 million by streamlining products and services.

Arkansas teachers and students (both K-12 and higher education), state and local libraries, and communities across the Natural State proved to be much stronger than COVID-19. While most states closed their doors to onsite student learning during the 2020-2021 school year, Arkansas K-12 schools were open the entire time, minus as-needed, short-term pivots to remote learning to mitigate the spread of the virus. Arkansas schools' success is attributed to the proper planning and preparation prior to the start of the school year. Arkansas colleges and universities also did not let the pandemic interrupt student learning, with many classes and campuses switching to virtual instruction while still ensuring that learning continued.

Highway and Transportation: The Arkansas Department of Transportation (ARDOT) successfully completed several construction projects across the State in 2021.

Construction crews completed:

- Interstate 40 in Conway County - 6 miles of resurfacing
- Highway 70 in Newton County - constructed a new bridge over the Buffalo River
- Scott County - crews resurfaced 23.5 miles of Highway 28 and 24.4 miles of Highway 80 adding 2-foot shoulders
- Highway 38 in West Memphis - a project to renovate 1 mile and to make improvements to an Interstate 55 overpass
- ArDOT used a new paving technique called "Hot-in-Place Asphalt Recycling" or HIR for the first time in Arkansas at Blytheville, resurfacing 10 miles of Highway 18.

ARDOT's two major road improvement programs continued to progress in 2021. The Department's Connecting Arkansas Program now has 18 projects completed totaling 92 miles of improvements. A total of 52 projects improving 354 miles of Interstate highway have been completed as part of the Interstate Rehabilitation Program.

State Parks and Tourism: Arkansas's statewide tourism tax collections saw a decrease due to travel restrictions and changes in traveler behavior. The state hosted nearly 33 million visitors in 2021 who spent $6.0 billion in total travel expenditures and $502.4 million in state taxes and local taxes, according to data released this year. In addition, nearly 51,882 Arkansas jobs were directly related to the travel industry.

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 not hit as hard as many states were, Arkansas's collections ended FY21 down 5.27% from FY20. Arkansas Tourism continued to work to promote the state and to assist its industry partners in their promotions. Along with market partners under the name Arkansas Sports, employees staffed booths and scheduled one-on-one meetings with sports rights holders to ensure that Arkansas was considered a viable location to host sporting events by national and international planners, with Fayetteville being chosen as only the second United States location to ever host the UCI World Championships, a popular international bicycling event. Arkansas Tourism continued to partner with AEDC on the "Love Where You Live" marketing initiative. 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.

Arkansas Tourism hosted a media familiarization tour for 11 national travel journalists. During the tour, participants explored sites across Central Arkansas, resulting in a potential editorial reach of 106 million consumers. Media outlets included: Reader's Digest, Fodor's Travel, Southern Living, Thrillist, NPR, and

Microsoft News. Arkansas Tourism began its coordinated effort to prepare industry partners for the 2024 Great North American Eclipse. On April 8, 2024, Arkansas will be one of the few states directly in the eclipse's Path of Totality – the prime shadow zone of an eclipse.

In partnership with Arkansas Tourism, Eksplor Gaming released a series of digital games to promote travel to regions and destinations across The Natural State. The games were designed to help travel destinations engage and educate visitors.

Heritage: The Division of Arkansas Heritage (DAH), 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. Their museums are the Delta Cultural Center, Historic Arkansas Museum, Mosaic Templars Cultural Center, and the Old State House Museum. They also maintain two historic sites, Trapnall Hall in Little Rock, and the Jacob Wolf House in Norfork, Arkansas. The Arkansas State Archives is their 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.

DAH 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. They also maintain a state-of-the-art herbarium at Division headquarters in the Arkansas Natural Heritage Commission (ANHC). The ANHC herbarium stores and catalogues 17,484 accessioned specimens representing 3,388 species as of fiscal year 2021. The ANHC also manages approximately 72,210 acres of Arkansas's natural landscape, located in 77 natural areas. Stewardship of these lands requires proven techniques to preserve and sometimes restore unique and diverse ecosystems.

An agency of DAH, 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 a large team who served more than 1.7 million Arkansans last year. DHS has tackled challenge after challenge in 2021 yet has continued to strive to build a stronger agency with a focus on being good stewards of the taxpayer dollar. That commitment is recognized in their motto: "We care. We act. We change lives." During the COVID-19 public health emergency that carried into 2021, staff continue to safely work in-person and provide direct care to their clients and critical services to Arkansas's most vulnerable citizens. At the same time, the agency continued creating a more efficient and effective department.

The Division of County Operations (DCO) and the Office of Information Technology (OIT) continued to build and implement the 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 Children and Family Services (DCFS) and OIT worked to modernize the process of requesting child maltreatment central registry checks, putting the entire process online and making it faster for thousands of Arkansans. The Division of Medical Services (DMS) implemented its Electronic Visit Verification (EVV) system to validate delivery of quality in-home services to seniors and adults with physical disabilities. The Arkansas State Hospital implemented an electronic medical record system and the Division of Aging, Adult, and Behavioral Health Services moved from a manual, paper-based system for in-home cases to an electronic database, greatly improving the process for making changes and updates to cases.

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. DIS does not receive allocation of general revenue and is legislatively prohibited from making a profit. The agency is funded from non-revenue receipts comprised of moneys received from the public sector customers it serves in payment for services provided.

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. 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 mitigates 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 a unified communications platform anchored by voice over internet protocol (VoIP) to phase out antiquated and expensive 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 ended June 30, 2021, OAL had operating revenues of $632.6 million, paid gaming prizes of $440.1 million, paid selling and cashing commissions to Arkansas retailers of $35.7 million, and provided $106.4 million in scholarship funds, after payment of other lottery expenditures.

Health: The Department of Health (ADH) continues as the lead agency addressing the pandemic, working closely with the Governor's office and in coordination with other State agencies. Entirely new systems were created to implement a COVID-19 vaccination program, which required coordination between the ADH, the federal government, and local health care providers. Vaccinations are available in all ADH local health units, and countless vaccination clinics have been held across the State. In addition to vaccinations, the ADH coordinated monoclonal antibody treatment across the State in partnership with health care providers. The ADH Public Health Lab has worked to expand testing capability to include sequencing for variants.

The ADH is in the process of transitioning to a new electronic disease surveillance system called MAVEN to replace existing capacity to monitor and evaluate disease outbreak information. The movement to MAVEN was a result of the increasingly large disease volume associated with COVID-19 and a federal push for state health departments to modernize electronic disease reporting mechanisms. Additionally, MAVEN will allow the ADH to integrate all mandatory reportable disease data, vital statistics, and immunization data to provide a comprehensive look at disease burden beyond COVID-19.

In a continuing effort to improve ADH services to the public, additional electronic portals have been set up to streamline submission programs and speed-up turnaround times. The ADH collaborates with a wide variety of partners in the public and private sectors to address the health problems facing Arkansans. The ADH will maintain efforts every day to improve the health of individual Arkansans, protect the public from epidemics, and provide preventive health services in Arkansas communities.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its ACFR for the fiscal year ended June 30, 2020. This was the twenty-third 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 ACFR. 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 ACFR.

Sincerely,

Larry W. Walther

Larry W. Walther
Secretary

Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

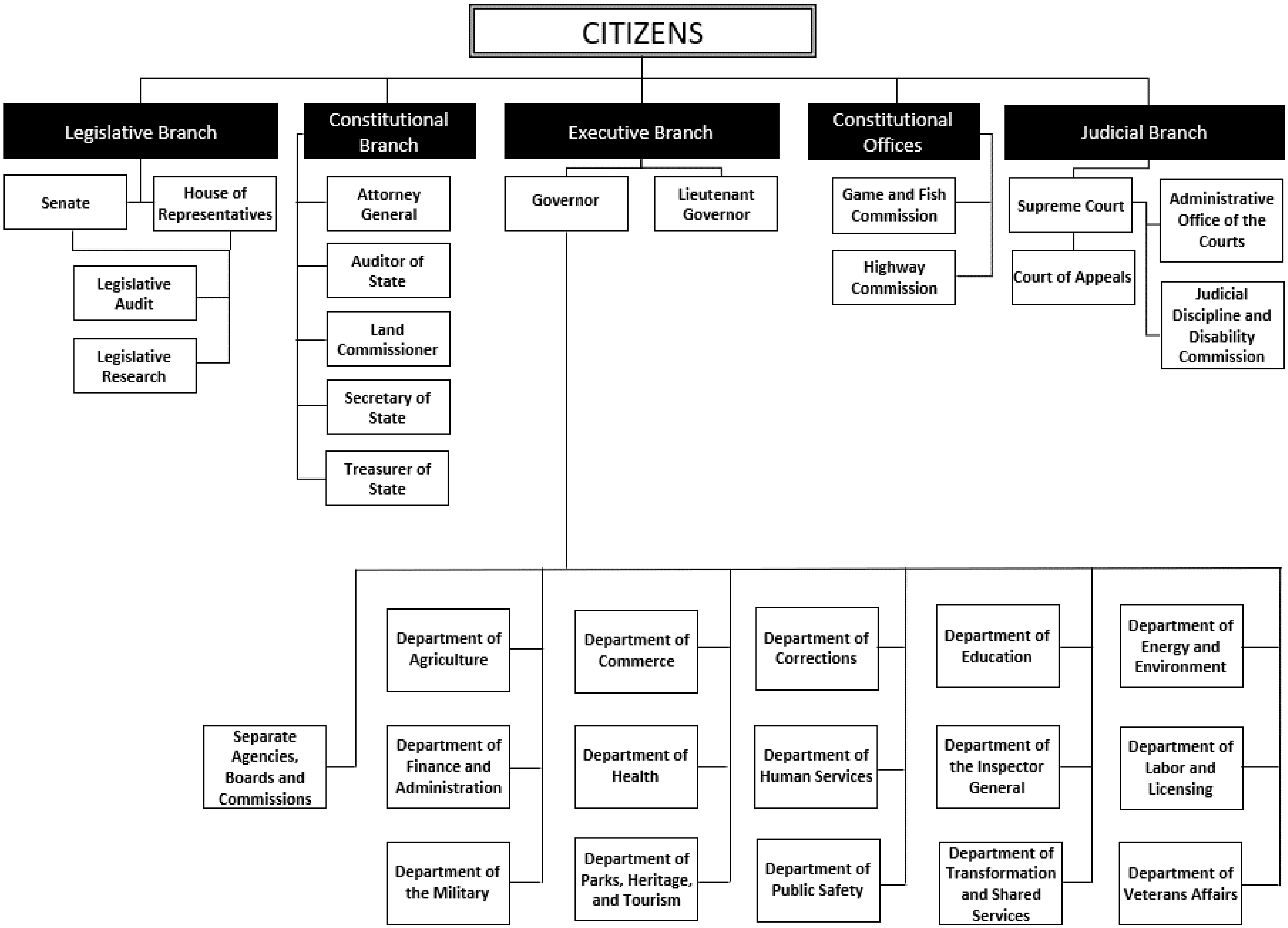
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2020

Christopher P. Morrill
Executive Director/CEO

ARKANSAS

Organizational Chart



Principal Officials

Elected Officials	General Assembly	Supreme Court
Governor	***President Pro Tempore***	***Chief Justice***
Asa Hutchinson	Senator Jimmy Hickey, Jr.	John Dan Kemp
Lieutenant Governor	***Speaker of the House***	***Associate Justice***
Tim Griffin	Representative Matthew Shepherd	Robin F. Wynne
Attorney General		***Associate Justice***
Leslie Rutledge		Courtney Rae Hudson
Auditor of State		***Associate Justice***
Andrea Lea		Barbara Webb
Land Commissioner		***Associate Justice***
Tommy Land		Shawn A. Womack
Secretary of State		***Associate Justice***
John Thurston		Karen R. Baker
Treasurer of State		***Associate Justice***
Dennis Milligan		Rhonda K. Wood

ARKANSAS STATE GOVERNMENT

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FINANCIAL SECTION

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Arkansas

Sen. Ronald Caldwell
Senate Chair
Sen. Gary Stubblefield
Senate Vice Chair

Rep. Richard Womack
House Chair
Rep. Nelda Speaks
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, 2021, 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 19% of the assets and 29% of the revenues of the business-type activities opinion unit and 24% of the assets and 53% 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 less than 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, 2021, 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 21, 2022, 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 21, 2022
ACFR00121

ARKANSAS STATE GOVERNMENT

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MANAGEMENT'S DISCUSSION AND ANALYSIS

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 Annual Comprehensive Financial Report (ACFR) for the year ended June 30, 2021. The State's June 30, 2021, financial statements received an unmodified opinion (see Independent Auditor's 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, 2021, by $19.7 billion (presented as Total net position).
- The net position of the State increased by $2.0 billion during the fiscal year.
- The governmental activities net position increased by $1.6 billion.
- The business-type activities net position increased by $333.4 million.
- Of the total net position, $14.9 billion (75.99%) 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 $5.2 billion (26.63%) represents resources that are subject to restrictions on how they may be used.
- The State's unrestricted net position was a negative $516.2 million. 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, 2021, the State's General Fund reported a fund balance of $6.6 billion.

- The nonspendable fund balance is $176.5 million (2.69%).
- The restricted fund balance is $1.7 billion (25.64%).
- The committed fund balance is $3.8 billion (57.78%).
- The assigned fund balance is $85.9 million (1.30%).
- The unassigned fund balance is $827.0 million (12.59%).

The fund balance in the State's General Fund increased $1.1 billion during the fiscal year.

Long-Term Debt

Long-term debt payable for bonds, capital leases and notes as of June 30, 2021, was $3.7 billion. Additional debt totaling $835.4 million was entered into during the year; $420.2 million was attributable to the increase in notes payable, capital leases and leases payable for governmental activities; $390.3 million was attributable to increases in college and university revenue bonds; and $24.9 million was attributable to the increase in business-type notes payable and capital leases.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Management Discussion and Analysis is an introduction to the State's basic financial statements, which are comprised of three components. The State's basic financial statements include *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, 2021. 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, 2021, and a comparison between program revenues and direct expenditures for each function of the State.

Both 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 normally intend to recover all or a significant portion of their costs through user fees and charges to external users of goods and services and operate with minimal assistance from the governmental activities of the State. The business-type activities of the State include Higher Education, Workers' Compensation Commission, 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 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. 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 these 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, and custodial 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	
	2021	2020 (as restated)	2021	2020	2021	2020 (as restated)
Current assets	$ 9,916,021	$ 7,704,630	$ 3,614,756	$ 3,729,867	$ 13,530,777	$ 11,434,497
Noncurrent assets	223,981	187,963	1,451,689	1,314,415	1,675,670	1,502,378
Capital assets	13,691,499	13,225,717	4,298,899	4,220,038	17,990,398	17,445,755
Total assets	23,831,501	21,118,310	9,365,344	9,264,320	33,196,845	30,382,630
Deferred outflows of resources	1,028,154	1,204,063	125,786	101,992	1,153,940	1,306,055
Current liabilities	3,265,986	2,312,615	782,644	1,071,207	4,048,630	3,383,822
Long-term liabilities	6,754,282	6,747,000	3,090,752	3,011,673	9,845,034	9,758,673
Total liabilities	10,020,268	9,059,615	3,873,396	4,082,880	13,893,664	13,142,495
Deferred inflows of resources	717,689	774,834	75,565	74,690	793,254	849,524
Net investment in capital assets	12,881,572	12,244,621	2,061,401	2,082,158	14,942,973	14,326,779
Restricted	3,972,239	3,284,221	1,264,813	1,195,709	5,237,052	4,479,930
Unrestricted	(2,732,113)	(3,040,918)	2,215,955	1,930,875	(516,158)	(1,110,043)
Total net position	$ 14,121,698	$ 12,487,924	$ 5,542,169	$ 5,208,742	$ 19,663,867	$ 17,696,666

The net position of the governmental activities increased $1.6 billion. This is predominantly due to an increase in intergovernmental revenue due to the Coronavirus Aid, Relief, and Economic Security Act (CARES) and American Rescue Plan Act (ARPA) for COVID-19.

The net position of the business-type activities increased $333.4 million. This change is primarily due to receiving additional CARES Act and ARPA revenue to pay for the increase in benefits and aid payments due to an increase in pandemic relief funding in response to COVID-19.

The book value of capital assets as of June 30, 2021, was $13.7 billion for governmental activities and $4.3 billion for business-type activities. The State uses these capital assets to provide services to citizens, consequently, these assets are not available for future spending. Although the State’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be liquidated to fund these liabilities.

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

	Governmental Activities 2021	Governmental Activities 2020 (as restated)	Business-Type Activities 2021	Business-Type Activities 2020	Totals 2021	Totals 2020 (as restated)
Revenues:						
Program revenues:						
Charges for services	$ 1,353,338	$ 1,248,025	$ 3,433,697	$ 3,227,160	$ 4,787,035	$ 4,475,185
Grants and contributions	11,001,872	9,284,516	2,667,995	2,399,838	13,669,867	11,684,354
General revenues:						
Personal and corporate taxes	3,926,344	3,652,717			3,926,344	3,652,717
Sales and use taxes	3,887,187	3,422,311			3,887,187	3,422,311
Gas and motor carrier	488,974	477,659			488,974	477,659
Other taxes	1,397,747	1,199,047	40,633	38,023	1,438,380	1,237,070
Other revenues:						
Investment earnings	(25,725)	110,418	106,384	74,149	80,659	184,567
Miscellaneous income	572,546	456,927	265,888	248,437	838,434	705,364
Total revenues	22,602,283	19,851,620	6,514,597	5,987,607	29,116,880	25,839,227
Expenses:						
Governmental expenses:						
General government	1,901,668	1,682,289			1,901,668	1,682,289
Education	4,181,586	3,736,183			4,181,586	3,736,183
Health and human services	10,760,985	9,561,794			10,760,985	9,561,794
Transportation	1,287,824	1,169,812			1,287,824	1,169,812
Law, justice and public safety	973,492	925,432			973,492	925,432
Recreation and tourism	204,219	204,395			204,219	204,395
Regulation of business and professionals	24,395	25,195			24,395	25,195
Resource development	177,001	141,779			177,001	141,779
Commerce	572,567	457,881			572,567	457,881
Interest expense	43,104	49,039			43,104	49,039
Business-type expenses:						
Higher education			4,394,289	4,274,112	4,394,289	4,274,112
Workers' Compensation Commission			9,315	12,892	9,315	12,892
Division of Workforce Services			1,671,273	1,757,900	1,671,273	1,757,900
Office of the Arkansas Lottery			529,723	444,164	529,723	444,164
Public School Employee Health and Life Benefit Plan			399,831	354,163	399,831	354,163
Revolving loans			6,494	11,254	6,494	11,254
Total expenses	20,126,841	17,953,799	7,010,925	6,854,485	27,137,766	24,808,284
Increase (decrease) in net position before special items and transfers	2,475,442	1,897,821	(496,328)	(866,878)	1,979,114	1,030,943
Special items:						
Disposal of operations	(11,913)				(11,913)	
Transfers - internal activities	(829,755)	(1,009,512)	829,755	1,009,512		
Total special items and transfers	(841,668)	(1,009,512)	829,755	1,009,512	(11,913)	
Increase in net position	1,633,774	888,309	333,427	142,634	1,967,201	1,030,943
Net position - beginning (as restated)	12,487,924	11,599,615	5,208,742	5,066,108	17,696,666	16,665,723
Net position - ending	$ 14,121,698	$ 12,487,924	$ 5,542,169	$ 5,208,742	$ 19,663,867	$ 17,696,666

As is typical for governmental activities, program expenditures exceeded program revenues. The excess program expenditures of $7.8 billion were funded by normal state taxing activities.

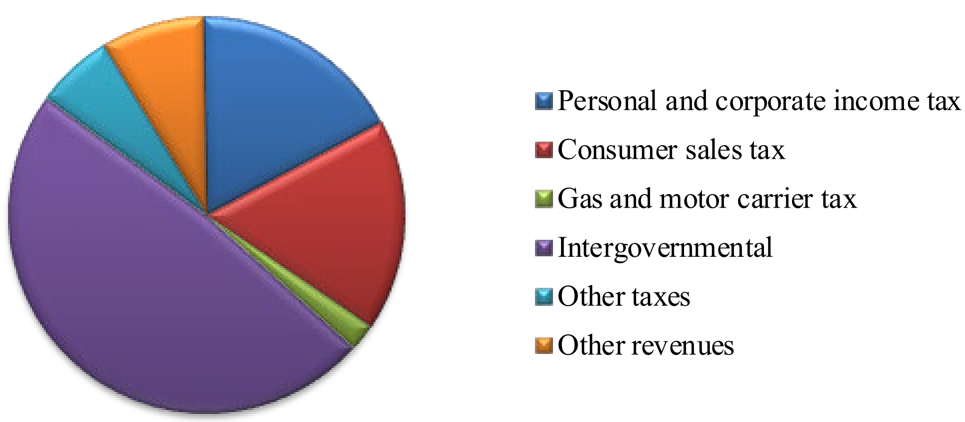
FUND HIGHLIGHTS AND ANALYSIS

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, 2021, and 2020 (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)

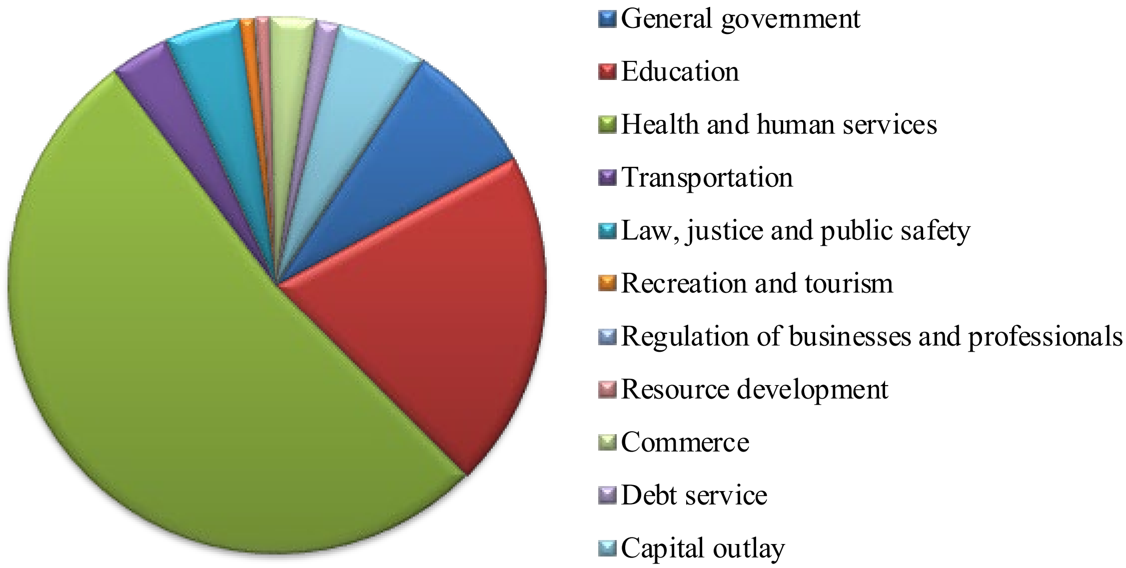
Revenues	2021	2020	Increase (Decrease) Percent
Personal and corporate income tax	$ 3,921,586	$ 3,654,603	7.31%
Consumer sales tax	3,860,050	3,410,118	13.19%
Gas and motor carrier tax	488,737	477,660	2.32%
Intergovernmental	10,836,160	9,235,843	17.33%
Other taxes	1,410,108	1,204,519	17.07%
Other revenues	1,875,198	1,778,728	5.42%
Total	$ 22,391,839	$ 19,761,471	13.31%



Governmental revenues increased by 13.31%. Intergovernmental increased $1.6 billion due to the CARES Act and ARPA revenue for COVID-19. Personal and corporate income tax increased by $267.0 million and consumer sales tax revenue increased $449.9 million due to economic growth as the effects of COVID-19 were mitigated. Other taxes increased by $205.6 million partially due to an increase in medical marijuana tax revenues as the industry continues to expand, an increase in insurance premium tax revenues as the result of increasing premium rates, and an increase in gambling activity because of casinos reopening and a new casino in Pine Bluff, Arkansas.

Expenditures by Function – General Fund (expressed in thousands)

Expenditures	2021	2020	Increase (Decrease) Percent
General government	$ 1,642,741	$ 1,457,416	12.72%
Education	4,177,850	3,732,911	11.92%
Health and human services	10,740,086	9,530,819	12.69%
Transportation	731,333	517,988	41.19%
Law, justice and public safety	935,489	873,435	7.10%
Recreation and tourism	181,550	182,273	(0.40%)
Regulation of businesses and professionals	24,008	24,869	(3.46%)
Resource development	165,593	141,455	17.06%
Commerce	554,912	441,429	25.71%
Debt service	296,950	236,910	25.34%
Capital outlay	1,106,636	944,402	17.18%
Total	$ 20,557,148	$ 18,083,907	13.68%



The State's expenditures increased for the year ended June 30, 2021, by 13.68%. Health and Human Services expenditures increased by $1.2 billion primarily due to Electronic Benefits Transfer System, Supplemental Nutrition Assistance Program and Integrated Eligibility and Benefit Management Solutions Software expenses. Education expenditures increased $444.9 million due to the Public School Fund and Child Nutrition programs with CARES Act funds. Transportation expenditures increased $213.3 million due to significant highway projects.

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, 2021.

At June 30, 2021, the State's General Fund reported an ending fund balance of $6.6 billion, which is an increase of $1.1 billion in comparison to June 30, 2020. The increase is predominantly related to CARES Act and ARPA revenue and to continued economic growth during 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, $176.5 million or 2.69%
- Restricted, $1.7 billion or 25.64%
- Committed, $3.8 billion or 57.78%
- Assigned, $85.9 million or 1.30%
- Unassigned, $827.0 million or 12.59%

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 $33.7 billion and the accumulated depreciation was $15.7 billion at June 30, 2021. The net book value was $18.0 billion. Depreciation expense was $647.0 million for governmental activities and $280.6 million for business-type activities.

Major capital asset events during the current year ended June 30, 2021, included the following:

- The Division of Building Authority expended $22.9 million for the Commerce Building and $3.2 million on parking acquisition for the building and $4.4 million on multiple other building projects.
- Arkansas Department of Transportation (ARDOT) constructed roads, bridges and interchanges for $808.8 million and purchased rights-of-way for $47.0 million. ARDOT also spent $26.4 million on various types of equipment.
- Department of Health expended $6.0 million on software for COVID-19 testing and $5.3 million on various other health related equipment.
- Arkansas Division of Emergency Management expended $16.0 million on communication system upgrades.
- Department of Human Services expended $61.2 million for software and $2.5 million on various types of equipment.
- Department of the Military expended $16.8 million on building renovations and infrastructure projects and $3.1 million on various types of equipment.

Major commitments concerning capital assets at June 30, 2021, included the following:

- ARDOT has $1.5 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 $1.2 billion in bonds, loans payable, notes payable and capital leases outstanding at June 30, 2021, compared to $1.4 billion at June 30, 2020. The net decrease is approximately $185.6 million.

For the year ended June 30, 2021, bonds payable had a net decrease of $226.1 million. Principal payments on these bonds totaled $561.0 million. Capital leases to outside entities had a net decrease of $500,000. Loans payable, notes payable and capital leases payable to component units had a net increase of $41.0 million during the year ended June 30, 2021.

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

- The Division of Building Authority received a capital lease of $20.0 million with a component unit for the design, acquisition, construction and equipping of headquarter facilities.
- The Arkansas Division of Emergency Management received a note payable of $20.6 million with a component unit for additions, upgrades and enhancements to Arkansas Wireless Information Network.

The State's governmental activities had approximately $147.6 million of claims and judgments outstanding at June 30, 2021, compared to $119.6 million at June 30, 2020. Other obligations include $164.5 million for accrued sick leave and vacation pay, $21.4 million for pollution remediation and $134.8 million for recycling tax obligations at June 30, 2021. The State's governmental activities also had $2.8 billion recorded for other postemployment benefits liability and $2.3 billion recorded for net pension liability at June 30, 2021.

Business-type Activities

The State's business-type activities had $2.5 billion in bonds, notes payable and capital leases outstanding at June 30, 2021, and $2.5 billion at June 30, 2020. The net increase was approximately $34.4 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 – UAMS issued $95.3 million in various facility revenue bonds Tax Exempt Series 2021A for the purpose of the construction of a new Surgical Hospital, a new Radiation Oncology Center and other capital improvements.
- University of Arkansas – UAMS issued $41.8 million in various facility revenue bonds Taxable Series 2021B to be used for a portion of the construction of a new Radiation Oncology Center.
- University of Arkansas – UAMS issued $24.3 million in various facility revenue bonds Tax Exempt Series 2020A for the purpose of refunding Series 2010A bonds.
- The University of Central Arkansas issued $29.8 million 2020 Series B Student Housing System Revenue Refunding Bonds for the purpose of refunding the 2010 Series C, and 2012 Series B issues.

The colleges and universities also entered into capital leases totaling $8.5 million and notes payable totaling $16.4 million. The State's business-type activities made reductions, through principal payments and refinancing, to bonds, notes payable and capital leases of $380.8 million during the fiscal year.

The State's business-type activities had approximately $339.4 million of claims and judgments outstanding at June 30, 2021, compared to $385.9 million at June 30, 2020. Other obligations included accrued sick leave and vacation pay of $143.6 million at June 30, 2021. The State's business-type activities also had $144.0 million recorded for other postemployment benefits liability and $215.9 million recorded for net pension liability at June 30, 2021.

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

GENERAL FUND BUDGETARY HIGHLIGHTS

Schedule of Expenditures – Budget and Actual (expressed in thousands)

Functions	Budgeted Amounts Original	Budgeted Amounts Final	Actual Amounts
Commerce	$ 3,002,165	$ 924,610	$ 609,188
Education	4,271,518	5,031,852	4,088,994
General government	6,863,022	3,396,914	2,303,872
Health and human services	10,501,593	11,743,930	10,131,752
Law, justice and public safety	1,057,096	1,083,309	919,494
Recreation and tourism	296,460	309,601	205,716
Regulation of business and professionals	33,103	33,977	26,116
Resource development	362,579	395,420	190,838
Transportation	725,878	760,905	499,253
Capital outlay	2,207,489	2,001,143	1,196,057
Debt service	143,784	309,849	275,996
Total	$ 29,464,687	$ 25,991,510	$ 20,447,276

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

The original budget exceeded the final budget by $3.5 billion. The decrease in General Government and Commerce services is mainly due to the CARES Act and ARPA federal grants authorized but not fully 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 of fiscal year 2020 which continued into fiscal year 2021. The United States Congress passed legislation which included the CARES Act and ARPA to be distributed through the Coronavirus Relief Fund. The State received $1.25 billion from the CARES Act in fiscal year 2020 which was mainly available for expenditures in fiscal year 2021.

The State responded to the pandemic in various ways, ranging from reimbursing schools for their food service accounts, to providing grants aimed at preventing suicide among veterans, to providing rental assistance. 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, 2021
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Assets				
Current assets:				
Cash and cash equivalents	$ 2,190,608	$ 2,236,065	$ 4,426,673	$ 307,590
Cash and cash equivalents-restricted		153,130	153,130	
Investments	5,206,023	672,907	5,878,930	13
Receivables, net:				
Accounts	277,280	439,444	716,724	1,260
Taxes	582,252		582,252	
Medicaid	741,177		741,177	
Loans	8,067	5,672	13,739	1,812
Leases	95		95	
Interest	7,538	1,059	8,597	8,645
Other	35,130	26,282	61,412	
Internal balances	140,723	(140,723)		
Due from other governments	541,271	135,705	676,976	
Prepaid items	45,148	29,651	74,799	
Inventories	130,013	45,529	175,542	
Deposits with trustee	10,696	6,695	17,391	
Other current assets		3,340	3,340	
Total current assets	9,916,021	3,614,756	13,530,777	319,320
Noncurrent assets:				
Cash and cash equivalents, restricted		242,668	242,668	
Deposits with component unit	58,509		58,509	
Deposits with bond trustee		248,976	248,976	
Deposits with Multi-State Lottery Association		2,131	2,131	
Investments		387,990	387,990	187,776
Receivables, net		20,516	20,516	
Loans and mortgages receivable	143,661	530,014	673,675	356,651
Loans and capital leases receivable from primary government				237,822
Capital leases receivable	130		130	
Due from other governments		2,060	2,060	
Irrevocable split-interest agreements		2,171	2,171	
Financial assurance instruments		8,050	8,050	
Other noncurrent assets	21,681	7,113	28,794	4,168
Capital assets:				
Non-Depreciable	3,648,041	545,895	4,193,936	670
Depreciable, Net	10,043,458	3,753,004	13,796,462	1,730
Total noncurrent assets	13,915,480	5,750,588	19,666,068	788,817
Total assets	23,831,501	9,365,344	33,196,845	1,108,137
Deferred Outflows of Resources				
Related to pensions	573,137	63,161	636,298	1,107
Related to other postemployment benefits	433,512	26,272	459,784	799
Related to debt refundings	21,505	36,353	57,858	2,427
Total deferred outflows of resources	1,028,154	125,786	1,153,940	4,333
Total assets and deferred outflows of resources	$ 24,859,655	$ 9,491,130	$ 34,350,785	$ 1,112,470

Statement of Net Position
June 30, 2021
(Expressed in thousands)

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
Liabilities				
Current liabilities:				
Accounts payable	$ 95,135	$ 164,714	$ 259,849	$ 4,188
Prizes payable		24,986	24,986	
Accrued interest	5,119	19,497	24,616	2,520
Accrued and other current liabilities	689,548	163,618	853,166	101
Medicaid payable	326,802		326,802	
Income tax refunds payable	280,497		280,497	
Due to other governments	1,051,017	22,777	1,073,794	
Workers' compensation benefits payable		13,367	13,367	
Funds held in trust for others		14,195	14,195	
Bonds, notes and leases payable	257,348	126,048	383,396	32,336
Claims, judgments, arbitrage and compensated absences	161,232	158,031	319,263	
Internal balances				11,492
Pollution remediation obligations	3,050		3,050	
Unearned gain on refinancing sale of asset				46
Rebate/refund incentives payable	16,268		16,268	
Recycling tax obligation payable	11,620		11,620	
Other postemployment benefits liability	72,740	5,969	78,709	116
Unearned revenue	295,610	69,442	365,052	230
Total current liabilities	3,265,986	782,644	4,048,630	51,029
Long-term liabilities:				
Workers' compensation benefits payable		183,232	183,232	
Bonds, notes and leases payable	942,348	2,374,917	3,317,265	529,797
Due to other governments		15,885	15,885	
Claims, judgments, arbitrage and compensated absences	150,884	128,314	279,198	
Pollution remediation obligations	18,356		18,356	
Other postemployment benefits liability	2,727,897	138,059	2,865,956	4,193
Net pension liability	2,269,166	215,913	2,485,079	4,869
Deposits held on behalf of primary government				58,509
Other noncurrent liabilities	267,906	30,780	298,686	3,776
Unearned gain on refinancing sale of asset				67
Rebate/refund incentives payable	254,587		254,587	
Recycling tax obligation payable	123,138		123,138	
Unearned revenue		3,652	3,652	1,123
Total long-term liabilities	6,754,282	3,090,752	9,845,034	602,334
Total liabilities	10,020,268	3,873,396	13,893,664	653,363
Deferred Inflows of Resources				
Related to pensions	479,847	31,482	511,329	368
Related to other postemployment benefits	237,067	34,766	271,833	649
Related to debt refundings	775		775	
Related to irrevocable split-interest agreements		9,317	9,317	
Total deferred inflows of resources	717,689	75,565	793,254	1,017
Total liabilities and deferred inflows of resources	10,737,957	3,948,961	14,686,918	654,380
Net Position				
Net position:				
Net investment in capital assets	12,881,572	2,061,401	14,942,973	2,400
Restricted for:				
Expendable:				
Debt service	187,416	17,975	205,391	
Other capital projects	58,281	77,048	135,329	
Bond resolution and programs				309,010
Program requirements	2,814,746		2,814,746	
Lottery	152,735		152,735	
Tobacco settlement	148,150		148,150	
Transportation	610,911		610,911	
Scholarships and fellowships		63,176	63,176	
Research		76,076	76,076	
Public service		801,696	801,696	
Other		90,279	90,279	
Non-expendable - other		138,563	138,563	
Non-expendable - minority interest				157
Unrestricted	(2,732,113)	2,215,955	(516,158)	146,523
Total net position	14,121,698	5,542,169	19,663,867	458,090
Total liabilities, deferred inflows of resources and net position	$ 24,859,655	$ 9,491,130	$ 34,350,785	$ 1,112,470

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, 2021
(Expressed in thousands)

Assets		
Contributions receivable, net	$	215,511
Interest receivable		1,561
Cash value of life insurance		1,375
Land		31
Investments		1,871,514
Total assets	$	2,089,992
Liabilities and Net Assets		
Liabilities:		
Accounts payable	$	9,383
Annuity obligations		18,677
Total liabilities		28,060
Net assets:		
Without donor restrictions		142,638
With donor restrictions		1,919,294
Total net assets		2,061,932
Total liabilities and net assets	$	2,089,992

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, 2021
(Expressed in thousands)

Assets	
Investments	$ 748,158
Total assets	$ 748,158
Liabilities and Net Assets	
Liabilities:	
Accounts payable	$ 1,563
Total liabilities	1,563
Net assets:	
With donor restrictions	746,595
Total net assets	746,595
Total liabilities and net assets	$ 748,158

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

Statement of Activities
For the Year Ended June 30, 2021
(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	$ 1,901,668	$ 397,282	$ 708,427	$
Education	4,181,586	3,866	974,095	
Health and human services	10,760,985	408,577	8,146,839	2,327
Transportation	1,287,824	131,987	1,005	803,552
Law, justice and public safety	973,492	161,356	118,089	1,745
Recreation and tourism	204,219	65,618	19,816	1,842
Regulation of business and professionals	24,395	19,031	1,932	
Resource development	177,001	79,862	66,607	
Commerce	572,567	85,759	155,515	81
Interest expense	43,104			
Total governmental activities	20,126,841	1,353,338	10,192,325	809,547
Business-type activities:				
Higher education	4,394,289	2,292,585	1,037,942	29,609
Workers' Compensation Commission	9,315	16,906		
Division of Workforce Services	1,671,273	118,577	1,581,958	
Office of the Arkansas Lottery	529,723	632,579		
Public School Employee Health and Life Benefit Plan	399,831	368,297	200	
Revolving loans	6,494	4,753	18,286	
Total business-type activities	7,010,925	3,433,697	2,638,386	29,609
Total primary government	$ 27,137,766	$ 4,787,035	$ 12,830,711	$ 839,156
Component unit:				
Arkansas Development Finance Authority	$ 39,772	$ 39,087	$ 15,495	

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

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

Net Revenue (Expense)			
Primary Government			Component Unit
Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
$ (795,959)	$	$ (795,959)	
(3,203,625)		(3,203,625)	
(2,203,242)		(2,203,242)	
(351,280)		(351,280)	
(692,302)		(692,302)	
(116,943)		(116,943)	
(3,432)		(3,432)	
(30,532)		(30,532)	
(331,212)		(331,212)	
(43,104)		(43,104)	
(7,771,631)		(7,771,631)	
	(1,034,153)	(1,034,153)	
	7,591	7,591	
	29,262	29,262	
	102,856	102,856	
	(31,334)	(31,334)	
	16,545	16,545	
	(909,233)	(909,233)	
(7,771,631)	(909,233)	(8,680,864)	
			$ 14,810
3,926,344		3,926,344	
3,887,187		3,887,187	
488,974		488,974	
1,397,747	40,633	1,438,380	
9,700,252	40,633	9,740,885	
(25,725)	106,384	80,659	(3,412)
572,546	265,888	838,434	
(11,913)		(11,913)	
(829,755)	829,755		
9,405,405	1,242,660	10,648,065	(3,412)
1,633,774	333,427	1,967,201	11,398
12,487,924	5,208,742	17,696,666	446,692
$ 14,121,698	$ 5,542,169	$ 19,663,867	$ 458,090

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, 2021
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Contributions	$ 12,605	$ 253,753	$ 266,358
Interest and dividends	521	3,123	3,644
Net realized and unrealized gains on investments	34,442	421,601	456,043
Net asset reclassifications, including release from restrictions - satisfaction of restrictions	50,894	(50,894)	
Total revenues, gains and other support	98,462	627,583	726,045
Expenses and losses:			
Program services:			
University system support	65,352		65,352
Total program services	65,352		65,352
Supporting services:			
Management and general	1,786		1,786
Fundraising	5,625		5,625
Change in value of split-interest agreements	166	2,442	2,608
Provision for loss on uncollectible pledges	25	14	39
Total supporting services	7,602	2,456	10,058
Total expenses and losses	72,954	2,456	75,410
Change in net assets	25,508	625,127	650,635
Net assets - beginning	117,130	1,294,167	1,411,297
Net assets - ending	$ 142,638	$ 1,919,294	$ 2,061,932

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, 2021
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains and other support:			
Interest and dividends	$	$ 1,105	$ 1,105
Net realized and unrealized gains on investments		204,772	204,772
Net asset reclassifications, including release from restrictions - satisfaction of restrictions and change in donor restriction	22,780	(22,780)	
Total revenues, gains and other support	22,780	183,097	205,877
Expenses and losses:			
Program services:			
Fayetteville campus support	22,780		22,780
Total program services	22,780		22,780
Change in net assets		183,097	183,097
Net assets - beginning		563,498	563,498
Net assets - ending	$	$ 746,595	$ 746,595

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

Balance Sheet
Governmental Fund
June 30, 2021
(Expressed in thousands)

		General Fund
Assets		
Cash and cash equivalents	$	2,190,608
Deposit with trustee		10,696
Investments		5,206,023
Receivable, net:		
Accounts		277,264
Taxes		582,252
Medicaid		741,177
Loans		151,728
Leases		225
Interest		7,538
Other		35,130
Due from other funds		155,384
Due from other governments		541,271
Advances to other funds		8,498
Prepaid items		45,012
Inventories		130,013
Deposits with component unit		58,509
Other assets		21,682
Total assets	$	10,163,010
Liabilities, Deferred Inflows of Resources and Fund Balance		
Liabilities:		
Accounts payable	$	91,355
Accrued and other current liabilities		703,160
Unearned income		295,610
Income tax refunds payable		280,497
Due to other governments		1,051,017
Due to other funds		25,611
Advances from other funds		1,312
Medicaid claims payable		326,802
Total liabilities		2,775,364
Deferred Inflows of Resources		
Related to revenues		819,088
Total liabilities and deferred inflows of resources		3,594,452
Fund balance:		
Nonspendable:		
Prepaid items		45,012
Inventories		130,013
Long-term loans		1,277
Long-term leases		225
Restricted		1,684,008
Committed		3,795,155
Assigned		85,872
Unassigned		826,996
Total fund balance		6,568,558
Total liabilities, deferred inflows of resources and fund balance	$	10,163,010

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, 2021
(Expressed in thousands)

Total fund balances:		
Governmental fund		$ 6,568,558
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	$ 3,648,041	
Depreciable assets	10,043,458	
Total capital assets		13,691,499
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.		134
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.		819,088
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	$ (479,847)	
Total outflows	573,137	93,290
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	$ (237,067)	
Total outflows	433,512	196,445
Deferred inflows and outflows resulting from loss or gain 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.		
Total inflows	$ (775)	
Total outflows	21,505	20,730
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	$ (1,111,416)	
Claims, judgments, arbitrage and compensated absences	(298,503)	
Other non-current liabilities	(267,905)	
Refund/Rebate incentives payable	(270,854)	
Recycling Tax Obligation	(134,758)	
Total OPEB liability	(2,800,638)	
Pollution remediation obligation	(21,406)	
Unamortized bond issue premiums	(88,412)	
Accrued interest on bonds, notes, installment sales payable and leases	(5,119)	
Unamortized bond issue discounts	131	
Net pension liabilities	(2,269,166)	
Total long-term liabilities		(7,268,046)
Net position of governmental activities		$ 14,121,698

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, 2021
(Expressed in thousands)

		General Fund
Revenues:		
Taxes:		
Personal and corporate income	$	3,921,586
Consumers sales and use		3,860,050
Gas and motor carrier		488,737
Other		1,410,108
Intergovernmental		10,836,160
Licenses, permits and fees		1,369,747
Investment earnings (loss)		(25,725)
Miscellaneous		531,176
Total revenues		22,391,839
Expenditures:		
Current:		
General government		1,642,741
Education		4,177,850
Health and human services		10,740,086
Transportation		731,333
Law, justice and public safety		935,489
Recreation and tourism		181,550
Regulation of business and professionals		24,008
Resource development		165,593
Commerce		554,912
Debt service:		
Principal retirement		240,662
Interest		56,288
Capital outlay		1,106,636
Total expenditures		20,557,148
Excess of revenues over expenditures		1,834,691
Other financing sources (uses):		
Issuance of debt		26,187
Issuance of refunding bonds		317,110
Bond discounts/premiums		38,881
Issuance of capital leases		38,018
Sale of capital assets		4,327
Payment to refunding escrow agent		(351,662)
Transfers in		201,717
Transfers out		(1,031,472)
Total other financing sources and uses		(756,894)
Net change in fund balance		1,077,797
Fund balance - beginning as restated		5,490,761
Fund balance - ending	$	6,568,558

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, 2021
(Expressed in thousands)

Net change in fund balance-governmental fund		$ 1,077,797
Amounts reported for governmental activities in the Statement of Activities are different because:		
Capital outlays are reported as expenditures in governmental funds. However, in the statement of activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:		
Capital outlay	$ 1,106,636	
Depreciation expense	(647,010)	
Excess of capital outlay over depreciation expense		459,626
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins and donations) is to decrease net position.		23,336
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.		(343,297)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.		(38,881)
Payment to refunding escrow agents use current financial resources to governmental funds but increase the long-term liabilities in the Statement of Net Position.		351,662
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.		(38,018)
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.		240,662
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.		256,380
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	$ (50,349)	
Amortization of bond premiums and discounts	15,179	
Amortization of bond insurance costs	(9)	
Amortization of deferred outflows of resources related to debt refunding	(2,293)	
Disposal of operations	(11,913)	
Decrease in pollution remediation obligations	949	
Loss on sale of capital assets	(5,745)	
Net change in pension related accounts	(126,628)	
Adoption subsidy	2,425	
Decrease in accrued interest	307	
Increase in other postemployment benefits obligations	(177,416)	
Total additional expenditures		(355,493)
Change in net position of governmental activities		$ 1,633,774

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

Statement of Fund Net Position
Proprietary Funds
June 30, 2021
(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	$ 1,005,398	$ 74,234	$ 838,894	$ 6,574	$ 310,965	$ 2,236,065
Cash and cash equivalents - restricted				153,130		153,130
Investments	605,087	32,729			35,091	672,907
Receivables:						
Accounts receivable, net	327,053	7,722	83,698	18,547	2,424	439,444
Loans and notes receivable, net	5,672					5,672
Interest	839	24	4		192	1,059
Other current receivables	26,282					26,282
Due from other funds	21,165	540	433			22,138
Due from other governments	115,439		19,928		338	135,705
Advances to other funds	852				1,315	2,167
Inventories	45,529					45,529
Prepaid items	29,464	58		125	4	29,651
Deposits with bond trustee	6,695					6,695
Other current assets	3,340					3,340
Total current assets	2,192,815	115,307	942,957	178,376	350,329	3,779,784
Noncurrent assets:						
Cash and cash equivalents - restricted	222,168			20,500		242,668
Deposits with Multi-State Lottery Association				2,131		2,131
Investments:						
Restricted endowments	172,420					172,420
Unrestricted endowments	60,319					60,319
Restricted investments	29,004					29,004
Unrestricted investments	126,247					126,247
Receivables:						
Loans and notes receivable, net	18,457					18,457
Other noncurrent receivables	2,059					2,059
Due from other governments	2,060					2,060
Advances to other funds	125				7,039	7,164
Loans receivable - restricted					530,014	530,014
Deposits with bond trustee	248,976					248,976
Irrevocable split interest agreements	2,171					2,171
Financial assurance instruments		8,050				8,050
Other noncurrent assets	7,113					7,113
Capital assets:						
Non-depreciable	545,315	580				545,895
Depreciable, net	3,748,440	207	1,995	1,395	967	3,753,004
Total noncurrent assets	5,184,874	8,837	1,995	24,026	538,020	5,757,752
Total assets	7,377,689	124,144	944,952	202,402	888,349	9,537,536
Deferred Outflows of Resources						
Deferred outflows related to pensions	59,981	1,895		1,285		63,161
Deferred outflows related to OPEB	24,255	1,257		760		26,272
Deferred outflows related to debt refunding	36,353					36,353
Total deferred outflows of resources	120,589	3,152		2,045		125,786
Total assets and deferred outflows of resources	$ 7,498,278	$ 127,296	$ 944,952	$ 204,447	$ 888,349	$ 9,663,322

Statement of Fund Net Position
Proprietary Funds
June 30, 2021
(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	$ 108,510	$ 21	$ 47,456	$ 5	$ 8,722	$ 164,714
Prizes payable				24,986		24,986
Accrued interest	19,497					19,497
Accrued and other current liabilities	155,986	327		7,305		163,618
Advances from other funds	1,900	53				1,953
Due to other funds	2,575	10	130	152,721	238	155,674
Due to other governments	10,455	1	12,321			22,777
Funds held in trust for others	14,195					14,195
Workers' compensation benefits payable		13,367				13,367
Bonds, notes and leases payable	126,048					126,048
Claims, judgments and compensated absences	121,966	112		63	35,890	158,031
Total other postemployment benefits liability	5,620	225		124		5,969
Unearned revenue	67,587	419	201	218	1,017	69,442
Total current liabilities	634,339	14,535	60,108	185,422	45,867	940,271
Noncurrent liabilities:						
Workers' compensation benefits payable		183,232				183,232
Advances from other funds	14,447	118				14,565
Bonds, notes and leases payable	2,374,917					2,374,917
Due to other governments	15,885					15,885
Total other postemployment benefits liability	125,404	8,162		4,493		138,059
Net pension liability	202,613	7,983		5,317		215,913
Claims, judgments and compensated absences	127,357	614		343		128,314
Unearned revenue	3,652					3,652
Other noncurrent liabilities	22,730	8,050				30,780
Total noncurrent liabilities	2,887,005	208,159		10,153		3,105,317
Total liabilities	3,521,344	222,694	60,108	195,575	45,867	4,045,588
Deferred Inflows of Resources						
Deferred inflows related to pensions	30,893	331		258		31,482
Deferred inflows related to OPEB	33,505	854		407		34,766
Deferred inflows related to irrevocable split interest agreements	9,317					9,317
Total deferred inflows of resources	73,715	1,185		665		75,565
Total liabilities and deferred inflows of resources	3,595,059	223,879	60,108	196,240	45,867	4,121,153
Net Position						
Net investment in capital assets	2,056,258	787	1,995	1,394	967	2,061,401
Restricted for:						
Expendable						
Scholarships and fellowships	63,176					63,176
Debt service	17,975					17,975
Capital projects	77,048					77,048
Research	76,076					76,076
Public service	34,829			21,000	745,867	801,696
Other	87,648			2,631		90,279
Nonexpendable - other	138,563					138,563
Unrestricted (deficit)	1,351,646	(97,370)	882,849	(16,818)	95,648	2,215,955
Total net position	3,903,219	(96,583)	884,844	8,207	842,482	5,542,169
Total liabilities, deferred inflows of resources and net position	$ 7,498,278	$ 127,296	$ 944,952	$ 204,447	$ 888,349	$ 9,663,322

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, 2021
(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	$ 2,292,585	$	$	$	$ 368,297	$ 2,660,882
Lottery collections				631,935		631,935
Licenses, permits and fees				644	4,753	5,397
Grants and contributions	397,194					397,194
Insurance taxes		16,906				16,906
Unemployment taxes			118,577			118,577
Other operating revenues	265,415	372	25,093	1		290,881
Total operating revenues	2,955,194	17,278	143,670	632,580	373,050	4,121,772
Operating expenses:						
Cost of sales and services				69,813		69,813
Lottery prize payments				440,146		440,146
Compensation and benefits	2,465,087	7,913		5,525		2,478,525
Supplies and services	1,166,042	431		7,916	1,086	1,175,475
General and administrative expenses	195,862	238		5,874	1,856	203,830
Federal financial assistance					5,189	5,189
Scholarships and fellowships	205,913					205,913
Benefit and aid payments		648	1,671,140		397,279	2,069,067
Depreciation and amortization	279,614	85	133	449	324	280,605
Total operating expenses	4,312,518	9,315	1,671,273	529,723	405,734	6,928,563
Operating income (loss)	(1,357,324)	7,963	(1,527,603)	102,857	(32,684)	(2,806,791)
Nonoperating revenues (expenses):						
Investment earnings	80,443	(633)	17,560	835	8,178	106,383
Net increase fair value investments					1	1
Taxes	40,632					40,632
Grants and contributions	640,748		1,581,958		18,487	2,241,193
Interest and amortization expense	(82,227)				551	(81,676)
Gain/(loss) on sale of capital assets	317				(1,142)	(825)
Pollution and contamination remediation	139					139
Other nonoperating revenue	(24,993)					(24,993)
Total nonoperating revenues	655,059	(633)	1,599,518	835	26,075	2,280,854
Income (loss) before transfers and contributions	(702,265)	7,330	71,915	103,692	(6,609)	(525,937)
Transfers in	1,025,127	4			6,341	1,031,472
Transfers out	(68,539)	(368)	(19,977)	(106,417)	(6,416)	(201,717)
Capital grants and contributions	26,891					26,891
Capital donations from governmental activities	40					40
Other	2,678					2,678
Change in net position	283,932	6,966	51,938	(2,725)	(6,684)	333,427
Total net position - beginning	3,619,287	(103,549)	832,906	10,932	849,166	5,208,742
Total net position - ending	$ 3,903,219	$ (96,583)	$ 884,844	$ 8,207	$ 842,482	$ 5,542,169

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, 2021
(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	$ 1,873,121	$	$	$ 631,663	$ 373,746	$ 2,878,530
Cash received from other government agencies	337,497					337,497
Auxiliary enterprise charges	293,595					293,595
Compensation and benefits	(2,376,626)	(20,571)	(2,019,457)	(4,799)	(384,709)	(4,806,162)
Payments to suppliers	(1,158,544)	(667)		(74,781)	(5,911)	(1,239,903)
Insurance taxes		16,745				16,745
Unemployment taxes			250,784			250,784
Payments for lottery prizes				(437,271)		(437,271)
Principal and interest on loans received	1,582					1,582
Loan administration received					914	914
Loans issued to students	(1,832)					(1,832)
Federal grant funds expended					(1)	(1)
Scholarships and fellowships	(202,980)					(202,980)
Other operating receipts (payments)	113,135	319	25,093	(6,628)	2,204	134,123
Net cash provided by (used in) operating activities	(1,121,052)	(4,174)	(1,743,580)	108,184	(13,757)	(2,774,379)
Cash flows from noncapital financing activities:						
Direct lending receipts	449,483					449,483
Direct lending payments	(431,022)				(30,625)	(461,647)
Direct lending interest					(1,395)	(1,395)
Taxes	36,200					36,200
Grants and contributions	616,300		1,908,096		18,135	2,542,531
Noncapital financing receipts (payments)	(25,727)					(25,727)
Transfers in	1,025,127	4		4,466	3,180	1,032,777
Transfers out	(68,539)	(368)	(19,977)	(70,900)	(3,279)	(163,063)
Net cash provided by (used in) noncapital financing activities	1,601,822	(364)	1,888,119	(66,434)	(13,984)	3,409,159
Cash flows from capital and related financing activities:						
Principal paid on capital debts and leases	(145,529)					(145,529)
Interest paid on capital debts and leases	(78,251)					(78,251)
Acquisition and construction of capital assets	(370,597)			(61)		(370,658)
Proceeds from long-term borrowings	298,340					298,340
Proceeds from sale of capital assets	5,985					5,985
Capital grants and gifts	29,887					29,887
Net cash used in capital and related financing activities	(260,165)			(61)		(260,226)
Cash flows from investing activities:						
Purchase of investments	(497,908)				(2,051)	(499,959)
Proceeds from sale and maturities of investments	436,285	21,405	5,000		3,716	466,406
Interest and dividends on investments	11,294	(557)	17,606	836	651	29,830
Loan disbursements					(95,476)	(95,476)
Principal repayments on loans					29,143	29,143
Interest received on loans					7,857	7,857
Federal grant funds expended					(4,988)	(4,988)
Net cash provided by (used in) investing activities	(50,329)	20,848	22,606	836	(61,148)	(67,187)
Net increase (decrease) in cash and cash equivalents	170,276	16,310	167,145	42,525	(88,889)	307,367
Cash and cash equivalents - beginning	1,057,290	57,924	671,749	137,679	399,854	2,324,496
Cash and cash equivalents - ending	$ 1,227,566	$ 74,234	$ 838,894	$ 180,204	$ 310,965	$ 2,631,863

Continued on the following page

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021
(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)	$ (1,357,324)	$ 7,963	$ (1,527,603)	$ 102,857	$ (32,684)	$ (2,806,791)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:						
Depreciation	279,614	85	133	449	324	280,605
Pension expense				236		236
Other postemployment benefits expense				300		300
Interest on investments					(1)	(1)
Federal grants expended					5,251	5,251
In-kind federal grant					63	63
Other operating activities	3,212					3,212
Net changes in assets, liabilities and deferred outflows/inflows:						
Accounts receivable	(95,209)	(159)	132,208	(856)	5,559	41,543
Loans receivable	1,525					1,525
Inventory	(6,860)					(6,860)
Prepaid items	(8,485)	(1)		(83)		(8,569)
Deposits with Multi-State Lottery Association				384		384
Other current assets	(50,546)					(50,546)
Current liabilities	(907)					(907)
Accounts payable and other accrued liabilities	63,734	(12,864)	(348,318)	4,979	7,731	(284,738)
Long term liability for payroll taxes	15,885					15,885
Total other postemployment benefits liabilities	(1,229)	1,135				(94)
Net pension liability	9,058	46				9,104
Deferred outflows related to pensions	(1,022)	(492)				(1,514)
Deferred outflows related to OPEB		400				400
Deferred inflows related to pensions	(974)	(264)				(1,238)
Deferred inflows related to OPEB		9				9
Compensated absences	10,996	(32)		(22)		10,942
Unearned revenue	17,480			(60)		17,420
Net cash provided by (used in) operating activities	$ (1,121,052)	$ (4,174)	$ (1,743,580)	$ 108,184	$ (13,757)	$ (2,774,379)
Non-cash investing, capital and financing activities:						
Amortization of bond discount	$ (28)					$ (28)
Amortization of bond premium	453					453
Amortization of cost associated with debt issuance and refundings	283					283
Assets acquired by capital lease	8,241					8,241
Capital assets purchased with bond proceeds held by trustee	2,075					2,075
Costs of student loan principal and interest cancelled	(32)					(32)
Deposit of bond proceeds with trustee, including accrued interest and reserves	169,761					169,761
Donated capital assets/gifts	13,907					13,907
Donated scholarships from the foundation	222					222
Earnings on investments with trustee	4,403					4,403
(Increase) decrease in note receivables allowance for bad debt	137					137
Net gain/loss on the disposal of assets	1,361					1,361
Net increase/decrease in the fair value of investments	265					265
Note proceeds used to directly pay bond interest and principal	9,891					9,891
Payment of bond issuance cost and other fees from bond proceeds and reserves	649					649
Payment of debt service by foundation	7,003					7,003
Payment of debt service directly from trustee	10,418					10,418
Principal payment on loan withheld from state appropriations	250					250
Trade-in allowance for equipment	9					9
Unearned revenue from skybox purchase	85					85
Valuation adjustment to capital assets	1,258					1,258
Value of assets received from vendors for sponsorship agreements	3,474					3,474

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

Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2021
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
Assets			
Cash and cash equivalents	$ 863,596	$ 27,621	$ 219,263
Receivables:			
Employee	14,695		
Employer	47,465		
Investment principal	83,414		
Interest and dividends	37,929	8	3
Other	1,308		6
Due from other funds	3,780		
Total receivables	188,591	8	9
Investments at fair value:			
Certificates of deposit			9,716
U.S. government securities	577,680	4,403	65,751
Bonds, notes, mortgages and preferred stock	1,315,849		1,718
Common stock	8,097,626		
Real estate	1,377,825		
International investments	3,970,017		
Mutual funds	2,142,548	2,188	19,642
Pooled investment funds	6,565,809		
Corporate obligations	1,415,979	6,855	
Asset and mortgage-backed securities	310,734		
State recycling tax credits	160,000		
Other	8,294,036		
Total investments	34,228,103	13,446	96,827
Other assets			
Securities lending collateral	1,352,243		
Financial assurance instruments			243,101
Capital assets	12,335		
Other assets	510		
Total other assets	1,365,088		243,101
Total assets	36,645,378	41,075	559,200
Deferred Outflows of Resources			
Deferred outflows related to OPEB	1,988		
Total assets and deferred outflows of resources	$ 36,647,366	$ 41,075	$ 559,200
Liabilities			
Accounts payable and other liabilities	$ 30,077	$	$ 7,657
Investment principal payable	99,349		
Obligations under securities lending	1,353,655		
Total other postemployment benefits liability	12,927		
Due to other governments			266,221
Due to other funds	17		
Due to third parties			15,383
Total liabilities	1,496,025		289,261
Deferred Inflows of Resources			
Deferred inflows related to other post employment benefits	1,242		
Total liabilities and deferred inflows of resources	$ 1,497,267	$	$ 289,261
Net Position			
Restricted for:			
Pensions	35,150,099		
Pool participants		41,075	
Individuals, organizations, and other governments			269,939
Total net position	$ 35,150,099	$ 41,075	$ 269,939

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, 2021
(Expressed in thousands)

	Pension Trust Funds	Investment Trust Funds	Custodial Funds
Additions:			
Contributions:			
Members	$ 255,761	$	$
Employers	813,220		
Pool participants (deposits)		12,746	
Supplemental contributions	12,893		
Title fees	5,251		
Court fees	457		
Reinstatement fees	2,362		
Total contributions	1,089,944	12,746	
Investment income:			
Net increase (decrease) in fair value of investments	8,303,110	4	(10,322)
Interest, dividends and other	274,376	62	206
Other investment income	7,272		
Securities lending income, net of expenses	5,708		
Total investment income	8,590,466	66	(10,116)
Less investment expense	101,903		
Net investment income	8,488,563	66	(10,116)
Sales tax collections for other governments			2,967,200
Child support deposits			310,530
Federal grant receipts for non-entitlement units of local government			108,113
Beneficiary deposits			95,406
Seized assets			2,314
Insurance surety deposits			1,903
Other surety deposits			1,137
Miscellaneous	4,744		
Total additions	9,583,251	12,812	3,476,487
Deductions:			
Benefits paid to participants or beneficiaries	2,082,659		
Refunds of employee/employer contributions	27,363		
Pool participants (withdrawals)		7,227	
Sales tax payments to other governments			2,969,060
Child support disbursements			310,530
Federal grant disbursements for non-entitlement units of local government			108,113
Beneficiary withdrawls/payments			96,950
Insurance surety withdrawls			2,448
Claims			401
Other surety withdrawls			369
Administrative expenses	20,094		60
Total deductions	2,130,116	7,227	3,487,931
Change in net position held in trust for employees' pension benefits	7,453,135		
Change in net position held in trust for pool participants		5,585	
Change in net position amounts held for individuals, organizations, and other governments			(11,444)
Net position - beginning (as restated)	27,696,964	35,490	281,383
Net position - ending	$ 35,150,099	$ 41,075	$ 269,939

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

Notes to the Financial Statements – Table of Contents

(1) Summary of Significant Accounting Policies

(a) Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for 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 2021 fiscal year, the Governmental Fund paid $7.3 million to ADFA for loan payments and $3.9 million for interest on loans. Additional information on loans and notes payable to the Component Unit can be found in Note 8. The Governmental Fund paid $15.1 million for lease payments and $4.9 million for interest on leases. Additional information on leases payable to the Component Unit can be found in Note 11.

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

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

During the year ended June 30, 2021, the foundations distributed $93.1 million to, or on behalf of, the University of Arkansas.

(d) Accounting Restatement

The State implemented GASB Statement No. 84, *Fiduciary Activities*, in the fiscal year ended June 30, 2021. Statement 84 is required to be implemented retroactively for the cumulative effects of implementation. Statement 84 establishes specific criteria for identifying fiduciary activities. All activities meeting these criteria should now present a statement of fiduciary net position and a statement of changes in fiduciary net position. Under Statement 84, a liability to the beneficiaries should only be recognized when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets. Another significant change was the renaming of agency funds to custodial funds. The cumulative effect of implementing Statement 84 on the beginning net position as previously reported on June 30, 2020, is as follows (expressed in thousands):

Governmental Activities		
Beginning net position	$	12,487,026
Prior year GASB 84:		
Net Fiduciary Activities		898
Beginning net position, restated	$	12,487,924
General Fund		
Beginning fund balance	$	5,489,863
Prior year GASB 84:		
Net Fiduciary Activities		898
Beginning fund balance, restated	$	5,490,761
Custodial Funds		
Beginning net position	$	0
Prior year GASB 84:		
Net Fiduciary Activities		281,383
Beginning net position, restated	$	281,383

(e) Measurement Focus and Basis of Accounting

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

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

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

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

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

(f) Government-Wide Financial Statements

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

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

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

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

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

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

(g) Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the General Fund), proprietary funds and fiduciary funds, even though the latter is 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, payroll, supplies and administrative costs.

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.

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 Custodial 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. Custodial Funds account for the collection and disbursement of sales and use taxes to local governments within the State, the collection of assets of bankrupt insurance companies and the payment of claims against those companies and for other miscellaneous accounts for the benefit of other parties.

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

Cash and Cash Equivalents

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

Investments

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

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

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

The University of Arkansas (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, 2021, four campuses, one division and six foundations participated in the Pool. The foundations hold approximately $2.6 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 $1.0 million for internally generated software or $5,000 for all other intangible assets, and the estimated useful life exceeds one year.

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

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

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, 2021, was $26.8 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, 2021, is related to projected refund estimates attributable to fiscal year 2021 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. 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. Bond payables are reported net of the applicable bond premium or discount.

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

Net Position/Fund Balance

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

Fund Balance Classifications

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

Non-spendable fund balance

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

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

Restricted fund balance

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

Committed fund balance

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

Assigned fund balance

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

Unassigned fund balance

This amount is the residual classification for the General Fund.

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

See Note 13 for additional information about fund balances.

Restricted Assets/Net Position

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

Reclassifications

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

(i) Use of Estimates

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

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

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

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. 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 conveys 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 are 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, 2021, the reported bank balances of the general fund were $569,299,243. Of this amount, $163,211 was uninsured and uncollateralized.

At June 30, 2021, the reported bank balances of the enterprise funds were $1,532,581,597. Of this amount, $277,714 was uninsured and uncollateralized.

At June 30, 2021, the reported bank balances of the fiduciary funds were $680,902,274. Of this amount, $3,815,037 was uninsured and uncollateralized.

At June 30, 2021, the reported bank balances of the component unit were $10,000,000. Of this amount, $191,000 was uninsured and uncollateralized.

(b) Investments

Interest Rate Risk

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

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

As of June 30, 2021, 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	$ 112,917	$ 855	$ 47,380	$ 64,682	$
Commercial paper	1,530,904	1,530,904			
Domestic securities	124		73		51
Money market mutual fund	1,292,643	1,292,643			
Mortgage-backed securities	3,197,781		79,990	1,189,688	1,928,103
Negotiable certificates of deposit	15,705	9,367	6,338		
U.S. treasuries	26,651	3,516	14,529	8,606	
Mutual funds	143	143			
U.S. government agencies	1,001,550	10,467	174,015	816,560	508
Subtotal	7,178,418	2,847,895	322,325	2,079,536	1,928,662
Enterprise funds					
Bonds	54,822	4,276	45,789	4,585	172
Commercial paper	158,311	158,311			
Commingled funds	156,013	156,013			
External investment pools	228,457	228,457			
Money market mutual funds	97,173	97,173			
Mortgage-backed securities	58,679		1,260	18,746	38,673
Negotiable certificates of deposit	4,324	4,324			
Other	135	135			
Short-term investments	297,599	297,599			
U.S. government agencies	91,660	14,546	54,180	21,531	1,403
U.S. treasuries	190,562	6,017	167,301	16,558	686
Subtotal	1,337,735	966,851	268,530	61,420	40,934

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Investment Type	Fair Value	Investment Maturities (in years) Less Than 1	1 to 5	6 to 10	More Than 10
Fiduciary funds					
Asset- and mortgage-backed securities	73,481	24,799	11,834	6,464	30,384
Bond funds	772,570	25,965	145,877	600,728	
Collective investment trusts	1,489,549		385,150	1,104,399	
Commercial paper and loans	363,616	353,220	6,210	4,186	
Corporate bonds and notes	3,089,750	312,202	1,402,960	765,416	609,172
Municipal bonds	14,856	1,786	5,554	5,271	2,245
Negotiable certificates of deposit	5,200	5,200			
Other alternative investments	397,086		397,086		
Short-term investments	969,431	969,173		258	
State recycling tax credits	160,000	16,000	64,000	80,000	
U.S. government agencies	165,306		142	23,503	141,661
U.S. treasuries	409,017	22,717	236,590	66,238	83,472
Subtotal	7,909,862	1,731,062	2,655,403	2,656,463	866,934
Component unit					
Commingled funds	75,809	75,809			
Money market mutual funds	223,879	223,879			
Mortgage-backed securities	130,496	14	3,555	16,213	110,714
Mutual bond funds	4,870	651	1,547	516	2,156
U.S. government agencies	25,044	40	15,495	4,509	5,000
Subtotal	460,098	300,393	20,597	21,238	117,870
Total	$ 16,886,113	$ 5,846,201	$ 3,266,855	$ 4,818,657	$ 2,954,400

Corporate Debt

As of June 30, 2021, 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 $813,528,846, $320,787,247 and $105,956,774, 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, 2021, only $32,589,379 of the bonds held by ASHERS were considered sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2021, APERS and ATRS held convertible bonds with fair values of $432,601,821 and $898,271,783, 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

ATRS also held four promissory notes with a fair value of $265,210,480 at June 30, 2021. 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 carries 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, 2021, is as follows (expressed in thousands):

Rating	Fair Value
General fund	
AAA	$ 2,009,684
AA	401,768
A	11,133
A3	21
BBB	55
P-1	275,090
A-1	975,409
A-2	280,405
Unrated	3,142,805
Subtotal	7,096,370
Enterprise funds	
AAA	132,505
AA	7,801
A	42,640
BAA	264
BBB	1,824
B and below	143
P-1	47,003
A-1	81,757
A-2	8,981
Unrated	823,697
Subtotal	1,146,615

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Rating	Fair Value
Fiduciary funds	
AAA	385,716
AA	837,724
A	1,130,104
BBB	574,182
BB	337,519
B	127,058
CCC or below	77,223
P-1	6,564
A-1	369,417
A-2	224
Unrated	4,023,815
Subtotal	7,869,546
Component unit	
AAA	243,192
AA	20,009
Unrated	80,719
Subtotal	343,920
Total ratings	$ 16,456,451

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, 2021, the reported amount of the enterprise funds' investments was $1,412,864,554. Of this amount, $605,101 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 $2,257,839,423 (31.45%) and Federal National Mortgage Association (FNMA) securities of $1,492,798,212 (20.79%).

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, 2021, 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	$ 553	$	$ 467	$	$	$	$	$ 86
Australian Dollar	31,603	31,601					2	
Brazilian Real	30,533	29,151	2,628	(1,261)			15	
British Pound Sterling	767,461	766,726		(395)	1,009	(475)	476	120
Canadian Dollar	112,985	112,675					222	88
Chinese Yuan Renminbi	25,768	25,768						
Danish Krone	19,374	18,294		(848)	848		1,080	
Euro	944,006	939,190		(140)	410		2,399	2,147
Hong Kong Dollar	194,433	194,815		10		(479)		87
Hungarian Forint	4,129	4,129						
Indian Rupee	1,569		1,131					438
Israeli Shekel	7,355	7,355						
Japanese Yen	429,392	434,877		(5,510)		(722)	495	252
Mexican Nuevo Peso	14,437	11,956	2,481					
New Isreali Sheqel	5,534	5,534						
New Taiwan Dollar	40,752	40,752						
Norwegian Krone	47						47	
Phillipine Peso	3,975	3,975						
Singapore Dollar	10,677	10,677						
South African Rand	63,491	63,491						
South Korean Won	148,346	148,002			185		159	
Swedish Krona	117,956	117,845					111	
Swiss Franc	226,209	231,089	2,248	(9,142)			2,013	1
Thailand Baht	3,832	3,832						
Total fair value	$ 3,204,417	$ 3,201,734	$ 8,955	$ (17,286)	$ 2,452	$ (1,676)	$ 7,019	$ 3,219

(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, 2021, ASHERS had $11,773,134 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, 2021 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 112,917	$ 341	$ 19,650	$ 92,926
Domestic securities	783	783		
Mortgage-backed securities	3,197,781		3,146,680	51,101
Mutual funds	144	144		
Negotiable certificates of deposit	15,705	13,533	2,172	
U.S. government agencies	1,001,550	558	1,000,992	
U.S. treasuries	26,650	26,650		
Total investments at fair value	4,355,530	$ 42,009	$ 4,169,494	$ 144,027
Investments measured at net asset value (NAV)				
First American Funds - Treasury & Government Obligations	7,703			
Total investments	$ 4,363,233			

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Enterprise funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bonds	$ 4,919	$ 2,997	$ 310	$ 1,612
Bond funds	423	423		
Commingled funds	167,889	8,619	159,270	
Domestic equities	7,968	6,968	1,000	
Exchange-traded funds	8,608	8,608		
External investment pools	9,921	9,471		450
International equities	14		14	
Marketable alternatives	520			520
Money market mutual funds	2,834	2,834		
Mortgage-backed securities	58,678		57,873	805
Mutual funds	5,213	5,213		
Negotiable certificates of deposit	15,923	10,007	5,916	
Non-marketable alternatives	12,166			12,166
Other	164	5	136	23
Other debt securities	102,424	8,692	93,732	
Short-term investments	14,031	10,112	2,655	1,264
U.S. government agencies	301,822	18,610	281,161	2,051
U.S. treasuries	5,101	5,101		
Total investments at fair value	718,618	$ 97,660	$ 602,067	$ 18,891

Investments measured at net asset value (NAV)	
External investment pool - UA Foundation	217,214
Short-term investment fund pool - UA System	284,898
External investment pools - NAC:	
Intermediate Term Fund	888
Multi-Strategy Equity Fund	299
Multi-Strategy Bond Fund	135
Total investments at NAV	503,434
Total investments	$ 1,222,052

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Fiduciary funds

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Asset- and mortgage-backed securities	$ 317,513	$	$ 317,471	$ 42
Collective investment trusts	3,391,464	1,901,915	1,489,549	
Corporate bonds and notes	2,383,430		2,107,748	275,682
Domestic equities	7,566,991	7,566,991		
International equities	3,433,329	3,433,329		
International obligations	87,816		87,816	
Investment derivatives	1,118	731	387	
Limited partnerships	45,789	45,789		
Municipal bonds	14,856		14,856	
Mutual and exchange-traded funds	3,725,486	3,652,329	73,157	
Preferred stock	76,536	63,813	12,723	
Real estate	250,723	175,606		75,117
State recycling tax credits	160,000		160,000	
U.S. government agencies	165,306		165,306	
U.S. treasuries	409,018	199,222	209,796	
Total investments at fair value	22,029,375	$ 17,039,725	$ 4,638,809	$ 350,841

Investments measured at net asset value (NAV)	
Pooled investments:	
Commingled domestic equities	735,064
Commingled domestic fixed income	597,781
Commingled international equities	1,173,924
Diversified investment funds	313,310
Fund of funds	205,865
Hedge funds	3,015,562
Private equity funds	3,025,513
Private investment funds	397,085
Real estate funds	2,902,913
Timberland funds	79,298
Total investments at NAV	12,446,315
Total investments	$ 34,475,690

Securities lending collateral measured at fair value (1)	Total	Level 1	Level 2	Level 3
Asset-backed securities	$ 25,648	$	$ 25,648	$
Certificates of deposit	5,200		5,200	
Commercial paper	208,682		208,682	
Floating rate notes	319,934		319,934	
Repurchase agreements	249,849		249,849	
Short-term investment pool	62,948		62,948	
Total securities lending collateral at fair value	872,261	$	$ 872,261	$

Securities lending collateral measured at net asset value (NAV) (1)	
Quality D short-term investment pool	479,982
Total securities lending collateral	$ 1,352,243

Component unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Commingled funds	$ 75,809	$	$ 75,809	$
Mortgage-backed securities	130,496		130,496	
Mutual bond funds	4,870		4,870	
U.S. agencies obligations	25,044		25,044	
Total investments at fair value	$ 236,219	$	$ 236,219	$

(1) Cash collateral received for security lending of Fiduciary funds totaled $1,353,656. The amount reported above is the fair value of the collateral at June 30, 2021.

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, 2021 (expressed in thousands):

Component Unit

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Real estate owned	$ 2,882	$	$	$ 2,882

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 Authority 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 Authority 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, 2021 (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	$ 7,703		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	$ 217,214		Daily	7-30 days
Short-term investment fund pool - UA System	284,898		Daily	0-3 days
External investment pools - NAC:				
Intermediate Term Fund	888		Weekly	5 days
Multi-Strategy Equity Fund	299		Monthly	5 days
Multi-Strategy Bond Fund	135		Monthly	5 days
Total investments at NAV	$ 503,434			

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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	$ 735,064	$	Daily	T+1; T+3
Commingled domestic fixed income	597,781		Daily	T+3
Commingled international equities	1,173,924		Daily - Monthly	T+1; T+3
Diversified investment funds	313,310		Daily - Weekly - Monthly	T+2; T+3; N/A
Fund of funds	205,865		Last day of each Quarter	1yr; 2yrs; 3yrs; >3yrs; 55% liquidity; then 20%; then 15%; then 10%
Hedge funds	3,015,562	18,288	Daily - Annually	3 to 90 days
Private equity funds	3,025,513	1,360,791	Quarterly - Annually;	90 days; N/A
Private investment funds	397,085		Monthly	3 days
Real estate funds	2,902,913	781,012	Daily - Quarterly; 7-year lock up; N/A	T+45; T+90; 30-90 days; N/A
Timberland funds	79,298		N/A	N/A
Total investments at NAV	$ 12,446,315	$ 2,160,091		

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.

Investment pools – University of Arkansas (UA)

The investment pools include a broadly diversified external investment pool with allocations to global equities, hedge funds, bonds, natural resources and real estate and a short-term investment pool comprised of fixed income investments with a duration of two years or less with allocations primarily to treasuries, government agency bonds, corporate bonds, commercial paper, negotiable certificates of deposit and money market funds.

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.

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 (Commodity Trading Advisors) 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 one co-investment fund, two credit funds, two equity funds, one event driven fund, one global macro funds, 11 re-insurance funds, two relative value fund and three risk premia funds. 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 one-year hold). 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 56 buyout funds, three distressed debt funds, three growth equity funds, 13 hard asset funds, 11 infrastructure funds, four mezzanine funds, five multi-strategy funds, three structured capital funds, eight turnaround funds and 13 venture 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 two to ten years.

Real estate funds

Real estate funds include eight core funds, one farmland fund, 25 opportunistic funds, two timberland funds and 27 value added 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 two to ten years.

Securities lending collateral

Cash collateral received from borrowers in the securities lending program is 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, 2021, governmental activities, business-type activities, fiduciary funds and component units held mortgage-backed securities with fair values of $3.2 billion, $58.7 million, $280.7 million and $130.5 million, respectively. The yields and maturities of mortgage-backed securities generally depend on when the underlying mortgage loan principal and interest are repaid. Although the full amount of principal will be received if prepaid, the interest income that would have been collected during the remaining period to maturity, net of any market adjustment, is lost.

Asset-Backed Securities

As of June 30, 2021, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of $182.3 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, 2021, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to purchase foreign currencies with contract amounts of $4.1 million, collectively. Fair values of these outstanding contracts were $4.1 million, resulting in an unrealized loss of $30,991. The retirement systems also had outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of $21.2 million at June 30, 2021. Fair values of these contracts were $20.8 million, resulting in an unrealized gain of $418,468.

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, 2021, 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, 2021	
Type	**Classification**	**Amount**	**Classification**	**Amount**
Foreign currency forwards	Net increase (decrease) in fair value of investments	$ 514,218	Investment derivatives	$ 387,477
Futures	Net increase (decrease) in fair value of investments	877,176	Investment derivatives	609,191

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Foreign Currency Forward		Fair Value			Notional Amount
Brazilian Real	$	(72,066)	BRL	$	6,376,000
Swiss Franc		302,103	CHF		8,450,000
Euro		9,223	EUR		452,542
British Pound Sterling		93	GBP		147,320
Hong Kong Dollar		91	HKD		3,639,354
Japanese Yen		153,904	JPY		(694,533,340)
United States Dollar		(5,871)	USD		3,215,748
Total foreign currency forwards	$	387,477		$	(672,252,376)
Futures	$	609,191	USD	$	72,200,000

(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, 2021, 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, 2021, the carrying value and fair value of the underlying securities was $1.35 billion. At June 30, 2021, 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, 2021, 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	$ 496,314 (3)	$ 1,041,312	$	$ 741,177	$ 225	$ 246,127	$ 7,538	$ 36,760	$ (774,139)	$ 1,795,314
Higher Education Fund	651,520					28,710	839	28,359	(329,066)	380,362
Workers' Compensation Commission	7,722 (3)						24			7,746
Division of Workforce Services	285,905						4		(202,207)	83,702
Office of the Arkansas Lottery	18,547									18,547
Non-major enterprise funds	2,424					530,014	192			532,630
Pension trust			62,160				121,343	1,308		184,811
Investment trust							8			8
Custodial							3	6		9
Total	$ 1,462,432	$ 1,041,312	$ 62,160	$ 741,177	$ 225	$ 804,851	$ 129,951	$ 66,433	$ (1,305,412)	$ 3,003,129

(1) Receivable balances of $6,306 are not expected to be collected within one year of the date of the financial statements.
(2) See Note 11 - Leases.
(3) $16 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	$ 1,260	$ 527,331	$ 150,088	$ 8,645	$	$ (81,134)	$ 606,190
University of Arkansas Foundation				1,561	216,379	(868)	217,072
Total	$ 1,260	$ 527,331	$ 150,088	$ 10,206	$ 216,379	$ (82,002)	$ 823,262

(6) Interfund Activity

Interfund Receivables and Payables (expressed in thousands):

	Due From							
Due To	General Fund	Higher Education Fund	Workers' Compensation Commission	Department of Workforce Services	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	Total
General Fund	$	$ 2,272	$ 10	$ 128	$ 152,720	$ 238	$ 16 (1)	$ 155,384
Higher Education Fund	21,163			2				21,165
Workers' Compensation Commission	235	303			1		1 (1)	540
Division of Workforce Services	433							433
Office of the Arkansas Lottery								
Non-major Enterprise Funds								
Pension trust	3,780 (2)							3,780
Total	$ 25,611	$ 2,575	$ 10	$ 130	$ 152,721	$ 238	$ 17	$ 181,302

(1) $16 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) $3,780 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) $21.2 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) $3.8 million due from the General Fund to the Pension Trust for employers' contributions; (3) $2.3 million due from the Higher Education Fund to the General Fund for workers' compensation contributions and administrative costs, unemployment contributions, information technology services and grants; (4) $152.7 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing and administrative costs. All amounts are expected to be repaid within one year.

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

	Advances From			
Advances To	General Fund	Higher Education Fund	Non-Major Enterprise Funds	Total
General Fund	$	$ 978	$ 334	$ 1,312
Higher Education Fund	8,327		8,020	16,347
Workers' Compensation Commission	171			171
Total	$ 8,498	$ 978	$ 8,354	$ 17,830

Advances include (1) an outstanding balance of $2.6 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

$5.7 million loaned from the Department of Finance and Administration State Budget Stabilization Trust Fund to Henderson State University; (3) an outstanding balance of $1.0 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 $8.0 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	$	$ 1,025,127	$	$ 4	$	$ 6,341	$ 1,031,472
Higher Education	68,539						68,539
Division of Workforce Services	19,977						19,977
Workers' Compensation Commission	368						368
Office of the Arkansas Lottery	106,417						106,417
Non-major Enterprise Funds	6,416						6,416
Total	$ 201,717	$ 1,025,127	$	$ 4	$	$ 6,341	$ 1,233,189

Transfers include (1) $68.5 million transferred from the Higher Education Fund to the General Fund, which includes $63.7 million of State funding provided to the University of Arkansas Medical Sciences transferred to the Department of Human Services for the Medicaid Program; (2) $20.0 million transferred from Division of Workforce Services to the General Fund; (3) $106.4 million transferred from the Office of the Arkansas Lottery to the General Fund for the 2021/2022 academic school year; (4) $6.4 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) $6.3 million transferred from the General Fund to the Non-Major Enterprise Funds, of which $5.3 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 $2.0 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.

(7) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2021, was as follows (expressed in thousands):

	Balance June 30, 2020	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2021
Governmental activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 1,067,138	$ 1	$ 60,673	$ (42)	$ 1,127,770
Construction in progress	1,869,619	(385,166)	854,674	(1,196)	2,337,931
Construction in progress - intangibles		91,324	61,155		152,479
Other non-depreciable/amortizable assets	29,729	2	130		29,861
Total capital assets, non-depreciable/amortizable	2,966,486	(293,839)	976,632	(1,238)	3,648,041
Capital assets, depreciable/amortizable:					
Improvements other than building	209,397	4,018	11,379	(696)	224,098
Buildings	1,842,625	55,952	39,348	(26,231)	1,911,694
Equipment	852,730	370	65,313	(25,128)	893,285
Infrastructure	17,537,308	255,908	6,155		17,799,371
Intangibles	380,164	1,976	7,643	(704)	389,079
Other depreciable/amortizable assets	9,775		166	(21)	9,920
Total capital assets, depreciable/amortizable	20,831,999	318,224	130,004	(52,780)	21,227,447
Less accumulated depreciation/amortization for:					
Improvements other than building	(132,716)	7	(6,882)	690	(138,901)
Buildings	(785,781)	(147)	(36,522)	11,980	(810,470)
Equipment	(602,389)	(22)	(56,514)	22,582	(636,343)
Infrastructure	(8,870,245)	(22)	(513,760)		(9,384,027)
Intangibles	(173,849)		(33,085)	701	(206,233)
Other depreciable/amortizable assets	(7,788)		(247)	20	(8,015)
Total accumulated depreciation/amortization	(10,572,768)	(184)	(647,010)	35,973	(11,183,989)
Total depreciable capital assets, net	10,259,231	318,040	(517,006)	(16,807)	10,043,458
Total governmental capital assets, net	$ 13,225,717	$ 24,201	$ 459,626	$ (18,045)	$ 13,691,499

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

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	Balance June 30, 2020	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2021
Business-type activities:					
Capital assets, non-depreciable/amortizable:					
Land	$ 178,985	$ 1,257	$ 2,985	$ (1,350)	$ 181,877
Construction in progress	182,292	(118,800)	244,712	(406)	307,798
Construction in progress - intangibles	32,213	(1,232)	23,081	(2,257)	51,805
Easements	2,675				2,675
Art/historic treasures	1,006				1,006
Other non-depreciable/amortizable assets	708	75	76	(125)	734
Total capital assets, non-depreciable/amortizable	397,879	(118,700)	270,854	(4,138)	545,895
Capital assets, depreciable/amortizable:					
Improvements other than building	41,397	(9,388)	192	(151)	32,050
Buildings	5,914,924	102,763	52,759	(6,570)	6,063,876
Equipment	899,329	319	48,085	(24,300)	923,433
Infrastructure	688,255	22,164	4,613	(369)	714,663
Intangibles	254,459	2,083	676	(4,123)	253,095
Library holdings	240,190	(10)	6,482	(3,451)	243,211
Other depreciable/amortizable assets	5,129		177	(233)	5,073
Total capital assets, depreciable/amortizable	8,043,683	117,931	112,984	(39,197)	8,235,401
Less accumulated depreciation/amortization for:					
Improvements other than building	(19,875)	3,896	(923)	141	(16,761)
Buildings	(2,752,745)	(10,717)	(180,209)	3,298	(2,940,373)
Equipment	(738,874)	(287)	(45,831)	22,360	(762,632)
Infrastructure	(320,426)	(3,988)	(30,391)	277	(354,528)
Intangibles	(184,604)	73	(16,314)	977	(199,868)
Library holdings	(203,085)		(6,933)	3,469	(206,549)
Other depreciable/amortizable assets	(1,915)		(4)	233	(1,686)
Total accumulated depreciation/amortization	(4,221,524)	(11,023)	(280,605)	30,755	(4,482,397)
Total Capital assets, depreciable/amortizable, net	3,822,159	106,908	(167,621)	(8,442)	3,753,004
Business-type activities capital assets, net	$ 4,220,038	$ (11,792)	$ 103,233	$ (12,580)	$ 4,298,899

(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, 2021, was as follows (expressed in thousands):

	Balance June 30, 2020	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2021
ADFA:					
Capital assets, non-depreciable/amortizable:					
Land	$ 670	$	$	$	$ 670
Capital assets, depreciable/amortizable:					
Building	2,032				2,032
Equipment	5,264		22	(3,536)	1,750
Intangibles	10,629				10,629
Total capital assets, depreciable/amortizable	17,925		22	(3,536)	14,411
Less accumulated depreciation/amortization for:					
Building	(849)				(849)
Equipment	(2,111)		(839)	1,747	(1,203)
Intangibles	(10,629)				(10,629)
Total accumulated depreciated/amortization	(13,589)		(839)	1,747	(12,681)
Total Capital assets, depreciable/amortizable, net	4,336		(817)	(1,789)	1,730
ADFA capital assets, net	$ 5,006	$	$ (817)	$ (1,789)	$ 2,400

(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, 2021, was as follows (expressed in thousands):

	Balance June 30, 2020	Adjustments/ Transfers (1)	Additions	Deletions	Balance June 30, 2021
U of A Foundation, Inc.:					
Capital assets, non-depreciable/amortizable:					
Land	$ 348	$	$	$ (317)	$ 31

(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	$ 2,296
Commerce	2,624
Recreation and tourism	22,729
Health and human services	36,983
Transportation	534,582
Law, justice and public safety	31,844
Resource development	3,468
General government	12,229
Regulation of business and professionals	255
Total depreciation and amortization expense	$ 647,010
Business-type Activities:	
Enterprise funds	$ 280,605
Total depreciation and amortization expense	$ 280,605

Component Unit

ADFA	$ 839
Total depreciation and amortization expense	$ 839

(8) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2021, are summarized as follows (expressed in thousands):

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due within One Year	Due Greater Than One Year
Governmental Activities:						
Bonds payable:						
General obligation	$ 1,125,440	$ 317,110	$ 560,985	$ 881,565	$ 220,010	$ 661,555
Add (deduct):						
Issuance premium (discount):						
General obligation	66,953	22,528	20,443	69,038	20,568	48,470
Debt to component unit	3,588	16,352	699	19,241	948	18,293
Total bonds payable	1,195,981	355,990	582,127	969,844	241,526	728,318
Notes payable to component unit	61,039	26,187	7,334	79,892	5,198	74,694
Capital leases	551		500	51	51	
Capital leases with component unit	127,740	38,018	15,849	149,909	10,573	139,336
Total loan, notes and leases payable	189,330	64,205	23,683	229,852	15,822	214,030
Total bonds, loan, notes and leases payable	1,385,311	420,195	605,810	1,199,696	257,348	942,348
Recycling tax obligation (1)	146,013		11,255	134,758	11,620	123,138
Claims, judgments and arbitrage (1)	119,615	368,503	340,517	147,601	135,779	11,822
Compensated absences (1)	158,044	122,399	115,928	164,515	25,453	139,062
Total claims, judgments, arbitrage and compensated absences	277,659	490,902	456,445	312,116	161,232	150,884
Pollution remediation (1)	11,941	10,041	576	21,406	3,050	18,356
Total OPEB liability (1)	2,769,498	31,139		2,800,637	72,740	2,727,897
Net pension liability (1)	2,114,423	290,992	136,249	2,269,166		2,269,166
Governmental activities total	$ 6,704,845	$ 1,243,269	$ 1,210,335	$ 6,737,779	$ 505,990	$ 6,231,789

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

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	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance						
Revolving Loan Fund	$ 17,475	$	$ 17,475	$	$	$
Safe Drinking Water						
Revolving Loan Fund	13,150		13,150			
College and University						
Revenue bonds	2,095,095	354,150	302,245	2,147,000	91,650	2,055,350
Revenue bonds from direct placement	12,547		4,104	8,443	559	7,884
Add:						
Issuance premiums (discounts)	145,447	36,159	17,551	164,055	11,637	152,418
Total bonds payable	2,283,714	390,309	354,525	2,319,498	103,846	2,215,652
Notes payable from direct placement	95,223	16,389	15,970	95,642	13,383	82,259
Notes payable with						
component unit	8,517		496	8,021	509	7,512
Total notes payable	103,740	16,389	16,466	103,663	13,892	89,771
Capital leases	79,135	8,477	9,808	77,804	8,310	69,494
Total bonds, notes and leases payable	2,466,589	415,175	380,799	2,500,965	126,048	2,374,917
Claims and judgments	385,870	506,127	552,622	339,375	156,234	183,141
Compensated absences	132,639	122,666	111,736	143,569	15,164	128,405
Total claims, judgments and compensated absences	518,509	628,793	664,358	482,944	171,398	311,546
Total OPEB liability	144,951		923	144,028	5,969	138,059
Net pension liability	186,013	29,900		215,913		215,913
Business-type activities total	$ 3,316,062	$ 1,073,868	$ 1,046,080	$ 3,343,850	$ 303,415	$ 3,040,435

	Balance June 30, 2020	Additions	Reductions	Balance June 30, 2021	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Development						
Finance Authority:						
Bonds payable	$ 476,485	$ 155,091	$ 78,240	$ 553,336	$ 26,187	$ 527,149
Notes payable from direct placement	20,141	797	11,496	9,442	6,149	3,293
Add: issuance premiums (discounts)	(745)		(100)	(645)		(645)
Total bonds and notes payable ADFA	495,881	155,888	89,636	562,133	32,336	529,797
Total OPEB liability	4,163	146		4,309	116	4,193
Net pension liability	4,306	563		4,869		4,869
U of A Foundation						
Annuity obligations	14,670	7,205	3,198	18,677	1,426	17,251
Component units total	$ 519,020	$ 163,802	$ 92,834	$ 589,988	$ 33,878	$ 556,110

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, 2021, 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	$ 79,285
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	81,510
2014 Series Federal Highway G.O.Bonds	2027	5.00	108,795
Four-Lane Highway Construction and Improvement G.O. Bonds:			
2020 Series Four Lane Highway G.O.Bonds	2023	5.00	268,135
Arkansas Economic Development Commission Bonds:			
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11	53,325
Arkansas Natural Resources Commission Bonds:			
2013A Series Water, Waste and Pollution	2024	2.00 - 3.30	7,175
2014A Series Water, Waste and Pollution	2045	1.00 - 3.50	7,180
2014B Series Water, Waste and Pollution	2025	0.20 - 2.66	9,645
2016A Series Water, Waste and Pollution	2034	3.00 - 5.00	22,995
2017A Series Water, Waste and Pollution	2028	2.00 - 2.80	12,515
2017B Series Water, Waste and Pollution	2040	2.13 - 5.00	16,765
2019A Series Water, Waste and Pollution	2050	2.09 - 3.35	28,695
2020A Series Water, Waste and Pollution	2027	0.20 - 0.55	11,525
2020B Series Water, Waste and Pollution	2048	1.05 - 2.50	33,200
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	14,940
Total			$ 881,565

(1) Fiscal year

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 220,010	$ 38,504	$ 258,514
2023	229,375	26,324	255,699
2024	95,845	15,819	111,664
2025	83,930	12,023	95,953
2026	64,050	8,840	72,890
2027-2031	114,240	20,645	134,885
2032-2036	36,700	8,318	45,018
2037-2041	17,150	4,396	21,546
2042-2046	14,555	2,138	16,693
2047-2051	5,710	331	6,041
Total	$ 881,565	$ 137,338	$ 1,018,903

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
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
2021	18,800	109,383	2026	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 2021 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
2017	$	175,419
2018		187,427
2019		194,138
2020		202,932
2021		231,378

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 2021 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 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 2021 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, 2021, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately $10.4 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, 2021, the equity interest in vacant industrial facilities totaled approximately $3.2 million. No bonds are outstanding in the 2021 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, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 5,198	$ 6,048	$ 11,246
2023	6,182	5,485	11,667
2024	6,922	5,251	12,173
2025	7,258	5,002	12,260
2026	7,519	4,750	12,269
2027-2031	23,082	15,287	38,369
2032-2036	19,289	2,930	22,219
2037-2041	4,442	268	4,710
Total	$ 79,892	$ 45,021	$ 124,913

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, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
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	13,206	2,794	16,000
2027-2031	72,755	7,245	80,000
Total	$ 134,758	$ 25,242	$ 160,000

Business-Type Activities

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 $164.1 million. At June 30, 2021, business-type activity revenue bonds outstanding were as follows (expressed in thousands):

Arkansas State University - System	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University – Beebe	2039	1.00-4.00	$ 25,590
Arkansas State University – Jonesboro	2044	0.52-5.78	110,485
Arkansas State University – Midsouth	2042	1.00-4.70	18,360
Arkansas State University – Mountain Home	2033	2.00-3.12	4,515
Arkansas State University – Newport	2033	0.67-3.82	3,020
Henderson State University	2040	1.00-5.00	44,705
University of Arkansas - System			
Cossatot Community College of the University of Arkansas	2035	1.00-3.63	2,885
Phillips Community College of the University of Arkansas	2039	2.00-4.00	9,220
University of Arkansas – Fayetteville	2050	0.87-5.00	745,950
University of Arkansas – Fort Smith	2039	0.35-5.00	47,800
University of Arkansas – Little Rock	2038	0.44-5.00	90,205
University of Arkansas – Monticello	2042	0.49-5.00	31,095
University of Arkansas – Pine Bluff	2036	2.00-5.00	13,080
University of Arkansas – Pulaski Technical College	2042	1.80-5.00	75,990
University of Arkansas Community College – Hope-Texarkana	2039	1.00-3.63	1,995
University of Arkansas Community College – Morrilton	2046	2.00-5.00	9,575
University of Arkansas Community College – Rich Mountain	2049	1.00-4.15	11,745
University of Arkansas for Medical Sciences	2046	2.71-5.00	471,390

(1) Fiscal year

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Other Institutions	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas Northeastern College	2047	1.95-4.00	$ 6,805
Arkansas Tech University	2044	1.00-5.00	65,450
Black River Technical College	2044	2.00-4.00	8,588
East Arkansas Community College	2040	1.13-2.25	3,115
National Park College	2049	2.00-4.00	28,945
North Arkansas College	2037	2.00-3.00	6,195
Northwest Arkansas Community College	2035	2.00-4.55	26,025
Ozarka College	2043	1.00-3.00	5,065
South Arkansas Community College	2039	2.00-4.00	2,765
Southern Arkansas University – Magnolia	2048	1.00-4.25	65,130
Southern Arkansas University Tech – Camden	2043	1.70-4.50	4,755
University of Central Arkansas	2050	0.55-6.13	215,000
Total			$ 2,155,443

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 92,209	$ 84,252	$ 176,461
2023	95,919	80,062	175,981
2024	95,081	76,285	171,366
2025	96,279	72,650	168,929
2026	97,421	68,969	166,390
2027-2031	511,007	285,271	796,278
2032-2036	516,385	184,226	700,611
2037-2041	371,931	96,056	467,987
2042-2046	233,671	36,478	270,149
2047-2051	45,540	2,911	48,451
Total	$ 2,155,443	$ 987,160	$ 3,142,603

Business-type activity notes payable outstanding at June 30, 2021, were as follows (expressed in thousands):

Arkansas State University - System	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University – Midsouth	2038	3.3	$ 1,365
Arkansas State University – Newport	2028	3.75	728
Henderson State University (2)	2040	0.40-5.74	27,500
University of Arkansas - System			
University of Arkansas – Fayetteville	2029	1.38-5.50	20,932
University of Arkansas for Medical Sciences	2027	0.50-3.21	10,912
University of Arkansas for Math/Science	2030	2.5	900
University of Arkansas System Office	2029	3.00	25,494
University of Arkansas Community College – Hope-Tex	2041	2.15	4,800
University of Arkansas Community College – Rich Mountain	2024	2.00-4.15	791
Other Institutions			
East Arkansas Community College	2040	2.43-3.10	2,597
National Park College	2027	0	349
North Arkansas College	2031	2.63-3.74	1,240
Northwest Arkansas Community College	2030	2.69	3,000
Ozarka College	2025	3.85	319
Southern Arkansas University – Magnolia	2029	0.00-4.25	1,233
University of Central Arkansas	2028	3.94	1,503
Total			$ 103,663

(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, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 13,892	$ 2,991	$ 16,883
2023	13,992	2,629	16,621
2024	10,063	2,260	12,323
2025	10,689	1,949	12,638
2026	8,742	1,662	10,404
2027-2031	29,153	4,907	34,060
2032-2036	10,291	2,231	12,522
2037-2041	6,841	560	7,401
Total	$ 103,663	$ 19,189	$ 122,852

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, 2021, the bonds outstanding issued under these programs aggregated $1.9 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, 2021, were as follows (expressed in thousands):

	Final Maturity Date	Interest Rates %	Balance
Single family bonds payable	2044	2.49-4.35	$ 30,337
Federal housing note payable	2046	1.00	3,428
Bond guaranty program	2040	2.25-6.00	39,175
State facilities bonds and note payable	2051	0.55-5.00	322,203
Tobacco bonds payable	2047	4.77-5.10	76,884
Student Loan Program bonds	2044	LIBOR + .45-.90	90,106
Total			$ 562,133

The principal amount shown below differs from the amount on the balance sheet due to accreted interest of $55.1 million and unamortized premiums and discounts of $645,000. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2021, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 32,336	$ 13,253	$ 45,589
2023	25,840	12,589	38,429
2024	28,153	11,912	40,065
2025	26,712	11,178	37,890
2026	27,288	10,483	37,771
2027-2031	142,443	41,890	184,333
2032-2036	116,528	26,521	143,049
2037-2041	86,656	13,500	100,156
2042-2046	118,431	4,751	123,182
2047-2051	13,500	741	14,241
Total	$ 617,887	$ 146,818	$ 764,705

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, 2021, were $403,000 including interest ranging from 3.00% to 15.00%.

Aggregate annual maturities of annuity obligations at June 30, 2021, were as follows (expressed in thousands):

		Principal
Year ending June 30:		
2022	$	1,426
2023		1,777
2024		1,253
2025		1,213
2026		1,144
2027-2031		4,692
2032-2036		5,685
2037-2041		1,227
2042-2046		219
2047-2051		41
Total	$	18,677

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

Prior Defeasances

Primary Government

Higher Education

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 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. As of June 30, 2021, and June 30, 2020, the escrow account balance was $132.5 million and $136.6 million, respectively.

On November 5, 2019, the University of Arkansas – Pulaski Tech, issued $56.7 million of the Student Tuition and Fee Revenue Bonds Taxable Refunding Series 2019A. The bonds, with interest rates of 1.80% to 3.45%, were issued to accomplish the taxable advance refunding of $59.5 million of the 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, that 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 $1,000). The escrow account had a balance of $57.5 million and the remaining outstanding defeased bonds had a balance of $56.7 million at June 30, 2021.

Current Refundings

Primary Government

During fiscal year 2021, the State issued General Obligation Four Lane Highway Refunding Bonds Series 2021 in the amount of $268.1 million to advance refund $287.7 million of the General Obligation Four Lane Highway Refunding Bonds Series 2013. The bonds bear interest at the rate of 5.00% and mature in fiscal year 2023. The refunding provided an economic gain of $14.0 million and a reduction of future debt service payments of $14.0 million.

During fiscal year 2021 the State issued Water, Waste Disposal and Pollution Abatement Facilities Series 2020A in the amount of $14.0 million to redeem the $14.0 million of outstanding Water, Waste Disposal and Pollution Abatement Facilities Series 2012A bonds. The bonds bear interest at rates of 0.20% to 0.55% and mature in fiscal year 2027. The refunding provided an economic gain of $1.0 million and a reduction of future debt service payments of $1.2 million.

The State also issued Water, Waste Disposal and Pollution Abatement Facilities Series 2020B in the amount of $35.0 million to advance refund the outstanding Water, Waste Disposal and Pollution Abatement Facilities Series 2012B in the amount of $35.0 million. The bonds bear interest at rates of 1.05% to 2.50% and mature in fiscal year 2048. The refunding provided an economic gain of $4.7 million and a reduction of future debt service payments of $9.1 million.

In addition, the State also issued State Agencies Facilities Revenue Refunding and Construction Bonds Series 2020 (Justice Building) in the amount $14.6 million to redeem the Justice Building series 2008 and 2015, in the amounts of $3.1 million and $1.0 million respectively, and to finance improvements. The bonds bear interest at rates of 2.00% to 4.00% and mature in fiscal year 2051. The refunding provided an economic gain of $473,000 and a reduction of future debt service of $2.3 million.

The State also issued State Agencies Facilities Revenue Refunding Bonds Series 2020 (Division of Arkansas Heritage Project) in the amount of $6.4 million to advance refund the $5.9 million of outstanding Division of Arkansas Heritage Project Series 2014 bonds. The bonds bear interest at rates of 0.50% to 2.95% and mature in fiscal year 2039. The refunding provided an economic gain of $300,000 and a reduction of future debt service of $400,000.

Higher Education

On December 1, 2020, the Southern Arkansas University, using proceeds from the $7.6 million Student Fee Revenue Refunding Bonds Series 2020, dated November 19, 2020, with interest rates of 2.00% to 3.00% called for redemption of $680,000 of outstanding bonds dated March 1, 2013, with interest rates of 1.50% to 4.10% and $6.5 million of outstanding bonds dated April 1, 2015, with interest rates of 1.00% to 4.13%. Proceeds of $7.0 million and debt service reserves of $259,000 were used to refund the bonds and to pay current interest. 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 $201,000 reported as a deferred outflow on the Comparative Statement of Net Position. The combined refunding resulted in a reduction of debt service requirements of $536,000 and an economic gain of $725,000.

On March 15, 2021, the Arkansas State University – Jonesboro, issued $11.7 million Housing Revenue Refunding Bonds Taxable Series 2021 with interest rates of 0.52% to 2.79% to refund $1.0 million of outstanding bonds (Series 2012D), with an unamortized discount of $15,000 dated December 1, 2012, with interest rates of 1.38% to 3.50% and to advance refund $5.4 million of outstanding bonds (Series 2012A) dated March 1, 2012 with interest rates of 0.90% to 5.20% and $5.6 million of outstanding bonds (Series 2012B), with an unamortized premium of $12,000 dated March 1, 2012, with interest rates of 2.00% to 4.00%. Net proceeds of $11.5 million after payment of $198,000 for bond issuance costs were remitted to an escrow agent to provide for all future payments of the defeased bonds. Additionally, $421,000 was transferred from the debt service reserve of the 2012A issue; $387,000 was transferred from the debt service reserve of the 2012B issue, and $70,000 was transferred from the debt service reserve of the 2012D issue. U.S. Treasury obligations of $11.5 million purchased by the escrow agent, were pledged for the retirement of these bonds. As a result of this refunding, the 2012A, 2012B, and 2012D Series bonds are considered to be defeased and the liability for those bonds has been removed from the Statement of Net Position. The 2012D bonds were called on March 15, 2021 and the 2012A and 2012B bonds will be called on March 1, 2022. The University refunded the bonds to reduce its total debt service payments by $3.3 million over the next twenty-one (21) years and to obtain an economic gain of $1.7 million. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of $246,000. 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 17, 2020, the Arkansas Tech University issued Capital Improvement Refunding Bonds (Chambers Cafeteria Project) Series 2020 of $6.6 million with interest rates of 0.68% to 3.32% to refund three Capital Improvement Bonds with a total outstanding balance of $6.5 million. The Series 2012 Capital Improvement Revenue Bond had an outstanding balance of $2.3 million with interest rates that were 1.30% to 3.80%. The Series 2013 Capital Improvement Revenue Bond had an outstanding balance of $2.7 million with interest rates that were 1.20% to 4.00%. The Series 2013A Capital Improvement Revenue Bond had an outstanding balance of $1.5 million with interest rates that were 1.00% to 4.20%. Net bond proceeds of $6.6 million were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. Of the $6.6 million, $6.4 million was funding from the new refunding and $213,000 was prior issues balances. The bonds were called on December 17, 2020. The issuance of these bonds will result in a savings of $750,000 to the University over the life of the bonds. The University issued the refunding to obtain an economic gain (difference between the present values of the old and new debt service payments) of $345,000.

On December 17, 2020, the Arkansas Tech University issued Student Fee Refunding Bonds Series 2020 of $8.1 million with interest rates of 1.30% to 3.00% to refund two Student Fee Revenue Bonds with a total outstanding balance of $8.0 million. The Series 2013 Student Fee Revenue Bond had an outstanding balance of $4.3 million with interest rates that were 1.2% to 5.0%. The Series 2018 Student Fee Revenue Bond had an outstanding balance of $3.8 million with an interest rate of 2.98%. Net bond proceeds of $8.1 million were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. Of the $8.1 million, $7.9 million was funding from the new refunding and $153,000 was prior issues balance. The Bonds were called on December 17, 2020. The issuance of these bonds will result in a savings of $1.7 million to the University over the life of the bonds. The University issued the refunding to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.2 million.

On February 25, 2021, the Arkansas Tech University issued advanced refunding bonds of $16.4 million consisting of Student Fee Refunding Revenue Bonds Series 2021A of $5.1 million with interest rates of 2.00% to 3.00% and Student Fee Refunding Revenue Bonds Taxable Series 2021B of $11.4 million with interest rates of 0.51% to 2.70%. The bonds refunded by the February 25, 2021 issues consisted of the following: Student Fee Revenue Bonds Series 2014 with an outstanding balance of $5.3 million with an interest rate of 2.00% to 3.75% and the Student Fee Refunding Bond Series 2014 with an outstanding balance of $13.6 million with an interest rate of 2.0% to 3.63%. Net bond proceeds of $19.2 million were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. The $19.2 million earned $2,000 while in escrow and was used to redeem the bond and the remaining balance was deposited in the bond’s reserve account. Included in that amount is the University’s equity contribution in the amount of $2.1 million to the escrow account for the future debt service payments. Also, in the $19.2 million was $16.4 million from the new refunding and $675,000 from the prior issues balance. The advance refunding was done to take advantage of the lower interest rates. The bonds were called on May 1, 2021. The issuance of these bonds will result in a savings of $6.0 million to the University over the life of the bonds. The University issued the refunding to obtain an economic gain (difference between the present values of the old and new debt service payments) of $2.1 million.

On February 25, 2021, the Arkansas Tech University issued Housing System Refunding Revenue Bonds Series 2021A of $8.1 million with interest rates of 2.00% to 3.00% to refund $8.6 million Housing System Revenue Refunding Bonds Series 2014. The interest rates of the refunded bonds were 2.00% to 3.60%. Net bond proceeds of $8.8 million were remitted to an escrow agent to provide all future debt service payments for the bonds refunded. Of the $8.8 million, $8.4 million was funding from the new refunding bond and $356,000 was prior issues balance. The $8.8 million earned $1,000 interest while in escrow. $8.8 million was used to redeem the bond and the remaining balance was deposited into the reserve account. The advance refunding was done to take advantage of the lower interest rates. These bonds were called on May 1, 2021. The issuance of these bonds will result in a savings of $1.7 million to the University over the life of the bonds. The University issued the refunding to obtain an economic gain (difference between the present values of the old and new debt service payments) of $1.2 million.

On October 1, 2020, the University of Arkansas - Monticello issued $5.2 million in Various Facilities Revenue Bonds Refunding Series 2020A. These bonds with interest rates of 4.00% to 5.00% were issued to refund $6.4 million of outstanding Various Facilities Revenue Refunding Bonds, Series 2012, with interest rates of 3.00% to 4.00%. Bond proceeds of $6.6 million (including a premium of $1.4 million), less the Underwriters' discount of $8,000, resulted in a net deposit to the Escrow Deposit fund of $6.6 million to retire the 2012 bonds on November 2, 2020. The amount of $6.4 million in principal and $94,000 in accrued interest was paid on that date from the Escrow Deposit fund. The remaining premium proceeds paid issuance costs. The University completed the refunding to reduce its total debt service payments over a period of fifteen years by $930,000 and to have an economic gain (difference between the present values of the old and new debt service payments) of $916,000.

On October 1, 2020, the University of Arkansas - Monticello issued $7.0 million in Various Facilities Revenue Bonds Refunding Series 2020B. These bonds with interest rates of 0.49% to 2.57% were issued to refund $6.5 million of outstanding Auxiliary Facilities Revenue Bonds, Series 2012, with interest rates of 2.50% to 4.00%. Bond proceeds of $7.0 million less the Underwriters' discount of $11,000, resulted in a net deposit to the Escrow Deposit fund of $7.0 million to retire the 2012 bonds on October 1, 2020, the call date for these bonds. The amount of $6.5 million in principal and $441,000 in interest was paid on that date from the Escrow Deposit fund. The remaining premium proceeds paid issuance costs. The University completed the refunding to reduce its total debt service payments over a period of seventeen years by $370,000 and to have an economic gain (difference between the present values of the old and new debt service payments) of $361,000.

On October 20, 2020, the University of Arkansas – Fort Smith closed the Student Fee Revenue Bonds Taxable Refunding Series 2020A with a par amount of $10.7 million. The bonds provide resources of $10.6 million plus University deposits and funds held in trust by others of $2,000 to advance refund $10.1 million of outstanding Student Fee Revenue Bonds Series 2012. The amount of each refunded series represents all the outstanding maturities starting with the December 1, 2020 until final maturity. After the regularly scheduled debt service payments were made on December 1, 2020, there are remaining balances of $8.9 million for Series 2012 representing bonds with maturity dates through December 1, 2021. The remaining bond proceeds paid issuance costs. The University completed the refunding to reduce its total debt service payments over a period of ten years by $713,000 and to have an economic gain (difference between the present values of the old and new debt service payments) of $665,000.

On October 20, 2020, the University of Arkansas – Fort Smith closed the Student Fee Revenue Bonds Tax-Exempt Refunding Series 2020B with a par amount of $5.8 million. The bonds provide resources of $7.1 million (including a premium of $1.4 million) plus University deposits and funds held in trust by others of $19,000 to current refund $6.9 million of outstanding University of Arkansas – Fort Smith Student Fee Revenue Bonds Series 2010B. The escrow account paid the principal amount of $310,000 due on December 1, 2020 plus accrued interest. The remaining outstanding balance of $6.6 million was redeemed via the escrow account on the same day. The remaining bond proceeds paid issuance costs. The University completed the refunding to reduce its total debt service payments over a period of fifteen years by $1.7

million, and to have an economic gain (difference between the present values of the old and new debt service payments) of $1.5 million.

On October 20, 2020, the University of Arkansas – Little Rock (UALR) closed the Various Facilities Revenue Bonds Taxable Refunding Series 2020 Bonds with a principal amount of $18.8 million. Proceeds from this sale were used to (a) refund certain maturities of the Auxiliary Enterprises Capital Improvement Revenue Bonds Series 2012A totaling $11.6 million, (b) advance refund certain maturities of the Auxiliary Enterprises Refunding Revenue Bonds Series 2012B totaling $7.2 million and pay costs of issuance. 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. The Series 2012A and the Series 2012B Bonds, both tax-exempt issues, were secured by and payable from auxiliary enterprises revenues of the UALR. The Series 2020 Bonds are taxable issues which are secured by "Pledged Revenues" which are, except as set forth below, (a) all tuition and fees revenues collected by UALR, (b) all sales and services revenues derived from projects at UALR funded with bonds issued pursuant to the Act and (c) auxiliary enterprises revenues derived from the operations of residence halls, or other student housing facilities operated by UALR, athletic gate receipts, and other revenues derived from intercollegiate athletics at UALR and revenues from the operation of the bookstore or other auxiliary operations at UALR; provided, however, that such Pledged Revenues are subject to previous pledges to Senior Bonds and that such Pledged Revenues shall not include any fees authorized or imposed by UALR and dedicated to a specific purpose.

On October 28, 2020, the University of Arkansas for Medical Sciences closed the Various Facility Revenue Refunding Bonds Tax Exempt Series 2020A with a principal amount of $24.3 million and a coupon rate of 5.00%. Proceeds from this sale were used to refund the Various Facility Revenue Refunding Bonds Series 2010A totaling $30.4 million and pay costs of issuance. The University completed the refunding to reduce its total debt service payments over a period of eleven years by $6.2 million, net present value. The escrow account advance refunded all maturities on the call date of December 1, 2020. The remaining bond proceeds paid the costs of issuance.

On July 30, 2020, the University of Central Arkansas issued Student Housing System Revenue Refunding Bonds Series 2020B in the amount of $29.8 million. The issue is for the purpose of refunding the 2010 Series C, and 2012 Series B issues. Bond issuance costs of $259,000 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $186,000 in bond insurance that was recorded as an asset, of which $7,000 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2010 Series C bonds totaling $21.1 million were fully refunded on September 1, 2020. The 2012 Series B bonds totaling $9.1 million were fully refunded on September 1, 2020. The rates for the new bonds range from 2.38% to 3.00%. The savings in debt service payment total $1.7 million and the total net present value cost savings to the University on the refunding issue is $4.0 million.

On July 30, 2020, the University of Central Arkansas issued the Student Housing System Revenue Refunding Bonds Series 2020C in the amount of $13.4 million. The bonds are for the purpose of refunding the 2013 Series A & B bonds for Greek Village. Bond issuance costs of $121,000 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $64,000 in bond insurance that was recorded as an asset, of which $3,000 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2013 Series A & B bonds totaling $12.6 million are scheduled to be fully refunded on September 1, 2021. The balance in escrow at June 30, 2021 was $12.7 million. The rates for the new bonds range from 0.99% to 2.33%. The savings in debt service payment total $7.2 million and the total net present value cost savings to the University on the refunding issue is $4.3 million.

On July 30, 2020, the University of Central Arkansas issued the $9.5 million Student Fee Revenue Bonds Refunding Series 2020D. The bonds are for the purpose of refunding the 2010 Series B bonds. Bond issuance costs of $121,000 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $49,000 in bond insurance that was recorded as an asset, of which $3,000 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2010 Series B bonds totaling $10.5 million were fully refunded on September 1, 2020. The rates for the new bonds range from 2.00% to 3.00%. The savings in debt service payment total $1.4 million and the total net present value cost savings to the University on the refunding issue is $1.3 million.

On November 5, 2020, the University of Central Arkansas issued the $12.6 million Student Fee Revenue Bonds Taxable Refunding Series 2020E. The bonds were issued for the purpose of refunding the 2014 bonds. Bond issuance costs of $152,000 were expensed and shown as a component of non-operating interest expense and trustee fees in the current fiscal year, and $101,000 in bond insurance that was recorded as an asset, of which $3,000 was amortized and included as a part of interest expense for the year ended June 30, 2021. The 2014 bonds totaling $11.7 million are scheduled to be fully refunded on September 1, 2021. The balance in escrow at June 30, 2021 was $12.0 million. The rates for the new bonds range from 0.55% to 3.15%. The savings in debt service payment total $1.1 million and the total net present value cost savings to the University on the refunding issue is $937,000.

(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.

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, 2021, is as follows (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	Prison construction	2039	$ 28,998	37.41%	$ 4,306	$ 1,618
Court filing fees	Construction of building and refunding	2050	10,140	35.32%	990	4,423
Rental income	Purchase of building	2050	48,761	40.53%	4,148	2,568
State park revenue	Construction of state park facilities	2024	6,452	46.78%	4,597	2,582
Drivers license revenue	Construction of building	2035	33,733	71.33%	3,378	779

(1) Fiscal year

Business-Type Activities

For purposes of extinguishing long-term debt issues, certain revenues have been pledged as security.

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, 2021, is as follows (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	$ 902,338	7.59%	$ 409,698	$ 51,036
	Athletic fees	Construction of facilities and refunding of prior issues	2037	202,072	11.78%	107,226	5,829
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	60,969	9.15%	37,037	7,508
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2038	82,465	7.01%	69,200	7,182
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2035	29,371	17.82%	11,770	3,175
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2046	735,631	2.88%	1,021,367	29,703
	Parking fees	Construction of facilities and refunding of prior issues	2035	7,613	11.35%	2,683	586
University of Arkansas at Monticello	Student fee & various facility revenue	Construction of facilities and refunding of prior issues	2042	35,678	6.39%	26,571	1,175
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2038	8,708	8.54%	5,997	400
University of Arkansas at Pine Bluff	Student tuition & fee revenue	Refunding of prior issues and capital improvements	2036	17,415	3.92%	29,584	1,170
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2035	3,705	6.68%	3,963	264
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	12,260	29.46%	2,312	684
University of Arkansas Community College at Hope-Texarkana	Student fees	Construction of facilities and refunding of prior issues	2039	2,715	5.34%	2,824	150
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	15,440	10.01%	6,168	815
University of Arkansas - Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	105,361	23.03%	22,870	5,007
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	5,734	56.30%	485	276
	Student tuition & fee revenue & auxiliary revenue	Capital improvements	2049	13,066	17.51%	2,665	491
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	43,572	2.16%	87,680	2,984
	Housing fees	Construction of facilities and refunding of prior issues	2042	86,278	36.56%	11,237	6,271
	Student union/parking fees	Refunding of prior issues	2025	5,245	42.33%	3,098	1,612
	Recreation center fees	Construction of facilities	2037	15,177	63.92%	1,484	949
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	24,532	19.82%	8,253	1,867
	Housing fees	Construction of facilities and refunding of prior issues	2039	8,795	81.44%	600	493
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	27,437	42.32%	3,087	1,306
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	5,245	11.49%	3,805	494
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	3,514	4.38%	6,684	438
Arkansas State University-Henderson	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	51,862	29.35%	9,299	2,884
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2035	7,626	2.13%	25,602	815
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	34,692	16.52%	10,497	2,274
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	36,991	2.53%	63,572	2,588
	Athletic/food service revenue	Construction of facilities	2043	12,550	4.67%	12,219	577
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2048	52,809	5.19%	37,685	1,625
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2048	45,155	13.29%	12,580	1,581

(1) Fiscal year

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Entity	Revenue Pledged	Purpose of Debt	Term of Commitment (1)	Approximate Amount of Pledge	Approximate Proportion of Revenue Pledged	Pledged Revenue	Principal and Interest
Phillips Community College of the University of Arkansas	Student fees	Construction of facilities and refunding of prior issues	2039	12,260	29.46%	2,312	684
University of Arkansas Community College at Hope-Texarkana	Student fees	Construction of facilities and refunding of prior issues	2039	2,715	5.34%	2,824	150
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2046	15,440	10.01%	6,168	815
University of Arkansas - Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	105,361	23.03%	22,870	5,007
University of Arkansas Community College at Rich Mountain	Millage revenue	Capital improvements and refunding of prior issue	2042	5,734	56.30%	485	276
	Student tuition & fee revenue & auxiliary revenue	Capital improvements	2049	13,066	17.51%	2,665	491
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase and refunding of prior issues	2044	43,572	2.16%	87,680	2,984
	Housing fees	Construction of facilities and refunding of prior issues	2042	86,278	36.56%	11,237	6,271
	Student union/parking fees	Refunding of prior issues	2025	5,245	42.33%	3,098	1,612
	Recreation center fees	Construction of facilities	2037	15,177	63.92%	1,484	949
Arkansas State University - Beebe	Student tuition & fee revenue	Construction, renovation and refunding of prior issues	2036	24,532	19.82%	8,253	1,867
	Housing fees	Construction of facilities and refunding of prior issues	2039	8,795	81.44%	600	493
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	27,437	42.32%	3,087	1,306
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	5,245	11.49%	3,805	494
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	3,514	4.38%	6,684	438
Arkansas State University-Henderson	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	51,862	29.35%	9,299	2,884
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2035	7,626	2.13%	25,602	815
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	34,692	16.52%	10,497	2,274
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	36,991	2.53%	63,572	2,588
	Athletic/food service revenue	Construction of facilities	2043	12,550	4.67%	12,219	577
Southern Arkansas University - Magnolia	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2048	52,809	5.19%	37,685	1,625
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding	2048	45,155	13.29%	12,580	1,581
Southern Arkansas University - Tech Branch	Student tuition & fee revenue	Capital improvements and refunding of prior issue	2043	6,976	6.85%	4,627	316
University of Central Arkansas	Student fees	Construction of facilities, capital improvements and refunding of prior issues	2050	151,250	8.76%	59,525	5,986
	Housing fees	Construction of facilities and refunding of prior issues	2049	134,033	49.22%	9,726	5,124
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2042	26,410	9.27%	13,565	2,187
East Arkansas Community College	Millage revenue	Construction and renovation of facilities and refunding of prior issues	2040	3,794	56.41%	354	3,206
National Park College	Millage revenue	Capital improvements and refunding of prior issue	2048	32,808	71.65%	1,696	1,213
	Housing revenue	Acquisition, construction, furnishing and equipping a new student housing facility	2049	13,025	59.33%	784	466
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2047	10,783	92.99%	446	424
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2037	7,676	50.66%	947	480
South Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2039	3,959	36.12%	609	219
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	29,981	30.69%	6,978	1,690
	Student tuition	Land purchase	2035	2,296	1.23%	13,301	166
Black River Technical College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	11,856	8.47%	6,084	659
Ozarka College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	6,386	29.68%	978	42

(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, 2021.

Future amounts to be received as of June 30, 2021, are as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2022	$ 95	$	$ 95
2023	81		81
2024	49		49
Total	$ 225	$	$ 225

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, 2021, were as follows (expressed in thousands):

	Governmental Activities	Business-Type Activities
Assets:		
Improvement / infrastructure	$	$ 8,126
Buildings	234,916	52,719
Machinery and equipment	3,684	89,983
Less: Accumulated depreciation	(57,479)	(71,275)
Total	$ 181,121	$ 79,553

Future minimum commitments under operating and capital leases by fund type as of June 30, 2021, were as follows (expressed in thousands):

Capital Leases		
	Governmental Activities	Business-Type Activities
Year ending June 30:		
2022	$ 51	$ 10,679
2023		9,001
2024		8,237
2025		7,754
2026		7,296
2027-2031		26,147
2032-2036		20,314
2037-2041		4,434
2042-2046		2,111
2047-2051		1,689
Total minimum lease payments	51	97,662
Less: Interest		(19,858)
Present value of future minimum lease payments	$ 51	$ 77,804

Capital Leases with Component Unit	
	Governmental Activities
Year ending June 30:	
2022	$ 16,027
2023	16,058
2024	15,755
2025	15,554
2026	14,080
2027-2031	50,393
2032-2036	39,540
2037-2041	17,099
2042-2046	6,402
2047-2051	5,025
Total minimum lease payments	195,933
Less: Interest	(46,024)
Present value of future minimum lease payments	$ 149,909

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Operating Leases

		Governmental Activities		Business-Type Activities
Year ending June 30:				
2022	$	27,420	$	11,398
2023		13,916		8,077
2024		8,952		6,698
2025		7,613		5,493
2026		5,431		4,452
2027-2031		1,944		15,031
2032-2036		658		3,545
2037-2041		215		721
2042-2046				120
2047-2051				122
2052-2056				124
2057-2061				126
2062-2066				129
2067-2071				93
2072-2076				20
Total minimum lease payments	$	66,149	$	56,149
Total rental expenditure/ expense (2021)	$	40,685	$	17,093

(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):

	2021	2020
Balance, beginning of year	$ 11,941	$ 15,397
Incurred claims	10,041	799
Payments	(576)	(4,255)
Balance, end of year	$ 21,406	$ 11,941
Current portion	$ 3,050	$ 2,777
Noncurrent portion	18,356	9,164
	$ 21,406	$ 11,941

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, $10.4 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 $7.4 million at June 30, 2021.

Of the above-mentioned obligations, $11.0 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 $9.8 million at June 30, 2021. 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 $10.9 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.

(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, 2021, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	$ 8,684	$ 27,631	$ 22,775
Debt service	214,760		
Program requirements	652,935	1,975,569	
Lottery funds	152,735		
Tobacco settlement	43,983	74,432	
Transportation programs	610,911	425,666	
Disaster assistance		6,168	
State employee insurance		62,167	
Other		1,223,522	63,097
Total	$ 1,684,008	$ 3,795,155	$ 85,872

The State's fund balance includes (1) $652.9 million in federal program revenue, coronavirus relief funds, private grants and revenue restricted by enabling legislation for specific programs, of which 31.95% is held by the health and human services function of the State, 36.37% is held by the general government function of the State to be used for administrative costs that are federally funded, 10.74% is held by the recreation function of the State to be used primarily for parks and tourism and wildlife management and 10.52% is held by the education function of the State; (2) $610.9 million in general obligation four-lane highway construction and improvement bonds restricted by voter passage of Amendment 97; (3) $2.0 billion 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) $425.7 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) $1.2 billion 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, 2021, the government-wide statement of net position reported $4.0 billion in restricted net position for governmental activities, of which $905.9 million was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of $85.8 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 $96.6 million deficit in net position as of June 30, 2021. 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 or appointed 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 they are 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 credited 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 (Tier One) or at age 65 with five years of actual service. 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 credited 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 (2021)	ASPRS (2021)	ASHERS (2020)
Inactive employees or beneficiaries currently receiving benefits	178	745	3,483
Inactive employees entitled to but not yet receiving benefits	10	108	271
Active employees	145	488	3,714
Total	333	1,341	7,468

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, 2020, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 38.99%. Contributions to APERS from the State were $199.3 million for the year ended June 30, 2021.

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, 2020, the employer contribution rate was 14.25% of covered employee payroll. Contributions to ATRS from the State were $14.3 million for the year ended June 30, 2021.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 6.5% 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 2021 was $5.2 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 2021 was $7.1 million. For any members still employed and covered by the Tier One contributory plan, the employee contribution rate is 9.25% of the member's salary.

ASHERS

The employer contribution rate is established under State statute and is not based on a funding policy. This 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.

Member and employee contributions cease during and employee's participation in DROP Tier I; however, when an employee enters Tier II the member starts to contribute 6% of their total payroll earnings again and the employer contributes 6.9%. The employer contribution rate is 14.9% of the pay of each covered employee. Beginning July 1, 2021, the State will make contributions on employees in DROP, Tier I will increase from 0% to 14.9% and Tier II will rise from 6.9% to 14.9%.

Covered employees not in Tier I of DROP are required to contribute 7.0% of their compensation and Tier II member of DROP contributing 6.0%. For anyone hired after June 30, 2021 upon enrollment in the DROP they will continue employee contributions equal to active employee rates during their participation in the DROP.

Net Pension Liability

At June 30, 2021, 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, 2020	$	1,860,489
ATRS	June 30, 2020		183,496
AJRS	June 30, 2021		(37,776)
ASPRS	June 30, 2021		61,040
ASHERS	June 30, 2020		417,830
Total		$	2,485,079

Component Unit - APERS

	Measurement Date		Net Pension Liability
ADFA	June 30, 2020	$	4,869

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 2021 fiscal year of all participating employers. At June 30, 2021, the State's proportion was 64.97% for APERS and 3.24% for ATRS, a decrease of 0.51% and a decrease of 0.20%, 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, 2020	June 30, 2020	June 30, 2021	June 30, 2021	June 30, 2020
Inflation rate	3.25% wages, 2.50% price	2.75% wages, 2.50% price	3.25% wages, 2.5% 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-2006 Healthy Annuitant benefit weighted 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 famales, adjusted for morality 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 tables'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 2020 to 2029 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, 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%	

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, 2020, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Total equity	53.00%	5.20%
Fixed income	15.00%	-0.10%
Alternatives	5.00%	3.50%
Real assets	15.00%	5.10%
Private equity	12.00%	7.20%
Cash equivalents		-1.00%
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 2021 to 2030 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, 2021, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	5.89%
International equity	15.00%	6.54%
Real estate	8.00%	4.58%
Domestic fixed	40.00%	-0.21%
Cash equivalents		-1.01%
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 2021 to 2030 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, 2021, 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. For the year end, June 30, 2021, the rate of return on pension plan investments, net of pension plan investment expenses was 29.11%.

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 based on the expected rate of return on pension plan investments. The current member and employer contribution rates are 6.25% and 14.25% of active member payroll, respectively. Although not all members contribute, the member and employer rates are scheduled to increase by 0.25% increments ending in Fiscal Year 2023. The ultimate member and employer rates will be 7% and 15%, respectively. The projection of cash flows used to determine this single discount rate assumed that member and employer contributions will be made in accordance with this schedule. 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 the actuarially-determined contribution rate 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.

ASPRS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
	Increase (Decrease)		
Balances, June 30, 2020	$ 476,569,897	$ 338,183,678	$ 138,386,219
Changes for the year:			
Service cost	6,536,818		6,536,818
Interest	33,332,676		33,332,676
Changes in benefit terms	9,589,716		9,589,716
Differences between expected and actual experience	(2,821,477)		(2,821,477)
Contributions – employer		22,783,661	(22,783,661)
Net investment income		101,415,206	(101,415,206)
Benefit payments, including refunds of employee contributions	(27,294,080)	(27,294,080)	
Administrative expense		(215,384)	215,384
Net changes	19,343,653	96,689,403	(77,345,750)
Balances, June 30, 2021	$ 495,913,550	$ 434,873,081	$ 61,040,469

AJRS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2020	$ 296,653,578	$ 280,837,139	$ 15,816,439
Changes for the year:			
Service cost	7,197,367		7,197,367
Interest	16,822,916		16,822,916
Differences between expected and actual experience	3,798,212		3,798,212
Contributions – employer		8,209,893	(8,209,893)
Contributions – employee		1,117,205	(1,117,205)
Net investment income		72,229,450	(72,229,450)
Benefit payments, including refunds of employee contributions	(15,359,618)	(15,359,618)	
Administrative expense		(145,150)	145,150
Other changes		13	(13)
Net changes	12,458,877	66,051,793	(53,592,916)
Balances, June 30, 2021	$ 309,112,455	$ 346,888,932	$ (37,776,477)

ASHERS	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2020	$ 1,809,041,584	$ 1,386,076,598	$ 422,964,986
Changes for the year:			
Service cost	19,568,869		19,568,869
Interest	127,936,561		127,936,561
Benefit changes			
Changes in assumptions			
Contributions – employer		23,208,655	(23,208,655)
Contributions – employee		10,265,552	(10,265,552)
Differences between expected and actual experience	(8,753,212)		(8,753,212)
Net investment income		110,541,618	(110,541,618)
Benefit payments, including refunds of employee contributions	(122,789,638)	(122,789,638)	
Administrative expense		(129,016)	129,016
Net changes	15,962,580	21,097,171	(5,134,591)
Balances, June 30, 2021	$ 1,825,004,164	$ 1,407,173,769	$ 417,830,395

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%	$ 2,833,664	7.15%	$ 1,860,489	8.15%	$ 1,057,401
ATRS	6.50%	273,034	7.50%	183,496	8.50%	109,239
AJRS	4.75%	(1,352)	5.75%	(37,776)	6.75%	(68,635)
ASPRS	6.15%	121,821	7.15%	61,040	8.15%	12,464
ASHERS	6.50%	641,702	7.50%	417,830	8.50%	236,490

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%	$ 7,415	7.15%	$ 4,869	8.15%	$ 2,767

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, 2021, the State recognized total pension expense of $156.2 million, which consists of $9.1 million, $114.4 million, $28.2 million, ($8.4 million) and $12.9 million for the ATRS, APERS, ASHERS, AJRS and ASPRS plans, respectively.

At June 30, 2021, the State reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

APERS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 24,699	$ 1,232
Changes of assumptions	23,310	31,877
Net differences between projected and actual earnings on pension plan investments	196,863	
Changes in proportion and differences between State contributions and proportionate share of contribution	43,486	56,941
State contributions subsequent to the measurement date	199,256	
Total	$ 487,614	$ 90,050

ATRS	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,433	$ 1,480
Changes of assumptions	11,940	
Net differences between projected and actual earnings on pension plan investments	30,164	
Changes in proportion and differences between State contributions and proportionate share of contribution	5,337	20,184
State contributions subsequent to the measurement date	14,295	
Total	$ 64,169	$ 21,664
AJRS		
Differences between expected and actual experience	$ 4,258	$ 1,788
Changes of assumptions		
Net differences between projected and actual earnings on pension plan investments		47,404
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	$ 4,258	$ 49,192
ASPRS		
Differences between expected and actual experience	$ 4,255	$ 2,811
Changes of assumptions		573
Net differences between projected and actual earnings on pension plan investments		50,675
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	$ 4,255	$ 54,059

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	Deferred Outflows of Resources	Deferred Inflows of Resources
ASHERS		
Differences between expected and actual experience	$ 35,460	$ 12,089
Changes of assumptions		284,275
Net differences between projected and actual earnings on pension plan investments	16,452	
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date	24,092	
Total	$ 76,004	$ 296,364
Total		
Differences between expected and actual experience	$ 71,105	$ 19,400
Changes of assumptions	35,250	316,725
Net differences between projected and actual earnings on pension plan investments	243,479	98,079
Changes in proportion and differences between State contributions and proportionate share of contribution	48,823	77,125
State contributions subsequent to the measurement date	237,643	
Total	$ 636,300	$ 511,329

Component Unit - APERS

	Deferred Outflows of Resources	Deferred Inflows of Resources
ADFA		
Differences between expected and actual experience	$ 65	$ 3
Changes of assumptions	61	84
Net differences between projected and actual earnings on pension plan investments	515	
Changes in proportion and differences between State contributions and proportionate share of contribution		282
State contributions subsequent to the measurement date	466	
Total	$ 1,107	$ 369

$237.6 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, 2022.

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
2022	$ 10,804	$ 3,240	$ (12,503)	$ (12,193)	$ (128,635)	$ (139,287)
2023	52,340	7,924	(11,015)	(9,989)	(94,964)	(55,704)
2024	77,165	9,653	(10,546)	(11,811)	(18,439)	46,022
2025	57,999	7,853	(10,870)	(15,811)	(2,414)	36,757
2026		(460)				(460)

Component Unit - APERS

Year ended June 30:	ADFA
2022	$ (124)
2023	85
2024	161
2025	150

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 $1.08 billion at June 30, 2021.

Higher Education

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

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

Each college or university contributes a percentage of an employee's salary ranging from 5% to 14.25% 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 2021, total employer contributions to VALIC, TIAA-CREF and Fidelity were $145.9 million, while contributions to other plans were $209,967. Employee contributions to VALIC, TIAA-CREF and Fidelity were $162.4 million, while contributions to other plans were $390,419.

(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, 2021, the following employees were covered by each plan:

	ASP	ASE
Inactive employees or beneficiaries currently receiving benefits	981	16,604
Inactive employees entitled to but not yet receiving benefits		9,237
Active employees	668	31,927
Total	1,649	57,768

(b) Total OPEB Liability

At June 30, 2021, 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, 2021	$ 245,343
ASE	June 30, 2021	2,591,619
Total		$ 2,836,962

Component Unit - ADFA

	Measurement Date	Total OPEB Liability
ASE	June 30, 2021	$ 4,309

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, 2021		June 30, 2021	
Inflation rate	3.25%		2.20%	
Discount rate	2.18%	(1)	2.14%	(2)
Salary increase, including inflation			3.00%	
Healthcare cost trend rates	7.50% initial 4.00% ultimate		5.10% initial 4.60% ultimate	(3)
Mortality rate	Pub-2010 Public Retirement Plans Mortality Table for Public Safety, projected with Scale MP-2020 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	100%		38% - 62%	
Actuarial experience study dates	N/A		July 1, 2012, through June 30, 2017	(4)

(1) The discount rate was determined by using a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average credit rating of AA as of the measurement date.
(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 0.7% 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 is 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		ASE
Balance, June 30, 2020	$ 238,959		$ 2,566,674
Changes for the current fiscal year:			
Service cost	10,155		123,540
Interest	6,440		55,967
Differences between expected and actual experience	(10,179)		7,308
Changes in assumptions or other inputs	3,857	(1)	(106,266) (2)
Change in proportion			(104)
Benefit payments	(3,889)		(55,500)
Net changes	6,384		24,945
Balance, June 30, 2021	$ 245,343		$ 2,591,619

Component Unit - ADFA

	Total OPEB Liability	
	ASE	
Balance, June 30, 2020	$ 4,163	
Changes for the current fiscal year:		
Service cost	206	
Interest	93	
Differences between expected and actual experience	12	
Changes in assumptions or other inputs	(177)	(2)
Changes in proportion	104	
Benefit payments	(92)	
Net changes	146	
Balance, June 30, 2021	$ 4,309	

(1) The discount rate used was 2.66% at June 30, 2020, and 2.18% at June 30, 2021.
(2) The discount rate used was 2.21% at June 30, 2020, and 2.14% at June 30, 2021.

(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	1.18%	$ 299,704	2.18%	$ 245,343	3.18%	$ 205,218
ASE	1.14%	$ 3,094,488	2.14%	$ 2,590,305	3.14%	$ 2,193,321
NPC	1.18%	1,374	2.18%	1,314	3.18%	1,255
ASE total		$ 3,095,862		$ 2,591,619		$ 2,194,576

Component Unit – ADFA

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	1.14%	$ 5,148	2.14%	$ 4,309	3.14%	$ 3,649

(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	Care Cost Trend Rate (1)	1% Increase
ASP	$ 197,579	$ 245,343	$ 314,553
ASE	$ 2,147,172	$ 2,590,305	$ 3,172,650
NPC	1,210	1,314	1,434
ASE total	$ 2,148,382	$ 2,591,619	$ 3,174,084

Component Unit – ADFA

	Total OPEB Liability		
	1% Decrease	Care Cost Trend Rate (1)	1% Increase
ASE	$ 3,572	$ 4,309	$ 5,278

(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, 2021, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Primary Government

	Total OPEB Expense
ASP	$ 22,357
ASE	214,590
NPC	230
ASE Total	214,820
Total	$ 237,177

Component Unit – ADFA

	Total OPEB Expense
ASE	$ 172

At June 30, 2021, 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	$ 11,084	$ (42,422)	$	$ (51)
Changes of assumptions and other inputs	376,842	(181,463)	908	
Total	$ 387,926	$ (223,885)	$ 908	$ (51)

	ASP		TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 22,110	$ (8,907)	$ 33,194	$ (51,380)
Changes of assumptions and other inputs	15,752		393,502	(181,463)
Total	$ 37,862	$ (8,907)	$ 426,696	$ (232,843)

Component Unit – ADFA

	ASE	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 18	$ (71)
Changes of assumptions and other inputs	781	(578)
Total	$ 799	$ (649)

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:						
	2022	2023	2024	2025	2026	Thereafter	Total
ASP	$ 5,762	$ 5,762	$ 5,762	$ 5,762	$ 5,762	$ 145	$ 28,955
ASE	$ 35,077	$ 56,190	$ 92,580	$ (19,806)	$	$	$ 164,041
NPC	144	144	144	144	144	137	857
ASE total	$ 35,221	$ 56,334	$ 92,724	$ (19,662)	$ 144	$ 137	$ 164,898

Component Unit – ADFA

	Year ended June 30:						
	2022	2023	2024	2025	2026	Thereafter	Total
ASE	$ (35)	$ 1	$ 199	$ (15)			$ 150

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 BlueAdvantage Plan (ASU)
- Henderson State University Postemployment Benefit Plan (HSU) (administered by USAble)
- Arkansas Tech University Retirement with Benefits Plan (ATU) (administered by Blue Cross and Blue Shield)
- 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 Employee Health Plan (SAU)
- 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.

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.
HSU moved into the ASU system in fiscal year 2021, but is still separately stated in this Note. In fiscal years going forward, HSU will be adopting the ASU postemployment benefit plan.

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.

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 they are eligible for Medicare. 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, 2021, 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	124	1,769	1,893
HSU	27	215	242
ATU	42	854	896
NWACC	3	332	335
SAUT	9	143	152
SAU	20	419	439
U of A	2,176	19,984	22,160
UCA	131	1,257	1,388
ANC	10	148	158
BRTC	63	148	211
EACC	6	118	124
NPC	1	74	75
NAC	3	167	170
OC	22	93	115
SACC	15	145	160
Total	2,652	25,866	28,518

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

(b) Total OPEB Liability

At June 30, 2021, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

	Measurement Date		Total OPEB Liability
ASU	June 30, 2021	$	11,969
HSU	June 30, 2021		5,591
ATU	June 30, 2020		9,050
NWACC	June 30, 2021		1,223
SAUT	June 30, 2021		1,567
SAU	June 30, 2021		3,253
U of A	June 30, 2020		76,603
UCA	June 30, 2021		4,110
ANC	June 30, 2021		735
BRTC	June 30, 2021		2,014
EACC	June 30, 2021		809
NPC	June 30, 2021		675
NAC	June 30, 2021		1,318
OC	June 30, 2021		864
SACC	June 30, 2021		849
Total		$	120,630

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	HSU	ATU	NWACC	SAUT
Actuarial valuation date	January 1, 2021	January 1, 2020	June 30, 2020	June 30, 2021	June 30, 2020
Inflation rate			2.40%	3.00%	3.00%
Salary increases	1% through 2022, 2.5% thereafter	1% through 2022, 2.5% thereafter	3.25%		
Discount rate	2.09% (1)	2.16% (1)	2.21% (2)	2.18% (5)	2.18% (5)
Healthcare cost trend rates	5% initial 4.80% ultimate	5.5% initial 4.80% ultimate	7.5% initial 4.50% ultimate	9% initial 5% ultimate	9% initial 5% ultimate
Retirees' share of benefit-related costs	50%	27%	80% to 100%	19% to 22%	96% to 99%
Mortality rates	PUB-2010 Headcount-Weighted Mortality Table for general employees with generational projection according to Scale MP-2020	PUB-2010 Headcount-Weighted Mortality Table for general employees with generational projection according to Scale MP-2020	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017	PUB-T with MP 2020 (RP 2014 before 2020)	PUB-T with MP 2019 (RP 2014 before 2020)
Actuarial experience study date	January 1, 2021	N/A	N/A	N/A	N/A

	SAU	U of A	UCA	ANC	BRTC
Actuarial valuation date	June 30, 2021	July 1, 2020	June 30, 2021	June 30, 2020	June 30, 2020
Inflation rate	2.00%	2.20%	2.00%	3.00%	3.00%
Salary increases		4.00%			
Discount rate	2.09% (4)	2.21% (2)	2.09% (4)	2.18% (5)	2.18% (5)
Healthcare cost trend rates	7% initial 4% ultimate	7.5% initial 3.12% ultimate	7% initial 4% ultimate	9% initial 5% ultimate	9% initial 5% ultimate
Retirees' share of benefit-related costs	29%	10% to 100%	16% to 100%	9% to 80%	0% to 57%
Mortality rates	RP-2014 Mortality Table with Improvement Scale MP-2020	RP-2014 Fully Generational Mortality Table for employees and healthy annuitants using projection scale MP-2014	RP-2014 Mortality Table with Improvement Scale MP-2020	PUB-T with MP 2019 (RP 2014 before 2020)	PUB-T with MP 2019 (RP 2014 before 2020)
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	June 30, 2021	June 30, 2021	June 30, 2021	June 30, 2021
Inflation rate	3.00%	2.50%	3.00%	3.00%	3.00%
Salary increases					
Discount rate	2.18% (5)	2.18% (5)	2.18% (5)	2.18% (5)	2.18% (5)
Healthcare cost trend rates	9% initial 5% ultimate	7.5% initial 4% ultimate	8% initial 4.5% ultimate	9% initial 5% ultimate	10% initial 5% ultimate
Retirees' share of benefit-related costs	0% to 100%	25%	100%	15%	0% to 75%
Mortality rates	PUB-T with MP 2019 (RP 2014 before 2020)	PUB-T 2010 Table with generation projection scale MP 2020 (RP 2014 before 2020)	PUB-T 2010 Table with generation projection scale MP 2020 (RP 2014 before 2020)	PUB-T 2010 Table with generation projection scale MP 2020 (RP 2014 before 2020)	PUB-T 2010 Table with generation projection scale MP 2020 (RP 2014 before 2020)
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, 2021: 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 determination was based upon high-quality AA/Aa or higher bond yields in effect for 20-year, tax-exempt general obligation municipal bonds using the Bond Buyer 20-Bond Go Index.
(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.
(5) The discount rate was based upon a tax-exempt municipal bond rate based on an index of 20-year general obligation bonds with an average AA credit rating as of the measurement date.

(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		HSU		ATU	
Balance, June 30, 2020	$ 17,739		$ 4,427		$ 8,692	
Changes for the current fiscal year:						
Service cost	1,132		268		566	
Interest cost	458		102		312	
Changes of benefit terms	15		22			
Differences between expected and actual experience	(1,756)		933		(757)	
Changes in assumptions or other inputs	(5,387)	(3)	32	(3)	937	(2)
Benefit payments	(232)		(193)		(700)	
Net changes	(5,770)		1,164		358	
Balance, June 30, 2021	$ 11,969		$ 5,591		$ 9,050	

	NWACC		SAUT		SAU	
Balance, June 30, 2020	$ 1,305		$ 1,427		$ 2,945	
Changes for the current fiscal year:						
Service cost	59		113		296	
Interest cost	35		39		63	
Changes of benefit terms						
Differences between expected and actual experience	(247)				(82)	
Changes in assumptions or other inputs	71	(1)	45	(3)	33	(3)
Benefit payments			(57)		(2)	
Net changes	(82)		140		308	
Balance, June 30, 2021	$ 1,223		$ 1,567		$ 3,253	

	U of A		UCA		ANC	
Balance, June 30, 2020	$ 74,747		$ 3,834		$ 699	
Changes for the current fiscal year:						
Service cost	4,510		326		39	
Interest cost	2,736		81		18	
Changes of benefit terms	(10,108)					
Differences between expected and actual experience	(2,196)		(108)			
Changes in assumptions or other inputs	9,159	(4)	42	(3)	20	(4)
Benefit payments	(2,245)		(65)		(41)	
Net changes	1,856		276		36	
Balance, June 30, 2021	$ 76,603		$ 4,110		$ 735	

	BRTC		EACC		NPC	
Balance, June 30, 2020	$ 1,872		$ 753		$ 506	
Changes for the current fiscal year:						
Service cost	116		52		27	
Interest cost	50		20		14	
Changes of benefit terms						
Differences between expected and actual experience					106	
Changes in assumptions or other inputs	58	(4)	24	(4)	26	(1)
Benefit payments	(82)		(40)		(4)	
Net changes	142		56		169	
Balance, June 30, 2021	$ 2,014		$ 809		$ 675	

	NAC		OC		SACC	
Balance, June 30, 2020	$ 1,040		$ 812		$ 734	
Changes for the current fiscal year:						
Service cost	45		40		72	
Interest cost	28		22		20	
Changes of benefit terms						
Differences between expected and actual experience	130		(59)		(4)	
Changes in assumptions or other inputs	75	(1)	49	(1)	36	(3)
Benefit payments					(9)	
Net changes	278		52		115	
Balance, June 30, 2021	$ 1,318		$ 864		$ 849	

(1) Reflects adjustment to discount rate and mortality and healthcare trend rates.
(2) Reflects a change in discount rate.
(3) Reflects a change in discount rate and mortality trend rates.
(4) Reflects a change in discount rate and healthcare trend rates.

(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	OPEB Liability	Rate	OPEB Liability	Rate	OPEB Liability
ASU	1.09%	$ 12,831	2.09%	$ 11,969	3.09%	$ 11,185
HSU	1.16%	5,901	2.16%	5,591	3.16%	5,296
ATU	1.21%	9,941	2.21%	9,050	3.21%	8,307
NWACC	1.18%	1,310	2.18%	1,223	3.18%	1,139
SAUT	1.18%	1,667	2.18%	1,567	3.18%	1,472
SAU	1.09%	3,542	2.09%	3,253	3.09%	2,989
U of A	1.21%	83,995	2.21%	76,603	3.21%	70,028
UCA	1.09%	4,489	2.09%	4,110	3.09%	3,774
ANC	1.18%	764	2.18%	735	3.18%	678
BRTC	1.18%	2,144	2.18%	2,014	3.18%	1,891
EACC	1.18%	864	2.18%	809	3.18%	757
NPC	1.18%	729	2.18%	675	3.18%	624
NAC	1.18%	1,436	2.18%	1,318	3.18%	1,178
OC	1.18%	955	2.18%	864	3.18%	782
SACC	1.18%	914	2.18%	849	3.18%	777

(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	$ 11,046	$ 11,969	$ 13,031
HSU	5,121	5,591	6,130
ATU	8,430	9,050	9,775
NWACC	1,082	1,223	1,395
SAUT	1,394	1,567	1,777
SAU	2,905	3,253	3,667
U of A	69,735	76,603	84,644
UCA	3,700	4,110	4,598
ANC	663	735	821
BRTC	1,795	2,014	2,278
EACC	717	809	923
NPC	580	675	793
NAC	1,139	1,318	1,533
OC	743	864	1,010
SACC	733	849	998

(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, 2021, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

	Total OPEB Expense
ASU	$ (897)
HSU	386
ATU	689
NWACC	83
SAUT	142
SAU	368
U of A	(4,717)
UCA	409
ANC	73
BRTC	177
EACC	87
NPC	28
NAC	118
OC	63
SACC	96
Total	$ (2,895)

At June 30, 2021, 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		HSU		ATU	
	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	$ 1,738	$ (8,554)	$ 814	$ (660)	$	$ (1,109)
Changes of assumptions and other inputs	458	(4,629)	27	(154)	1,224	(1,603)
State benefit payments and administrative expenses subsequent to the measurement date					637	
Total	$ 2,196	$ (13,183)	$ 841	$ (814)	$ 1,861	$ (2,712)

	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	$	$ (335)	$	$ (172)	$ 431	$ (509)
Changes of assumptions and other inputs	213		87		288	(89)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 213	$ (335)	$ 87	$ (172)	$ 719	$ (598)

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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	$ 2,262	$ (7,686)	$ 301	$ (221)	$ 62	$
Changes of assumptions and other inputs	9,637	(4,690)	342	(363)	65	
State benefit payments and administrative expenses subsequent to the measurement date	2,379					
Total	$ 14,278	$ (12,376)	$ 643	$ (584)	$ 127	$

	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)	$ 73	$	$ 93	$
Changes of assumptions and other inputs	108		51			(129)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 108	$ (7)	$ 124	$	$ 93	$ (129)

	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	$ 283	$	$	$ (76)	$	$ (18)
Changes of assumptions and other inputs	160		81		51	
State benefit payments and administrative expenses subsequent to the measurement date						
Total	$ 443	$	$ 81	$ (76)	$ 51	$ (18)

	TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	$ 6,057	$ (19,347)
Changes of assumptions and other inputs	12,792	(11,657)
State benefit payments and administrative expenses subsequent to the measurement date	3,016	
Total	$ 21,865	$ (31,004)

$3.0 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, 2022.

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:						
	2022	2023	2024	2025	2026	Thereafter	Total
ASU	$ (2,502)	$ (2,502)	$ (2,516)	$ (2,443)	$ (1,024)	$	$ (10,987)
HSU	(6)	(6)	(5)	8	36		27
ATU	(188)	(188)	(188)	(188)	(188)	(548)	(1,488)
NWACC	(11)	(11)	(11)	(11)	(11)	(67)	(122)
SAUT	(10)	(10)	(10)	(10)	(10)	(35)	(85)
SAU	9	9	9	9	9	76	121
U of A	(1,810)	(939)	764	1,126	513	(131)	(477)
UCA	1	1	1	1	1	54	59
ANC	16	16	16	16	16	47	127
BRTC	11	11	11	11	11	46	101
EACC	15	15	15	15	15	49	124
NPC	(13)	(13)	(13)	(13)	(13)	29	(36)
NAC	45	45	45	45	45	218	443
OC	1		1		1	2	5
SACC	4	4	4	4	4	13	33

Reconciliation of Total OPEB Liability to Financial Statements	
Governmental	$ 2,800,637
Business-type	144,028
Fiduciary	12,927
Component units	4,309
Total OPEB liability	$ 2,961,901

(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	$ 107,124	$ 90,336
Noncurrent assets		
Advances to other funds	334	
Other noncurrent assets	325,754	204,260
Total assets	$ 433,212	$ 294,596
Current liabilities		
Due to other funds	$	$ 238
Other current liabilities	240	151
Total liabilities	240	389
Net position		
Restricted	432,972	294,207
Total liabilities and net position	$ 433,212	$ 294,596

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	$ 3,062	$ 1,690
Operating expenses	(1,707)	(5,328)
Operating income (loss)	1,355	(3,638)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	5,229	2,667
Grants and contributions	7,109	11,177
Interest Expense	314	237
Nonoperating revenue	12,652	14,081
Transfers in (out), net	1,986	145
Change in net position	15,993	10,588
Total net position, beginning of year	416,979	283,619
Total net position, end of year	$ 432,972	$ 294,207

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	$ 2,204	$ 921
Noncapital financing activities	(9,277)	(2,500)
Investing activities	(26,601)	(34,415)
Net increase	(33,674)	(35,994)
Cash and cash equivalents, beginning	138,558	125,908
Cash and cash equivalents, ending	$ 104,884	$ 89,914

(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 Arkansas Code Annotated § 21-5-405, the State Board of Finance (the Board) and the Director of Transformation and Shared Services - Employee Benefits Division (EBD) Administration take a risk management approach in designing the State employee benefit programs. In addition, the Board ensures that the State employee health benefit programs are maintained on an actuarially sound basis as determined by actuarial standards established by the Board. Most higher education, State Police, and some portion of the State's vocational and technical schools are not included in the State employee benefit programs.

The Board provides employee benefits to State employees that encompasses 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. The State offers a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. In addition, State employees are given the option to participate in a deferred compensation plan.

The State offers a basic group term life insurance and accidental death and dismemberment policy to all active State employees. The State pays for these policies from the FICA trust fund. Employees are offered expanded basic group life term insurance at the employee's cost. The costs are based on a set rate without regard to the age of the employee. Employees are also offered supplemental coverage 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):

	2021	2020
Claim liability, beginning of year	$ 16,463	$ 26,200
Incurred claims:		
Provision for insured events of current year	315,490	284,190
Provision for insured events of prior years	5,595	(3,410)
Total incurred claims	321,085	280,780
Payments:		
Claims payments attributed to insured events of current year	287,424	267,272
Claims payments attributed to insured events of prior years	22,123	23,245
Total payments	309,547	290,517
Claim liability, end of year	$ 28,001	$ 16,463

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 per 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, 2020, 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 current and prior fiscal years are as follows (expressed in thousands):

	2021	2020
Claim liability, beginning of year	$ 543	$ 488
Incurred claims:		
Provision for insured events of current year	11,768	11,415
Increase (decrease) in provision for insured events of prior years	255	90
Total incurred claims and claim adjustment expense	12,023	11,505
Payments:		
Claims payments attributed to insured events of current year	11,256	10,872
Claims payments attributed to insured evens of prior years	798	578
Total payments	12,054	11,450
Claim liability, end of year	$ 512	$ 543

(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 claims 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):

	2021	2020
Claim liability, beginning of year	$ 81,841	$ 82,394
Incurred claims:		
Provision for insured events of current year	14,106	14,351
Increase (decrease) in provision for insured events of prior years	(778)	(2,506)
Total incurred claims and claim adjustment expense	13,328	11,845
Payments:		
Claims payments attributed to insured events of current year	4,454	4,465
Claims payments attributed to insured events of prior years	7,057	7,933
Total payments	11,511	12,398
Claim liability, end of year	$ 83,658	$ 81,841

(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):

	2021	2020
Claim liability, beginning of year	$ 18,869	$ 18,868
Incurred claims:		
Provision for insured events of current year	1,911	4,162
Payments:		
Claims payments attributed to insured events of current year	4,122	4,161
Claim liability, end of year	$ 16,658	$ 18,869

(d) Risk Management Division Office

The State established the Risk Management Division 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 participating State agency entities from $2,500 up to $100,000 per occurrence. The total annual payout by AMAIT for the All-Other Perils coverage 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 with a minimum of $25,000 deductible per occurrence, per location. 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 data security insurance. Cyber data liability insurance including, but not limited to, first-party coverage 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 in accordance with Act 728 of 1987. 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. The bond policy limit is $300,000 per occurrence, in accordance with Ark Code Ann. § 21-2-704(b)(1).

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-party 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, other than Henderson State University, 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):

	2021	2020
Claim liability, beginning of year	$ 19,142	$ 19,929
Incurred Claims:		
Provision for insured events of current year	193,304	194,469
Increase (decrease) in provision for insured events of prior years	(4,229)	(3,043)
Total incurred claims and claim adjustment expense	189,075	191,426
Payments:		
Claims payments attributed to insured events of current year	175,051	175,327
Claims payments attributed to insured events of prior years	14,912	16,886
Total Payments	189,963	192,213
Claim liability, end of year	$ 18,254	$ 19,142

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 insurance 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 the Transformation and Shared Services Employee Benefits Division (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 Finance Board, and are based upon family composition and claims history. The combination of employee contributions and school district matching was determined individually by the school districts with school district match being at least $161.87 in Plan Year 2020. Some school districts provide additional support for their employees through locally generated funding. Act 1745 of 2001 provides the State Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Arkansas Code §6-17-1117 so that the contribution rate increases annually by the same percentage that the legislature increases the salary and benefit component of the per-student foundation funding amount under Arkansas Code Ann. §6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1 of 2017, Arkansas Code §6-17-1117 authorizes the Department of Education to pay an additional matching amount of $55.0 million per fiscal year to the Employee Benefits Division. Act 877 of 2019 has authorized The Department of Education to pay an additional matching amount of $15.0 million per fiscal year for health insurance. ACA 6-20-2503(e)(f) has authorized additional general facilities funding and supplemental millage funding for the exclusive benefit of public school employees participating in the State and Public School Life and Health Insurance Program, of $18.1 million in Plan Year 2020, for a total of $88.1 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.

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):

	2021	2020
Claim liability, beginning of year	$ 23,321	$ 28,000
Incurred claims:		
Provision for insured events of current year	358,111	319,895
Provision for insured events of prior years	2,101	5,136
Total incurred claims	360,212	325,031
Payments:		
Claims payments attributed to insured events of current year	321,864	296,448
Claims payments attributed to insured events of prior years	25,784	33,262
Total payments	347,648	329,710
Claim liability, end of year	$ 35,885	$ 23,321

(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 by 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.

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 closed.

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

	2021	2020
Claim liability, beginning of year	$ 209,429	$ 219,365
Incurred claims:		
Provision for insured events of current year		
Increase (decrease) in provision for insured events of prior years	(9,485)	(6,725)
Increase due to decrease in discount period	10,134	10,622
Total incurred claims and claim adjustment expense	649	3,897
Payments:		
Claims payments attributed to insured events of prior years	13,480	13,833
Claim liability, end of year	$ 196,598	$ 209,429

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 by 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.

There was no claim liability for the Second Injury Trust Fund on June 30, 2020 or on June 30, 2021.

(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 $18.8 million for the payment of such claims. As of June 30, 2021, there were no outstanding claims within the State accrued liabilities that were approved by the General Assembly and waiting payment through an appropriations bill 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 $10,000.

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

	2021	2020
Litigation, beginning of year	$ 1,899	$ 347
Incurred litigation	20,157	5,786
Litigation payments/dismissals	(3,283)	(4,234)
Litigation, end of year	$ 18,773	$ 1,899

(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, 2021, the amount of expenditures that were disallowed and were returned to the grantor after fiscal year end as a result of the financial and compliance audits was $495,000.

The State has participated in the Pandemic Unemployment Assistance, the Enhanced Unemployment Benefit, the Pandemic Emergency Unemployment, the Federal Pandemic Unemployment and the Lost Wages programs. There have been nation-wide reviews of these claims and payments. Potential fraudulent and errant payments associated with these programs are currently being investigated.

(c) Construction and Other Commitments

At June 30, 2021, the State had commitments of approximately $1.5 billion for construction and other contracts and approximately $1.3 billion for professional service contracts. The Arkansas Natural Resources Commission has approved $12.5 million in loans for projects for water systems, waste water and pollution abatement that have not been disbursed at June 30, 2021.

(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, 2021, there was on deposit in ADFA's Guaranty Reserve Account approximately $15.9 million. As of June 30, 2021, ADFA had outstanding guarantees on obligations aggregating approximately $56.1 million in principal amount. Approximately $4.2 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, 2021, there was approximately $11.3 million on deposit in AEDC's Bond Reserve Guaranty Fund. As of June 30, 2021, AEDC had outstanding guarantees on approximately $10.4 million in principal amount of debt in connection with the program described above. Approximately $784,000 in principal amount were in default.

(e) Tobacco Settlement

In November 1998, Arkansas joined 46 states and 5 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, 2021, the University would have incurred a liability of $76.9 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 2021. In fiscal year 2021, the State recorded a total of $59.4 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, 2021, 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, 2021.

(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, 2021, UAMS had an estimated net settlement payable of approximately $90.2 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, 2021, the State had commitments in its business-type activities of approximately $360.8 million for construction and other contracts and approximately $7.0 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, 2021, were $34.0 million.

OAL has a contract with a third vendor to provide a business plan and other consultancy services that will expire on June 30, 2021. The base compensation costs are not to exceed $650,000 per year. Any reduction in days used will result in a reduced cost at $1,000 per day. Incentive compensation costs are incurred as a percentage of operating income, and as such, future obligations cannot be easily determined. In fiscal year 2021, $4.2 million incentive compensation costs were paid or accrued by OAL.

Component Unit Activities

Construction and Other Commitments

Arkansas Development Finance Authority

ADFA has $111.0 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, 2021.

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, 2021, was $10.6 million. There is an additional $200,000 in approved but not yet funded investments that are anticipated to become part of the AIF.

Outstanding commitments to various funds/companies were $700,000 for the year ending June 30, 2021.

At June 30, 2021, the Bond Guaranty Fund guaranteed a letter of credit with a financial institution for up to $3.8 million in the event of non-performance by the borrower.

(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 $268.2 million for the Create Rebate business incentive.

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

	2021	2020
Create Rebate business incentives, beginning of year	$ 250,744	$ 226,211
Incurred Create Rebate business incentives, net of allowance	30,724	42,367
Create Rebate business incentives payments/dismissals	(13,268)	(17,834)
Create Rebate business incentives, end of year	$ 268,200	$ 250,744
Current Create Rebate business incentives	$ 13,613	$ 12,889
Noncurrent Create Rebate business incentives	254,587	237,855

(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 $2.7 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):

	2021	2020
Tax Back business incentives, beginning of year	$ 2,176	$ 3,036
Incurred Tax Back business incentives, net of allowance	2,507	2,327
Tax Back business incentives payments/dismissals	(2,028)	(3,187)
Tax Back business incentives, end of year	$ 2,655	$ 2,176
Current Tax Back business incentives	$ 2,655	$ 2,176
Noncurrent Tax Back business incentives	0	0

(20) Tax Abatements

As of June 30, 2021, 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 through 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 $200,000; 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(a). 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(b) and (c). 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, 2021.

(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, 2021, is as follows (expressed in thousands):

Tax Abatement Program	2021
Income Tax Abatements	
ArkPlus Program	$ 6,462
In-House Research and Development Program	2,883
Advantage Arkansas Program	751
Water Resource Conservation and Development Program	375
Low Income Housing Program	458
Targeted Research Program	1,049
Wetland and Riparian Zone Program	228
Sales and Use Tax Abatements	
InvestArk Program	28,098
Tourism Development Program	576
Major Maintenance and Improvement Program	3,496
Tax Back Program	2,507

(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, 2021, 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, 2021, the OAL had reserve fund deposits with MUSL of $2.1 million MUSL does not maintain prize reserves funds for Luck 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, 2021, was $309,000.

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, 8101 Birchwood Court, Suite R, Johnston, Iowa 50131.

The OAL’s portion of the MUSL’s games for the fiscal year ended June 30, 2021, is summarized in the table below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	$ 26,749	$ 12,988
Mega Millions®	23,809	11,642
Lucky for Life®	3,392	2,097

(22) Disposal of Operations

On May 28, 2019, Arkansas Rehabilitation Services (ARS) announced the closure of the residential program at the Arkansas Career Training Institute (ACTI) in Hot Springs, AR. The last day for residents and the reduction in force (RIF) of patient staff was September 30, 2019. This RIF effected approximately 113 employees and resulted in the payout of $128,000 of severance benefits in FY2020.

The land and buildings related to ACTI, per the deed restrictions, must be returned to the U.S. Army (Army) and this reversion process is under the control of the Army. No date or conditions for the reversion have been set by the Army, but ARS must continue to maintain and protect the property until the Army accepts the reversion. This lack of a reversion date makes it impossible for ARS to estimate and accrue the carrying cost of ACTI. Therefore, ARS will treat the annual carrying cost as a period expense in the fiscal year in which the expenses are incurred. In FY2021, ARS incurred approximately $93,000 of carrying costs.

In FY2021, ARS also elected to write-off the remaining book value of the ACTI land and buildings since ARS has no option but to return the property to the Army. ARS reported a loss of $11.9 million on this disposal in FY2021.

(23) Subsequent Events

Primary Government

Governmental Activities

On March 11, 2021, the Federal government enacted the American Rescue Plan Act (ARPA). ARPA provided funding for several economic assistance programs to address the impact of the COVID-19 outbreak. ARPA established the State and Local Fiscal Recovery Fund (SLFRF) to provide assistance to states and other local and tribal governments with necessary expenditures incurred to address the public health emergency. The assistance must be applied to allowable expenditures incurred in the period beginning March 3, 2021, and ending December 31, 2024. In June 2021, the State of Arkansas received the first of two equal distributions of SLFRF assistance in the amount of $786.6 million, of the $1.6 billion total allocated to the State of Arkansas. Any SLFRF funds not expended by December 31, 2024, must be returned to the U. S. Treasury. Because of the requirement to return unexpended SLFRF funds, the State accrued a liability of $786.6 million for SLFRF funds unexpended as of June 30, 2021. In the period from July 1, 2021, through December 10, 2021, the State of Arkansas expended $431.0 million of SLFRF funding resulting in a remaining liability of $355.6 million.

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. 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. Any CRF funds not expended by December 31, 2021, must be returned to the U. S. Treasury. Because of the requirement to return unexpended CRF funds, the State accrued a liability of $67.6 million for CRF funds unexpended as of June 30, 2021. In the period from July 1, 2021, through December 1, 2021, the State of Arkansas expended an additional $41.9 million of CRF funding resulting in a remaining liability of $25.7 million.

In December 2021, following a special legislative session, the Governor signed identical Acts that cut individual income tax rates beginning in January 2022 and corporate income tax rates beginning in January 2023. These cuts will continue to increase thru 2025; however, certain targets must be achieved for the tax cuts in 2024 and 2025 to take effect. These tax cuts are expected to reduce the State's general revenue by $135.3 million in FY2022, $307.4 million in FY2023, $383.2 million in FY2024, $459.0 million in FY2025, and $497.9 million in FY2026.

Arkansas Department of Energy and Environment

On August 12, 2021, the State of Arkansas closed on the Arkansas Development Finance Authority State Agencies Facilities Revenue Refunding (Division of Environmental Quality Project) Taxable Series 2021 Bonds, par amount of $16.1 million, and the Forward Delivery Commitment of the Arkansas Development Finance Authority State Agencies Facilities Revenue Refunding (Division of Environmental Quality Project) Tax-Exempt Series 2022 Bonds. The bonds were issued to advance refund $16.4 million outstanding State Agencies Facilities Revenue Refunding Bonds (Division of Environmental Quality Project) Series 2012 and to pay costs related to the issuance. Proceeds of $16.6 million included a $0.5 million transferred from the prior issue debt service funds.

Arkansas Department of Transportation

In November 2021, the Department entered a $23.3 million settlement agreement with W.G. Yates & Sons Construction Company (Yates). The Yates claim involved additional construction costs resulting from differing site conditions from the bid.

Business-Type Activities

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

On September 7, 2021, at the request of the Arkansas Division of Higher Education (ADHE), a payment of $38.0 million was made from the Education Trust Account to ADHE.

University of Arkansas System

On August 30, 2021, the University entered into an Asset Purchase Agreement to acquire the assets and assume certain liabilities of Grantham University (Grantham), a for-profit online institution of higher education. The transaction closed on November 1, 2021, with the transfer of $0.9 million to the seller. Grantham was founded in 1951 to focus on veteran educational needs and continues that focus today. In conjunction with this purchase, the University entered into a 24-month, $8.0 million Revolving Line of Credit agreement with Regions Commercial Equipment Finance, LLC on October 29, 2021.

University of Arkansas - Fayetteville

On August 18, 2021, the University executed a loan agreement with Regions Bank in the amount of $10.8 million. The purpose of the loan is to pay for energy conservation and facility improvements across the campus, plus the cost of issuance. The loan bears interest at the rate of 1.23% over a ten-year term. Guaranteed energy savings resulting from the implementation of energy conservation measures is expected to support the debt service. Net proceeds of $10.8 million were received on August 20, 2021.

On December 1, 2021, the University closed on the Board of Trustees of the University of Arkansas Various Facility Revenue Bonds (Fayetteville Campus) Taxable Refunding Series 2021 with a par amount of $175.6 million. Proceeds from this sale will be used to advance refund all or any part of the series 2012A, 2013A, 2014A, and 2015A Various Facility Revenue Bonds (Fayetteville Campus) and to pay the cost of issuance.

National Park College

On July 22, 2021, the College entered a settlement agreement with Unit4 Educational Solutions, Inc. and Unit4 Business Software, Inc. (collectively, Unit4) in the amount of $500,000 in settlement of all claims existing between the entities. The settlement involved software acquired by the College in FY2017. The College received the $500,000 on August 2, 2021.

Component Unit

Arkansas Development Finance Authority (ADFA)

Arkansas Institutional Fund, LLC, a component unit of ADFA, received distributions of $16.1 million after its fiscal year-end of December 31, 2020, through the date of this report.

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REQUIRED SUPPLEMENTARY INFORMATION

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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)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 7,197	$ 7,096	$ 6,919	$ 6,927	$ 7,221	$ 7,230	$ 5,342
Interest	16,823	16,175	15,878	15,379	16,121	15,770	14,883
Differences between expected and actual experience	3,798	2,340	(4,482)	(744)	(3,463)	(5,184)	12,970
Changes of assumptions					2,369		24,290
Benefit payments	(15,310)	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(48)	(6)	(22)		(78)	(1)	(14)
Net changes in total pension liability	12,460	12,164	5,313	8,793	9,860	5,808	46,708
Total pension liability - beginning	296,652	284,488	279,175	270,382	260,522	254,714	208,006
Total pension liability - ending (a)	$ 309,112	$ 296,652	$ 284,488	$ 279,175	$ 270,382	$ 260,522	$ 254,714
Plan Fiduciary Net Position							
Employer contributions	$ 8,210	$ 8,573	$ 8,234	$ 8,421	$ 8,486	$ 5,561	$ 5,690
Employee contributions	1,117	1,138	988	1,016	1,063	1,011	946
Net investment income	72,229	17,434	14,656	19,162	28,044	(1,744)	9,972
Benefit payments	(15,310)	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)	(10,763)
Refunds	(49)	(6)	(22)		(79)	(1)	(14)
Administrative expense	(145)	(142)	(147)	(142)	(169)	(159)	(138)
Other		1	42				
Net change in plan fiduciary net position	66,052	13,557	10,771	15,688	25,035	(7,339)	5,693
Plan fiduciary net position - beginning	280,836	267,279	256,508	240,820	215,785	223,124	217,431
Plan fiduciary net position - ending (b)	$ 346,888	$ 280,836	$ 267,279	$ 256,508	$ 240,820	$ 215,785	$ 223,124
State's net pension liability - ending (a-b)	$ (37,776)	$ 15,816	$ 17,209	$ 22,667	$ 29,562	$ 44,737	$ 31,590
Plan fiduciary net position as a percentage of total pension liability	112.22%	94.67%	93.95%	91.88%	89.07%	82.83%	87.60%
Covered payroll	$ 25,479	$ 24,586	$ 23,603	$ 23,435	$ 22,918	$ 22,308	$ 22,308
Net pension liability as percentage of covered payroll	(148.26%)	64.33%	72.91%	96.72%	128.99%	200.54%	141.61%

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)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 6,536	$ 5,861	$ 6,691	$ 6,577	$ 5,474	$ 5,488	$ 6,102
Interest	33,333	31,967	31,300	30,678	30,323	29,470	29,219
Benefit Changes	9,590	998					
Differences between expected and actual experience	(2,821)	7,544	(1,805)	467	(3,053)	1,757	(3,107)
Changes of assumptions				(4,529)	15,875		8,703
Benefit payments	(27,294)	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Net changes in total pension liability	19,344	18,436	11,256	9,008	23,987	10,680	17,558
Total pension liability - beginning	476,570	458,134	446,878	437,870	413,883	403,203	385,645
Total pension liability - ending (a)	$ 495,914	$ 476,570	$ 458,134	$ 446,878	$ 437,870	$ 413,883	$ 403,203
Plan Fiduciary Net Position							
Employer contributions	$ 22,784	$ 21,873	$ 21,254	$ 21,004	$ 19,961	$ 19,713	$ 19,784
Employee contributions							95
Net investment income	101,415	6,701	17,031	28,823	31,484	(210)	6,132
Benefit payments	(27,294)	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)	(23,359)
Administrative expense	(215)	(195)	(554)	(229)	(208)	(206)	(196)
Net change in plan fiduciary net position	96,690	445	12,801	25,413	26,605	(6,738)	2,456
Plan fiduciary net position - beginning	338,184	337,739	324,938	299,525	272,920	279,658	277,202
Plan fiduciary net position - ending (b)	$ 434,874	$ 338,184	$ 337,739	$ 324,938	$ 299,525	$ 272,920	$ 279,658
State's net pension liability - ending (a-b)	$ 61,040	$ 138,386	$ 120,395	$ 121,940	$ 138,345	$ 140,963	$ 123,545
Plan fiduciary net position as a percentage of total pension liability	87.69%	70.96%	73.72%	72.71%	68.41%	65.94%	69.36%
Covered payroll (1)	$ 33,585	$ 33,311	$ 30,288	$ 29,593	$ 29,077	$ 29,449	$ 29,929
Net pension liability as a percentage of covered payroll	181.75%	415.44%	397.50%	412.06%	475.79%	478.67%	412.79%

(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)

	2021	2020	2019	2018	2017	2016	2015
Total Pension Liability							
Service cost	$ 19,569	$ 19,699	$ 23,601	$ 42,816	$ 18,935	$ 18,413	$ 16,863
Interest	127,936	128,527	113,809	110,544	126,829	115,441	112,962
Benefit changes		(21,399)		(101,042)			
Differences between expected and actual experience	(8,753)	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	(122,790)	(119,412)	(115,747)	(111,905)	(106,756)	(102,246)	(95,455)
Net changes in total pension liability	15,962	(182,317)	(260,312)	(228,529)	850,924	144,340	34,370
Total pension liability - beginning	1,809,042	1,991,359	2,251,671	2,480,200	1,629,276	1,484,936	1,450,566
Total pension liability - ending (a)	$ 1,825,004	$ 1,809,042	$ 1,991,359	$ 2,251,671	$ 2,480,200	$ 1,629,276	$ 1,484,936
Plan Fiduciary Net Position							
Employer contributions	$ 23,209	$ 19,282	$ 19,294	$ 19,175	$ 19,232	$ 19,059	$ 18,615
Employee contributions	10,265	9,250	9,164	9,144	9,379	9,138	8,884
Net investment income	110,542	4,559	205,498	133,168	(60,344)	25,384	234,209
Benefit payments, including refunds of employee contributions	(122,790)	(119,412)	(115,748)	(111,905)	(106,756)	(102,246)	(95,455)
Administrative expense	(129)	(75)	(56)	(130)	(118)	(91)	(43)
Net change in plan fiduciary net position	21,097	(86,396)	118,152	49,452	(138,607)	(48,756)	166,210
Plan fiduciary net position - beginning	1,386,077	1,472,473	1,354,321	1,304,869	1,443,476	1,492,232	1,326,022
Plan fiduciary net position - ending (b)	$ 1,407,174	$ 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)	$ 417,830	$ 422,965	$ 518,886	$ 897,350	$ 1,175,331	$ 185,800	$ (7,296)
Plan fiduciary net position as a percentage of total pension liability	77.11%	76.62%	73.94%	60.15%	52.61%	88.60%	100.49%
Covered payroll (2) (3)	$ 149,977	$ 146,461	$ 148,528	$ 141,155	$ 141,906	$ 140,544	$ 137,262
Net pension liability as a percentage of covered payroll	278.60%	288.79%	349.35%	635.72%	828.24%	132.20%	(5.32)%

(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)

	2021	2020	2019	2018
Actuarially determined contribution	$ 8,210	$ 8,573	$ 8,234	$ 8,421
Contributions in relation to the actuarially determined contribution	8,210	8,573	8,234	8,421
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 25,479	$ 24,586	$ 23,603	$ 23,435
Contributions as a percentage of covered payroll	32.22%	34.87%	34.89%	35.93%

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 13-20 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.

2017	2016	2015	2014	2013	2012
$ 8,485	$ 5,561	$ 5,690	$ 6,117	$ 5,672	$ 5,465
8,485	5,561	5,690	6,117	5,672	5,465
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
$ 22,918	$ 22,308	$ 22,308	$ 19,782	$ 19,586	$ 19,202
37.02%	24.93%	25.51%	30.92%	28.96%	28.46%

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

	2021	2020	2019	2018	
Actuarially determined contribution	$ 16,700	$ 16,900	$ 15,600	$ 15,200	(2)
Contributions in relation to the actuarially determined contribution	22,800	21,900	21,300	21,000	
Contribution deficiency (excess)	$ (6,100)	$ (5,000)	$ (5,700)	$ (5,800)	(2)
Covered payroll (1)	$ 33,600	$ 33,300	$ 30,300	$ 30,000	
Contributions as a percentage of covered payroll	67.86%	65.77%	70.30%	70.00%	

(1) In 2016, $67,241 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	19 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
$ 14,100	$ 14,300	$ 14,200	$ 14,000	$ 13,600	$ 14,100
20,000	19,700	19,800	19,500	19,500	19,700
$ (5,900)	$ (5,400)	$ (5,600)	$ (5,500)	$ (5,900)	$ (5,600)
$ 29,100	$ 29,400	$ 29,900	$ 29,100	$ 28,100	$ 29,500
68.73%	67.01%	66.22%	67.01%	69.40%	66.78%

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

	2021	2020	2019	2018	
Statutorily determined contribution	$ 24,092	$ 23,209	$ 19,282	$ 19,294	
Contributions in relation to the statutorily determined contribution	24,092	23,209	19,282	19,294	
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	
Covered payroll (1) (2)	$ 159,568	$ 149,977	$ 146,461	$ 148,528	(3)
Contributions as a percentage of covered payroll	15.10%	15.47%	13.16%	12.99%	(3)

(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.

2017	2016	2015	2014
$ 19,175	$ 19,232	$ 19,059	$ 18,615
19,175	19,232	19,059	18,615
$ 0	$ 0	$ 0	$ 0
$ 141,155	$ 141,906	$ 140,544	$ 137,262
13.58%	13.55%	13.56%	13.56%

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)

	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	64.97%	65.48%	65.78%	65.68%	66.75%	67.27%	67.64%
State's proportionate share of the net pension liability (asset)	$ 1,860,489	$ 1,579,726	$ 1,451,086	$ 1,697,154	$ 1,596,332	$ 1,238,862	$ 959,763
State's covered payroll	$ 1,162,671	$ 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	160.02%	132.03%	122.99%	154.12%	141.83%	111.38%	86.80%
Plan fiduciary net position as a percentage of the total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

(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)

	2021	2020	2019	2018	2017	2016	2015
State's proportion of the net pension liability (asset)	3.24%	3.44%	3.60%	3.79%	3.96%	4.14%	4.29%
State's proportionate share of the net pension liability (asset)	$ 183,496	$ 143,543	$ 130,937	$ 159,385	$ 174,692	$ 134,997	$ 112,517
State's covered payroll	$ 99,701	$ 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	184.05%	134.44%	119.72%	143.37%	150.92%	113.34%	92.72%
Plan fiduciary net position as a percentage of the total pension liability	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%	84.98%

(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)

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 199,257	$ 193,899	$ 191,079	$ 180,533	$ 170,844	$ 174,479	$ 175,750	$ 177,950
Contributions in relation to the statutorily determined contribution	199,257	193,899	191,079	180,533	170,844	174,479	175,750	177,950
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 1,137,963	$ 1,162,671 (1)	$ 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	17.51%	16.68%	15.97%	15.30%	15.51%	15.50%	15.80%	16.09%

(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)

	2021	2020	2019	2018	2017	2016	2015	2014
Statutorily determined contribution	$ 14,295	$ 14,448	$ 14,876	$ 15,213	$ 15,619	$ 16,337	$ 17,118	$ 17,352
Contributions in relation to the statutorily determined contribution	14,295	14,448	14,876	15,213	15,619	16,337	17,118	17,352
Contribution deficiency (excess)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
Covered payroll	$ 95,532	$ 99,701 (1)	$ 106,771 (1)	$ 109,372	$ 111,173	$ 115,753 (1)	$ 119,107 (1)	$ 121,357
Contributions as a percentage of covered payroll	14.96%	14.49%	13.93%	13.91%	14.05%	14.11%	14.37%	14.30%

(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, 2021
(Expressed in thousands)

	Budgeted Amounts		Actual	Variance with Final Budget – Positive
	Original	Final	Amounts	(Negative)
Expenditures (1)				
Current:				
Commerce	$ 3,002,165	$ 924,610	$ 609,188	$ 315,422
Education	4,271,518	5,031,852	4,088,994	942,858
General Government	6,863,022	3,396,914	2,303,872	1,093,042
Health and human services	10,501,593	11,743,930	10,131,752	1,612,178
Law, justice and public safety	1,057,096	1,083,309	919,494	163,815
Recreation and tourism	296,460	309,601	205,716	103,885
Regulation of business and professionals	33,103	33,977	26,116	7,861
Resource Development	362,579	395,420	190,838	204,582
Transportation	725,878	760,905	499,253	261,652
Capital outlay	2,207,489	2,001,143	1,196,057	805,086
Debt service	143,784	309,849	275,996	33,853
Total expenditures	$ 29,464,687	$ 25,991,510	$ 20,447,276	$ 5,544,234

(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, 2021

(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 and can be obtained by contacting:

The Department of Finance and Administration
Office of Accounting
1509 West Seventh Street
Little Rock, AR 72201

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	$ 20,557,148
Less non-cash expenditures	(987,137)
Less non-appropriated expenditures	(8,706,189)
Plus expenditures eliminated or reclassed as transfers for reporting purposes	8,788,728
Plus refunds treated as reduction of revenue for financial statements purposes	803,045
Plus capital leases recorded in appropriated funds	(815)
Less basis of accounting differences	(7,504)
Total statutory basis expenditures General Fund	$ 20,447,276

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

	2021	2020		2019	2018
Premium and investment revenues:					
Premium income	$ 353,861,571	$ 325,116,026		$ 314,954,651	$ 309,752,545
Investment interest income	236,842	2,169,178		3,380,809	2,525,713
Totals	$ 354,098,413	$ 327,285,204		$ 318,335,460	$ 312,278,258
Unallocated expenses:					
Operating costs	$ 3,064,078	$ 6,747,838		$ 6,683,244	$ 8,668,569
Estimated incurred claims and expenses, end of fiscal year	$ 360,212,000	$ 325,031,000		$ 281,668,000	$ 271,486,000
Paid (cumulative) claims and claims adjustment expenses:					
End of fiscal year	347,648,000	329,710,000	(3)	282,668,000	269,586,000
One year later		322,132,000		290,217,000	271,399,761
Two years later				300,166,000	271,401,376
Re-estimated incurred claims and expenses (2):					
End of fiscal year	360,212,000	325,031,000		281,668,000	271,486,000
One year later		325,031,000		281,668,000	271,486,000
Two years later				281,668,000	271,486,000
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	64,047	64,394		62,416	60,929

(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

2017	2016	2015	2014	2013	2012
$ 305,452,670	$ 301,501,278	$ 301,894,264	$ 274,117,377	$ 276,235,566	$ 273,702,538
1,167,240	292,270	181,804	95,121	94,975	180,027
$ 306,619,910	$ 301,793,548	$ 302,076,068	$ 274,212,498	$ 276,330,541	$ 273,882,565
$ 9,037,550	$ 10,579,867	$ 11,658,122	$ 8,533,361	$ 6,977,013	$ 6,374,870
$ 241,903,000	$ 253,985,000	$ 234,202,000	$ 256,961,000	$ 282,627,000	$ 259,244,000
245,903,000	252,285,000	234,202,000	256,961,000	280,127,000	259,784,000
241,802,196	253,882,147	234,066,260	256,700,395	279,891,538	259,449,420
241,874,673	253,952,179	234,171,258	256,930,541	280,097,026	259,757,662
241,903,000	253,985,000	234,202,000	256,961,000	282,627,000	259,244,000
241,903,000	253,985,000	234,202,000	256,961,000	282,627,000	259,244,000
241,903,000	253,985,000	234,202,000	256,961,000	282,627,000	259,244,000
0	0	0	0	0	0
0	0	0	0	0	0
59,388	58,181	57,879	58,253	57,087	54,866

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

	2021	2020	2019	2018
Premium and investment revenues:				
Premium income	$ 8,078,777	$ 8,094,866	$ 8,655,652	$ 9,753,376
Investment interest income	541,557	1,593,050	3,710,195	1,333,563
Totals	$ 8,620,334	$ 9,687,916	$ 12,365,847	$ 11,086,939
Unallocated expenses:				
Operating costs (2)	$ 533,765	$ 575,733	$ 595,682	$ 270,595
Estimated incurred claims and expenses, end of fiscal year	$ 0	$ 0	$ 6,937,646	$ 7,334,183
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	4,183,068	2,940,203
One year later		0	4,075,961	6,254,793
Two years later			3,017,823	6,939,375
Three years later				6,205,123
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	(3,919,823)	(1,129,060)
Number of fund participants receiving benefits at end of year	1,145	1,188	1,235	1,265

(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.

2017	2016	2015	2014	2013	2012
$ 10,074,701	$ 9,519,983	$ 8,642,283	$ 5,588,765	$ 8,867,656	$ 10,462,123
1,395,741	718,453	515,618	573,589	731,425	970,017
$ 11,470,442	$ 10,238,436	$ 9,157,901	$ 6,162,354	$ 9,599,081	$ 11,432,140
$ 277,340	$ 220,142	$ 227,326	$ 247,135	$ 248,942	$ 274,375
$ 7,334,041	$ 6,864,888	$ 6,706,673	$ 7,593,766	$ 7,037,748	$ 7,645,295
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	0
0	0	0	0	0	50,000
0	0	0	0	0	50,000
	0	0	0	0	50,000
		46,870	14,706	909	108,153
			23,199	48,260	335,378
				175,789	627,619
					971,970
1,242,119	2,754,013	2,600,334	1,416,083	1,268,529	3,312,740
2,260,839	4,978,108	4,457,931	3,051,235	3,500,691	4,740,760
1,272,953	5,441,589	4,575,545	4,304,721	4,863,077	5,986,391
1,468,021	5,459,593	4,561,986	5,263,245	4,913,891	5,202,993
2,803,102	5,206,901	4,713,597	4,684,459	4,138,525	6,372,372
	4,593,743	4,539,697	3,139,690	3,770,078	5,485,430
		4,305,358	3,387,149	5,104,367	6,892,816
			2,874,971	4,826,707	8,007,415
				6,263,149	8,165,079
					7,540,970
(4,530,939)	(2,271,145)	(2,401,315)	(4,718,795)	(774,599)	(104,325)
1,333	1,369	1,403	1,442	1,474	1,481

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

	2021	2020	2019	2018
Premium and investment revenues:				
Premium taxes	$ 0	$ 0	$ 0	$ 0
Interest income	2,606	21,525	34,708	22,971
Totals	$ 2,606	$ 21,525	$ 34,708	$ 22,971
Unallocated expenses:				
Operating costs (2)	$ 1,200	$ 1,200	$ 1,635	$ 251,556
Estimated incurred claims and expenses, end of fiscal year, adjusted for decrease in discount	$ 0	$ 0	$ 0	$ 0
Paid (cumulative) claims and claims adjustment expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Re-estimated incurred claims and expenses:				
End of fund year	0	0	0	0
One year later		0	0	0
Two years later			0	0
Three years later				0
Four years later				
Five years later				
Six years later				
Seven years later				
Eight years later				
Nine years later				
Increase (decrease) in estimated incurred claims and expense from end of policy year	0	0	0	0
Number of fund participants receiving benefits at end of year	0	0	0	0

(1) GASB Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, as amended, requires certain disclosures for public entity risk pools. Note 17 of the financial statements describes the Workers' Compensation 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.

2017	2016	2015	2014	2013	2012
$ 0	$ 0	$ 0	$ 0	$ 0	$ 0
13,028	6,783	3,600	3,311	4,315	5,512
$ 13,028	$ 6,783	$ 3,600	$ 3,311	$ 4,315	$ 5,512
$ 256,492	$ 333,837	$ 343,313	$ 361,793	$ 396,593	$ 483,246
$ 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	1	0	0	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	2021	$ 10,155	$ 6,440	$	$ (10,179)
	2020	9,701	6,234		
	2019	6,409	5,062		35,377
	2018	6,114	4,959		
Arkansas Employee Benefits Plan	2021	123,540	55,967		7,308
	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	2021	206	93		12
	2020	114	112		(108)
	2019	104	122		20
	2018	132	137		(55)
Higher Education					
Arkansas Northeast College	2021	39	18		
	2020	31	16		77
	2019	29	16		
	2018	29	17		
Arkansas State University (3)	2021	1,132	458	15	(1,756)
	2020	1,427	840	999	(10,257)
	2019	1,522	743		3,152
	2018	1,433	671		
Arkansas Tech University	2021	566	312		(757)
	2020	557	332	(217)	(144)
	2019	691	333	(446)	(177)
	2018	655	331		(274)
Black River Technical College	2021	116	50		
	2020	102	50		(8)
	2019	100	50		
	2018	98	50		
East Arkansas Community College	2021	52	20		
	2020	42	17		91
	2019	41	17		
	2018	40	16		
Henderson State University (3)	2021	268	102	22	933
	2020	205	147		76
	2019	409	143	(322)	(612)
	2018	425	147		(569)
North Arkansas College	2021	45	28		130
	2020	44	27		
	2019	22	18		219
	2018	21	18		
National Park College	2021	27	14		106
	2020	34	13		
	2019	43	20		(4)
	2018	42	20		
Northwest Arkansas Community College	2021	59	35		(247)
	2020	58	34		
	2019	53	33		(152)
	2018	52	32		
Ozarka College	2021	40	22		(59)
	2020	39	21		
	2019	36	21		(30)
	2018	35	20		
South Arkansas Community College	2021	72	20		(4)
	2020	70	19		
	2019	54	18		(21)
	2018	52	17		
Southern Arkansas University - Technical Branch	2021	113	39		
	2020	111	42		(211)
	2019	108	42		
	2018	105	40		
Southern Arkansas University	2021	296	63		(82)
	2020	240	86		(202)
	2019	156	56		545
	2018	160	60		(360)
University of Arkansas System Self-Funded Plan	2021	4,510	2,736	(10,108)	(2,196)
	2020	4,026	2,831		(3,244)
	2019	3,953	2,569	832	(3,266)
	2018	4,589	2,321		
University of Central Arkansas	2021	326	81		(108)
	2020	255	106		(3)
	2019	204	86		407
	2018	198	85		(191)
	2017 to 2012 (1)				

(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.
(3) Henderson State University merged with Arkansas State University in FY2021. Plans are stated separately for FY2021.

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
$ 3,857	$ (3,889)	$ 6,384	$ 238,959	$ 245,343		$ 38,931	630.20%
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%
(106,370)	(55,500)	24,945	2,566,674	2,591,619	99.83%	1,445,551	179.28%
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%
		-					
(73)	(92)	146	4,163	4,309	0.17%	2,959	145.62%
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%
		-		-			
20	(41)	36	699	735		7,841	9.37%
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%
(5,387)	(232)	(5,770)	17,739	11,969		125,853	9.51%
(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%
937	(700)	358	8,692	9,050		44,466	20.35%
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%
58	(82)	142	1,872	2,014		6,862	29.35%
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%
24	(40)	56	753	809		5,966	13.56%
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%
32	(193)	1,164	4,427	5,591		13,483	41.47%
(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%
75		278	1,040	1,318		7,384	17.85%
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%
26	(4)	169	506	675		10,815	6.24%
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%
71		(82)	1,305	1,223		20,622	5.93%
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%
49		52	812	864		4,477	19.30%
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%
36	(9)	115	734	849		7,469	11.37%
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%
45	(57)	140	1,427	1,567		6,203	25.26%
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%
33	(2)	308	2,945	3,253		23,674	13.74%
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%
9,159	(2,245)	1,856	74,747	76,603		1,351,363	5.67%
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%
42	(65)	276	3,834	4,110		77,340	5.31%
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%

COMBINING FINANCIAL STATEMENTS

ARKANSAS STATE GOVERNMENT

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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; and to hold equity investments made by the Risk Capital Matching Fund.

Combining Statement of Fund Net Position
Non-major Enterprise Funds
June 30, 2021
(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	$ 104,884	$ 105,527	$ 100,554	$ 310,965
Investments	2,051	33,040		35,091
Receivables:				
Accounts	64	2,299	61	2,424
Interest	87	8	97	192
Prepaid Expenses		4		4
Advances to other funds			1,315	1,315
Due from other governments	38		300	338
Total current assets	107,124	140,878	102,327	350,329
Noncurrent assets:				
Advances to other funds	334		6,705	7,039
Loans receivable, restricted	325,754		204,260	530,014
Capital assets:				
Depreciable, net		967		967
Total noncurrent assets	326,088	967	210,965	538,020
Total assets	$ 433,212	$ 141,845	$ 313,292	$ 888,349
Liabilities				
Current liabilities:				
Accounts payable	$ 240	$ 8,323	$ 159	$ 8,722
Due to other funds			238	238
Unearned Revenue		1,017		1,017
Claims, judgments and compensated absences		35,890		35,890
Total current liabilities	240	45,230	397	45,867
Net Position:				
Net investment in capital assets		967		967
Restricted for:				
Program requirements	432,972		312,895	745,867
Unrestricted		95,648		95,648
Total net position	432,972	96,615	312,895	842,482
Total liabilities and net position	$ 433,212	$ 141,845	$ 313,292	$ 888,349

Combining Statement of Revenues, Expenses and Changes in Fund Net Position
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(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	$	$ 368,297	$	$ 368,297
Licenses, permits and fees	3,062		1,691	4,753
Total operating revenues	3,062	368,297	1,691	373,050
Operating expenses:				
Supplies and services		1,086		1,086
General and administrative expenses	1,012		844	1,856
Benefits and aid payments		397,279		397,279
Federal financial assistance	695		4,494	5,189
Depreciation and amortization		324		324
Total operating expenses	1,707	398,689	5,338	405,734
Operating income (loss)	1,355	(30,392)	(3,647)	(32,684)
Nonoperating revenues (expenses):				
Investment earnings	5,229	208	2,741	8,178
Grants and contributions	7,109	201	11,177	18,487
Interest and amortization expense	314		237	551
Net increase in fair value of investments			1	1
Loss on sale of fixed assets		(1,142)		(1,142)
Total nonoperating revenues (expenses)	12,652	(733)	14,156	26,075
Income (loss) before transfers and contributions	14,007	(31,125)	10,509	(6,609)
Transfers in	1,986	1,073	3,282	6,341
Transfers out		(3,279)	(3,137)	(6,416)
Change in net position	15,993	(33,331)	10,654	(6,684)
Total net position - beginning	416,979	129,946	302,241	849,166
Total net position - ending	$ 432,972	$ 96,615	$ 312,895	$ 842,482

Combining Statement of Cash Flows
Non-major Enterprise Funds
For the Fiscal Year Ended June 30, 2021
(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	$	$ 373,746	$	$ 373,746
Payments of benefits		(384,709)		(384,709)
Payments to suppliers		(5,911)		(5,911)
Loan administration received			914	914
Federal grant funds expended			(1)	(1)
Other operating receipts	2,204			2,204
Net cash provided by (used in) operating activities	2,204	(16,874)	913	(13,757)
Cash flows from noncapital financing activities:				
Direct lending payments	(17,475)		(13,150)	(30,625)
Direct lending interest	(796)		(599)	(1,395)
Grants and contributions	7,008		11,127	18,135
Transfers in	1,986	1,072	122	3,180
Transfers out		(3,279)		(3,279)
Net cash provided by (used in) noncapital financing activities	(9,277)	(2,207)	(2,500)	(13,984)
Cash flows from investing activities:				
Purchase of investments	(2,051)			(2,051)
Proceeds from sale and maturities of investments	2,482	1,233	1	3,716
Interest and dividends on investments	151	225	275	651
Loan disbursements	(45,414)		(50,062)	(95,476)
Principal repayments on loans	13,604		15,539	29,143
Interest received on loans	5,322		2,535	7,857
Federal grant funds expended	(695)	200	(4,493)	(4,988)
Net cash provided by investing activities	(26,601)	1,658	(36,205)	(61,148)
Net increase (decrease) in cash and cash equivalents	(33,674)	(17,423)	(37,792)	(88,889)
Cash and cash equivalents - beginning	138,558	122,950	138,346	399,854
Cash and cash equivalents - ending	$ 104,884	$ 105,527	$ 100,554	$ 310,965
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:				
Operating income (loss)	$ 1,355	$ (30,392)	$ (3,647)	$ (32,684)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:				
Depreciation and amortization		324		324
Interest on investments			(1)	(1)
Federal grants expended	695		4,556	5,251
In-Kind federal grant	63			63
Net changes in assets, liabilities and deferred outflows/inflows:				
Accounts receivable	105	5,449	5	5,559
Accounts payable and other accrued liabilities	(14)	7,745		7,731
Net cash provided by (used in) operating activities	$ 2,204	$ (16,874)	$ 913	$ (13,757)

PENSION TRUST FUNDS

Pension trust funds are used to account for assets held by the State in a fiduciary capacity or as an agent for individuals. The pension trust funds are accounted for in essentially the same manner as proprietary funds and consist of the following:

Public Employee Retirement System (which also administers the State Police Retirement System and the Judicial Retirement System)

Teacher Retirement System

State Highway Employees Retirement System

Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2021
(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	$ 264,756	$ 17,441	$ 3,322	$ 333,683	$ 244,394	$ 863,596
Receivables:						
Employee	2,072			12,246	377	14,695
Employer	14,263	287		32,058	857	47,465
Investment principal	45,540	1,744	1,570	34,439	121	83,414
Interest and dividends	19,178	734	1,048	15,673	1,296	37,929
Other	37	8		1,228	35	1,308
Due from other funds				3,780		3,780
Total receivables	81,090	2,773	2,618	99,424	2,686	188,591
Investments at fair value:						
U.S. government securities	273,408	10,470	35,178	44,493	214,131	577,680
Bonds, notes, mortgages and preferred stock	124,310	4,761	3,131	1,089,090	94,557	1,315,849
Common stock	4,104,695	157,192	123,193	3,131,815	580,731	8,097,626
Real estate	1,060,456	40,611	26,035	250,723		1,377,825
International investments	2,469,679	94,578	19,796	1,374,191	11,773	3,970,017
Mutual funds				1,839,712	302,836	2,142,548
Pooled investment funds	1,962,320	75,149	61,815	4,288,891	177,634	6,565,809
Corporate obligations	667,935	25,579	55,803	579,291	87,371	1,415,979
Asset and mortgage-backed securities	241,255	9,239	19,185	41,055		310,734
State recycling tax credit				160,000		160,000
Other	568	22	178	8,293,268		8,294,036
Total investments	10,904,626	417,601	344,314	21,092,529	1,469,033	34,228,103
Other assets						
Securities lending collateral	779,463	29,850		479,982	62,948	1,352,243
Capital assets	12,228			107		12,335
Other assets	415			95		510
Total other assets	792,106	29,850		480,184	62,948	1,365,088
Total assets	12,042,578	467,665	350,254	22,005,820	1,779,061	36,645,378
Deferred Outflows of Resources						
Deferred outflows related to OPEB	954			1,034		1,988
Total assets and deferred outflows of resources	$ 12,043,532	$ 467,665	$ 350,254	$ 22,006,854	$ 1,779,061	$ 36,647,366
Liabilities						
Accounts payable and other liabilities	$ 11,090	$ 600	$ 358	$ 16,921	$ 1,108	$ 30,077
Investment principal payable	59,719	2,287	3,007	34,336		99,349
Obligations under securities lending	780,903	29,905		479,988	62,859	1,353,655
Postemployment benefits liability	6,233			6,694		12,927
Due to other funds	15			2		17
Total liabilities	857,960	32,792	3,365	537,941	63,967	1,496,025
Deferred Inflows of Resources						
Deferred inflows related to other post employment benefits	534			708		1,242
Total liabilities and deferred inflows of resources	$ 858,494	$ 32,792	$ 3,365	$ 538,649	$ 63,967	$ 1,497,267
Net Position						
Net position restricted for pensions	$ 11,185,038	$ 434,873	$ 346,889	$ 21,468,205	$ 1,715,094	$ 35,150,099

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2021
(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	$ 75,045	$ 41	$ 1,117	$ 168,130	$ 11,428	$ 255,761
Employers	305,975	7,706	2,880	472,567	24,092	813,220
Supplemental contributions	596	7,139	5,158			12,893
Title fees		5,251				5,251
Court fees		285	172			457
Reinstatement fees		2,362				2,362
Total contributions	381,616	22,784	9,327	640,697	35,520	1,089,944
Investment income:						
Net increase (decrease) in fair value of investments	2,581,595	98,208	67,347	5,167,698	388,262	8,303,110
Interest, dividends and other	123,632	4,711	6,035	121,689	18,309	274,376
Other investment income	917	34		6,321		7,272
Securities lending income, net of expenses	2,611	99		2,678	320	5,708
Total investment income	2,708,755	103,052	73,382	5,298,386	406,891	8,590,466
Less investment expense	42,932	1,637	1,153	47,520	8,661	101,903
Net investment income	2,665,823	101,415	72,229	5,250,866	398,230	8,488,563
Miscellaneous	4,655			89		4,744
Total additions	3,052,094	124,199	81,556	5,891,652	433,750	9,583,251
Deductions:						
Benefits paid to participants or beneficiaries	608,207	27,294	15,310	1,308,164	123,684	2,082,659
Refunds of employee/employer contributions	15,799		49	9,463	2,052	27,363
Administrative expenses	11,743	216	145	7,896	94	20,094
Total deductions	635,749	27,510	15,504	1,325,523	125,830	2,130,116
Change in net position held in trust for employees' pension benefits	2,416,345	96,689	66,052	4,566,129	307,920	7,453,135
Net position - beginning	8,768,693	338,184	280,837	16,902,076	1,407,174	27,696,964
Net position - ending	$ 11,185,038	$ 434,873	$ 346,889	$ 21,468,205	$ 1,715,094	$ 35,150,099

ARKANSAS STATE GOVERNMENT

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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**

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

	2021	2020 (2)	2019	2018
Primary government				
Governmental activities				
Net investment in capital assets	$ 12,881,572	$ 12,244,621	$ 11,879,274	$ 11,602,289
Restricted	3,972,239	3,284,221	2,899,173	2,426,386
Unrestricted	(2,732,113)	(3,041,816)	(3,178,832)	(3,115,348)
Total governmental activities net position	14,121,698	12,487,026	11,599,615	10,913,327
Business-type activities				
Net investment in capital assets	2,061,401	2,082,158	2,062,077	2,015,796
Restricted	1,264,813	1,195,709	1,135,777	1,193,250
Unrestricted	2,215,955	1,930,875	1,868,254	1,568,292
Total business-type activities net position	5,542,169	5,208,742	5,066,108	4,777,338
Total primary government				
Net investment in capital assets	14,942,973	14,326,779	13,941,351	13,618,085
Restricted	5,237,052	4,479,930	4,034,950	3,619,636
Unrestricted	(516,158)	(1,110,941)	(1,310,578)	(1,547,056)
Total primary government activities net position	$ 19,663,867	$ 17,695,768	$ 16,665,723	$ 15,690,665

(1) Fiscal year 2017 balances restated in fiscal year 2018.
(2) Fiscal year 2020 balances restated in fiscal year 2021.

2017 (1)	2016	2015	2014	2013	2012
$ 11,116,044	$ 10,573,154	$ 10,418,250	$ 9,441,544	$ 9,714,929	$ 9,632,774
2,318,037	2,142,787	1,627,433	2,098,642	1,319,560	1,256,134
(3,044,139)	(1,548,988)	(1,406,667)	(1,402,681)	449,360	589,166
10,389,942	11,166,953	10,639,016	10,137,505	11,483,849	11,478,074
1,992,873	1,997,666	1,995,542	1,966,036	1,929,075	1,889,473
1,132,263	1,046,934	1,049,397	1,008,203	928,743	892,101
1,398,280	1,233,085	1,019,309	829,571	747,820	556,124
4,523,416	4,277,685	4,064,248	3,803,810	3,605,638	3,337,698
13,108,917	12,570,820	12,413,792	11,407,580	11,644,004	11,522,247
3,450,300	3,189,721	2,676,830	3,106,845	2,248,303	2,148,235
(1,645,859)	(315,903)	(387,358)	(573,110)	1,197,180	1,145,290
$ 14,913,358	$ 15,444,638	$ 14,703,264	$ 13,941,315	$ 15,089,487	$ 14,815,772

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

	2021	2020 (2) (3)	2019	2018
Governmental expenses				
General government	$ 1,901,668	$ 1,682,289	$ 1,662,161	$ 1,695,822
Education	4,181,586	3,736,183	3,765,007	3,755,721
Health and human services	10,760,985	9,561,794	9,284,039	8,872,832
Transportation	1,287,824	1,169,812	1,013,447	1,070,420
Law, justice and public safety	973,492	925,432	899,186	847,513
Recreation and tourism	204,219	204,395	280,067	289,991
Regulation of business and professionals	24,395	25,195	126,535	122,444
Resource development	177,001	141,779		
Commerce	572,567	457,881		
Interest expense	43,104	49,039	52,584	56,192
Total expenses	20,126,841	17,953,799	17,083,026	16,710,935
Program revenues				
Charges for services				
General government	397,282	367,952	446,659	433,410
Education	3,866	3,772	5,157	5,011
Health and human services	408,577	378,902	384,045	408,368
Transportation	131,987	123,422	126,967	123,462
Law, justice and public safety	161,356	133,388	89,698	95,302
Recreation and tourism	65,618	57,642	95,372	98,008
Regulation of business and professionals	19,031	20,757	131,594	100,122
Resource development	79,862	81,161		
Commerce	85,759	80,131		
Operating grants	10,192,325	8,735,224	7,719,932	7,477,492
Capital grants and contributions	809,547	549,292	566,097	780,600
Total program revenues	12,355,210	10,531,643	9,565,521	9,521,775
Net (expense)	(7,771,631)	(7,422,156)	(7,517,505)	(7,189,160)
General revenues, special items and transfers				
Taxes				
Personal and corporate income	3,926,344	3,652,717	3,526,596	3,237,048
Consumer sales and use	3,887,187	3,422,311	3,284,531	3,216,406
Gas and motor carrier	488,974	477,659	476,675	475,227
Other	1,397,747	1,199,047	1,058,412	1,043,766
Investment earnings	(25,725)	110,418	187,790	61,087
Miscellaneous income	572,546	456,927	439,952	457,515
Special items:				
Disposal of operations	(11,913)			
Issuance of tax credits				
Transfers - internal activities	(829,755)	(1,009,512)	(770,163)	(778,504)
Restatement		898		
Total general revenues, special items and transfers	9,405,405	8,310,465	8,203,793	7,712,545
Total governmental activities change in net position	$ 1,633,774	$ 888,309	$ 686,288	$ 523,385

(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.
(3) Fiscal year 2020 balances restated in fiscal year 2021.

2017 (1)	2016	2015	2014	2013	2012
$ 1,607,462	$ 1,553,087	$ 1,581,265	$ 1,676,440	$ 1,538,578	$ 1,559,775
3,751,603	3,718,585	3,677,244	3,595,660	3,587,503	3,648,068
8,949,631	8,461,524	8,119,737	7,195,051	6,769,015	6,709,730
1,290,944	954,670	909,171	867,095	823,616	766,297
820,043	829,280	789,477	797,423	747,845	794,165
277,979	275,987	283,446	284,506	258,084	265,156
126,905	134,567	132,211	148,008	124,065	118,934
60,318	61,920	61,106	52,805	41,036	39,852
16,884,885	15,989,620	15,553,657	14,616,988	13,889,742	13,901,977
433,652	415,138	431,891	392,937	349,146	348,130
5,632	5,092	2,111	3,413	5,537	6,372
414,670	413,515	471,443	453,436	427,284	427,079
122,438	120,004	121,225	114,417	110,722	113,081
67,948	95,585	88,904	73,989	83,600	79,734
101,985	97,925	119,160	85,792	83,163	81,637
116,413	116,206	106,167	100,084	86,797	97,271
7,691,132	7,333,883	7,043,670	6,010,077	5,642,584	5,756,464
781,522	572,654	520,477	590,791	609,062	644,621
9,735,392	9,170,002	8,905,048	7,824,936	7,397,895	7,554,389
(7,149,493)	(6,819,618)	(6,648,609)	(6,792,052)	(6,491,847)	(6,347,588)
3,163,104	3,222,351	3,209,528	3,000,440	3,013,345	2,794,097
3,114,497	3,028,285	2,932,562	2,877,342	2,570,848	2,543,873
468,822	463,126	443,413	431,725	437,310	442,658
1,023,700	989,901	1,006,692	995,644	955,369	945,773
60,201	84,100	40,471	70,578	(1,911)	40,374
346,077	335,198	380,547	304,621	313,003	367,531
33,611					
(187,598)					
(766,675)	(775,406)	(768,742)	(921,211)	(784,945)	(805,617)
(883,257)		(94,351)	(1,313,431)	(5,397)	
6,372,482	7,347,555	7,150,120	5,445,708	6,497,622	6,328,689
$ (777,011)	$ 527,937	$ 501,511	$ (1,346,344)	$ 5,775	$ (18,899)

Continued on the next page

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

Continued from the previous page

	2021	2020	2019	2018
Business-type expenses				
Higher education	$ 4,394,289	$ 4,274,112	$ 4,185,164	$ 4,125,923
Workers' Compensation Commission	9,315	12,892	19,629	18,410
Division of Workforce Services	1,671,273	1,757,900	100,296	130,895
Office of the Arkansas Lottery	529,723	444,164	421,017	409,282
War Memorial Stadium Commission (2)				
Public School Employee Health and Life Benefit Plan	399,831	354,163	315,396	297,257
Revolving loans	6,494	11,254	7,956	6,610
Total expenses	7,010,925	6,854,485	5,049,458	4,988,377
Program revenues				
Charges for services				
Higher education	2,292,585	2,216,971	2,329,275	2,247,823
Workers' Compensation Commission	16,906	16,637	18,159	19,409
Division of Workforce Services	118,577	124,681	185,418	198,337
Office of the Arkansas Lottery	632,579	531,932	516,222	500,484
War Memorial Stadium Commission (2)				
Public School Employee Health and Life Benefit Plan	368,297	332,455	318,482	310,412
Revolving loans	4,753	4,484	4,209	2,611
Operating grants	2,638,386	2,313,876	811,887	796,739
Capital grants and contributions	29,609	85,962	72,299	112,104
Total program revenues	6,101,692	5,626,998	4,255,951	4,187,919
Net (expense)	(909,233)	(1,227,487)	(793,507)	(800,458)
Business-type revenues, special items and transfers				
Taxes				
Other	40,633	38,023	36,829	34,966
Investment earnings	106,384	74,149	85,734	66,185
Miscellaneous income	265,888	248,437	193,550	174,725
Special items:				
Assisted Living Incentive Fund (3)			(3,999)	
Disposal of operations				
Transfers - internal activities	829,755	1,009,512	770,163	778,504
Restatement				
Total business-type revenues, special items and transfers	1,242,660	1,370,121	1,082,277	1,054,380
Total business-type activities change in net position	333,427	142,634	288,770	253,922
Total primary government change in net position	$ 1,967,201	$ 1,030,045	$ 975,058	$ 777,307

(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.

2017 (1)	2016	2015	2014	2013	2012
$ 3,971,283	$ 3,806,452	$ 3,676,886	$ 3,607,528	$ 3,499,550	$ 3,472,444
12,115	19,905	17,922	19,806	18,368	45,243
147,061	216,398	256,048	360,753	521,449	618,522
366,200	368,085	337,072	331,471	352,063	379,139
2,630	3,419	2,828	3,103	3,242	3,425
270,234	284,984	266,650	287,165	306,798	286,331
4,281	4,848	9,934	9,745	10,267	5,168
4,773,804	4,704,091	4,567,340	4,619,571	4,711,737	4,810,272
2,234,590	2,039,020	1,825,742	1,655,419	1,572,301	1,524,943
19,905	17,864	16,240	20,209	17,372	
242,692	301,567	327,907	421,348	454,253	
449,911	456,317	409,214	410,627	440,105	473,624
1,639	2,279	2,056	1,785	2,337	2,394
306,087	302,445	303,474	275,969	277,390	275,639
2,589	4,024	4,269	4,241	4,273	4,155
784,516	826,300	856,669	975,632	1,129,853	1,218,671
46,482	31,627	71,050	31,609	31,602	66,419
4,088,411	3,981,443	3,816,621	3,796,839	3,929,486	3,565,845
(685,393)	(722,648)	(750,719)	(822,732)	(782,251)	(1,244,427)
32,397	31,935	31,148	30,650	30,402	491,994
68,636	21,217	30,869	62,242	37,655	28,051
96,293	107,527	180,398	180,502	210,293	172,865
(664)					
766,675	775,406	768,742	921,211	784,945	805,617
(32,213)			(173,701)	(13,104)	
931,124	936,085	1,011,157	1,020,904	1,050,191	1,498,527
245,731	213,437	260,438	198,172	267,940	254,100
$ (531,280)	$ 741,374	$ 761,949	$ (1,148,172)	$ 273,715	$ 235,201

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

	2021	2020 Restated	2019	2018
General fund				
Nonspendable	$ 176,527	$ 117,748	$ 111,863	$ 108,481
Restricted	1,684,008	2,211,805	1,984,048	1,594,604
Committed	3,795,155	2,253,863	2,025,202	1,981,386
Assigned	85,872	118,213	71,693	72,964
Unassigned	826,996	789,132	572,265	414,529
Total general fund	$ 6,568,558	$ 5,490,761	$ 4,765,071	$ 4,171,964

	2017	2016	2015	2014	2013	2012
	$ 106,448	$ 100,632	$ 124,784	$ 322,476	$ 320,289	$ 288,814
	1,488,099	1,507,742	1,409,242	1,189,822	555,555	494,217
	1,837,219	1,489,615	1,449,480	1,223,617	1,286,331	1,505,457
	152,890	337,504	267,283	387,191	205,204	252,590
	547,275	788,136	811,336	581,395	952,630	714,519
	$ 4,131,931	$ 4,223,629	$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597

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

	2021 (3)	2020	2019	2018
Revenues:				
Taxes:				
Personal and corporate income	$ 3,921,586	$ 3,654,603	$ 3,532,123	$ 3,232,455
Consumer sales and use	3,860,050	3,410,118	3,280,703	3,218,765
Gas and motor carrier	488,737	477,660	476,683	475,225
Other	1,410,108	1,204,519	1,057,303	1,044,078
Intergovernmental	10,836,160	9,235,843	8,242,021	8,231,911
Licenses, permits and fees	1,369,747	1,273,012	1,304,469	1,293,003
Investment earnings (loss)	(25,725)	110,418	187,790	61,087
Miscellaneous	531,176	395,298	446,587	410,043
Total revenues	22,391,839	19,761,471	18,527,679	17,966,567
Expenditures: (2)				
Current:				
General government	1,642,741	1,457,416	1,539,201	1,536,902
Education	4,177,850	3,732,911	3,762,150	3,752,555
Health and human services	10,740,086	9,530,819	9,239,216	8,834,154
Transportation	731,333	517,988	457,534	493,272
Law, justice and public safety	935,489	873,435	852,412	814,586
Recreation and tourism development	181,550	182,273	259,939	265,003
Regulation of business and professionals	24,008	24,869	124,385	119,428
Resource development	165,593	141,455		
Commerce	554,912	441,429		
Debt service:				
Principal retirement	240,662	176,064	116,756	155,947
Interest expense	56,288	60,753	63,846	67,455
Bond issuance costs		93		
Capital outlay	1,106,636	944,402	823,005	1,136,524
Total expenditures	20,557,148	18,083,907	17,238,444	17,175,826
Excess of revenues over expenditures	1,834,691	1,677,564	1,289,235	790,741
Other financing sources (uses):				
Issuance of debt	26,187	30,755	43,041	13,428
Issuance of refunding debt	317,110			
Bond discounts/premiums	38,881	847	1,342	
Payment to refunding escrow agent	(351,662)			
Lease proceeds	38,018	21,773	26,225	9,047
Sale of capital assets	4,327	3,297	3,427	4,420
Transfers in	201,716	175,438	208,501	203,878
Transfers out	(1,031,471)	(1,184,882)	(978,664)	(983,431)
Restatement		898		
Total other financing uses	(756,894)	(951,874)	(696,128)	(752,658)
Special Items:				
Disposal of operations				1,950
Net change in fund balances	1,077,797	725,690	593,107	40,033
Fund balances-beginning as restated	5,490,761	4,765,071	4,171,964	4,131,931
Fund balances-ending	$ 6,568,558	$ 5,490,761	$ 4,765,071	$ 4,171,964
Debt service as a percentage of noncapital expenditures:	1.53%	1.38%	1.10%	1.39%

(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.
(3) Fiscal year 2020 balance restated in fiscal year 2021.

2017	2016	2015	2014	2013	2012
$ 3,165,911	$ 3,219,066	$ 3,207,038	$ 3,002,722	$ 3,011,514	$ 2,798,083
3,113,922	3,031,524	2,929,426	2,880,146	2,571,964	2,552,282
469,542	462,761	443,058	433,108	436,390	442,772
1,023,060	989,962	1,005,951	997,563	956,482	944,406
8,443,611	7,888,337	7,564,360	6,584,513	6,232,982	6,402,940
1,291,699	1,327,225	1,368,678	1,253,365	1,182,989	1,186,346
60,201	84,100	40,471	70,578	(1,911)	40,374
347,449	330,258	334,145	308,919	324,745	352,317
17,915,395	17,333,233	16,893,127	15,530,914	14,715,155	14,719,520
1,446,481	1,468,346	1,535,963	1,537,466	1,410,902	1,426,718
3,748,403	3,715,057	3,676,561	3,588,822	3,583,254	3,644,195
8,930,024	8,458,304	8,162,633	7,195,414	6,761,841	6,696,046
680,353	521,237	508,716	455,070	422,153	379,278
789,376	796,987	768,521	766,498	718,798	763,725
257,494	255,074	264,169	265,133	238,143	246,158
125,232	131,865	128,769	145,026	120,715	117,450
102,397	99,689	165,416	124,425	125,590	83,111
77,568	76,631	71,526	63,393	46,206	44,865
63	63	1,062	33	1,231	1,365
1,133,099	875,513	899,502	817,693	725,445	744,000
17,290,490	16,398,766	16,182,838	14,958,973	14,154,278	14,146,911
624,905	934,467	710,289	571,941	560,877	572,609
22,199	892	374,709	717,036	264,159	85,170
131,840	28,495	135,155			39,565
9,846	1,665	51,338	55,260	33,742	1,588
(140,877)	(43,636)	(150,513)	(46,908)	(19,368)	(127,300)
2,807	11,323	1,478	4,757	6,325	3,869
4,922	3,707	3,880	3,617	3,596	3,011
180,819	174,908	179,278	183,161	304,538	216,443
(959,820)	(950,317)	(947,990)	(1,104,372)	(1,089,457)	(1,022,052)
(748,264)	(772,963)	(352,665)	(187,449)	(496,465)	(799,706)
31,661					
(91,698)	161,504	357,624	384,492	64,412	(227,097)
4,223,629	4,062,125	3,704,501	3,320,009	3,255,597	3,482,694
$ 4,131,931	$ 4,223,629	$ 4,062,125	$ 3,704,501	$ 3,320,009	$ 3,255,597
1.11%	1.14%	1.55%	1.33%	1.28%	0.95%

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

	2021		2020		2019		2018	
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	$ 108,259	0.18%	$ 114,384	0.21%	$ 112,348	0.22%	$ 94,688	0.19%
Mining	166,584	0.27%	161,907	0.30%	164,244	0.31%	170,316	0.34%
Utilities	5,377,619	8.76%	4,935,097	9.14%	4,981,909	9.49%	5,150,000	10.19%
Construction	1,038,563	1.69%	930,484	1.72%	918,210	1.75%	848,747	1.68%
Manufacturing	4,441,710	7.24%	4,435,943	8.21%	4,146,807	7.90%	3,800,632	7.52%
Wholesale trade	5,145,638	8.38%	4,561,076	8.45%	4,403,208	8.39%	4,262,562	8.43%
Retail trade	31,030,255	50.55%	26,085,606	48.30%	24,691,217	47.03%	23,338,973	46.16%
Transportation and warehousing	336,543	0.55%	303,591	0.56%	269,546	0.51%	272,277	0.54%
Information	2,535,771	4.13%	2,406,815	4.46%	2,617,057	4.99%	2,886,407	5.71%
Finance and insurance	146,938	0.24%	127,926	0.24%	113,528	0.22%	102,196	0.20%
Real estate, rental and leasing	1,623,554	2.64%	1,385,852	2.57%	1,365,668	2.60%	1,288,153	2.55%
Professional, scientific and technical services	407,206	0.66%	283,406	0.52%	231,362	0.44%	216,562	0.43%
Management of companies and enterprises	2,791	0.00%	5,050	0.01%	1,626	0.00%	1,133	0.00%
Administrative, support, waste management and remediation services	1,174,717	1.91%	1,108,804	2.05%	1,051,761	2.00%	1,023,010	2.02%
Educational services	59,386	0.10%	73,623	0.14%	75,830	0.14%	69,919	0.14%
Health care and social services	80,938	0.13%	57,766	0.11%	69,703	0.13%	54,836	0.11%
Arts, entertainment and recreation	330,797	0.54%	298,737	0.55%	307,170	0.59%	279,755	0.55%
Accommodation and food services	5,187,079	8.45%	4,770,199	8.83%	5,014,457	9.55%	4,789,282	9.47%
Other services (except public administration)	2,014,992	3.28%	1,845,453	3.42%	1,841,655	3.51%	1,792,064	3.54%
Public administration	178,188	0.29%	117,368	0.21%	119,368	0.23%	114,991	0.23%
Total (1)	$ 61,387,528	100.0%	$ 54,009,087	100.0%	$ 52,496,674	100.0%	$ 50,556,503	100.0%
Direct sales tax rate	6.50% (General 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 2.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)		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)	

(1) Amounts do not include tax collected on automobile transactions.

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

2017		2016		2015		2014		2013		2012	
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
$ 92,103	0.19%	$ 97,579	0.21%	$ 96,945	0.21%	$ 91,716	0.21%	$ 115,784	0.27%	$ 92,128	0.21%
127,753	0.26%	174,093	0.37%	213,038	0.45%	250,153	0.56%	258,330	0.59%	181,088	0.42%
4,761,393	9.82%	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%
868,432	1.79%	811,057	1.73%	703,596	1.50%	660,847	1.47%	656,891	1.50%	688,112	1.59%
3,960,281	8.17%	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%
3,882,947	8.01%	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%
22,165,564	45.71%	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%
286,595	0.59%	252,137	0.54%	287,545	0.61%	299,491	0.67%	224,173	0.51%	233,875	0.54%
2,930,387	6.04%	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%
108,919	0.22%	94,030	0.20%	83,532	0.18%	69,464	0.16%	57,604	0.13%	56,659	0.13%
1,218,863	2.51%	1,123,616	2.40%	989,814	2.11%	882,398	1.96%	835,438	1.91%	828,549	1.92%
211,277	0.44%	213,535	0.46%	194,865	0.42%	158,906	0.35%	122,357	0.28%	145,274	0.34%
715	0.00%	2,156	0.00%	4,691	0.01%	675	0.00%	61	0.00%	65	0.00%
960,065	1.98%	884,244	1.89%	852,431	1.82%	799,814	1.78%	758,810	1.74%	759,235	1.76%
71,001	0.15%	64,333	0.14%	57,180	0.12%	40,810	0.09%	43,528	0.10%	46,640	0.11%
71,528	0.15%	52,051	0.11%	85,280	0.18%	22,360	0.05%	86,618	0.20%	85,379	0.20%
251,958	0.52%	289,079	0.62%	271,720	0.58%	264,002	0.59%	231,319	0.53%	186,121	0.43%
4,629,764	9.55%	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%
1,762,280	3.64%	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%
124,613	0.26%	50,447	0.11%	35,182	0.08%	42,316	0.09%	41,735	0.10%	65,628	0.15%
$ 48,486,438	100.0%	$ 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%

6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)	6.50% (General) 1.50% (Food) 0.625% (Mfg util tax) 1.625% (Elec.) 5.50% (Mfg Repair) 0.625% (Mfg Repair Appr. Project)	6.50% (General) 1.50% (Food) 1.625% (Mfg util tax) 3.25% (Elec.) 1/1-12/31/14 1.625% (Elec.) 1/1/15 0.625% (Mfg Repair Appr. Project) 7/1/14	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)

Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2012
(Expressed in thousands, except number of taxpayers)

	2021				2012			
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	$ 6,601	0.19%	761	1.04%	$		760	1.10%
Mining	9,840	0.28%	212	0.29%	10,577	0.45%	196	0.28%
Utilities	310,164	8.86%	732	1.00%	263,899	11.23%	721	1.05%
Construction	67,491	1.93%	3,322	4.55%	41,243	1.75%	2,247	3.26%
Manufacturing	242,347	6.92%	6,439	8.83%	198,829	8.46%	4,255	6.17%
Wholesale	322,013	9.20%	6,575	9.01%	247,631	10.54%	5,892	8.54%
Retail trade	1,632,200	46.61%	26,131	35.82%	993,915	42.29%	28,985	42.03%
Transportation and warehousing	21,794	0.62%	939	1.29%	14,020	0.60%	1,224	1.78%
Information	164,819	4.71%	1,292	1.77%	134,328	5.71%	995	1.44%
Finance and insurance	9,551	0.27%	391	0.54%	3,400	0.14%	301	0.44%
Real estate, rental and leasing	104,919	3.00%	1,759	2.41%	49,683	2.11%	1,471	2.13%
Professional, scientific and technical services	26,428	0.75%	2,470	3.39%	8,710	0.37%	1,713	2.48%
Management of companies and enterprises	181	0.01%	23	0.03%	4		7	0.01%
Administrative, support, waste management and remediation services	76,328	2.18%	4,057	5.56%	45,534	1.94%	3,595	5.21%
Educational services	3,857	0.11%	389	0.54%	2,795	0.12%	279	0.41%
Health care and social services	5,228	0.15%	1,097	1.50%	5,092	0.22%	1,136	1.65%
Arts, entertainment and recreation	21,402	0.61%	1,186	1.63%	11,140	0.47%	1,048	1.52%
Accommodation and food services	335,157	9.57%	7,683	10.53%	227,490	9.68%	6,940	10.06%
Other services (except public administration)	130,377	3.72%	7,413	10.16%	88,672	3.77%	7,145	10.36%
Public administration	10,804	0.31%	81	0.11%	3,527	0.15%	52	0.08%
Total	$ 3,501,501	100.00%	72,952	100.00%	$ 2,350,489	100.00%	68,962	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)

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Governmental										
General obligation bonds	$ 881,565	$ 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
Revenue bond guaranty fund							300	590	3,775	2,545
Add (deduct):										
Unamortized bond refunding loss (1)									(18,043)	(21,072)
Issuance premiums	88,281	70,541	82,687	94,654	108,042	112,405	123,199	84,980	43,406	17,438
Loan payable to component unit				4,200						
Notes payable to component unit	79,892	61,039	59,399	59,567	60,514	68,915	79,163	85,694	92,051	98,883
Notes payable to pension trust fund										
Revolving loan fund										
Capital leases	51	551	1,039	1,499	1,891	2,202	2,581	2,947	3,245	3,576
Capital leases with component unit	149,909	127,740	127,387	110,185	109,493	114,926	123,076	129,017	129,855	128,540
Installment sale with component unit								10,340	10,870	11,380
Total governmental activities debt	1,199,698	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
Business-Type										
Special obligation:										
War Memorial Stadium Commission						500	1,000	1,500	2,000	2,500
Construction Assistance Revolving Loan Fund		17,475	20,220	23,140	25,485	27,890	35,295	40,220	52,020	63,340
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	2,147,000	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
Revenue bonds from direct placement	8,443	12,547	10,957							
Add: issuance premiums	164,055	145,447	129,848	134,062	119,742	115,742	97,062	77,148	55,914	27,663
Notes payable from direct placement	95,642	95,223	66,038	69,155	66,945	83,988	92,045	98,305	118,465	66,170
Notes payable with component unit	8,021	8,517	8,998	9,466	9,921	10,137	134	561	1,083	1,509
Capital leases	70,975	79,135	67,219	66,288	60,808	46,802	39,327	38,308	52,110	43,537
Capital leases with component unit										358
Total business-type activities debt	2,494,136	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
Total Primary Government Debt	3,693,834	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
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (2)	2.48%	2.74%	2.84%	3.02%	3.18%	3.29%	3.50%	3.45%	2.94%	2.69%
Per capita (3)	1,217	1,273	1,257	1,288	1,310	1,326	1,378	1,291	1,079	951
Net General Obligation Bonded Debt										
Gross bonded debt (4)	881,565	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
Less: debt service funds (5)	(17,975)	(182,986)	(168,094)	(197,637)	(245,864)	(58,985)	(235,713)	(287,305)	(299,325)	(273,434)
Net bonded debt	863,590	942,454	1,082,386	1,112,708	1,201,506	1,459,163	1,367,097	1,086,249	512,888	408,264
Per capita (3)	284	312	359	370	400	488	459	366	173	138
Supplementary Information										
Component Unit Debt										
Arkansas Development Finance Authority (6):										
Bonds payable	553,336	476,485	556,282	593,955	625,743	714,085	809,992	1,064,883	1,099,498	1,035,581
Notes payable from direct placement	9,442	20,141	11,640	29,441	82,656	66,906	70,421	24,582	1,223	223,393
Add: issuance premiums	(645)	(745)	109	152		104	315	642	555	854
Less: unamortized bond issuance cost					(1,046)	(1,146)	(1,247)	(1,347)	(5,135)	(5,428)
U of A Foundation annuity obligations	18,677	14,670	15,492	15,458	14,069	14,065	15,068	16,259	15,204	14,804
Total Component Unit Debt	580,810	510,551	583,523	639,006	721,422	794,014	894,549	1,105,019	1,111,345	1,269,204
Total Debt	$ 4,274,644	$ 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
Debt Ratios										
Ratio of total debt to personal income (2)	2.87%	3.10%	3.28%	3.52%	3.76%	3.95%	4.27%	4.45%	3.97%	3.90%
Per capita (3)	$ 1,408	$ 1,441	$ 1,450	$ 1,500	$ 1,550	$ 1,592	$ 1,678	$ 1,663	$ 1,455	$ 1,382

(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.

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					
2021	$ 1,353,957	$ 39,237	$ 29,923	$ 69,160	19.58
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
Housing Bonds					
2021	$ 101,528	$ 8,560	$ 7,922	$ 16,482	6.16
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
Facilities Bonds					
2021	$ 711,031	$ 33,553	$ 39,591	$ 73,144	9.72
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
General Revenue and Other Bonds					
2021	$ 12,906	$ 5,505	$ 2,096	$ 7,601	1.70
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

(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
2021	(1)	3,036	$	148,825	$	49,023	5.2%
2020		3,027		140,498		46,413	4.9%
2019		3,017		133,384		44,211	3.6%
2018		3,008		128,062		42,568	3.7%
2017		2,998		123,619		41,230	3.8%
2016		2,986		120,459		40,340	4.3%
2015		2,975		117,036		39,342	5.5%
2014		2,965		110,872		37,393	6.5%
2013		2,957		108,439		36,669	7.2%
2012		2,947		104,366		35,410	7.6%

(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 2021 as Compared to 2012

2021	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	51,572	4.1%
2	Arkansas State Government	25,074	2.0%
3	Tyson Foods, Inc.	24,000	1.9%
4	U.S. Federal Government	20,200	1.6%
5	University of Arkansas for Medical Sciences (UAMS)	11,055	0.9%
6	Baptist Health	10,960	0.9%
7	J.B. Hunt Transport Services, Inc.	6,536	0.5%
8	Sisters of Mercy Health System	5,709	0.5%
9	University of Arkansas	5,000	0.4%
10	Simmons Foods, Inc.	4,505	0.3%
		164,611	13.1%

2012	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	56,705	4.8%
2	Wal-Mart Stores, Inc.	46,531	4.0%
3	Tyson Foods, Inc.	23,300	2.0%
4	U.S. Federal Government	20,400	1.7%
5	Baptist Health	7,878	0.7%
6	Sisters of Mercy Health System	6,150	0.5%
7	J.B. Hunt Transportation Services, Inc.	4,270	0.4%
8	Arkansas Children's Hospital	4,194	0.3%
9	Kroger Co.	3,875	0.3%
10	Simmons Foods, Inc.	3,238	0.3%
		176,541	15.0%

Source: Arkansas Business Publishing Group and Arkansas Department of Economic Development

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

Full-Time Employees

	2021	2020	2019	2018
Resource Development				
Agriculture Department	521	562	583	572
All other	567	582	563	600
Commerce				
Division of Workforce Services	919	963	928	914
All other	730	700	853	848
Law, Justice, and Public Safety				
Division of Correction	3191	3770	4,121	4,098
Department of the Military	457	1401	725	512
Arkansas State Police	956	946	986	968
All other	2767	2754	2,591	2,617
Education				
Division of Elementary and Secondary Education	342	339	366	369
All other	595	635	628	716
General Government				
Department of Finance and Administration - Revenue	1,319	1,255	1,293	1,297
All other	2,087	2,111	2,169	2,175
Health and Human Services				
Department of Human Services	6,938	7,375	7,710	7,882
Department of Health	1,989	2,027	2,054	2,028
All other	840	836	827	845
Regulation of Business and Professionals				
Arkansas Public Service Commission	99	100	101	103
All other	227	297	314	293
Recreation and Tourism				
Department of Parks, Heritage and Tourism	1,066	1,083	1,343	1,365
Arkansas Game and Fish Commission	658	642	686	689
All other	227	275	228	234
Transportation				
Department of Transportation	3,695	3,695	3,692	3,701
Proprietary Funds				
Colleges and Universities (1)	28,066	28,004	28,472	28,577
Workers' Compensation Commission	80	86	88	90
Office of the Arkansas Lottery	63	65	64	66
State Total	58,399	60,503	61,385	61,559

(1) 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

2017	2016	2015	2014	2013	2012
561	558	566	563	577	575
584	582	608	620	629	636
878	893	941	1,023	1,066	1,115
876	888	932	873	927	951
4,072	4,143	4,102	4,011	4,169	4,158
725	1,046	978	987	595	605
958	997	995	971	958	956
2,536	2,478	2,224	2,191	2,223	2,161
383	374	401	394	399	381
779	777	793	727	812	833
1,354	1,338	1,385	1,389	1,415	1,425
2,245	2,277	2,321	2,291	2,461	2,352
8,039	7,772	7,852	7,878	7,923	7,948
2,117	2,362	2,633	2,657	2,724	2,725
830	826	829	778	663	855
106	105	104	103	107	106
288	293	291	299	307	309
1,385	1,384	1,403	1,357	1,356	1,360
677	694	671	711	702	636
251	260	267	298	268	265
3,671	3,715	3,634	3,531	3,511	3,567
27,050	26,893	22,861	23,107	23,442	22,593
89	96	101	104	107	108
66	65	64	81	80	85
60,520	60,816	56,956	56,944	57,421	56,705

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

	2021	2020	2019	2018
General Government				
Department of Finance & Administration-Revenue				
Office of Driver Services				
Licenses and ID cards issued	495,969	780,643	903,612	863,312
Registered vehicles	4,728,319	4,950,287	4,306,610	4,377,091
Income Tax Administration				
Total electronic tax filers	1,521,123	1,263,203	1,302,435	1,218,689
EFT estimate payments by corporations	10,714	7,786	8,030	7,211
EFT withholding payments	755,330	722,082	685,368	647,558
Education				
Division of Elementary and Secondary Education				
All school districts				
Average daily membership	446,065	455,763	456,479	459,275
Number of certified personnel	35,385	36,460	36,610	36,581
Average salary of K-12 classroom full-time employees	$ 52,552	$ 51,336	$ 50,295	$ 49,840
Per pupil expenditures	$ 11,232	$ 10,155	$ 10,229	$ 10,039
Foundation aid per student	$ 7,018	$ 6,899	$ 6,781	$ 6,713
Assessed valuation (in millions)	$ 53,837	$ 51,718	$ 50,347	$ 48,797
Higher Education				
Public institutions				
Net enrollment	132,346	141,178	143,474	145,973
Undergraduate degrees awarded	37,335	37,854	37,348	33,938
Graduate degrees awarded	7,048	6,796	6,832	7,012
Private institutions				
Fall net enrollment	15,242	15,657	15,988	16,024
Undergraduate degrees awarded	2,633	2,559	2,725	2,637
Graduate degrees awarded	751	609	626	603
Health and Human Services				
Department of Human Services				
Foster care recipients	7,614	7,568	7,673	8,358
Percent of population	0.25%	0.23%	0.24%	0.26%
SNAP recipients	510,941	496,712	429,378	508,171
Percent of population	16.83%	15.11%	13.22%	15.82%
Medicaid recipients (1)	1,217,331	1,085,938	1,086,485	824,868
Percent of population	40.10%	33.04%	33.44%	25.68%
Department of Health				
Women, Infants and Children Nutrition Program (WIC)				
Recipients	104,211	117,548	128,946	136,003
Percent of population	3.43%	4.02%	3.97%	4.23%
Doses of vaccine administered	335,515	470,962	498,515	504,859

(1) 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

2017	2016	2015	2014	2013	2012
932,555	912,820	893,069	930,474	789,172	799,564
4,334,774	4,252,854	4,149,491	4,082,014	3,990,259	3,904,307
1,152,797	1,137,497	1,106,280	1,059,101	991,465	971,603
6,619	6,123	5,616	5,200	4,399	3,475
613,249	577,097	539,549	435,403	460,028	411,925
459,774	459,858	460,693	461,597	460,019	457,737
36,238	36,028	36,260	36,380	36,436	36,290
$ 49,104	$ 48,976	$ 48,575	$ 48,060	$ 47,316	$ 46,946
$ 9,807	$ 9,701	$ 9,365	$ 9,457	$ 9,324	$ 9,379
$ 6,646	$ 6,584	$ 6,521	$ 6,393	$ 6,267	$ 6,144
$ 47,624	$ 46,135	$ 45,163	$ 44,335	$ 43,027	$ 41,877
148,604	149,477	150,758	153,256	156,520	157,980
33,324	33,343	33,183	32,251	29,995	29,236
6,991	6,081	5,598	5,423	5,760	2,726
16,528	16,611	16,494	16,102	16,601	17,349
2,757	2,781	2,845	2,709	2,613	2,621
637	600	582	605	568	560
9,032	8,555	7,686	7,513	7,701	7,739
0.28%	0.27%	0.25%	0.25%	0.26%	0.26%
537,536	642,571	659,887	685,812	696,343	693,564
16.92%	20.46%	21.24%	22.54%	23.13%	23.55%
1,164,197	1,085,787	933,033	902,378	777,922	776,050
36.65%	34.57%	30.03%	29.66%	25.83%	26.35%
141,694	148,441	149,536	152,902	160,723	165,795
4.46%	4.73%	4.81%	5.03%	5.34%	5.63%
554,079	663,689	665,550	630,304	580,498	534,759

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

Continued from previous page

	2021	2020	2019	2018
Transportation				
Department of Transportation				
Miles of state highway maintained	16,451	16,465	16,465	16,466
Law, Justice and Public Safety				
Division of Correction				
Custody population count	14,110	15,762	15,594	15,637
Inmate cost per day	$ 71	$ 64	$ 62	$ 61
Operating capacity	14,886	15,095	14,710	14,540
Inmate care/custody operating expenses (in thousands)	$ 365,777	$ 369,247	$ 354,108	$ 351,613
Arkansas State Police				
Commissioned officers	533	544	535	532
Number of homicides investigated (2)	118	72	80	63
Total citations issued	135,092	186,734	195,127	179,863
Total motorist assists	24,989	21,876	26,039	27,522
Total number of traffic accidents	19,114	16,881	18,201	18,778
Total criminal investigations	1,653	1,670	1,712	1,682
Recreation and Tourism				
Department of Parks, Heritage and Tourism				
Acres of state parks maintained	54,770	54,770	54,769	54,680
Game and Fish Commission				
Fishing licenses sold	653,134	641,987	593,556	648,985
Hunting licenses sold	614,320	589,237	580,096	615,322
Lifetime licenses sold	27,060	23,786	22,955	21,404
Other licenses sold (3)	16,980	16,692	15,773	15,954
Commerce				
Department of Insurance				
Number of active licensed insurance agents	169,373	156,501	138,665	130,144
Total consumer complaints received	1,745	2,163	2,267	2,270
Total consumer complaints closed	1,782	2,195	2,381	2,301
Total dollars recovered for consumers (in thousands)	$ 4,203	$ 3,885	$ 6,128	$ 4,822

(2) 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.

(3) 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

	2017	2016	2015	2014	2013	2012
	16,449	16,431	16,424	16,418	16,411	16,398
	15,885	16,050	15,410	14,558	14,061	14,151
	$ 60	$ 60	$ 63	$ 64	$ 63	$ 60
	14,900	14,821	14,397	13,794	13,467	13,919
	$ 346,549	$ 338,441	$ 336,640	$ 324,189	$ 318,689	$ 316,659
	526	559	553	528	524	535
	73	200	246	198	239	219
	162,928	222,922	230,655	227,756	232,158	207,651
	27,064	26,872	26,552	30,374	30,447	24,002
	19,862	18,962	17,853	20,983	16,050	14,813
	1,712	1,820	1,870	2,614	2,818	4,017
	54,643	54,602	54,466	54,372	54,358	54,374
	647,888	681,493	653,598	689,698	667,536	722,041
	506,497	505,058	515,307	502,568	488,217	467,167
	30,826	28,997	28,643	28,922	29,380	27,721
	21,349	36,873	36,347	36,291	35,776	39,193
	123,313	119,066	110,192	101,089	88,910	85,865
	2,409	2,437	2,417	2,376	2,100	2,387
	2,386	2,218	2,310	2,209	1,923	2,221
	$ 3,200	$ 3,557	$ 3,173	$ 3,578	$ 4,174	$ 3,982

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

	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
General Government										
Department of Finance and Administration - Revenue										
Vehicles	151	152	176	177	183	170	191	179	172	174
Education										
Division of Elementary and Secondary Education										
Vehicles (1)	9	9	8	7	7	7	5	5	216	217
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	436	458	451	450	448	448	444	442	446	448
Vehicles	603	571	565	618	635	617	606	572	595	582
Department of Health										
Buildings	9	8	8	8	7	7	7	7	7	7
Vehicles	130	124	129	134	136	140	139	137	142	138
Transportation										
Department of Transportation										
Passenger vehicles	1,861	1,775	1,820	1,728	1,841	1,845	1,761	1,738	1,729	1,743
Law, Justice and Public Safety										
Division of Correction										
Correctional units	21	21	21	20	21	21	21	19	19	19
Vehicles	427	441	457	414	414	421	422	429	417	428
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	957	899	880	868	875	868	921	943	829	820
Recreation and Tourism										
Department of Parks, Heritage and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	389	409	415	430	406	393	400	385	396	372
Game and Fish Commission										
Hatcheries	5	5	5	5	5	5	5	5	5	5
Vehicles	863	857	893	892	962	948	961	945	918	890
Boats	556	543	554	585	569	581	569	569	585	599
Regulation of Business and Professionals										
Vehicles	122	116	109	115	115	118	120	121	120	129

(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)

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, Fayetteville, Fort Smith, Springdale and Jonesboro

Arkansas lies in the southeastern region of the United States. Its name was derived from the Osage Sioux language from the local Quapaw tribe which means "People of the South Wind." Arkansas offers beautiful rivers, hot springs, mountains, caves and lakes. More than half of the State of Arkansas is covered by forestland with Ozark National Forest, the oldest national forests in the South, covering more than one million acres. It has over 600,000 acres of lakes and 9,700 miles of streams and rivers. Visitors can mine for diamonds at the only active diamond mine in the United States.

Agriculture continues to play an important part in Arkansas's economy:

- Arkansas's rice farmers are first in the nation in producing over 49% (207 million bushels) of rice.
- Arkansas is second in the nation for total pound of boiler meat produced yielding 5.7 billion pounds.
- Arkansas, at $6.5 billion, is ranked ninth in total wood fiber produced.

Arkansas is the birthplace of President Clinton, Johnny Cash, Paul "Bear" Bryant, Billy Bob Thornton, Jerry Van Dyke and Milton Crenshaw.

Source: Arkansas Secretary of State and Arkansas General Assembly

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