

ARKANSAS



Annual Comprehensive Financial Report Fiscal Year Ended June 30, 2025



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Annual Comprehensive Financial Report

Fiscal Year Ended June 30, 2025



Sarah Huckabee Sanders

Governor

Jim Hudson

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/office/accounting/annual-comprehensive-financial-report-acfr/>.

The photograph of Governor Sarah Huckabee Sanders is courtesy of the Governor's Office.



Governor Sarah Huckabee Sanders



STATE OF ARKANSAS
SARAH HUCKABEE SANDERS
GOVERNOR

February 2, 2026

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

Attached is this Fiscal Year's Arkansas Annual Comprehensive Financial Report, containing detailed disclosures and financial statements that offer greater insight into the State of Arkansas's financial status, accounting methods, and general economic data. Thanks to the close partnership between my administration and our legislators our shared philosophy of fiscal conservatism, our State's financial health and economy are strong.

These documents go well beyond generally accepted accounting principles because we believe our people and their elected representatives deserve the greatest depth of information and data possible. Thanks to the hard work of the team at the Department of Finance and Administration, Arkansas has received twenty-seven separate awards commending our transparency. My administration seeks to continue that strong tradition into this new year.

As you will see, this report is not just a list of numbers and tables – it is a representation of the effort of the team at the Department of Finance and Administration to demonstrate transparency, and a testament to my administration's responsible financial stewardship.

Sincerely,

A handwritten signature in blue ink that reads "Sarah Huckabee Sanders".

Sarah Huckabee Sanders
Governor of Arkansas

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Acknowledgments

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Cover Photo Credit: Arkansas Secretary of State

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.

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ANNUAL COMPREHENSIVE FINANCIAL REPORT

FOR THE YEAR ENDED JUNE 30, 2025

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INTRODUCTORY SECTION







STATE OF ARKANSAS
**Department of Finance
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February 2, 2026

The Honorable Sarah Huckabee Sanders, 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.) § 19-4-508, 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, 2025.

This report has been prepared by the Department of Finance and Administration (DFA) in conformance with Generally Accepted Accounting Principles for governments as promulgated by the Governmental Accounting Standards Board. 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, 2025. Auditing standards generally accepted in the United States of America were used by the auditors in conducting the engagement. The auditors' report on the basic financial statements is included in the financial section of this report.

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

PROFILE OF THE GOVERNMENT

Originally part of the Louisiana Purchase of 1803, Arkansas was organized into a territory in 1819 with the same northern, eastern, and southern borders it shares today. In 1836, Arkansas became the 25th state of

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the United States of America with a new border on the west. It currently stands as the 29th state in size with an area of 53,179 square miles. Arkansas has grown from a vast wilderness to a thriving state with a population of 3.1 million, propagating industries ranging from agriculture to technology to commerce. Nicknamed “The Natural State,” Arkansas is known throughout the country for its natural beauty, clear waters, and abundance of natural wildlife. The Constitution of the State provides for three distinct branches of government: executive, legislative, and judicial. The executive branch is comprised of the Governor, Lieutenant Governor, Attorney General, Secretary of State, Treasurer of State, Auditor of State, and State Land Commissioner, all of whom are elected by state-wide vote to serve four-year terms. The legislative branch is comprised of 35 state senators and 100 state representatives. Known collectively as the General Assembly, the senators and representatives begin the Regular Legislative Session in every odd-numbered year and the Fiscal Legislative Session in every even-numbered year. The judicial branch is comprised of three levels of courts: District Courts, Circuit Courts, and 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 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

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, refunds, and the continued efforts of elected officials to reduce the individual and business income tax rates. 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: Walmart (#1), Tyson Foods (#85), Murphy USA (#231), and J.B. Hunt Transport Services (#348). They are the industry leaders and are making a global impact from Arkansas.

The State has continued to attract new businesses and grow current businesses. Hybar, LLC officially opened its \$700 million, 1,300-acre Osceola facility and has been producing steel rebar since May 2025. Pittsburgh-based steelmaking giant U.S. Steel announced plans to build and open a new metals plant in Osceola in 2028.

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Expanding and new companies which include Green Bay Packaging, Weyerhaeuser Company, L3 Harris Technologies, and 20 other companies have committed to investing \$2.6 billion and creating 2,897 new jobs.

ECONOMIC CONDITION AND OUTLOOK

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 \$188.8 billion in fiscal year 2025. This represented an increase of \$11.4 billion or 6.4% over fiscal year 2024.

Arkansas Wage and Salary Disbursements: Measured in current dollars, wage and salary income rose to \$84.2 billion in fiscal year 2025, an increase of \$5.2 billion or 6.6% from fiscal year 2024. Fiscal year 2026 is estimated at \$88.3 billion, an increase of \$4.1 billion or 4.9% from fiscal year 2025.

Employment: In fiscal year 2025, revised payroll employment in Arkansas averaged 1.4 million jobs. This represented an increase of approximately 16,800 jobs or 1.2% compared to fiscal year 2024. In fiscal year 2026, payroll employment is projected to add approximately 13,000 jobs or 0.9% over fiscal year 2025.

Fiscal Year 2025 Net Available General Revenues: Actual net available general revenues collected totaled \$6.7 billion with \$367.9 million recorded as surplus. The net available collected was \$221.1 million or 3.2% below the net available in fiscal year 2024. Fiscal year 2026 net available general revenue collections are also forecast at \$6.7 billion, with a year-end surplus indicated at \$185.1 million.

Selected Special Revenues: Act 87 of 2007 designated a portion of the 6-cent per gallon dyed diesel tax to the Educational Adequacy Fund to partially offset the exemption of dyed diesel from sales tax. Effective with 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 2025, \$742.9 million in net tax collections was deposited to the Educational Adequacy Fund, with the fiscal year 2026 net tax collections forecast to be \$745.9 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 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.

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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.

S&P Global Ratings (S&P) raised its long-term rating to "AA+" from "AA" on the State of Arkansas' general obligation debt outstanding. This rating action reflects S&P's view of Arkansas's active budget management and expenditure controls. S&P noted that the rating action incorporates their view that Arkansas remains committed to structural budgeting, while sustaining large reserves and a low debt burden relative to peers.

Tax Abatements: The State provides tax abatements through 15 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 **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 **Historic Rehabilitation** program provides for abatement of income and premium taxes to promote the rehabilitation of historic structures throughout Arkansas. The **Philanthropic Investment in Arkansas Kids** program provides for abatement of income taxes to encourage contributions to a scholarship-granting organization. The **Railroad Modernization** program provides for abatement of income taxes to encourage maintenance, reconstruction, and replacement of railroad track throughout the State. The **Recycling Equipment Tax Credit** program, also known as the **Recycling Tax Credit**, provides for abatement of income taxes to engage in the business of reducing, reusing, or recycling solid waste. The **Motion Picture** program provides a tax abatement incentive on qualified production and postproduction costs in connection with a State-certified film project.

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MAJOR INITIATIVES

The Arkansas Department of Education's (ADE) continues to drive a fast-paced, results-oriented, and student-focused agenda. ADE is focused on preparing students for life after graduation, whether they choose enrollment, enlistment, or employment.

Arkansas LEARNS remains the strategic framework for elevating educational outcomes across the state. ADE delivered strategic support by including expanded access to high-quality instructional materials, high-impact tutoring in English Language Arts and math, and specialized literacy coaching and improvement planning for schools receiving D and F grades.

In July 2025, results were released from the second administration of the Arkansas Teaching, Learning, and Assessment System (ATLAS). ATLAS is aligned with the Arkansas Academic Standards and was developed by Arkansas educators for Arkansas students. ATLAS delivers rigorous, nationally comparable data and actionable insights for families and teachers. Compared to the previous year's baseline, students showed academic growth across nearly all grade levels and subjects.

Construction is underway on a new \$53.9 million, state-of-the-art campus for the Arkansas School for the Deaf and Blind. The facility will feature modern classrooms, a cafeteria, fine arts spaces, and expansive common areas designed to meet the needs of all students. This investment replaces century-old buildings and represents a major step forward in accessibility and educational excellence.

The third year of the Education Freedom Account (EFA) program was launched during the 2025–2026 school year, which enables families to select the educational environment that best suits their child's needs. Now available to all Arkansas families, the program continues to grow in reach and impact.

The Arkansas Department of Transportation (ARDOT) completed several construction projects across the state in fiscal 2025. These included completion of the 30 Crossing Project on December 3, 2024 in downtown Little Rock and North Little Rock, and completion of the new Mulberry River Bridge on County Road 67 north of I-40.

On July 12, 2024, the U.S. Department of Transportation (USDOT) announced that the ARDOT and the Tennessee Department of Transportation (TDOT) had been jointly awarded a \$394 million Bridge Investment Program (BIP) grant to use toward the replacement of the Interstate 55 (I-55) Bridge over the Mississippi River, known as "America's River Crossing." The award was celebrated with a press event on July 18 in Memphis, Tennessee.

ARDOT received a \$43.9 million BIP award for rehabilitation of the U.S. Highway 49 Mississippi River Bridge between Helena-West Helena and Lula, Mississippi.

ARDOT let to contract 112 state highway projects totaling \$857.9 million.

In October, ARDOT's online customer service platform, Ask ARDOT, turned one year old. Ask ARDOT provides a streamlined way for the public to submit questions and comments to ARDOT.

The Arkansas Department of Parks, Heritage, and Tourism (ADPHT) has 52 state parks encompassing 55,447 acres of wetlands, forests, fish and wildlife habitats, recreational facilities, and unique historic and cultural resources. Within the parks are 1,260 buildings, including 198 historic structures and 130 exhibit buildings, 1,689 campsites, 1,085 picnic sites, four lodges with 214 lodge rooms, 205 fully equipped cabins, three group lodging facilities, one eight-room bed and breakfast, 48 gift shops and/or park stores, 41 playgrounds, 38 boat launches, 23 fishing piers, 15 swimming beaches, 10 marinas, 12 swimming pools, six restaurants, 18 and 27 hole golf courses, four tennis courts, one music auditorium, one public airport, one public firing range, one 54,000 seat stadium, more than 200

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miles of roads, hundreds of miles of utilities, 19 wastewater treatment plants, and an assortment of 224 hiking, mountain bike, backpack, equestrian and multi-use trails covering over 482 miles. More than 7.4 million visitors came to the state parks in fiscal year 2025.

Over \$298.3 million in capital improvements and major maintenance projects have been utilized through the Arkansas State Park system funded by Amendment 75, the 1/8 Cent Conservation Tax, since its passage in 1996. In fiscal year 2025, Arkansas State Parks completed 20 capital improvement construction contracts totaling \$27.6 million. Another 20 projects were under construction at the end of fiscal year 2025 totaling \$43.4 million. In addition, 263 major maintenance projects were completed, totaling \$3.6 million, with an additional \$29,670 committed for three ongoing projects in various stages of completion.

Arkansas' statewide visitor spending and tourism tax collections saw a 3.8% increase in fiscal year 2025. Visitor spending across a range of sectors increased to \$10.3 billion in total travel expenditures, generating \$834 million in state and local taxes. Additionally, nearly 72,000 Arkansas jobs were directly related to the travel industry.

Arkansas Tourism promoted the state's products through traditional and digital channels and assisted its industry partners in their promotions with marketing co-ops. Arkansas Tourism's enriched advertising efforts in 2025 resulted in more than 400,000 hotel bookings and over \$68 million in hotel revenue which was a 34.2% increase over the previous year. Arkansas' national public relations efforts generated \$11 million dollars in earned media value through garnered placements in national media outlets.

Staff continued the Economic Development Administration grant administration plan as part of the America Rescue Plan Act Grant funding, which outlined recovery initiatives in the following areas of focus: transformational development planning, brand development, marketing, paid media, outdoor recreation, visitor engagement, and workforce development.

Arkansas participates with Travel South, the official regional Destination Marketing Organization promoting the southern U.S. to the international market via advertising, public relations, and sales missions. Arkansas also collaborates with Brand USA, the official Destination Marketing Organization for the United States through cooperative advertising in key markets. Other memberships include the U.S. Travel Association, Southeast Tourism Society, Travel and Tourism Research Association, Society of American Travel Writers, North American Travel Journalists Association, and Outdoor Writers Association of America.

The Division of Arkansas Heritage (DAH), a division within ADPHT is composed of four museums, four 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 State Archives, the Arkansas Natural Heritage Commission (ANHC), the Arkansas Historic Preservation Program, and the Arkansas Arts Council. The museums are the Delta Cultural Center, Historic Arkansas Museum, Mosaic Templars Cultural Center, and the Old State House Museum. We also maintain two historic sites, Trapnall Hall in Little Rock and the Jacob Wolf House in Norfork, Arkansas. Three of DAH's four museums are accredited by the American Alliance of Museums. The Arkansas State Archives is responsible for collecting and preserving the official records and historical materials for the State of Arkansas. The archives consist of a main central facility in Little Rock and two branches - Southwest Arkansas Regional Archives in Historic Washington State Park at Washington, Arkansas, and the Northeast Arkansas Regional Archives in Powhatan State Park at Powhatan, Arkansas.

DAH currently maintains 39 properties (26 are historic structures that require special maintenance) and approximately 125,000 artifacts, as well as hundreds of thousands of documents that are preserved and

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cared for in four museums, archives collections, and the Collection Management Facility. They also maintain a state-of-the-art herbarium at their headquarters in the ANHC. The ANHC herbarium stores and catalogues over 20,000 accessioned specimens representing nearly 4,000 species. The ANHC also manages approximately 77,000 acres of Arkansas's natural landscape across 83 sites that comprise the System of Natural Areas. Stewardship of these lands requires proven techniques to preserve and sometimes restore unique and diverse ecosystems representative of Arkansas's diverse ecological heritage.

The Arkansas Department of Human Services (DHS) provides services for more than a million Arkansans every year. The Department continues to develop programs and policies aimed at making services available to beneficiaries effectively and efficiently across each of its divisions and offices. There has been continued emphasis on specific goals that serve as guides across the agency. These include prevention in all service areas, reviewing Medicaid for efficiencies and optimizations, bolstering the behavioral health continuum of care, and improving the employee experience. The Department has achieved significant progress in the programs and services aligned with these priorities.

The Department implemented key provisions of the Healthy Moms, Healthy Babies Act. Elements include increasing provider reimbursements, establishing presumptive Medicaid eligibility for pregnant women, requiring Medicaid to reimburse doulas and community health workers for some maternal services, and directing \$45 million toward maternal health. As part of this ongoing focus on improving maternal care, Arkansas applied for and was awarded a \$17 million Transforming Maternal Health Model grant.

DHS is developing a coordinated statewide system of care that will address behavioral health needs for children and adults through prevention, early intervention, and crisis services. There will be a specific emphasis on infant mental health, school-based behavioral health and mental health, and substance abuse treatment for adults with a focus on pregnant women and new moms. This work through a partnership with the University of Arkansas includes efforts to establish mobile crisis response teams in seven pilot areas.

DHS is developing a Medicaid work requirement and aligning the policy with the federal budget bill that established authorization for states to enforce a requirement that young, healthy Medicaid beneficiaries must work, volunteer, or attend school for at least 20 hours per week.

DHS is developing a new waiver to restrict the purchase of unhealthy foods like soda and candy within the Supplemental Nutrition Assistance Program (SNAP). This innovative program will help improve the health of more than 240,000 Arkansans who rely on SNAP to supplement their grocery bills.

The Department has strived to work together to become a more effective and efficient agency in everything we do with a focus on being good stewards of the taxpayer dollar. That commitment is recognized in our motto: "We care. We act. We change lives."

The Department of Shared Administrative Services, Office of State Technology (OST), formerly known as the Department of Transformation and Shared Services, Division of Information Services, delivers IT and cyber security planning, implementation, and support to government organizations. OST ensures secure, reliable support for public-sector information systems across Arkansas, and does not receive allocation of general revenue.

OST began implementation of the Arkansas Forward initiative, an enterprise modernization and efficiency effort in which information technology is one component. It establishes an enterprise strategic roadmap to modernize the State's IT infrastructure and enterprise systems, while also focusing on strengthening cybersecurity and improving operational efficiency. The initiative has identified

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opportunities for potential long-term cost savings, estimated at up to \$300 million, over the course of implementation.

The Office of the Arkansas Lottery (OAL) oversees the operation and regulates the State lotteries. In November 2008, Amendment 3 passed authorizing the Arkansas legislature to establish a lottery, from which the net proceeds would be used to fund scholarships for Arkansas students enrolled at Arkansas two-year and four-year higher education institutions. In November 2024, Amendment 103 passed allowing lottery proceeds to fund scholarships and grants to Arkansas citizens enrolled in vocational-technical schools and technical institutes. New rules allowing this change beginning in the fall of 2026.

For the fiscal year ended June 30, 2025, the OAL had operating revenues of \$578.3 million and nonoperating interest income of \$12.8 million, resulting in total revenues of \$591.1 million. The OAL also had game prizes expenses of \$400.3 million, paid selling and cashing commissions to Arkansas retailers of \$32.7 million, had gaming vendor contract costs of \$28.6 million, had other operating expenses of \$13.9 million, and provided \$111.8 million in scholarship funds to the Lottery Scholarship Trust Account.

The Arkansas Department of Health (ADH) works every day at the local level through a statewide service network to provide prevention services and address threats to the public's health. During State fiscal year 2025, the ADH continued coordinating statewide efforts to increase opportunities for Arkansans to live long and healthy lives.

Be Well Arkansas, the ADH program for Arkansans who need assistance quitting tobacco and nicotine, continues to innovate ways to decrease smoking and vaping in Arkansas. During fiscal year 2025, the Be Well Arkansas call line received over 6,000 calls and completed approximately 24,000 outgoing follow-up calls. Those individuals who complete the entire program have an average quit rate of 50%. Overall, the national quit rate average is 30% and the in-house Be Well program has achieved a rate of 35%. Educational programs on vaping continue to expand; in fiscal year 2025, it was offered in 108 schools to over 55,000 students across the state.

Arkansas has made remarkable progress in improving heart attack and stroke care across the state. Defect-free stroke care rose from 62% in 2019 to nearly 78% in 2024, and defect-free heart-attack care improved from 54% to 71% during that same period. These gains are the result of strong hospital partnerships and data-driven quality improvement programs supported by the Arkansas Department of Health.

The ADH collaborates with many partners in the public and private sectors to address the health problems facing Arkansans. The ADH will continue to work every day to improve the health of individual Arkansans, protect the public, and provide education and preventive health services in Arkansas communities.

AWARDS AND ACKNOWLEDGEMENTS

The Government Finance Officers Association of the United States and Canada awarded a Certificate of Achievement for Excellence in Financial Reporting to the State for its ACFR for the fiscal year ended June 30, 2024. This was the twenty-first 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 Sarah Huckabee Sanders, by making fiscal responsibility a top priority, has provided excellent leadership in the accurate and timely financial reporting by the State. Her administration has developed

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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,

A handwritten signature in blue ink, appearing to read "J. Hudson".

Jim Hudson
Secretary

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Government Finance Officers Association

Certificate of Achievement for Excellence in Financial Reporting

Presented to

State of Arkansas

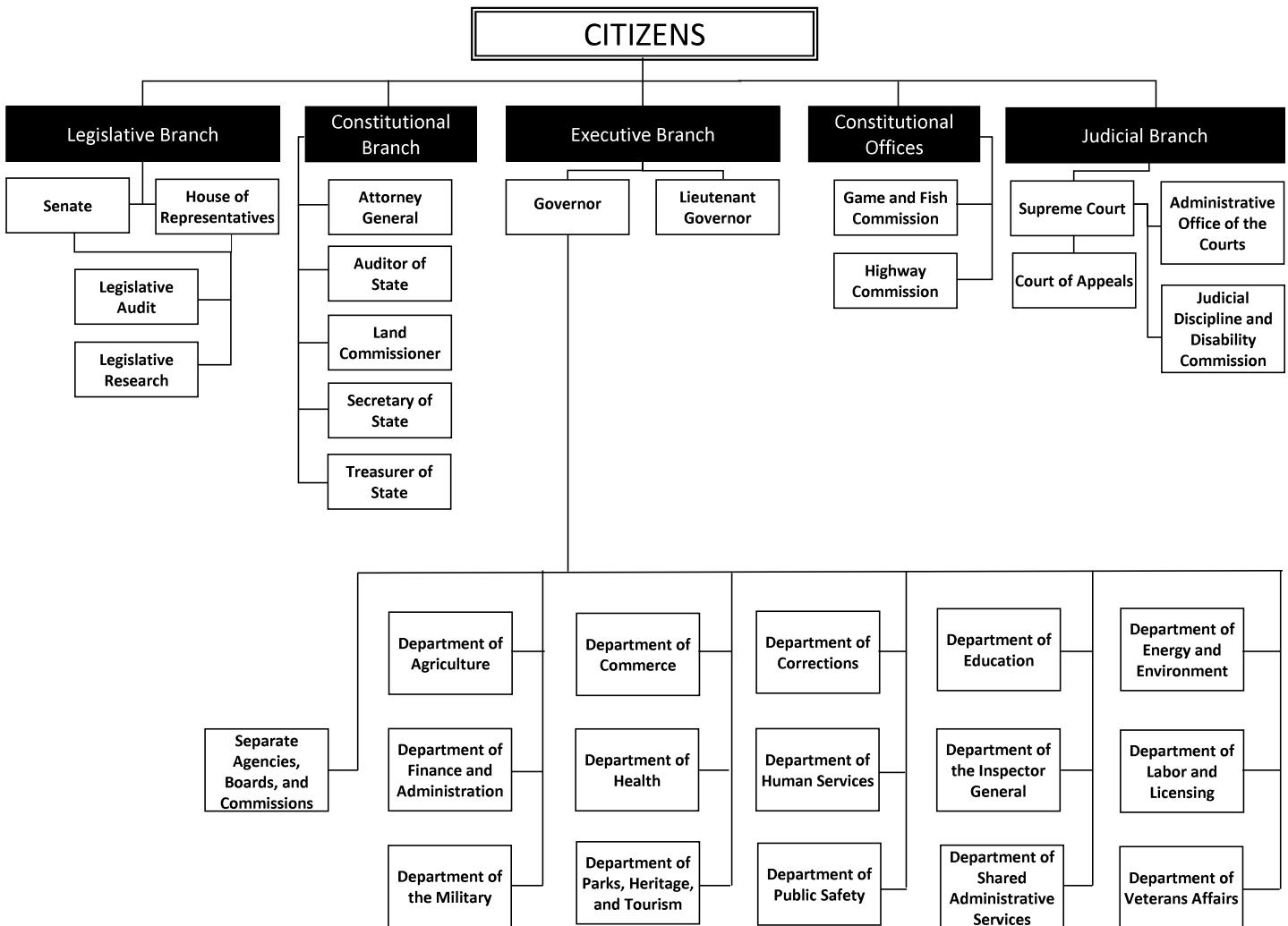
For its Annual Comprehensive
Financial Report
For the Fiscal Year Ended

June 30, 2024

Christopher P. Morill

Executive Director/CEO

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Principal Officials
As of June 30, 2025

Elected Officials	General Assembly	Supreme Court
<i>Governor</i>	<i>President Pro Tempore</i>	<i>Chief Justice</i>
Sarah Huckabee Sanders	Senator Bart Hester	Karen R. Baker
<i>Lieutenant Governor</i>	<i>Speaker of the House</i>	<i>Associate Justice</i>
Leslie Rutledge	Representative Brian S. Evans	Courtney Rae Hudson
<i>Attorney General</i>		<i>Associate Justice</i>
Tim Griffin		Cody Hiland
<i>Auditor of State</i>		<i>Associate Justice</i>
Dennis Milligan		Barbara Webb
<i>Land Commissioner</i>		<i>Associate Justice</i>
Tommy Land		Shawn A. Womack
<i>Secretary of State</i>		<i>Associate Justice</i>
Cole Jester		Nicholas Bronni
<i>Treasurer of State</i>		<i>Associate Justice</i>
John Thurston		Rhonda K. Wood

FINANCIAL SECTION





Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

The Governor and Members of the Legislative Joint Auditing Committee
State of Arkansas:

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2025, and the related notes to the financial statements, which collectively comprise the State's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying 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, 2025, 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.

We did not audit the financial statements of:

- The discretely presented component units, which represent 100% of the assets and revenues of the aggregate discretely presented component units opinion unit.
- The University of Arkansas for Medical Sciences, a portion of the Higher Education Fund, which represents 17% of the assets and 39% of the revenues of the business-type activities opinion unit and 22% of the assets and 54% 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 10% of the assets and 1% of the revenues of the business-type activities opinion unit and 2% of the assets and less than 1% of the revenues of the aggregate remaining fund information opinion unit.

Those statements were audited by other auditors whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for the aforementioned funds and entities, are based solely on the reports of the other auditors. 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*.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the State of Arkansas, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 State's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the State's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

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 is the responsibility of management and, 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the State's basic financial statements. The combining financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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. In our opinion, the combining financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the introductory and statistical sections but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 2, 2026, 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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
February 2, 2026
ACFR00125

MANAGEMENT'S DISCUSSION AND ANALYSIS





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MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's discussion and analysis (MD&A) of the State of Arkansas (the State) provides the State's financial position and an analytical overview of the State's financial activities and performance for the fiscal year ended June 30, 2025. The State's financial statements received an unmodified opinion located in the preceding Independent Auditor's Report. We encourage readers to consider this report in conjunction with the letter of transmittal located in the preceding introductory section and with the State's basic financial statements located subsequent to the MD&A.

OVERVIEW OF THE FINANCIAL STATEMENTS

The following chart presents an overview of the major features of the basic financial statements:

	<i>Government-wide Financial Statements</i>	Fund Financial Statements		
		<i>Governmental Funds</i>	<i>Proprietary Funds</i>	<i>Fiduciary Funds</i>
Overview:	All State government (excluding fiduciary funds) and component units	Resources that are not proprietary or fiduciary	Resources from user charges for goods or services	Resources held for the benefit of parties outside of State government
Accounting basis and measurement focus:	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resource focus	Accrual accounting and economic resources focus	
Financial Statements:	<ul style="list-style-type: none"> Statement of Net Position Statement of Activities 	<ul style="list-style-type: none"> Balance Sheet Statement of Revenues, Expenditures, and Changes in Fund Balance 	<ul style="list-style-type: none"> Statement of Fund Net Position Statement of Revenues, Expenses, and Changes in Fund Net Position Statement of Cash Flows 	<ul style="list-style-type: none"> Statement of Fiduciary Net Position Statement of Changes in Fiduciary Net Position
Assets controlled and liabilities owed:	All assets and liabilities including financial, capital, current, and noncurrent	Only current assets and liabilities incurred in the year. Does not include capital assets	All assets and liabilities including financial, capital, current, and noncurrent	
Deferred outflows/inflows:	All types of resources that flow into and out of the government during the year that relate to a future year	Current financial resources that flow into and out of the government during the year that relate to a future year	All types of resources that flow into and out of the government during the year that relate to a future year	
Resource inflows and outflows:	All revenues and expenses during the year irrespective to cash received or paid	Only measurable and available revenues and incurred expenditures during the year	All additions and deductions during the year irrespective to cash received or paid	

Discretely presented component units are not included in the previous chart. Additional information on the State's significant accounting policies can be found in Note 1 of the notes to the financial statements.

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The State's financial report contains basic financial statements which include *Government-Wide Financial Statements* and *Fund Financial Statements* with additional information disclosed in *Notes to the Financial Statements*.

Government-Wide Financial Statements

The government-wide financial statements provide information about the State's financial position, which assists in assessing the State's economic condition. These financial statements are reported in three categories:

- ***Governmental activities*** are primarily supported by intergovernmental grants and taxes. Services include education; health and human services; transportation; law, justice, and public safety; recreation and tourism; resource development; general government; commerce; and regulation of businesses and professionals.
- ***Business-type activities*** intend to recover their costs through user fees and charges to external users for goods and services and operate with minimal assistance. The primary business-type activities of the State include higher education systems, workers' compensation, unemployment insurance, and lottery proceeds.
- ***Discretely presented component units*** are legally separate entities for which the State is financially accountable. They include the Arkansas Development Finance Authority (ADFA), University of Arkansas Foundation, Inc., and University of Arkansas Fayetteville Campus Foundation, Inc. For submission requests for component unit financial statements, see Note 1 of the notes to the financial statements.

Fund Financial Statements

The fund financial statements disaggregate financial information by funds to maintain control over resources that have been segregated for specific activities, restrictions, or objectives. These financial statements are reported in three categories:

- ***Governmental Fund Financial Statements*** – These report short-term governmental activities except for proprietary and fiduciary funds. The State has one governmental fund, which is the General Fund.
- ***Proprietary Fund Financial Statements*** – These are the business-type activities reported in the government-wide financial statements.
- ***Fiduciary Fund Financial Statements*** – These report resources held for the benefit of parties outside of State government. These 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 include Pension Trust and Custodial funds. Additional information about fiduciary funds is presented in the combining financial statements.

Additional information on the State's significant accounting policies can be found in Note 1 of the notes to the financial statements.

Notes to the Financial Statements

The notes to the financial statements provide greater explanation to the nature and determination of the amounts reported within the financial statements. The notes to the financials can be found immediately following the fiduciary fund financial statements.

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GOVERNMENT-WIDE HIGHLIGHTS AND ANALYSIS

The following chart presents a summary of the government-wide statement of net position (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Current assets	\$ 13,896,037	\$ 13,706,316	\$ 3,910,575	\$ 3,902,740	\$ 17,806,612	\$ 17,609,056
Noncurrent assets	178,852	199,836	1,870,066	1,679,895	2,048,918	1,879,731
Capital assets	<u>17,152,354</u>	<u>16,260,056</u> (1)	<u>4,871,675</u>	<u>4,752,954</u>	<u>22,024,029</u>	<u>21,013,010</u>
Total assets	<u>31,227,243</u>	<u>30,166,208</u>	<u>10,652,316</u>	<u>10,335,589</u>	<u>41,879,559</u>	<u>40,501,797</u>
Deferred outflows of resources	<u>744,570</u>	<u>917,948</u>	<u>64,801</u>	<u>93,722</u>	<u>809,371</u>	<u>1,011,670</u>
Current liabilities	2,488,401	2,717,530	795,308	754,077	3,283,709	3,471,607
Long-term liabilities	<u>4,685,396</u>	<u>5,272,891</u>	<u>3,178,077</u>	<u>3,195,269</u>	<u>7,863,473</u>	<u>8,468,160</u>
Total liabilities	<u>7,173,797</u>	<u>7,990,421</u>	<u>3,973,385</u>	<u>3,949,346</u>	<u>11,147,182</u>	<u>11,939,767</u>
Deferred inflows of resources	<u>693,456</u>	<u>706,885</u>	<u>164,744</u>	<u>152,537</u>	<u>858,200</u>	<u>859,422</u>
Net investment in capital assets	16,691,657	15,757,165 (1)	2,403,527	2,267,495	19,095,184	18,024,660
Restricted	4,059,477	4,094,663	1,477,380	1,446,580	5,536,857	5,541,243
Unrestricted	<u>3,353,426</u>	<u>2,535,022</u>	<u>2,698,081</u>	<u>2,613,353</u>	<u>6,051,507</u>	<u>5,148,375</u>
Total net position	<u>\$ 24,104,560</u>	<u>\$ 22,386,850</u>	<u>\$ 6,578,988</u>	<u>\$ 6,327,428</u>	<u>\$ 30,683,548</u>	<u>\$ 28,714,278</u>

(1) During fiscal year 2025, the State corrected a prior-period error in which certain transportation construction-in-progress costs had been incorrectly expensed rather than capitalized. This correction resulted in a restatement of fiscal years 2020 through 2024, increasing capital assets and net position by a cumulative \$749.0 million.

The net position of the governmental activities increased \$2.0 billion in fiscal year 2025 and \$1.7 billion in fiscal year 2024. The total net position increase was \$208.0 million more than the previous fiscal year due to program (grants, charges for services, and capital grants and contributions), general (taxes i.e., sales, use, personal, corporate, gas, motor carriers, and other), and other revenues exceeding program expenditures resulting from continued economic growth.

The net position of the business-type activities increased \$251.6 million in fiscal year 2025 and \$242.4 million in fiscal year 2024. The total net position increase was \$9.2 million more than the previous fiscal year due to program (grants, charges for services, and capital grants and contributions), taxes, and other revenues exceeding program expenditures resulting from continued economic growth.

Net investment in capital assets are reported net of related debt, and 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.

ARKANSAS

The following table displays key elements of the changes in net position (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Revenues:						
Program revenues:						
Charges for services	\$ 1,579,604	\$ 1,494,079	\$ 3,921,310	\$ 3,752,175	\$ 5,500,914	\$ 5,246,254
Operating grants	10,434,143	10,274,730	1,322,532	1,016,763	11,756,675	11,291,493
Capital grants and contributions	1,031,260	1,083,849	70,199	62,111	1,101,459	1,145,960
General revenues:						
Personal and corporate taxes	3,517,099	3,520,692			3,517,099	3,520,692
Consumer sales and use taxes	4,732,617	4,623,007			4,732,617	4,623,007
Gas and motor carrier taxes	479,933	509,347			479,933	509,347
Other taxes	1,648,463	1,603,950	42,824	39,729	1,691,287	1,643,679
Other revenues:						
Investment earnings (loss)	754,935	442,735	196,986	197,481	951,921	640,216
Miscellaneous income	495,134	527,176	441,172	341,641	936,306	868,817
Total revenues	<u>24,673,188</u>	<u>24,079,565</u>	<u>5,995,023</u>	<u>5,409,900</u>	<u>30,668,211</u>	<u>29,489,465</u>
Expenses:						
Governmental expenses:						
General government	1,635,853	1,715,246			1,635,853	1,715,246
Education	4,875,938	4,917,505			4,875,938	4,917,505
Health and human services	11,643,945	11,060,760			11,643,945	11,060,760
Transportation	1,417,981	1,175,163			1,417,981	1,175,163
Law, justice, and public safety	1,184,281	1,254,534			1,184,281	1,254,534
Recreation and tourism	286,857	264,582			286,857	264,582
Regulation of business and professionals	30,254	28,789			30,254	28,789
Resource development	332,614	284,239			332,614	284,239
Commerce	412,800	585,411			412,800	585,411
Interest expense	27,707	29,016			27,707	29,016
Business-type expenses:						
Higher education			5,492,810	5,134,705	5,492,810	5,134,705
Division of Workforce Services			70,932	75,066	70,932	75,066
Office of the Arkansas Lottery			475,565	499,132	475,565	499,132
Public School Employee Health and Life Benefit Plan			536,193	457,704	536,193	457,704
Workers' Compensation Commission			12,227	9,746	12,227	9,746
Revolving loans			27,854	12,520	27,854	12,520
Total expenses	<u>21,848,230</u>	<u>21,315,245</u>	<u>6,615,581</u>	<u>6,188,873</u>	<u>28,463,811</u>	<u>27,504,118</u>
Increase (decrease) in net position before transfers	2,824,958	2,764,320	(620,558)	(778,973)	2,204,400	1,985,347
Transfers - internal activities	(873,556)	(1,021,384)	873,556	1,021,384		
Increase in net position	1,951,402	1,742,936	252,998	242,411	2,204,400	1,985,347
Net position - beginning (1)	<u>22,153,158</u>	<u>20,643,914</u>	<u>6,325,990</u>	<u>6,085,017</u>	<u>28,479,148</u>	<u>26,728,931</u>
Net position - ending	<u>\$ 24,104,560</u>	<u>\$ 22,386,850</u>	<u>\$ 6,578,988</u>	<u>\$ 6,327,428</u>	<u>\$ 30,683,548</u>	<u>\$ 28,714,278</u>

(1) Net position – beginning was restated for implementation of GASB 101 and an error correction. In accordance with GASB 100, prior year was not restated for the implementation of GASB 101 but was restated for the error correction.

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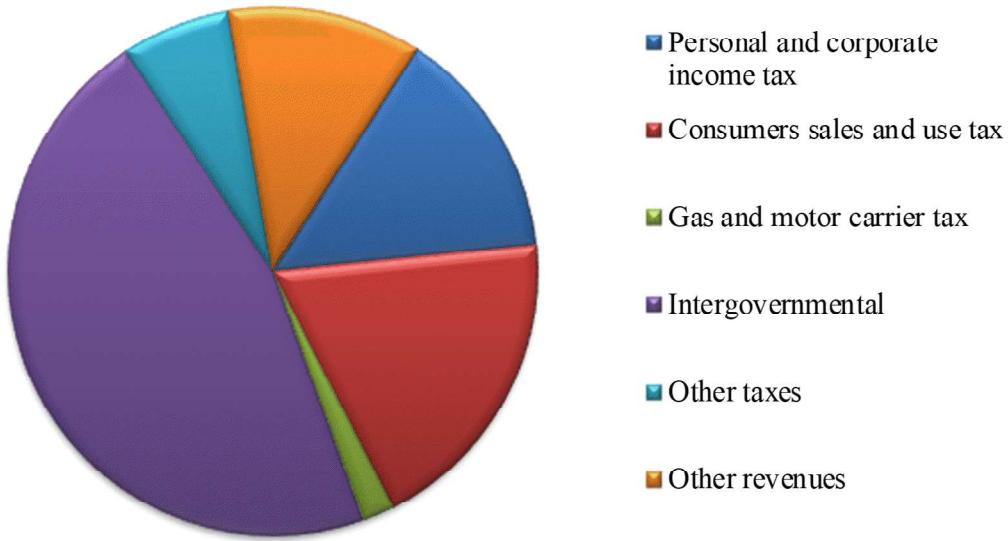
FUND HIGHLIGHTS AND ANALYSIS

General Government Functions

Revenues by Source - General Fund (expressed in thousands)

Revenues	2025	2024	Increase (Decrease) Percent
Personal and corporate income tax	\$ 3,521,188	\$ 3,521,101	0.00%
Consumers sales and use tax	4,740,166	4,639,049	2.18%
Gas and motor carrier tax	482,371	506,911	(4.84%)
Intergovernmental	11,443,889	11,221,223	1.98%
Other taxes	1,648,576	1,628,312	1.24%
Other revenues	2,933,733	2,529,015	16.00%
Total	<u>\$ 24,769,923</u>	<u>\$ 24,045,611</u>	3.01%

2025 Governmental Activities Revenues by Source



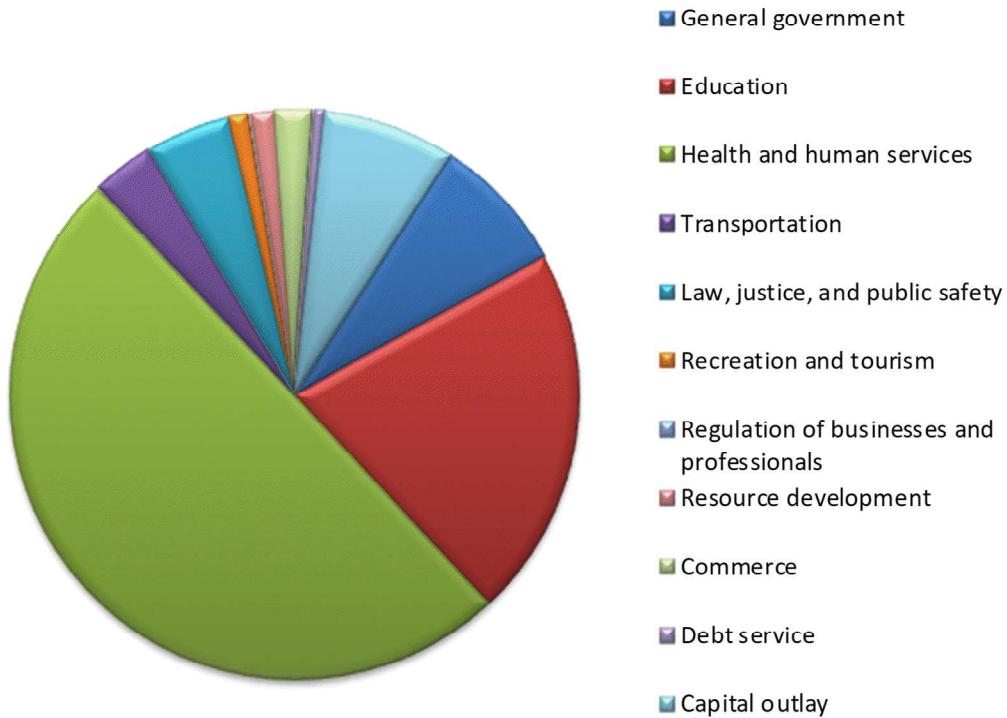
Governmental revenues increased for the fiscal year ended June 30, 2025, by \$724.3 million, or 3.01%. Intergovernmental revenue increased by \$222.7 million, primarily due to Medicaid funding. Other revenues increased by \$404.7 million, mainly due to higher bond returns as the result of decreasing market interest rates and increased pharmacy rebates on State managed health plans.

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Expenditures by Function – General Fund (expressed in thousands)

Expenditures	2025	2024	Increase (Decrease) Percent
General government	\$ 1,798,329	\$ 1,646,752	9.20%
Education	4,870,867	4,912,965	(0.86%)
Health and human services	11,511,193	10,915,820	5.45%
Transportation	813,792	847,497	(3.98%)
Law, justice, and public safety	1,127,275	1,216,678	(7.35%)
Recreation and tourism	260,614	241,563	7.89%
Regulation of businesses and professionals	29,541	28,372	4.12%
Resource development	320,659	277,527	15.54%
Commerce	485,840	464,656	4.56%
Debt service	142,376	159,386	(10.67%)
Capital outlay	1,738,145	1,448,744	19.98%
Total	\$ <u>23,098,631</u>	\$ <u>22,159,960</u>	4.24%

2025 Governmental Activities Expenditures by Function



The State's expenditures increased for the year ended June 30, 2025, by \$938.7 million, or 4.24%. Education expenditures decreased by (\$42.1) million, mainly due to the expiration of certain grant programs in FY2024. Health and human services expenditures increased by \$595.4 million, primarily due to the increase in Medicaid funding. Transportation decreased by (\$33.7) million, mainly due to reductions in the Department of Transportation's repairs, restorations, and preservations. Law, justice, and public safety decreased by (\$89.4) million, mainly due to a decrease in federal emergency funds. Capital outlay expenditures increased by \$289.4 million, primarily due to increased capital projects at the Arkansas Department of Transportation.

ARKANSAS

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.

The State's General Fund reported an ending June 30, 2025, fund balance of \$11.5 billion, which is an increase of \$904.3 million from **June 30, 2024**. The increase is predominantly related to revenues exceeding expenditures related to continued economic growth during the fiscal year.

Fund balance consisted of the following:

- The nonspendable fund balance was \$141.8 million, or 1.24%.
- The restricted fund balance was \$2.4 billion, or 21.27%.
- The committed fund balance was \$8.8 billion, or 76.43%.
- The assigned fund balance was \$47.6 million, or 0.42%
- The unassigned fund balance was \$74.2 million, or 0.65%.

The classifications and amounts of fund balance were determined according to the provisions of Governmental Accounting Standards Board (GASB) Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. Additional information on the State's fund balance classifications can be found in Note 1 of the notes to the financial statements.

Capital Assets and Debt Administration

The following chart presents a summary of the State's capital assets, debt administration, and commitments (expressed in thousands):

	Governmental Activities		Business-Type Activities		Totals	
	2025	2024	2025	2024	2025	2024
Capital Assets:						
Capital assets, net	\$ 17,152,354	\$ 16,260,056	(1)	\$ 4,871,675	\$ 4,752,954	\$ 22,024,029
Debt Administration:						
Bonds, notes, and installment purchases	\$ 650,966	\$ 737,942	\$ 2,634,459	\$ 2,598,103	\$ 3,285,425	\$ 3,336,045
Lease and SBITA obligations	157,355	132,165	201,026	198,639	358,381	330,804
OPEB and pension liabilities	3,342,506	3,676,044	238,123	280,735	3,580,629	3,956,779
Other long-term liabilities	764,988	532,844	365,398	367,585	1,130,386	900,429
Total long-term liabilities	\$ 4,915,815	\$ 5,078,995	\$ 3,439,006	\$ 3,445,062	\$ 8,354,821	\$ 8,524,057
Commitments:						
Capital assets	\$ 1,617,622	\$ 1,785,981	\$ 277,827	\$ 238,101	\$ 1,895,449	\$ 2,024,082
SBITA	68,737	3,718			68,737	3,718

(1) Restated due to error correction.

Capital Assets

The investment in capital assets includes land, buildings, improvements, equipment, intangibles, infrastructure, construction in progress, and right-to-use assets. The State uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending.

ARKANSAS

Governmental Activities

Major capital asset activity during the current year ended June 30, 2025, related to the Arkansas Department of Transportation (ARDOT) construction of roads, bridges, and interchanges for additions of \$1.3 billion, retired (\$76.5) million, and capital asset commitments decreased \$312.2 million as the result of normal timing variations between the completion of major projects and the execution of new major contracts.

Business-Type Activities

Major capital asset activity during the current year ended June 30, 2025, related to the consolidated University of Arkansas System capital assets increased \$77.8 million primarily due to increasing enrollment and funding from debt administration for facilities and renovations.

Additional information on the State's capital assets and significant commitments related to future capital expenditures can be found in Note 8 and Note 18, respectively, of the notes to the financial statements.

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% 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 AA+ by a nationally recognized statistical rating organization, reflecting strong fiscal management and stability. This rating indicates the State has sufficient revenues and cash reserves to meet its debt obligations.

Governmental Activities

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

- The Arkansas Natural Resources Commission issued \$25.0 million in Water, Waste, and Pollution Bonds for financing the development of water, waste disposal, water pollution control, abatement and prevention, drainage, irrigation, flood control, and wetlands and aquatic resources projects approved and implemented in the State.
- SBITAs, per GASB 96, increased by \$20.8 million primarily due to Arkansas Department of Information Systems, Arkansas Department of Parks, Heritage and Tourism, and Arkansas Department of Finance and Administration for software subscriptions.

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Business-type Activities

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

- University of Arkansas - Fayetteville issued \$29.8 million in various facility revenue bonds, Series 2024A and issued \$72.3 million in various facility revenue bonds, Refunding Series 2024B, to refund Series 2016A, 2017, 2019B, and 2021 bonds.
- Arkansas State University – Jonesboro issued \$30.3 million in student fee revenue bonds, Series 2024A, and issued \$10.4 million in student fee revenue refunding bonds, Series 2024B, to refund the Student Fee Revenue Bonds, Series 2013B.
- University of Arkansas – Medical Sciences issued \$59.2 million in various facility revenue bonds, Series 2025.
- SBITAs, per GASB 96, increased by \$12.3 million primarily due to Arkansas State University – Jonesboro and the consolidated University of Arkansas System for software subscriptions.

Additional information on the State's liabilities can be found in Note 9 of the notes to the financial statements.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

Functions	Budgeted Amounts		Actual Amounts
	Original	Final	
Commerce	\$ 747,142	\$ 1,125,589	\$ 526,298
Education	6,090,135	6,662,089	4,929,380
General government	3,046,065	3,233,143	2,615,508
Health and human services	11,445,521	11,875,398	10,946,827
Law, justice, and public safety	1,422,972	1,456,352	1,173,437
Recreation and tourism	424,677	510,449	339,982
Regulation of business and professionals	37,479	38,560	31,320
Resource development	398,340	919,829	341,064
Transportation	910,772	1,432,121	702,024
Capital outlay	2,111,459	2,705,466	1,674,113
Debt service	140,002	147,284	109,956
Total	<u>\$ 26,774,564</u>	<u>\$ 30,106,280</u>	<u>\$ 23,389,909</u>

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

The final budget exceeded the original budget by \$3.3 billion. The increases in Education and health and human services are primarily due to the federal American Rescue Plan Act (ARPA). Resource development, transportation and capital outlay increases are primarily due to the Infrastructure Investment and Jobs Act

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(IIJA) and ARPA. Arkansas Legislative Council requires a special appropriation for ARPA and IIJA funds to be used that is separate from the original budgeted amount.

In addition, supplemental appropriation and carryover of fund balances, as provided by law for payment of carryover obligations of the State, and reallocation of appropriation for expenditures related to infrastructure and employee salaries added to the increase in final budget numbers.

FINANCIAL AND OPERATIONAL ECONOMIC IMPACTS

At the time of issuing this report, the State did not identify any significant impacts on the State's financials after the fiscal year ending June 30, 2025.

Information on the State's subsequent events can be found in Note 23 of the notes to the financial statements.

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

BASIC FINANCIAL STATEMENTS



ARKANSAS

Statement of Net Position June 30, 2025 (Expressed in thousands)

	Primary Government			Component Unit	
	Governmental Activities	Business-type Activities	Total	Arkansas Development	Finance Authority
Assets					
Current assets:					
Cash and cash equivalents	\$ 1,410,116	\$ 2,070,133	\$ 3,480,249	\$ 378,876	
Cash and cash equivalents-restricted		342,386	342,386		
Investments	10,258,252	954,668	11,212,920	2,989	
Receivables, net:					
Accounts	214,210	586,069	800,279	4,109	
Taxes	632,329		632,329		
Medicaid	360,319		360,319		
Loans	11,683	1,839	13,522	2,847	
Leases	456	1,277	1,733	62	
Interest	52,577	2,766	55,343	3,483	
Other	29,806	7,688	37,494		
Internal balances	330,605	(330,605)			(643)
Due from other governments	450,687	86,320	537,007		
Inventories	99,667	48,980	148,647		
Prepaid items	35,415	103,117	138,532		
Deposits with trustee	9,915	27,108	37,023		
Other current assets		8,829	8,829		
Total current assets	<u>13,896,037</u>	<u>3,910,575</u>	<u>17,806,612</u>		<u>391,723</u>
Noncurrent assets:					
Cash and cash equivalents-restricted		214,336	214,336		
Deposits with component unit	51,797		51,797		
Deposits with bond trustee		157,674	157,674		
Deposits with Multi-State Lottery Association		1,921	1,921		
Investments		562,834	562,834	248,286	
Receivables, net	671	107,630	108,301		
Loans and mortgages receivable	115,353	812,886	928,239	267,117	
Loans and capital leases receivable from primary government				253,955	
Lease receivable	330		330	470	
Due from other governments		2,059	2,059		
Irrevocable split-interest agreements		2,379	2,379		
Financial assurance instruments		7,475	7,475		
Other noncurrent assets	10,701	872	11,573	3,275	
Capital assets:					
Nondepreciable	5,561,133	620,716	6,181,849	670	
Depreciable, net	11,591,221	4,250,959	15,842,180	1,410	
Total noncurrent assets	<u>17,331,206</u>	<u>6,741,741</u>	<u>24,072,947</u>	<u>775,183</u>	
Total assets	<u>31,227,243</u>	<u>10,652,316</u>	<u>41,879,559</u>		<u>1,166,906</u>
Deferred Outflows of Resources					
Related to pensions	519,225	31,610	550,835	887	
Related to other postemployment benefits	211,126	11,506	222,632	367	
Related to debt refundings	14,219	21,685	35,904		
Total deferred outflows of resources	<u>744,570</u>	<u>64,801</u>	<u>809,371</u>		<u>1,254</u>
Total assets and deferred outflows of resources	<u>\$ 31,971,813</u>	<u>\$ 10,717,117</u>	<u>\$ 42,688,930</u>		<u>\$ 1,168,160</u>

ARKANSAS

Statement of Net Position June 30, 2025 (Expressed in thousands)

Liabilities	Primary Government			Component Unit
	Governmental		Business-type	Arkansas Development Finance Authority
	Activities	Activities	Total	
Current liabilities:				
Accounts payable	\$ 144,183	\$ 262,304	\$ 406,487	\$ 5,391
Prizes payable		24,087	24,087	
Accrued interest	2,224	15,419	17,643	4,523
Accrued and other current liabilities	446,550	78,906	525,456	
Investment principal payable	24,516	16	24,532	
Medicaid payable	346,707		346,707	
Income tax refunds payable	461,154		461,154	
Due to other governments	142,920	14,303	157,223	
Funds held in trust for others		10,082	10,082	
Workers' compensation benefits payable		12,607	12,607	
Bonds, notes, and installment agreements payable	95,168	139,477	234,645	24,627
Lease obligation	20,388	29,568	49,956	
SBITA obligation	25,565	10,362	35,927	
Claims, judgments, arbitration, and compensated absences	526,809	93,220	620,029	
Pollution remediation obligations	4,987		4,987	
Unearned gain on refinancing sale of asset				33
Rebate/refund incentives payable	19,567		19,567	
Recycling tax obligation payable	19,903		19,903	
Other postemployment benefits liability	67,178	5,203	72,381	102
Unearned revenue	140,582	99,754	240,336	147
Total current liabilities	2,488,401	795,308	3,283,709	34,823
Noncurrent liabilities:				
Workers' compensation benefits payable		133,927	133,927	
Bonds, notes, and installment agreements payable	555,798	2,494,982	3,050,780	513,502
Lease obligation	70,896	141,606	212,502	
SBITA obligation	40,506	19,490	59,996	
Other postemployment benefits liability	1,339,500	106,838	1,446,338	1,922
Net pension liability	1,935,828	126,082	2,061,910	3,519
Claims, judgments, arbitration, and compensated absences	54,049	125,644	179,693	
Pollution remediation obligations	22,152		22,152	
Unearned gain on refinancing sale of asset				188
Rebate/refund incentives payable	273,251		273,251	
Recycling tax obligation payable	137,088		137,088	
Deposits held on behalf of primary government				51,797
Unearned revenue		9,672	9,672	373
Other noncurrent liabilities	256,328	19,836	276,164	5,057
Total noncurrent liabilities	4,685,396	3,178,077	7,863,473	576,358
Total liabilities	7,173,797	3,973,385	11,147,182	611,181
Deferred Inflows of Resources				
Related to pensions	194,366	29,788	224,154	208
Related to other postemployment benefits	498,306	34,712	533,018	780
Related to debt refundings		22,056	22,056	
Related to irrevocable split interest agreements		9,367	9,367	
Related to leases	784	66,318	67,102	495
Related to service concession arrangements		2,503	2,503	
Total deferred inflows of resources	693,456	164,744	858,200	1,483
Total liabilities and deferred inflows of resources	7,867,253	4,138,129	12,005,382	612,664
Net Position				
Net position:				
Net investment in capital assets	16,691,657	2,403,527	19,095,184	2,080
Restricted for:				
Expendable:				
Scholarships and fellowships		43,325	43,325	
Debt service	218,873	30,653	249,526	
Capital projects	151,835	100,335	252,170	
Research		83,634	83,634	
Bond resolution and programs				390,437
Public service		911,645	911,645	
Lottery	343,932		343,932	
Program requirements	2,959,996		2,959,996	
Tobacco settlement	116,917		116,917	
Transportation	204,737		204,737	
Wildlife management	63,187		63,187	
Other		150,610	150,610	
Nonexpendable:				
Scholarships and fellowships		40,430	40,430	
Research		41,203	41,203	
Other		75,545	75,545	
Minority interest				529
Unrestricted	3,353,426	2,698,081	6,051,507	162,450
Total net position	24,104,560	6,578,988	30,683,548	555,496
Total liabilities, deferred inflows of resources, and net position \$	31,971,813	\$ 10,717,117	\$ 42,688,930	\$ 1,168,160

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

ARKANSAS

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2025
(Expressed in thousands)

Assets

Contributions receivable, net	\$ 40,101
Interest receivable	7,504
Cash value of life insurance	1,794
Investments	2,201,034
Total assets	<u>\$ 2,250,433</u>

Liabilities and Net Assets

Liabilities:

Accounts payable	\$ 4,980
Annuity obligations	<u>10,355</u>
Total liabilities	<u>15,335</u>

Net assets:

Without donor restrictions	187,785
With donor restrictions	<u>2,047,313</u>
Total net assets	<u>2,235,098</u>
Total liabilities and net assets	<u>\$ 2,250,433</u>

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

ARKANSAS

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Financial Position
June 30, 2025
(Expressed in thousands)

Assets	
Investments	\$ <u>753,609</u>
Total assets	\$ <u><u>753,609</u></u>
Liabilities and Net Assets	
Liabilities:	
Accounts payable	\$ <u>361</u>
Total liabilities	<u><u>361</u></u>
Net assets:	
With donor restrictions	<u>753,248</u>
Total net assets	<u><u>753,248</u></u>
Total liabilities and net assets	\$ <u><u>753,609</u></u>

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

ARKANSAS

Statement of Activities For the Year Ended June 30, 2025 (Expressed in thousands)

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary government:				
Governmental activities:				
General government	\$ 1,635,853	\$ 440,641	\$ 659,705	\$
Education	4,875,938	4,021	1,147,954	
Health and human services	11,643,945	494,505	8,121,295	838
Transportation	1,417,981	143,947	2,000	1,017,686
Law, justice, and public safety	1,184,281	166,738	160,805	
Recreation and tourism	286,857	76,692	37,132	12,736
Regulation of business and professionals	30,254	23,488	2,131	
Resource development	332,614	84,750	73,170	
Commerce	412,800	144,822	229,951	
Interest expense	27,707			
Total governmental activities	<u>21,848,230</u>	<u>1,579,604</u>	<u>10,434,143</u>	<u>1,031,260</u>
Business-type activities:				
Higher education	5,492,810	2,740,245	1,297,718	70,199
Division of Workforce Services	70,932	79,727		
Office of the Arkansas Lottery	475,565	578,278		
Public School Employee Health and Life Benefit Plan	536,193	496,582		
Workers' Compensation Commission	12,227	17,999	(20)	
Revolving loans	27,854	8,479	24,834	
Total business-type activities	<u>6,615,581</u>	<u>3,921,310</u>	<u>1,322,532</u>	<u>70,199</u>
Total primary government	<u>\$ 28,463,811</u>	<u>\$ 5,500,914</u>	<u>\$ 11,756,675</u>	<u>\$ 1,101,459</u>
Component unit:				
Arkansas Development Finance Authority	<u>\$ 33,484</u>	<u>\$ 39,649</u>	<u>\$ 18,420</u>	
General revenues:				
Taxes:				
Personal and corporate income				
Consumer sales and use				
Gas and motor carrier				
Other				
Total taxes				
Investment earnings (loss)				
Miscellaneous income				
Transfers-internal activities				
Total general revenues and transfers				
Change in net position				
Net position - beginning (as restated)				
Net position - ending				

ARKANSAS

Net Revenue (Expense)			
Primary Government		Component Unit	
Governmental Activities	Business-type Activities	Total	Arkansas Development Finance Authority
\$ (535,507)	\$ (535,507)		
(3,723,963)		(3,723,963)	
(3,027,307)		(3,027,307)	
(254,348)		(254,348)	
(856,738)		(856,738)	
(160,297)		(160,297)	
(4,635)		(4,635)	
(174,694)		(174,694)	
(38,027)		(38,027)	
(27,707)		(27,707)	
<u>(8,803,223)</u>	<u>(8,803,223)</u>		
(1,384,648)		(1,384,648)	
8,795		8,795	
102,713		102,713	
(39,611)		(39,611)	
5,752		5,752	
5,459		5,459	
<u>(1,301,540)</u>	<u>(1,301,540)</u>	<u>(1,301,540)</u>	
<u>(8,803,223)</u>	<u>(1,301,540)</u>	<u>(10,104,763)</u>	
		\$ 24,585	
3,517,099		3,517,099	
4,732,617		4,732,617	
479,933		479,933	
1,648,463	42,824	1,691,287	
10,378,112	42,824	10,420,936	
754,935	196,986	951,921	2,860
495,134	441,172	936,306	
(873,556)	873,556		
<u>10,754,625</u>	<u>1,554,538</u>	<u>12,309,163</u>	<u>2,860</u>
1,951,402	252,998	2,204,400	27,445
22,153,158	6,325,990	28,479,148	528,051
<u>\$ 24,104,560</u>	<u>\$ 6,578,988</u>	<u>\$ 30,683,548</u>	<u>\$ 555,496</u>

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

ARKANSAS

UNIVERSITY OF ARKANSAS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2025
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Contributions	\$ 9,134	\$ 83,602	\$ 92,736
Interest and dividends	18,690	12,721	31,411
Net realized and unrealized gains on investments	23,251	155,750	179,001
Net asset reclassifications, including release from restrictions and satisfaction of restrictions	104,511	(104,511)	
Total revenues, gains, and other support	<u>155,586</u>	<u>147,562</u>	<u>303,148</u>
Expenses and losses:			
Program services:			
University system support	<u>122,839</u>		<u>122,839</u>
Total program services	<u>122,839</u>		<u>122,839</u>
Supporting services:			
Management and general	2,991		2,991
Advancement and development	12,207		12,207
Change in value of split-interest agreements	(54)	(2,029)	(2,083)
Provision for loss on uncollectible pledges	32	450	482
Total supporting services	<u>15,176</u>	<u>(1,579)</u>	<u>13,597</u>
Total expenses and losses	<u>138,015</u>	<u>(1,579)</u>	<u>136,436</u>
Change in net assets	17,571	149,141	166,712
Net assets - beginning	170,214	1,898,172	2,068,386
Net assets - ending	<u>\$ 187,785</u>	<u>\$ 2,047,313</u>	<u>\$ 2,235,098</u>

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

ARKANSAS

UNIVERSITY OF ARKANSAS FAYETTEVILLE CAMPUS FOUNDATION, INC.
Discretely Presented Component Unit
Consolidated Statement of Activities
For the Year Ended June 30, 2025
(Expressed in thousands)

	Without donor restrictions	With donor restrictions	Total
Revenues, gains, and other support:			
Interest and dividends	\$	\$ 4,682	\$ 4,682
Net realized and unrealized gains on investments		69,683	69,683
Net asset reclassifications, including release from restrictions, satisfaction of restrictions, and change in donor restriction	29,006	(29,006)	
Total revenues, gains, and other support	<u>29,006</u>	<u>45,359</u>	<u>74,365</u>
Expenses and losses:			
Program services:			
Fayetteville campus support	29,006		29,006
Total program services	<u>29,006</u>		<u>29,006</u>
Change in net assets		45,359	45,359
Net assets - beginning		707,889	707,889
Net assets - ending	<u>\$</u> <u>753,248</u>		<u>\$</u> <u>753,248</u>

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

ARKANSAS

Balance Sheet
Governmental Fund
June 30, 2025
(Expressed in thousands)

	<u>General Fund</u>
Assets	
Cash and cash equivalents	\$ 1,410,116
Investments	10,258,252
Receivable, net:	
Accounts	214,200
Taxes	632,329
Medicaid	360,319
Loans	127,036
Leases	786
Interest	52,577
Other	30,477
Due from other funds	346,974
Due from other governments	450,687
Advances to other funds	7,135
Inventories	99,667
Prepaid items	35,318
Deposits with component unit	51,797
Deposit with trustee	9,915
Other assets	10,702
Total assets	<u>\$ 14,098,287</u>
Liabilities, Deferred Inflows of Resources, and Fund Balance	
Liabilities:	
Accounts payable	\$ 139,914
Accrued and other liabilities	462,085
Investment principal payable	24,516
Medicaid claims payable	346,707
Income tax refunds payable	461,154
Advances from other funds	334
Due to other funds	27,429
Due to other governments	142,920
Unearned income	140,582
Total liabilities	<u>1,745,641</u>
Deferred Inflows of Resources	
Related to revenues	<u>879,586</u>
Total liabilities and deferred inflows of resources	<u>2,625,227</u>
Fund balance:	
Nonspendable:	
Prepaid items	35,318
Inventories	99,667
Long term loans	6,532
Long term leases	330
Restricted	2,440,372
Committed	8,769,047
Assigned	47,633
Unassigned	74,161
Total fund balance	<u>11,473,060</u>
Total liabilities, deferred inflows of resources, and fund balance	<u>\$ 14,098,287</u>

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

ARKANSAS

Reconciliation of the Governmental Fund Balance Sheet to the Statement of Net Position June 30, 2025 (Expressed in thousands)

Total fund balances:	
Governmental fund	\$ 11,473,060
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:	
Nondepreciable assets	\$ 5,561,133
Depreciable assets	<u>11,591,221</u>
Total capital assets	17,152,354
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.	97
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.	878,802
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	\$ (194,366)
Total outflows	<u>519,225</u>
	324,859
Deferred inflows and outflows of resources related to the State's other postemployment benefits 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	\$ (498,306)
Total outflows	<u>211,126</u>
	(287,180)
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 outflows	14,219
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 installment purchases payable	\$ (622,692)
Claims, judgments, arbitrage, and compensated absences	(565,324)
Lease and SBITA obligations	(157,355)
Other noncurrent liabilities	(256,328)
Refund/Rebate incentives payable	(292,818)
Recycling tax obligation	(156,991)
Other postemployment benefits liability	(1,406,678)
Pollution remediation obligation	(27,139)
Unamortized bond issue premiums	(28,650)
Accrued interest on bonds, notes, installment purchases, and lease obligations	(2,224)
Unamortized bond issue discounts	376
Net pension liabilities	<u>(1,935,828)</u>
Total long-term liabilities	<u>(5,451,651)</u>
Net position of governmental activities	\$ <u>24,104,560</u>

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

ARKANSAS

**Statement of Revenues, Expenditures, and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2025**
(Expressed in thousands)

	<u>General Fund</u>
Revenues:	
Taxes:	
Personal and corporate income	\$ 3,521,188
Consumers sales and use	4,740,166
Gas and motor carrier	482,371
Other	1,648,576
Intergovernmental	11,443,889
Licenses, permits, and fees	1,608,274
Investment earnings (loss)	754,935
Miscellaneous	<u>570,524</u>
Total revenues	<u>24,769,923</u>
Expenditures:	
Current:	
General government	1,798,329
Education	4,870,867
Health and human services	11,511,193
Transportation	813,792
Law, justice, and public safety	1,127,275
Recreation and tourism	260,614
Regulation of business and professionals	29,541
Resource development	320,659
Commerce	485,840
Debt service:	
Principal retirement	107,364
Interest	35,012
Capital outlay	<u>1,738,145</u>
Total expenditures	<u>23,098,631</u>
Excess of revenues over expenditures	<u>1,671,292</u>
Other financing sources (uses):	
Issuance of debt	29,294
Bond discounts/premiums	(373)
Issuance of leases	53,137
Issuance of SBITAs	20,758
Sale of capital assets	3,763
Transfers in	229,210
Transfers out	<u>(1,102,766)</u>
Total other financing sources and uses	<u>(766,977)</u>
Net change in fund balance	904,315
Fund balance - beginning (as restated)	<u>10,568,745</u>
Fund balance - ending	<u>\$ 11,473,060</u>

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

ARKANSAS

**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, 2025**
(Expressed in thousands)

Net change in fund balance-governmental fund	\$ 904,315
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	\$ 1,738,145
Depreciation expense	<u>(826,366)</u>
Excess of capital outlay over depreciation expense	911,779
The net effect of various miscellaneous transactions involving capital assets (for example: sales, trade-ins, and donations) is to increase net position.	448
Bond and note proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the Statement of Net Position.	(29,294)
Bonds issued at a premium provide current financial resources to government funds, but increase the long-term liabilities in the Statement of Net Position.	373
Some capital additions were financed through leases and SBITAs. In governmental funds, a lease or SBITA arrangement is considered a source of financing, but in the Statement of Net Position, the lease and SBITA obligations are reported as liabilities.	(73,895)
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, note, installment purchase, lease, and SBITA principal retirement.	107,364
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.	(136,224)
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:	
Claims, judgments, arbitration, and compensated absences	\$ 40,901
Amortization of bond premiums and discounts	8,534
Amortization of bond insurance costs	(9)
Amortization of deferred outflows of resources related to debt refunding	(1,782)
Leases and SBITAs	47,934
Pollution remediation obligations	105
Loss on sale of capital assets	(19,158)
Net change in pension related accounts	10,909
Adoption subsidy	14,483
Accrued interest	562
Other postemployment benefits obligations	<u>164,057</u>
Total additional expenditures	<u>266,536</u>
Change in net position of governmental activities	<u>\$ 1,951,402</u>

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

ARKANSAS

Statement of Fund Net Position Proprietary Funds June 30, 2025 (Expressed in thousands)

	Enterprise Funds				
	Higher Education	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 661,777	\$ 1,010,505	\$ 7,086	\$ 390,765	\$ 2,070,133
Cash and cash equivalents-restricted			342,386		342,386
Investments	769,824	10,077		174,767	954,668
Receivables, net:					
Accounts	502,168	39,848	15,049	29,004	586,069
Loans and notes	1,817			22	1,839
Leases	1,277				1,277
Interest	893	47		1,826	2,766
Other	7,688				7,688
Due from other funds	20,625	400	2,032	333	23,390
Due from other governments	85,374	483		463	86,320
Advances to other funds				1,132	1,132
Inventories	48,980				48,980
Prepaid items	102,910		157	50	103,117
Deposits with bond trustee	27,108				27,108
Other current assets	8,829				8,829
Total current assets	<u>2,239,270</u>	<u>1,061,360</u>	<u>366,710</u>	<u>598,362</u>	<u>4,265,702</u>
Noncurrent assets:					
Cash and cash equivalents-restricted	193,836		20,500		214,336
Deposits with Multi-State Lottery Association			1,921		1,921
Investments:					
Restricted endowments	214,936				214,936
Unrestricted endowments	64,651				64,651
Restricted investments	72,187				72,187
Unrestricted investments	211,060				211,060
Receivables, net:					
Loans and notes	19,065				19,065
Leases	66,079				66,079
Other	22,486				22,486
Due from other governments	2,059				2,059
Advances to other funds			5,927		5,927
Loans receivable - restricted			812,886		812,886
Deposits with bond trustee	157,674				157,674
Irrevocable split interest agreements	2,379				2,379
Financial assurance instruments			7,475		7,475
Other noncurrent assets	872				872
Capital assets:					
Nondepreciable	619,467			1,249	620,716
Depreciable, net	<u>4,249,033</u>	<u>1,461</u>	<u>425</u>	<u>40</u>	<u>4,250,959</u>
Total noncurrent assets	<u>5,895,784</u>	<u>1,461</u>	<u>22,846</u>	<u>827,577</u>	<u>6,747,668</u>
Total assets	<u>8,135,054</u>	<u>1,062,821</u>	<u>389,556</u>	<u>1,425,939</u>	<u>11,013,370</u>
Deferred Outflows of Resources					
Related to pensions	29,080		1,073	1,457	31,610
Related to other postemployment benefits	10,071		709	726	11,506
Related to debt refunding	21,685				21,685
Total deferred outflows of resources	<u>60,836</u>		<u>1,782</u>	<u>2,183</u>	<u>64,801</u>
Total assets and deferred outflows of resources	<u>\$ 8,195,890</u>	<u>\$ 1,062,821</u>	<u>\$ 391,338</u>	<u>\$ 1,428,122</u>	<u>\$ 11,078,171</u>

ARKANSAS

Statement of Fund Net Position Proprietary Funds June 30, 2025 (Expressed in thousands)

Liabilities	Enterprise Funds				
	Higher Education	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Current liabilities:					
Accounts payable	\$ 208,668	\$ 22,643	\$ 2	\$ 30,991	\$ 262,304
Prizes payable			24,087		24,087
Accrued interest	13,905			1,514	15,419
Accrued and other current liabilities	72,490	12	6,239	165	78,906
Investment principal payable				16	16
Advances from other funds	1,687				1,687
Due to other funds	1,565	198	344,215	1,216	347,194
Due to other governments	906	13,397			14,303
Funds held in trust for others	10,082				10,082
Worker's compensation benefits payable				12,607	12,607
Bonds, notes, and installment agreements payable	131,762			7,715	139,477
Leases obligation	29,256		288	24	29,568
SBITA obligation	10,362				10,362
Claims, judgments, and compensated absences	46,037		980	46,203	93,220
Other postemployment benefits liability	4,880		128	195	5,203
Unearned revenue	99,203		253	298	99,754
Total current liabilities	630,803	36,250	376,192	100,944	1,144,189
Noncurrent liabilities:					
Worker's compensation benefits payable				133,927	133,927
Advances from other funds	12,173				12,173
Bonds, notes, and installment agreements payable	2,319,670			175,312	2,494,982
Leases obligation	141,551		49	6	141,606
SBITA obligation	19,490				19,490
Other postemployment benefits liability	100,759		2,411	3,668	106,838
Net pension liability	115,705		4,459	5,918	126,082
Claims, judgments, and compensated absences	125,491		59	94	125,644
Unearned revenue	9,672				9,672
Other noncurrent liabilities	12,362			7,474	19,836
Total noncurrent liabilities	2,856,873		6,978	326,399	3,190,250
Total liabilities	3,487,676	36,250	383,170	427,343	4,334,439
Deferred Inflows of Resources					
Related to pensions	29,035		294	459	29,788
Related to other postemployment benefits	32,253		924	1,535	34,712
Related to debt refundings	22,056				22,056
Related to irrevocable split interest agreement	9,367				9,367
Related to leases	66,318				66,318
Related to service concession arrangements	2,503				2,503
Total deferred inflows of resources	161,532		1,218	1,994	164,744
Total liabilities and deferred inflows of resources	3,649,208	36,250	384,388	429,337	4,499,183
Net Position					
Net investment in capital assets	2,400,698	1,461	110	1,258	2,403,527
Restricted for:					
Expendable:					
Scholarships and fellowships	43,325				43,325
Debt service	30,653				30,653
Capital projects	100,335				100,335
Research	83,634				83,634
Public service	21,441		21,000	869,204	911,645
Other	148,190		2,420		150,610
Nonexpendable:					
Scholarships and fellowships	40,430				40,430
Research	41,203				41,203
Other	75,545				75,545
Unrestricted (deficit)	1,561,228	1,025,110	(16,580)	128,323	2,698,081
Total net position	4,546,682	1,026,571	6,950	998,785	6,578,988
Total liabilities, deferred inflows of resources, and net position	\$ 8,195,890	\$ 1,062,821	\$ 391,338	\$ 1,428,122	\$ 11,078,171

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

ARKANSAS

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2025**
(Expressed in thousands)

	Enterprise Funds				
	Higher Education	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Operating revenues:					
Charges for sales and services	\$ 2,740,245	\$	\$ 496,582	\$ 3,236,827	
Lottery collections			577,600		577,600
Licenses, permits, and fees			678	8,479	9,157
Grants and contributions	641,936				641,936
Insurance taxes				17,999	17,999
Unemployment taxes		79,727			79,727
Other operating revenues	408,133	11,859	9	79	420,080
Total operating revenues	<u>3,790,314</u>	<u>91,586</u>	<u>578,287</u>	<u>523,139</u>	<u>4,983,326</u>
Operating expenses:					
Cost of sales and services			61,361		61,361
Lottery prize payments			400,272		400,272
Compensation and benefits	2,904,075		5,457	7,096	2,916,628
Supplies and services	1,703,407		7,078	976	1,711,461
General and administrative expenses	236,105		1,020	5,425	242,550
Federal financial assistance				17,904	17,904
Scholarships and fellowships	183,350				183,350
Benefit and aid payments		68,950		540,026	608,976
Bond interest				4,819	4,819
Depreciation and amortization	364,791	133	363	26	365,313
Total operating expenses	<u>5,391,728</u>	<u>69,083</u>	<u>475,551</u>	<u>576,272</u>	<u>6,512,634</u>
Operating income (loss)	<u>(1,601,414)</u>	<u>22,503</u>	<u>102,736</u>	<u>(53,133)</u>	<u>(1,529,308)</u>
Nonoperating revenues (expenses):					
Investment earnings (loss)	121,530	30,973	12,753	31,834	197,090
Net increase (decrease) fair value investments				(104)	(104)
Taxes	42,824				42,824
Grants and contributions	655,782	(1,849)		24,814	678,747
Interest and amortization expense	(87,639)		(14)	(2)	(87,655)
Gain (loss) on sale of capital assets	183				183
Other nonoperating revenue	21,092				21,092
Total nonoperating revenues (expenses)	<u>753,772</u>	<u>29,124</u>	<u>12,739</u>	<u>56,542</u>	<u>852,177</u>
Income (loss) before transfers and contributions	(847,642)	51,627	115,475	3,409	(677,131)
Transfers in	1,090,731		2,032	10,003	1,102,766
Transfers out	(100,517)	(10,819)	(113,850)	(4,024)	(229,210)
Capital grants and contributions	70,199				70,199
Other	(13,626)				(13,626)
Change in net position	199,145	40,808	3,657	9,388	252,998
Total net position - beginning (as restated)	<u>4,347,537</u>	<u>985,763</u>	<u>3,293</u>	<u>989,397</u>	<u>6,325,990</u>
Total net position - ending	<u>\$ 4,546,682</u>	<u>\$ 1,026,571</u>	<u>\$ 6,950</u>	<u>\$ 998,785</u>	<u>\$ 6,578,988</u>

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

ARKANSAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025
(Expressed in thousands)

	Enterprise Funds				
	Higher Education	Division of Workforce Services	Office of the Arkansas Lottery	Non-Major Enterprise Funds	Total
Cash flows from operating activities:					
Cash received from customers	\$ 2,216,984	\$	\$ 577,740	\$ 492,620	\$ 3,287,344
Cash received from other government agencies	655,971				655,971
Auxiliary enterprise charges	402,687				402,687
Compensation and benefits	(2,887,887)	(71,621)	(5,523)	(556,070)	(3,521,101)
Payments to suppliers	(1,699,180)		(67,684)	23,471	(1,743,393)
Insurance taxes					17,732
Unemployment taxes			81,608		81,608
Payments for lottery prizes			(406,879)		(406,879)
Principal and interest on loans received	9				9
Loan administration received				97	97
Loans issued to students	(7,190)				(7,190)
Scholarships and fellowships	(181,148)				(181,148)
Other operating receipts (payments)	250,941	11,859	(2,201)	3,578	264,177
Net cash provided by (used in) operating activities	(1,248,813)	21,846	95,453	(18,572)	(1,150,086)
Cash flows from noncapital financing activities:					
Direct lending receipts	497,251				497,251
Direct lending payments	(498,284)				(498,284)
Proceeds from bond issuance				75,658	75,658
Payments of bond principal				(7,057)	(7,057)
Payments of interest				(5,230)	(5,230)
Taxes	37,176				37,176
Grants and contributions	665,239	(1,849)		24,780	688,170
Noncapital financing receipts (payments)	(5,189)				(5,189)
Transfers in	1,090,729		4,753	6,964	1,102,446
Transfers out	(100,517)	(10,818)	(88,000)	(984)	(200,319)
Net cash provided by (used in) noncapital financing activities	1,686,405	(12,667)	(83,247)	94,131	1,684,622
Cash flows from capital and related financing activities:					
Principal paid on capital debts and leases	(165,161)			(25)	(165,186)
Interest paid on capital debts and leases	(91,880)			1	(91,879)
Acquisition and construction of capital assets	(440,834)		(51)	(669)	(441,554)
Proceeds from long-term borrowings	103,357				103,357
Proceeds from sale of capital assets	2,289		14		2,303
Other capital and related financing receipts (payments)	78,613				78,613
Net cash used in capital and related financing activities	(513,616)		(37)	(693)	(514,346)
Cash flows from investing activities:					
Purchase of investments	(505,519)	(5,898)		14,323	(497,094)
Proceeds from sale and maturities of investments	446,865			3,056	449,921
Interest and dividends on investments	27,463	30,942	12,753	25,386	96,544
Loan disbursements				(192,201)	(192,201)
Principal repayments on loans				45,672	45,672
Interest received on loans				7,704	7,704
Federal grant funds expended				(17,904)	(17,904)
Net cash provided by (used in) investing activities	(31,191)	25,044	12,753	(113,964)	(107,358)
Net increase (decrease) in cash and cash equivalents	(107,215)	34,223	24,922	(39,098)	(87,168)
Cash and cash equivalents - beginning	962,828	976,282	345,050	429,863	2,714,023
Cash and cash equivalents - ending	<u>\$ 855,613</u>	<u>\$ 1,010,505</u>	<u>\$ 369,972</u>	<u>\$ 390,765</u>	<u>\$ 2,626,855</u>

Continued on the following page

ARKANSAS

Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2025
(Expressed in thousands)

Continued from the previous page

	Enterprise Funds				
	Higher Education	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)	\$ (1,601,414)	\$ 22,503	\$ 102,736	\$ (53,133)	\$ (1,529,308)
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	364,791	133	363	26	365,313
Pension expense			94		94
Other postemployment benefits expense			(264)		(264)
Interest on investments				(452)	(452)
Bond interest				6,307	6,307
Bond issuance cost				642	642
Amortization of bond premiums				(1,488)	(1,488)
Federal grants expended				17,904	17,904
Other operating activities	(3,644)		(287)		(3,931)
Net changes in assets, liabilities, and deferred outflows/inflows:					
Accounts receivable	(11,411)	1,881	(519)	(4,259)	(14,308)
Loans receivable	473				473
Inventory	(1,425)				(1,425)
Prepaid items	(3,615)		(42)	(8)	(3,665)
Deposits with Multi-State Lottery Association			66		66
Other current assets	(3,098)				(3,098)
Current liabilities	(4,268)				(4,268)
Accounts payable and other accrued liabilities	10,949	(2,671)	(6,746)	16,498	18,030
Other postemployment benefits liabilities	(5,866)			208	(5,658)
Net pension liability	(13,108)			(1,035)	(14,143)
Deferred outflows related to pensions	1,574			956	2,530
Deferred outflows related to OPEB				(383)	(383)
Deferred inflows related to pensions	2,187			(16)	2,171
Deferred inflows related to OPEB				(418)	(418)
Compensated absences	6,077		80	79	6,236
Unearned revenue	12,985		(28)		12,957
Net cash provided by (used in) operating activities	<u>\$ (1,248,813)</u>	<u>\$ 21,846</u>	<u>\$ 95,453</u>	<u>\$ (18,572)</u>	<u>\$ (1,150,086)</u>
Non-cash investing, capital, and financing activities:					
Amortization of bond discount	\$ 4	\$	\$	\$	4
Amortization of bond premium	285				285
Amortization of cost associated with debt issuance and refundings	298				298
Capital assets purchased with bond proceeds held by trustee	3,572				3,572
Construction in progress correction	1,647				1,647
Costs of student loan principal and interest cancelled	(6)				(6)
Deposit of bond proceeds with trustee, including accrued interest and reserves	106,846				106,846
Donated capital assets/gifts	5,354				5,354
Donated scholarships from the foundation	188				188
Earnings on investments with trustee	6,534				6,534
(Increase) decrease in note receivables allowance for bad debt	7				7
Investment principal payable				16	16
Net gain/loss on the disposal of assets	990		(7)		983
Net increase/decrease in the fair value of investments	1,974				1,974
Payment of bond issuance cost and other fees from bond proceeds and reserves	838				838
Payment of debt service directly from trustee	1,744				1,744
Principal payment on loan withheld from State appropriations	300				300
Right-to-use assets	46,791				46,791
Trade-in allowance for equipment	19				19
Valuation adjustment to capital assets	112				112
Value of assets received from vendors for sponsorship agreements	4,157				4,157

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

ARKANSAS

Statement of Fiduciary Net Position Fiduciary Funds June 30, 2025 (Expressed in thousands)

	Pension Trust Funds	Custodial Funds
Assets		
Cash and cash equivalents	\$ 790,649	\$ 214,633
Investments at fair value:		
Certificates of deposit		17,741
U.S. government securities	1,140,187	3,522
Bonds, notes, mortgages, and preferred stock	1,342,679	586
Common stock	8,260,712	
Real estate	1,576,248	
International investments	3,369,509	
Mutual funds	407,868	1,266
Pooled investment funds	8,158,513	
Corporate obligations	1,822,185	
Asset and mortgage-backed securities	615,697	
State recycling tax credits	178,400	
Other	10,449,497	
Total investments	<u>37,321,495</u>	<u>23,115</u>
Receivables:		
Employee	14,410	
Employer	39,441	
Interest and dividends	60,349	228
Investment principal	65,435	
Other	6,206	224
Total receivables	<u>185,841</u>	<u>452</u>
Due from other funds	4,269	
Other assets:		
Financial assurance instruments		218,109
Securities lending collateral	1,613,964	
Other assets	589	
Capital assets	6,127	
Total other assets	<u>1,620,680</u>	<u>218,109</u>
Total assets	<u>39,922,934</u>	<u>456,309</u>
Deferred Outflows of Resources		
Related to other post employment benefits	1,038	
Total assets and deferred outflows of resources	<u>\$ 39,923,972</u>	<u>\$ 456,309</u>
Liabilities		
Accounts payable and other liabilities	\$ 49,337	\$ 7,304
Investment principal payable	89,607	11
Due to other funds	10	
Due to other governments		175,532
Due to third parties		2,455
Obligations under securities lending	1,614,500	
Other postemployment benefits	6,071	
Total liabilities	<u>1,759,525</u>	<u>185,302</u>
Deferred Inflows of Resources		
Related to other post employment benefits	2,250	
Total liabilities and deferred inflows of resources	<u>\$ 1,761,775</u>	<u>\$ 185,302</u>
Net Position		
Restricted for:		
Pensions	\$ 38,162,197	\$
Individuals, organizations, and other governments		271,007
Total net position	<u>\$ 38,162,197</u>	<u>\$ 271,007</u>

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

ARKANSAS

Statement of Changes in Fiduciary Net Position
Fiduciary Funds
For the Year Ended June 30, 2025
(Expressed in thousands)

	Pension Trust Funds	Custodial Funds
Additions:		
Contributions:		
Members	\$ 345,654	\$
Employers	978,176	
Supplemental contributions	17,019	
Title fees	6,009	
Court fees	1,511	
Reinstatement fees	1,544	
Total contributions	<u>1,349,913</u>	
Investment income (loss):		
Net increase (decrease) in fair value of investments	3,187,054	3,633
Interest, dividends, and other	460,838	6,742
Other investment income	6,823	
Securities lending income, net of expenses	6,657	
Total investment income (loss)	<u>3,661,372</u>	10,375
Less investment expense	147,442	
Net investment income (loss)	<u>3,513,930</u>	10,375
Sales tax collections for other governments	3,642,554	
Child support deposits	320,121	
Beneficiary deposits	96,171	
Seized assets	1,110	
Insurance surety deposits	2,039	
Other surety deposits	526	
Miscellaneous	3,956	
Total additions	<u>4,867,799</u>	4,072,896
Deductions:		
Benefits paid to participants or beneficiaries	2,436,362	
Refunds of employee/employer contributions	36,544	
Sales tax payments to other governments	3,657,555	
Child support disbursements	320,121	
Beneficiary withdrawals/payments	95,099	
Insurance surety withdrawals	2,928	
Claims	905	
Administrative expenses	23,327	127
Total deductions	<u>2,496,233</u>	<u>4,076,735</u>
Change in net position held in trust for employees' pension benefits	2,371,566	
Change in net position amounts held for individuals, organizations, and other governments	(3,839)	
Net position - beginning	35,790,631	274,846
Net position - ending	<u>\$ 38,162,197</u>	<u>\$ 271,007</u>

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

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Notes to the Financial Statements For the Year Ended June 30, 2025

(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 (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.

The complete financial statements of ADFA can be obtained by contacting:

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The Governmental Fund of the State has significant transactions with ADFA. During the 2025 fiscal year, the Governmental Fund paid \$7.8 million to ADFA for note payments and \$5.0 million for interest on notes payable. The Governmental Fund paid \$9.7 million for installment purchase payments and \$3.7 million for interest on installment purchases. Additional information on notes payable and installment purchases to the Component Unit can be found in Note 9.

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 GAAP.

The University of Arkansas Foundation, Inc., operates for charitable 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 28 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 to account for these differences.

During the year ended June 30, 2025, the foundations distributed \$164.1 million to, or on behalf of, the University of Arkansas.

(d) Accounting Restatement and Error Correction

Change in Accounting Principle

The State implemented GASB Statement No. 101, Compensated Absences in the fiscal year ended June 30, 2025. Statement 101 is required to be implemented retroactively for the cumulative effects of the implementation. Statement 101 establishes updated recognition and measurement requirements for the recognition of a compensated absences

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liability. Statement 101 requires that liabilities for compensated absences be recognized for (1) leave that has not yet been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means; and for (2) leave that has been used but not yet paid in cash or settled through noncash means.

Correction of an Error in Previously Issued Financial Statements

During the fiscal year ended June 30, 2025, the State determined that construction in progress costs related to a Transportation Infrastructure Project incurred in prior periods were incorrectly expensed. As a result, capital assets were understated for the fiscal years ended June 30, 2020 through June 30, 2024. The error was corrected through a restatement of prior period financial statements, which reduced expenses and increased Capital Assets by \$97.8 million in fiscal year 2020, \$131.3 million in 2021, \$179.0 million in 2022, \$159.7 million in 2023, and \$181.2 million in 2024. The cumulative effect of correcting this error increased beginning net position as previously reported by \$749.0 Million.

Adjustments to and Restatements of Beginning Balances

During the fiscal year ended June 30, 2025, a change in accounting principle, due to GASB Statement 101, and an error correction resulted in adjustments to and restatements of beginning net position and fund net position, as follows (amounts in thousands):

	Reporting Units Affected by Adjustments to and Restatements of Beginning Balances			
	Funds		Government-wide	
	Office of the Arkansas Lottery	Nonmajor Enterprise Funds	Governmental Activities	Business-Type Activities
Beginning net position, as previously reported	\$ 3,814	\$ 990,314	\$ 21,637,870	\$ 6,327,428
Prior year GASB 101:				
Compensated Absences	(521)	(917)	(233,692)	(1,438)
Error correction			748,980	
Ending net position, as restated	<u>\$ 3,293</u>	<u>\$ 989,397</u>	<u>\$ 22,153,158</u>	<u>\$ 6,325,990</u>

(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 units. 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

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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.

(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) and then segregated 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 revenues. 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.

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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, 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 that 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.

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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; 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; and the Workers' Compensation Commission Fund, which is responsible for providing compensation for injury or illness sustained during the course of employment. 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; and for no-cost assistance for energy performance contracting for State agencies, public school districts and institutions of higher learning, municipalities, and counties.

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 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. 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.

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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, 2025, four campuses, one division, and six foundations participated in the Pool. The foundations hold approximately \$3.0 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.

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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.), intangible, and right-to-use 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. Right-to-use assets are measured at the present value of payments expected to be made during the lease term (less any lease incentives) plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

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 that becomes an integral part of a building, exceeds \$100,000. Land improvements and infrastructure are capitalized when cost exceed \$50,000 and the estimated useful life exceeds one year. 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. Right-to-use lease assets and right-to-use intangible assets are recognized when the expected present value exceeds \$25,000 and \$1.0 million, respectively. Right-to-use assets and right-to-use intangibles are depreciated using the shorter of the lease/subscription term or useful life.

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

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

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

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

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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, 2025, was \$28.3 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	4 to 20 years
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, 2025, is related to projected refund estimates attributable to fiscal year 2025 tax revenues.

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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 consumption of net assets 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 acquisition of net assets 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.

Leases

Lease obligations are presented in the amounts equal to the present value of lease payments expected to be made during the lease term (less any lease incentives). These obligations are remeasured whenever there is a change in lease payments or if a modification of the lease occurs. The lease liability is reported separately as either current or noncurrent.

Subscription Based Information Technology Arrangements (SBITAs)

A SBITA is a contract that conveys control of the right-to-use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in an exchange or exchange-like transaction. The related obligations are presented in the amounts equal to the present value of SBITA payments expected to be made during the contract term (less any SBITA incentives). These obligations are remeasured whenever there is a change in the contract payment or if a modification of the contract occurs. The SBITA liability is reported separately as either current or noncurrent.

Public-Private or Public-Public Partnerships (PPPs)

A PPP is an arrangement in which a government contracts with an operator to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset, for a period of time in an exchange or exchange-like transaction. Service Concession Arrangements (SCA) are a type of PPP in which the operator collects and is compensated by fees from third parties; the transferor

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determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement.

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.

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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 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, deferred outflows, liabilities, deferred inflows, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenue and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

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

GASB Statement No. 103, *Financial Reporting Model Improvements*, the objective of this statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision-making and assessing a government's accountability. For governments engaged in business-type activities, the primary impact of this statement will be changes to the combined statement of revenues, expenditures, and changes in net position ("SRECPN"). This statement not only changes the required sections and subtotals to be included in the SRECPN but creates new definitions for subsidies and operating and nonoperating revenues and expenses. Upon adoption, the new definitions may cause reclassifications of revenues and expenses within the SRECPN. This statement also impacts other financial statement presentation requirements, including major component units, unusual or infrequent items, and

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management's discussion and analysis. The requirements of this statement are effective for fiscal years beginning after June 15, 2025 (i.e., fiscal year 2026).

GASB Statement No. 104, *Disclosure of Certain Capital Assets*, the objective of this statement is to provide users of government financial statements with essential information about certain types of capital assets. This statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement No. 34. Lease assets recognized in accordance with Statement No. 87 and intangible right-to-use assets recognized in accordance with Statement No. 94 should be disclosed separately by major class of underlying asset in the capital assets note disclosures. Subscription assets recognized in accordance with Statement No. 96 also should be separately disclosed. In addition, this statement requires intangible assets other than those three types to be disclosed separately by major class. This statement also requires additional disclosures for capital assets held for sale as well as requiring that capital assets held for sale be evaluated each reporting period. The requirements of this statement are effective for fiscal years beginning after June 15, 2025 (i.e., fiscal year 2026).

GASB Statement No. 105, *Subsequent Events*, the primary objective of this statement is to improve the financial reporting requirements for subsequent events. This statement defines subsequent events as transactions or other events that occur after the date of the financial statements but before the date the financial statements are available to be issued. That definition modifies the subsequent events time frame throughout the GASB literature. This statement also requires the date through which subsequent events have been evaluated to be disclosed. This Statement clarifies the subsequent events that constitute recognized and nonrecognized events and establishes specific note disclosure requirements for nonrecognized events. The requirements of this statement are effective for fiscal years beginning after June 15, 2026 (i.e., fiscal year 2027).

(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. § 19-4-804 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.

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The stated goal of State cash management is to protect 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. §§ 19-3-310, -318. 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, 2025, the reported bank balances of the general fund were \$1,325,219,976. Of this amount, \$268,405 was uninsured and uncollateralized.

At June 30, 2025, the reported bank balances of the enterprise funds were \$1,509,369,188. Of this amount, \$197,966 was uninsured and uncollateralized.

At June 30, 2025, the reported bank balances of the fiduciary funds were \$411,464,868. Of this amount, \$10,286,769 was uninsured and uncollateralized.

At June 30, 2025, the reported bank balances of the component unit were \$14,820,000. Of this amount, \$92,000 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 weighted average maturity of the total portfolio will not exceed 10 years and that 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, SBF and State Building Services Certificates of Indebtedness, direct obligations of the U.S. government, obligations of agencies and instrumentalities created by act of the United States Congress and authorized thereby to issue securities or evidences of indebtedness, regardless of guarantee of repayment by the U.S. government, 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 15 years using average life assumptions while employing Prepayment Speed Assumption (PSA) and/or

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Conditional Prepayment Rate (CPR) analysis models. The average life at the time of purchase shall be used as opposed to maturity. U.S. agency mortgage-backed securities and collateralized mortgage obligations which have an average life greater than 10 years shall not exceed 5% of the total portfolio at the time of purchase. 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, 2025, the State of Arkansas had the following debt investments and maturities (expressed in thousands):

Investment Type	Fair Value	Investment Maturities (in years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
General fund					
Bonds	\$ 1,279,286	\$ 4,981	\$ 451,169	\$ 823,136	\$ 22
Commercial paper	234,541	234,541			
Domestic securities	678	600	56		
Money market mutual fund	983,144	983,144			
Mortgage-backed securities	6,011,184	1,404	1,519,130	637,697	3,852,953
Municipal bonds	40,283	6,340	30,852	3,091	
Mutual funds	175	175			
Negotiable certificates of deposit	2,757	737	2,020		
U.S. government agencies	1,345,525	23,204	1,004,140	231,129	87,052
U.S. treasuries	751,425	222,943	389,210	90,267	49,005
Subtotal	<u>10,648,998</u>	<u>1,478,069</u>	<u>3,396,577</u>	<u>1,785,320</u>	<u>3,989,032</u>
Enterprise funds					
Bonds	159,716	41,828	112,120	5,665	103
Commercial paper	109,793	109,793			
Commingled funds	24,921	24,921			
Money market mutual funds	265,065	265,065			
Mortgage-backed securities	19,765	4	3,963	1,664	14,134
Municipal bonds	2,138	266	1,659	8	205
Negotiable certificates of deposit	1,646	1,646			
Short-term investment pools	441,025	441,025			
U.S. government agencies	77,818	24,779	38,571	13,729	739
U.S. treasuries	463,965	139,981	269,913	52,589	1,482
Subtotal	<u>1,565,852</u>	<u>1,049,308</u>	<u>426,226</u>	<u>73,655</u>	<u>16,663</u>

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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	499,036	73,365	126,629	27,277	271,765
Bond Funds	352,114		188,191	111,377	52,546
Collective investment trusts	2,002,211		438,164	1,564,047	
Commercial paper and loans	297,520	187,159	38,650	68,018	3,693
Convertible preferred equities	148,464	4,701	115,629		28,134
Corporate bonds and notes	3,314,063	317,842	1,459,242	901,203	635,776
Municipal bonds	13,541	623	8,092	3,186	1,640
Pooled investment funds	973,241	143,993	99,792	729,456	
Private investments	621,124			621,124	
Short-term investments	1,499,336	1,468,140	21,828	9,368	
State recycling tax credits	178,400	24,800	99,200	54,400	
U.S. government agencies	441,224		75,677	13,414	352,133
U.S. treasuries	650,408	48,174	192,397	188,340	221,497
Subtotal	10,990,682	2,268,797	2,863,491	4,291,210	1,567,184
Component unit					
Commigled Funds	40,492	40,492			
Money market mutual funds	269,741	269,741			
Mortgage-backed securities	178,569	20	3,630	13,549	161,370
Mutual funds	3,181	1,149	565	266	1,201
U.S. government agencies	48,543	4,951	42,677	915	
Subtotal	540,526	316,353	46,872	14,730	162,571
Total	\$ 23,746,058	\$ 5,112,527	\$ 6,733,166	\$ 6,164,915	\$ 5,735,450

Corporate Debt

As of June 30, 2025, the Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS), and Arkansas State Highway Employees Retirement System (ASHERS) held corporate debt with fair values of \$602,627,102, \$831,424,119, and \$195,834,360, 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, 2025, only \$139,275,343 of the bonds held by ASHERS were considered sensitive to interest rate changes.

Convertible Corporate Bonds

As of June 30, 2025, APERS and ATRS held convertible bonds with fair values of \$376,237,760 and \$782,291,173, 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 five promissory notes with a fair value of \$363,285,631 at June 30, 2025. 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.

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Term Loans

As of June 30, 2025, ATRS had term loans with a fair value of \$37,935,910. Term loans are debt financing similar to a mortgage where the borrower pays in regular installments, which include principal and interest over the agreed upon term.

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 and STMMT policy is that readily marketable commercial paper has an investment grade indicated by at least two Nationally Recognized Statistical Rating Organizations (NRSRO). No investment shall be made in commercial paper which, at the time of purchase, holds the minimum rating and is on negative credit watch by either of the NRSROs used to rate the paper. The Board's policy for corporate bonds requires that the issue be graded by at least two NRSROs. No investment shall be made in bonds which have maturity beyond 10 years, have a minimum rating at the time of purchase, or are on a negative credit watch by either of the NRSROs used to rate the issue. ASHERS has adopted a formal investment policy for credit risk with some of the guidelines being that 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, 2025, was as follows (expressed in thousands):

Rating	Fair Value
General fund	
AAA	\$ 1,016,742
AA	1,539,370
A	629,062
BBB	511,867
P-1	14,243
P-2	924
A-1	205,283
A-2	14,091
Unrated	4,919,037
Subtotal	<u>8,850,619</u>

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Rating	Fair Value
Enterprise funds	
AAA	377,619
AA	139,932
A	3,238
BBB	2,371
B and below	70
P-1	20,926
P-2	521
A-1	79,910
A-2	7,945
Unrated	<u>626,109</u>
Subtotal	<u>1,258,641</u>
Fiduciary funds	
AAA	414,593
AA	1,494,931
A	1,232,458
BBB	1,011,378
BB	327,449
B	193,713
CCC or below	58,050
P-1	42,329
A-1	20
Unrated	<u>5,930,833</u>
Subtotal	<u>10,705,754</u>
Component unit	
AAA	269,741
AA	225,219
Unrated	<u>45,566</u>
Subtotal	<u>540,526</u>
Total ratings	<u>\$ 21,355,540</u>

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 be held in safekeeping by financial institutions and that the cash fund manager obtain safekeeping receipts. ATRS has adopted the SBF policy requiring the use of depository insurance and collateralization procedures to manage the risk that investments may not be returned. ASHERS, APERS, and the institutions of higher education do not have a formal custodial credit risk policy for investments.

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At June 30, 2025, the reported amount of the enterprise funds' investments was \$1,867,619,551. Of this amount, \$5,547,655 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 that 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 \$2,806,513,720 (26.35%) and Federal National Mortgage Association (FNMA) securities of \$2,756,918,957 (25.89%). The State's investments representing 5% or more of total investments of the component unit included Federal Farm Credit Bank securities of \$20,992,000 (9.15%) and Federal Home Loan Bank (FHLB) securities of \$25,657,000 (11.18%).

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.

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The exposure to foreign currency risk for investments and deposits at June 30, 2025, is as follows (expressed in thousands):

Currency	Cash Deposits	Equities	Fixed Income	Pooled Investments	Forward Currency Contracts (1)	Investment Principal - Receivable	Investment Principal - Payable	Accrued Income	Total Exposure
Australian Dollar	\$ 18,678	\$ 18,678	\$ 5,673	\$ 464,995	\$ 2,455	\$ 2,915	\$ (2,788)	\$ 121	\$ 18,799
Brazilian Real		16,827						28	22,528
British Pound Sterling	1	350,254	9,292						830,087
Canadian Dollar	71	114,400		1,276	(13)	116		325	116,175
Chilean Peso		5,701							5,701
Chinese Yuan Renminbi		3,266							3,266
Danish Krone		48,670						635	49,305
Euro	183	684,324	20,536	147,209	(2,348)	1,155	(657)	15,702	866,104
Hong Kong Dollar	4,278	109,156		7,546				275	121,255
Indian Rupee	379								379
Indonesian Rupiah		10,319			(617)	1,035			10,737
Israeli Shekel		35,132							35,132
Japanese Yen	1,134	349,208			1,189	6,444	(8,399)	1,721	351,297
Mexican Nuevo Peso		13,178	6,423		263		(263)	39	19,640
New Taiwan Dollar		76,460						173	76,633
Singapore Dollar		21,991							21,991
South African Rand			11,186			1,258	(1,258)	466	11,652
South Korean Won	33	60,515			287	1,076	(927)	22	61,006
Swedish Krona		62,491						272	62,763
Swiss Franc		89,458		9,570	308		(308)	3,432	102,460
Turkish Lira			7,117		707		(707)	984	8,101
Uruguayan Peso			3,965					133	4,098
Total fair value	\$ 6,079	\$ 2,070,028	\$ 64,192	\$ 630,596	\$ 3,489	\$ 12,741	\$ (15,307)	\$ 27,291	\$ 2,799,109

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

Rate of Return

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested. For the year June 30, 2025, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, for ATRS, APERS, and ASHERS was 9.87%, 10.52%, and 7.82%, respectively.

Concentration of Investments

Generally accepted accounting principles require each pension plan to disclose investments (other than those issued or explicitly guaranteed by the U.S. Government) in any one organization that represent 5% or more of the pension plan's fiduciary net position. As of June 30, 2025, ATRS, ASHERS, and APERS had no investments in any one organization that represented 5% or more of the pension plan's fiduciary net position.

Depository Receipts

A depository 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, 2025, ASHERS had \$7,824,288 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

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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 may 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, 2025 (expressed in thousands):

General fund

Investments measured at fair value	Total	Level 1	Level 2	Level 3
Bond	\$ 1,279,286	\$ 342	\$ 1,278,944	\$ _____
Domestic securities	678	678		
Mortgage-backed securities	6,011,184		6,011,184	
Municipal bonds	40,283		40,283	
Mutual funds	175	175		
Negotiable certificates of deposit	2,757		2,757	
U.S. government agencies	1,345,525	364	1,345,161	
U.S. treasuries	751,424	751,424		
Total investments at fair value	\$ 9,431,312	\$ 752,983	\$ 8,678,329	\$ _____

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Enterprise funds	Total	Level 1	Level 2	Level 3
Investments measured at fair value				
Bonds	\$ 7,981	\$ 7,981	\$ 7,981	\$ 7,981
Commingled funds	78,912	49,695	29,217	
Domestic equities	4,766	4,066	700	
Exchange-traded funds	7,175	7,175		
External investment pools	9,654	7,817	573	1,264
Money market mutual funds	32,278	32,278		
Mortgage-backed securities	19,765		19,765	
Mutual funds	6,572	6,572		
Negotiable certificates of deposit	107	107		
Non-marketable alternatives	8,742			8,742
Other	2,560	530	5	2,025
Fixed income securities	616,331	78,513	537,818	
Short-term investments	24,761	23,552	27	1,182
U.S. government agencies	57,619	14,875	39,873	2,871
U.S. treasuries	<u>119,745</u>	<u>119,745</u>		
Total investments at fair value	<u>996,968</u>	<u>\$ 344,925</u>	<u>\$ 635,959</u>	<u>\$ 16,084</u>
Investments measured at net asset value (NAV)				
External investment pool - UA Foundation	240,557			
Short-term investment fund pool - UA System	146,980			
Intermediate-term investment fund pool - UA System	1,189			
Extended fixed income pool - UA System	29,300			
External investment pools - NAC:				
Intermediate term fund	849			
Multi-strategy equity fund	416			
Multi-strategy bond fund	127			
Federated Hermes Government Obligations Fund - ATU	<u>7,361</u>			
Total investments at NAV	<u>426,779</u>			
Total investments	<u>\$ 1,423,747</u>			

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Fiduciary funds

	Total	Level 1	Level 2	Level 3
Investments measured at fair value				
Asset- and mortgage-backed securities	\$ 646,846	\$ 646,846	\$ 646,846	\$ 364,048
Corporate bonds and notes	2,727,674		2,363,626	
Domestic equities	6,210,408	6,196,510	13,898	
International equities	1,241,604	1,022,802	218,802	
International obligations	131,039		131,039	
Investment derivatives	4,577	4,624	(47)	
Limited partnerships	13,303	13,303		
Municipal bonds	13,541		13,541	
Mutual and exchange-traded funds	1,167,846	1,103,331	64,515	
Preferred equity investments	203,828	193,712		10,116
Public equity investments	2,487,021	2,487,021		
Real estate	106,460	68,134		38,326
Short-term investment fund	354,985		354,985	
State Recycling Tax Credits	178,400			178,400
U.S. government agencies	441,224	74,871	366,353	
U.S. treasuries	650,409	311,538	338,871	
Total investments at fair value	<u>16,579,165</u>	<u>\$ 11,475,846</u>	<u>\$ 4,512,429</u>	<u>\$ 590,890</u>
Investments measured at net asset value (NAV)				
Diversified investment funds	269,780			
Hedge funds	1,392,525			
Other	4,058,274			
Pooled investments	8,982,681			
Private equity funds	3,587,201			
Real estate funds	<u>3,755,347</u>			
Total investments at NAV	<u>22,045,808</u>			
Total investments	<u>\$ 38,624,973</u>			
Securities lending collateral measured at fair value (1)				
Asset-backed securities	\$ 184,059	\$ 184,059	\$ 184,059	\$ 184,059
Commercial paper	192,878		192,878	
Corporate bonds	228,100		228,100	
Short-term investment pool	87,946		87,946	
Tri-party repurchase agreements	<u>123,970</u>		<u>123,970</u>	
Total securities lending collateral at fair value	<u>816,953</u>		<u>\$ 816,953</u>	
Securities lending collateral measured at net asset value (NAV) (1)				
Quality D short-term investment pool	<u>797,011</u>			
Total securities lending collateral	<u>\$ 1,613,964</u>			

(1) Cash collateral received for security lending of Fiduciary funds totaled \$1,614,481,096. The amount reported above is the fair value of the collateral at June 30, 2025.

Component unit

	Total	Level 1	Level 2	Level 3
Investments measured at fair value				
Commingled funds	\$ 40,492	\$ 40,492	\$ 40,492	\$ 40,492
Mortgage-backed securities	178,569		178,569	
Mutual bond funds	3,181		3,181	
U.S. government agencies	48,542		48,542	
Total investments at fair value	<u>\$ 270,784</u>		<u>\$ 270,784</u>	

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'

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relationship to benchmark securities quoted prices. Prices are obtained from various independent pricing sources provided by the custodial 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. Investments measured at the net asset value (NAV) per share (or its equivalent) are presented in the following table as of June 30, 2025 (expressed in thousands):

Enterprise Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
External investment pool - UA Foundation	\$ 240,557		Daily	7-30 days
Short-term investment fund pool - UA System	146,980		Daily	0-3 days
Intermediate-term investment fund pool - UA System	1,189		End of Month	2-30 days
Extended fixed income pool - UA System	29,300		End of Month	2-30 days
External investment pools - NAC:				
Intermediate term fund	849		Weekly	5 days
Multi-strategy equity fund	416		Monthly	5 days
Multi-strategy bond fund	127		Monthly	5 days
Federated Hermes Government Obligations Fund - ATU	<u>7,361</u>		Daily	0-3 days
Total investments at NAV	<u>\$ 426,779</u>			

Fiduciary Funds

Investments measured at net asset value (NAV)	Total	Unfunded Commitments	Redemption Frequency	Redemption Notice Period and Redemption Restrictions
Diversified investment funds	\$ 269,780	\$	Quarterly	T+45
			Weekly; Monthly; Quarterly; Annually; Semi-annually	3-5 days; 3-15 days; 45 days; 60 days; 65 days; 90 days; 60-90 days
Hedge funds	1,392,525	22,036	Daily; Semi-monthly - Monthly	Daily; 3-7 days 1-30 days; T+1; T+2;
Other	4,058,274			
Pooled Investments	8,982,681		Daily	N/A
Private equity funds	3,587,201	2,528,880	Quarterly - Annually; N/A	90 days; N/A T+45; T+90; 60 Days; 90 Days; 30-90 Days;
Real estate funds	<u>3,755,347</u>	<u>1,074,845</u>	Quarterly; N/A	N/A
Total investments at NAV	<u>\$ 22,045,808</u>	<u>\$ 3,625,761</u>		

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.

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Investment pools – University of Arkansas (UA)

The University of Arkansas is a participant in four investment pools which utilize different investment strategies. The external investment pool includes a broadly diversified external investment portfolio with allocations to global equities, hedge funds, bonds, natural resources, and real estate. The short-term investment pool is 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. The extended fixed income pool is comprised of fixed income investments with durations of three years or less. The pooled investments are allocated primarily to international development bonds, governmental agency bonds, corporate bonds, and money-market funds. The intermediate-term investment pool has a diversified portfolio of stocks and bonds investments with durations of five years or longer. The pooled investments are allocated primarily to equities, bonds, natural resources, real estate, 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 Bank of America 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.

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Diversified investment funds

This investment type provides diversification to the total portfolio and strives to reduce total fund volatility while also enhancing the total return on the portfolio. Blackstone manages a hedge fund-of-funds strategy through investing in other hedge funds. Their strategies will vary based on market conditions and can include fundamental equity strategies, event-driven strategies, fundamental credit strategies, credit trading strategies, distressed credit strategies, residential mortgage-backed securities (RMBS) strategies, structured asset-backed securities (ABS) strategies, multi-strat strategies, commodity strategies, macro rates strategies, thematic macro strategies, quantitative strategies, commodity trading advisor (CTA) strategies, and special situation strategies.

Hedge funds

Hedge funds consist of one co-investment fund, five credit funds, one equity fund, one event driven fund, two global macro funds, one mortgage servicing fund, nine reinsurance funds, one relative value fund, and two 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. 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

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 core funds, debt funds, farmland funds, opportunistic funds, timberland funds, and 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.

Other private investments

Other private investments consist of three funds each with a different strategy or objective including fixed income, U.S. equities, and global equities. 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. The redemption frequency is once or twice per month depending on the manager. Distributions are received through liquidation of the underlying assets. The expected holding period is dependent on the discretion of the fund manager.

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Securities lending collateral

Cash collateral received from borrowers in the securities lending program is invested in a collective investment fund comprised of a liquidity 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 derivative instruments. These investments are reported at fair value in the balance sheet as government securities, asset-backed securities, 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, 2025, governmental activities, business-type activities, fiduciary funds, and component units held mortgage-backed securities with fair values of \$6.0 billion, \$19.8 million, \$673.1 million, and \$178.6 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, 2025, Arkansas Public Employees Retirement System (APERS) and Arkansas Teacher Retirement System (ATRS) held asset-backed securities with a combined fair value of \$528.9 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, 2025, the retirement systems referred to above were party to outstanding foreign exchange currency contracts to sell foreign currencies with contract amounts of \$1.7 million, collectively. Fair values of these outstanding contracts were \$1.8 million, resulting in an unrealized loss of \$47,439.

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

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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, 2025, classified by type, and the changes in fair value of such derivative instruments for the year then ended are as follows:

Type	Changes in Fair Value		Fair Value at June 30, 2025	
	Classification	Amount	Classification	Amount
Foreign currency forwards	Net increase (decrease) in fair value of investments	\$ (61,613)	Investment derivatives	\$ (47,439)
Futures	Net increase (decrease) in fair value of investments	1,999,157	Investment derivatives	4,624,393
Foreign Currency Forward		Fair Value	Notional Amount	
Euro		\$ <u>(47,439)</u>	EUR \$ <u>1,483,000</u>	
Total foreign currency forwards		\$ <u>(47,439)</u>		\$ <u>1,483,000</u>
Futures		\$ 4,624,393	USD \$ 414,500,000	

(4) Securities Lending Transactions

Arkansas Public Employees Retirement System (APERS), Arkansas Teacher Retirement System (ATRS), and Arkansas State Highway Employees Retirement System (ASHERS) 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, or 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 and ASHERS. The programs are administered by custodial agent banks. The types of securities on loan at June 30, 2025, include U.S. government securities, corporate securities, and international securities. Except for 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

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pay the income on the securities to the trust while lent. No losses resulting from default have occurred in the history of the pensions' participation in such programs. As of June 30, 2025, the carrying value and fair value of the underlying securities was \$1.61 billion. At June 30, 2025, 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, 2025, consisted of the following (expressed in thousands):

Primary Government

	Accounts	Taxes (1)	Employee/ Employer	Medicaid	Lease Receivable	Loans	Investment- Related	Other Receivables	Allowance for Uncollectibles	Total
General Fund	\$ 363,147	(2) \$ 1,140,345	\$ 450,641	\$ 786	\$ 269,253	\$ 52,577	\$ 35,748	\$ (894,773)	\$ 1,417,724	
Higher Education Fund	845,893			67,356	25,123	893	30,174	(347,966)	621,473	
Division of Workforce Services	182,137					47	544	(142,350)	40,378	
Arkansas Lottery	15,049								15,049	
Non-major enterprise funds	29,004				812,908	1,826			843,738	
Pension trust		53,851				125,784	6,206		185,841	
Custodial					228	224			452	
Total	\$ 1,435,230	\$ 1,140,345	\$ 53,851	\$ 450,641	\$ 68,142	\$ 1,107,284	\$ 181,355	\$ 72,896	\$ (1,385,089)	\$ 3,124,655

- (1) Receivable balances of \$3,995 are not expected to be collected within one year of the date of the financial statements.
- (2) \$10 Interfund receivables due to the General Fund from the Pension Trust fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.

Component Units

	Accounts	Loans	Lease Receivable	Investment- Related	Contributions	Allowance for Uncollectibles	Net Receivable by Component Unit
Arkansas Development Finance Authority	\$ 4,109	\$ 605,895	\$ 532	\$ 3,483	\$	\$ (81,976)	\$ 532,043
University of Arkansas Foundation				7,504	41,341	(1,240)	47,605
Total	\$ 4,109	\$ 605,895	\$ 532	\$ 10,987	\$ 41,341	\$ (83,216)	\$ 579,648

(6) Lease Receivables

As the lessor, the State leases out various types of assets, such as buildings, infrastructure, and land. The related receivables are presented in the Statement of Net Position for the amounts equal to the present value of lease payments expected to be received during the lease term.

For the year ended June 30, 2025, total lease related inflows recognized by the general fund, higher education fund, and component unit were \$575,804, \$4.0 million, and \$134,274, respectively.

The State had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2025

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(7) Interfund Activity

Interfund Receivables and Payables (expressed in thousands):

Due To	Due From						Total
	General Fund	Higher Education Fund	Department of Workforce Services	Office of the Arkansas Lottery	Non-major Enterprise Funds	Pension Trust	
General Fund	\$ 1,335	\$ 198	\$ 344,215	\$ 1,216	\$ 10	\$ (1)	\$ 346,974
Higher Education Fund	20,625						20,625
Division of Workforce Services	400						400
Office of the Arkansas Lottery	2,032						2,032
Non-major Enterprise Funds	103	230					333
Pension trust	4,269	(2)					4,269
Total	\$ 27,429	\$ 1,565	\$ 198	\$ 344,215	\$ 1,216	\$ 10	\$ 374,633

(1) \$10 Interfund receivables due to the General Fund from the Pension Trust Fund were reclassified as accounts receivable on the Government-wide Statement of Net Position.
 (2) \$4,269 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) \$20.6 million due to the Higher Education Fund from the General Fund for College Technical Bond payment requisitions and grants; (2) \$2 million due to the Office of the Arkansas Lottery from the General Fund for deposits, refunds, and interest earned less scholarships awarded pursuant to Ark. Code Ann. § 6-85-212 (d)(2)(B)(i); (3) \$4.3 million due from the General Fund to the Pension Trust for employers' contributions; (4) \$1.3 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; and (5) \$344.2 million due from the Office of the Arkansas Lottery to the General Fund for trust proceeds to administer the Arkansas Lottery Scholarship Program, audit fees, information technology services, printing, and administrative costs. All amounts are expected to be repaid within one year.

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

Advances To	Advances From		
	General Fund	Non-Major Enterprise Funds	Total
General Fund	\$ 334	\$ 334	\$ 334
Higher Education Fund	7,135	6,725	13,860
Total	\$ 7,135	\$ 7,059	\$ 14,194

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Advances include (1) an outstanding balance of \$1.7 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 \$5.4 million loaned from the Department of Finance and Administration State Budget Stabilization Trust Fund to Henderson State University; and (3) an outstanding balance of \$6.7 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 various interest rates.

Transfers (expressed in thousands):

Transfers Out	Transfers In				Total
	General Fund	Higher Education	Office of the Arkansas Lottery	Non-Major Enterprise Funds	
General Fund	\$ 229,210	\$ 1,090,731	\$ 2,032	\$ 10,003	\$ 1,102,766
Higher Education	100,517				100,517
Division of Workforce Services	10,819				10,819
Office of the Arkansas Lottery	113,850				113,850
Non-major Enterprise Funds	4,024				4,024
Total	\$ 229,210	\$ 1,090,731	\$ 2,032	\$ 10,003	\$ 1,331,976

Transfers include (1) \$100.5 million transferred from the Higher Education Fund to the General Fund, which includes \$93.4 million of State funding provided to the University of Arkansas for Medical Sciences and transferred to the Department of Human Services for the Medicaid Program; (2) \$10.8 million transferred from Division of Workforce Services to the General Fund; (3) \$113.9 million transferred from the Office of the Arkansas Lottery to the General Fund for the 2025/2026 academic school year; (4) \$1.1 billion transferred from the General Fund to the Higher Education Fund for State funding of higher education institutions; and (5) \$2.0 million transferred from the General Fund to the Office of the Arkansas Lottery for excess net proceeds over scholarships issued.

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(8) Capital Assets

Primary Government

Capital asset activity for the year ended June 30, 2025, was as follows (expressed in thousands):

	Balance, June 30, 2024	Adjustments/ Transfers (1)	Additions	Deletions	Balance, June 30, 2025
Governmental activities:					
Capital assets, nondepreciable/amortizable:					
Land	\$ 1,351,509	\$ (842)	\$ 107,111	\$ (70)	\$ 1,457,708
Construction in progress	2,839,040	(204,018)	1,403,756	(550)	4,038,228
Construction in progress - intangibles	16,439	(3,739)	(465)		12,235
Construction in progress - right-to-use	2,105	(2,105)	21,426		21,426
Other nondepreciable/amortizable assets	31,265		278	(7)	31,536
Total capital assets, nondepreciable/amortizable	<u>4,240,358</u>	<u>(210,704)</u>	<u>1,532,106</u>	<u>(627)</u>	<u>5,561,133</u>
Capital assets, depreciable/amortizable:					
Improvements other than building	248,073	23,068	11,197	(30)	282,308
Buildings	2,053,641	43,549	17,510	(14,619)	2,100,081
Equipment	1,003,579	1,090	83,066	(36,367)	1,051,368
Infrastructure	20,047,898	869,621	13,563	(76,892)	20,854,190
Intangibles	613,637	21,999	3,525	(8,571)	630,590
Other depreciable/amortizable assets	11,530	3	23	(416)	11,140
Right-to-use assets:					
Land	2,125		105		2,230
Buildings	128,409	2,106	53,690	(9,571)	174,634
Equipment	3,728		450	(322)	3,856
Land improvements	608		4		612
Infrastructure	1,495		261		1,756
SBITA	117,054		22,645	(25,291)	114,408
Total capital assets, depreciable/amortizable	<u>24,231,777</u>	<u>961,436</u>	<u>206,039</u>	<u>(172,079)</u>	<u>25,227,173</u>
Less accumulated depreciation/amortization for:					
Improvements other than building	(159,986)	(97)	(7,243)	29	(167,297)
Buildings	(921,751)		(39,243)	3,396	(957,598)
Equipment	(719,243)	(45)	(69,439)	34,137	(754,590)
Infrastructure	(10,746,729)		(587,721)	76,609	(11,257,841)
Intangibles	(290,201)		(67,292)	2,674	(354,819)
Other depreciable/amortizable assets	(8,746)		(282)	416	(8,612)
Right-to-use assets:					
Land	(418)		(150)		(568)
Buildings	(66,727)		(26,648)	9,556	(83,819)
Equipment	(2,047)		(1,212)	322	(2,937)
Land improvements	(256)		(91)		(347)
Infrastructure	(892)		(305)		(1,197)
SBITA	(44,063)		(26,740)	24,476	(46,327)
Total accumulated depreciation/amortization	<u>(12,961,059)</u>	<u>(142)</u>	<u>(826,366)</u>	<u>151,615</u>	<u>(13,635,952)</u>
Total capital assets, depreciable/amortizable, net	<u>11,270,718</u>	<u>961,294</u>	<u>(620,327)</u>	<u>(20,464)</u>	<u>11,591,221</u>
Total governmental capital assets, net	<u>\$ 15,511,076</u>	<u>\$ 750,590</u>	<u>\$ 911,779</u>	<u>\$ (21,091)</u>	<u>\$ 17,152,354</u>

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

Continued on the following page

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Continued from the previous page

	Balance, June 30, 2024	Adjustments/ Transfers (1)	Additions	Deletions	Balance, June 30, 2025
Business-type activities:					
Capital assets, nondepreciable/amortizable:					
Land	\$ 211,986	\$ (1,607)	\$ 5,827	\$ (194)	\$ 216,012
Construction in progress	356,861	(256,886)	323,072	(24,397)	398,650
Construction in progress - intangibles	732	(176)	782		1,338
Construction in progress - right-to-use			63		63
Easements	2,675				2,675
Art/historic treasures	986		90		1,076
Other nondepreciable/amortizable assets	783	(75)	367	(173)	902
Total capital assets, nondepreciable/amortizable	<u>574,023</u>	<u>(258,744)</u>	<u>330,201</u>	<u>(24,764)</u>	<u>620,716</u>
Capital assets, depreciable/amortizable:					
Improvements other than building	39,096	(9,769)	196		29,523
Buildings	6,686,433	227,367	33,972	(6,669)	6,941,103
Equipment	1,038,560	(1,808)	76,135	(31,742)	1,081,145
Infrastructure	857,161	38,058	11,111	(858)	905,472
Intangibles	153,915	1,808	4	(254)	155,473
Library holdings	229,390	(46)	9,921	(1,670)	237,595
Other depreciable/amortizable assets	6,457	2,251	1,153	(64)	9,797
Right-to-use assets:					
Buildings	238,581	119	31,111	(17,994)	251,817
Equipment	63,908		693	(5,476)	59,125
Land improvements	36			(36)	
Infrastructure	12,430		106		12,536
SBITA	109,401		23,036	(938)	131,499
Total capital assets, depreciable/amortizable	<u>9,435,368</u>	<u>257,980</u>	<u>187,438</u>	<u>(65,701)</u>	<u>9,815,085</u>
Less accumulated depreciation/amortization for:					
Improvements other than building	(22,191)	2,921	(1,229)		(20,499)
Buildings	(3,453,788)	(2,702)	(202,031)	3,151	(3,655,370)
Equipment	(819,022)	1,102	(58,033)	29,462	(846,491)
Infrastructure	(468,765)	(184)	(34,664)	571	(503,042)
Intangibles	(140,001)	(18)	(3,396)	185	(143,230)
Library holdings	(189,829)	(3)	(7,109)	1,670	(195,271)
Other depreciable/amortizable assets	(1,717)		(7)		(1,724)
Right-to-use assets:					
Buildings	(76,122)	(551)	(26,231)	15,630	(87,274)
Equipment	(44,896)	(1)	(7,351)	5,193	(47,055)
Land improvements	(36)			36	
Infrastructure	(3,758)		(1,334)		(5,092)
SBITA	(36,312)	1,139	(23,928)	23	(59,078)
Total accumulated depreciation/amortization	<u>(5,256,437)</u>	<u>1,703</u>	<u>(365,313)</u>	<u>55,921</u>	<u>(5,564,126)</u>
Total capital assets, depreciable/amortizable, net	<u>4,178,931</u>	<u>259,683</u>	<u>(177,875)</u>	<u>(9,780)</u>	<u>4,250,959</u>
Total business-type capital assets, net	<u>\$ 4,752,954</u>	<u>\$ 939</u>	<u>\$ 152,326</u>	<u>\$ (34,544)</u>	<u>\$ 4,871,675</u>

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

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Component Units

Activity for ADFA for the year ended June 30, 2025, was as follows (expressed in thousands):

	Balance, June 30, 2024	Adjustments/ Transfers (1)	Additions	Deletions	Balance, June 30, 2025
ADFA:					
Capital assets, nondepreciable/amortizable:					
Land	\$ 670	\$	\$	\$	\$ 670
Capital assets, depreciable/amortizable:					
Building	2,032				2,032
Equipment	1,648	72			1,720
Intangibles	10,629				10,629
Total capital assets, depreciable/amortizable	14,309	72			14,381
Less accumulated depreciation/amortization for:					
Building	(1,038)		(64)		(1,102)
Equipment	(1,191)	(28)	(21)		(1,240)
Intangibles	(10,629)				(10,629)
Total accumulated depreciated/amortization	(12,858)	(28)	(85)		(12,971)
Total capital assets, depreciable/amortizable, net	1,451	44	(85)		1,410
Total ADFA capital assets, net	\$ 2,121	\$ 44	\$ (85)	\$	\$ 2,080

(1) Includes transfers within ADFA, 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	\$ 6,886
Commerce	4,017
Recreation and tourism	26,034
Health and human services	83,928
Transportation	617,599
Law, justice, and public safety	39,946
Resource development	3,596
General government	44,024
Regulation of business and professionals	336
Total depreciation and amortization expense	\$ 826,366

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Business-type Activities:

Enterprise funds	\$ 365,313
Total depreciation and amortization expense	\$ <u>365,313</u>

Component Unit

ADFA	\$ 85
Total depreciation and amortization expense	\$ <u>85</u>

(9) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2025, are summarized as follows (expressed in thousands):

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Due within One Year	Due Greater Than One Year
Governmental Activities:						
Bonds payable:						
General obligation	\$ 437,405	\$ 25,000	\$ 89,880	\$ 372,525	\$ 71,090	\$ 301,435
Add (deduct):						
Issuance premium (discount):						
General obligation	20,682	(373)	7,648	12,661	5,104	7,557
Notes payable to component unit	13,928		674	13,254	674	12,580
Installment purchases with component unit	2,570		211	2,359	211	2,148
Total bonds payable	<u>474,585</u>	<u>24,627</u>	<u>98,413</u>	<u>400,799</u>	<u>77,079</u>	<u>323,720</u>
Notes payable to component unit	131,919	4,294	7,828	128,385	7,732	120,653
Installment purchases with component unit	131,438		9,656	121,782	10,357	111,425
Total bonds, notes, and installment purchases	<u>737,942</u>	<u>28,921</u>	<u>115,897</u>	<u>650,966</u>	<u>95,168</u>	<u>555,798</u>
Lease obligations	64,126	53,137	25,979	91,284	20,388	70,896
SBITA obligations	68,039	20,758	22,726	66,071	25,565	40,506
Recycling tax obligation (1)	176,285		19,294	156,991	19,903	137,088
Claims, judgments, and arbitration (1)	161,484	365,258	388,587	138,155	109,742	28,413
Compensated absences (1), (2)	167,830	274,873		442,703	417,067	25,636
Total claims, judgments, arbitration, and compensated absences	<u>329,314</u>	<u>640,131</u>	<u>388,587</u>	<u>580,858</u>	<u>526,809</u>	<u>54,049</u>
Pollution remediation (1)	27,245	1,344	1,450	27,139	4,987	22,152
Total OPEB liability (1)	1,352,678	54,000		1,406,678	67,178	1,339,500
Net pension liability (1)	2,323,366		387,538	1,935,828		1,935,828
Governmental activities total	<u>\$ 5,078,995</u>	<u>\$ 798,291</u>	<u>\$ 961,471</u>	<u>\$ 4,915,815</u>	<u>\$ 759,998</u>	<u>\$ 4,155,817</u>

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

(2) Reported as a net increase (decrease).

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	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Due Within One Year	Due Greater Than One Year
Business-type Activities:						
Bonds payable:						
Special obligation:						
Construction Assistance						
Revolving Loan Fund	\$ 70,035	\$ 82,030	\$ 4,985	\$ 147,080	\$ 6,220	\$ 140,860
Safe Drinking Water						
Revolving Loan Fund	34,580	4,570	19,505	19,645	1,495	18,150
College and University	2,179,525	231,794	266,981	2,144,338	102,564	2,041,774
Revenue bonds from direct placement	6,744		248	6,496	256	6,240
Add:						
Issuance premiums (discounts)	150,813	29,027	22,364	157,476	5,936	151,540
Total bonds payable	2,441,697	347,421	314,083	2,475,035	116,471	2,358,564
Notes payable from direct placement	102,529	26,125	22,031	106,623	18,934	87,689
Notes payable with component unit						
Total notes payable	6,447		552	5,895	558	5,337
Total notes payable	108,976	26,125	22,583	112,518	19,492	93,026
Installment purchase agreements payable	47,430	2,813	3,337	46,906	3,514	43,392
Total bonds, notes, and installment purchases	2,598,103	376,359	340,003	2,634,459	139,477	2,494,982
Lease obligations	171,101	30,058	29,985	171,174	29,568	141,606
SBITA obligations	27,538	12,289	9,975	29,852	10,362	19,490
Claims and judgments	225,484	713,860	723,741	215,603	81,676	133,927
Compensated absences (1)	142,101	7,694		149,795	24,151	125,644
Total claims, judgments, and compensated absences	367,585	721,554	723,741	365,398	105,827	259,571
Total OPEB liability	118,381		6,340	112,041	5,203	106,838
Net pension liability	162,354		36,272	126,082		126,082
Business-type activities total	<u>\$ 3,445,062</u>	<u>\$ 1,140,260</u>	<u>\$ 1,146,316</u>	<u>\$ 3,439,006</u>	<u>\$ 290,437</u>	<u>\$ 3,148,569</u>

(1) Reported as a net increase (decrease).

	Balance, June 30, 2024	Additions	Reductions	Balance, June 30, 2025	Due Within One Year	Due Greater Than One Year
Component units:						
Arkansas Development Finance Authority:						
Bonds payable	\$ 429,867	\$ 128,294	\$ 26,383	\$ 531,778	\$ 24,484	\$ 507,294
Notes payable from direct placement	3,102		142	2,960	143	2,817
Add: issuance premiums (discounts)	546	2,930	85	3,391		3,391
Total bonds and notes payable	433,515	131,224	26,610	538,129	24,627	513,502
Total OPEB liability	1,915	109		2,024	102	1,922
Net pension liability	4,138		619	3,519		3,519
Compensated absences (1)	989	219		1,208	1,140	68
U of A Foundation						
Annuity obligations	12,989		2,634	10,355	1,239	9,116
Component units total	<u>\$ 453,546</u>	<u>\$ 131,552</u>	<u>\$ 29,863</u>	<u>\$ 555,235</u>	<u>\$ 27,108</u>	<u>\$ 528,127</u>

(1) Separately disclosed and restated due to the implementation of GASB Statement 101.

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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, 2025, were as follows (expressed in thousands):

	Final maturity date (1)	Interest rates %	Balance
Federal Highway Grant Anticipation and Tax			
Revenue G.O. Bonds:			
2013 Series Federal Highway G.O.Bonds	2026	4.00 - 5.00	\$ 9,935
2014 Series Federal Highway G.O.Bonds	2027	5.00	32,660
Arkansas Economic Development Commission Bonds:			
2014 Series Capital Improvement G.O. Bonds - A	2035	0.46 - 4.11	39,360
Arkansas Natural Resources Commission Bonds:			
2016A Series Water, Waste, and Pollution	2034	3.50 - 5.00	16,610
2017A Series Water, Waste, and Pollution	2028	2.00 - 2.80	4,380
2017B Series Water, Waste, and Pollution	2040	2.13 - 5.00	13,820
2019A Series Water, Waste, and Pollution	2050	2.10 - 3.35	25,845
2020A Series Water, Waste, and Pollution	2027	0.30 - 0.55	1,620
2020B Series Water, Waste, and Pollution	2048	1.05 - 2.50	28,295
2022A Series Water, Waste, and Pollution	2043	2.00 - 3.25	20,720
2022B Series Water, Waste, and Pollution	2043	2.00 - 3.25	14,965
2023 Series Water, Waste, and Pollution	2034	4.25 - 5.00	35,835
2024A Series Water, Waste, and Pollution	2045	4.57 - 5.20	16,515
2024B Series Water, Waste, and Pollution	2045	4.00 - 5.00	12,640
2025B Series Water, Waste, and Pollution	2046	4.12 - 5.25	25,000
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00	74,325
	Total		\$ <u>372,525</u>

(1) Fiscal year

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Future amounts required to pay principal and interest on general obligation bonds at June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 71,090	\$ 13,919	\$ 85,009
2027	50,655	11,114	61,769
2028	38,710	9,306	48,016
2029	28,150	7,828	35,978
2030	17,905	6,784	24,689
2031-2035	78,650	23,807	102,457
2036-2040	43,170	12,933	56,103
2041-2045	35,860	5,134	40,994
2046-2050	8,335	589	8,924
Total	<u>\$ 372,525</u>	<u>\$ 91,414</u>	<u>\$ 463,939</u>

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

Year ending June 30:	Revenues and Apportionments		Projected Revenues and Apportionments	
	Additional		Additional	
	Diesel Tax	Apportioned	Diesel Tax	Apportioned
2021	\$ 18,800	\$ 107,238	\$ 19,000	\$ 100,000
2022	19,790	109,383	19,000	100,000
2023	19,590	113,802		
2024	20,171	116,078		
2025	20,302	100,000		

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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 2025 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 2025 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, 2025, total bonds guaranteed by the Revenue Bond Guaranty Fund were approximately \$9.9 million

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.

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Future amounts required to pay principal and interest on notes payable to component unit at June 30, 2025 were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 7,732	\$ 5,082	\$ 12,814
2027	7,654	4,490	12,144
2028	6,328	4,226	10,554
2029	4,547	4,015	8,562
2030	4,720	3,842	8,562
2031-2035	38,603	15,953	54,556
2036-2040	29,255	9,737	38,992
2041-2045	25,156	3,874	29,030
2046-2050	3,585	519	4,104
2051-2055	805	13	818
Total	<u>\$ 128,385</u>	<u>\$ 51,751</u>	<u>\$ 180,136</u>

Installment Purchases with Component Units – Installment purchase agreements with component units consist of agreements 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 installment purchases with component unit at June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 10,357	\$ 3,890	\$ 14,247
2027	8,298	3,235	11,533
2028	8,619	2,985	11,604
2029	8,901	2,724	11,625
2030	8,499	2,462	10,961
2031-2035	39,646	8,405	48,051
2036-2040	25,404	3,299	28,703
2041-2045	6,270	1,322	7,592
2046-2050	5,788	516	6,304
Total	<u>\$ 121,782</u>	<u>\$ 28,838</u>	<u>\$ 150,620</u>

Lease Obligations - The State leases a significant amount of nonfinancial assets including land, land improvements, buildings, equipment, and infrastructure. For more information on the State's right-to-use assets and associated accumulated depreciation, refer to Note 8. The related obligations are presented in the amounts equal to the present value of lease payments expected to be made during the lease term (less any lease incentives).

The State had no significant lease expenses related to variable payments as of June 30, 2025. The State did not incur any lease expenses related to residual value guarantees, lease termination penalties, or losses due to impairment. The State did not have any commitments for any leases prior to the start of the lease term.

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Future amounts required to pay principal and interest on governmental activity lease obligations as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 20,388	\$ 2,953	\$ 23,341
2027	11,888	2,444	14,332
2028	7,605	2,147	9,752
2029	5,902	1,944	7,846
2030	3,317	1,813	5,130
2031-2035	41,700	364	42,064
2036-2040	343	24	367
2041-2045	100	7	107
2046-2050	41	1	42
Total	\$ 91,284	\$ 11,697	\$ 102,981

Significant lease obligations for governmental activities as of June 30, 2025, consists of local offices for the Attorney General (41%), Department of Human Services (22%), Disability Determination for Social Security Administration (5%), State Revenue (6%), Child Support (9%), and Arkansas Workforce Centers (3%).

SBITA Obligations - The State leases a significant amount of IT Software. The related obligations are presented in the amounts equal to the present value of lease payments expected to be made during the lease term (less any SBITA incentives).

The State had no significant SBITA expenses related to variable payments as of June 30, 2025. The State did not incur any SBITA expenses related to SBITA termination penalties, or losses due to impairment. For more information on the State's SBITA commitments, refer to Note 18.

Future amounts required to pay principal and interest on governmental activity SBITA obligations as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 25,565	\$ 2,040	\$ 27,605
2027	25,611	1,115	26,726
2028	7,240	428	7,668
2029	4,401	239	4,640
2030	2,529	108	2,637
2031-2035	725	27	752
Total	\$ 66,071	\$ 3,957	\$ 70,028

Significant SBITA obligations for governmental activities as of June 30, 2025, consists of Cloud Service Subscriptions for Arkansas Game and Fish Commission (4%), Arkansas Department of Transportation (3%), Arkansas Department of Information Systems (53%), Arkansas Department of Education (11%), State Management Services (7%), Parks & Tourism (5%), and Arkansas Division of Emergency Management (4%).

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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; 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.

Big River Steel subsequently expanded the facility and met the requirements for a qualified expansion project under Ark. Code Ann. § 26-51-506. ATRS negotiated to purchase tax credits of \$11.0 million per year for the first 11 years and \$4.0 million in the 12th year. Under Ark. Code Ann. § 26-51-506 the State will purchase the credits from ATRS at a 20% discount and pay \$8.8 million for the first 11 years and \$3.2 million in the 12th year. The State considers this a structured payout and has used a discount rate of 2.96% to record an obligation of \$83.9 million to ATRS as of the agreement date.

Future amounts required to pay principal and interest on the recycling tax obligation at June 30, 2025, were as follows (expressed in thousands):

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30:			
2026	\$ 19,903	\$ 4,898	\$ 24,801
2027	20,530	4,270	24,800
2028	21,177	3,623	24,800
2029	21,845	2,955	24,800
2030	22,534	2,266	24,800
2031-2035	51,002	3,398	54,400
Total	<u>\$ 156,991</u>	<u>\$ 21,410</u>	<u>\$ 178,401</u>

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Business-Type Activities

Special Obligation Bonds – Special Obligation Bonds outstanding at June 30, 2025, issued pursuant to specific statutory provisions enacted by the Legislature and paid from specifically dedicated fees and other revenues generated by a particular program that do not constitute general debt of the State, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Construction Assistance Revolving Loan Fund	2050	5.00	\$ 147,080
Safe Drinking Water Revolving Loan Fund	2050	5.00	19,645
Total			\$ 166,725

(1) Fiscal year

Details of the Special Obligation Bonds outstanding are as follows:

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

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

The principal amount shown below differs from the amount on the combined statement of net position due to unamortized premiums of approximately \$14.5 million for the CA fund and approximately \$1.8 million for the SDW Fund. Future amounts required to pay principal and interest on the special obligation bonds at June 30, 2025, were as follows (expressed in thousands):

	Principal	Interest	Total
Year Ended June 30:			
2026	\$ 7,715	\$ 9,155	\$ 16,870
2027	9,970	7,951	17,921
2028	10,300	7,452	17,752
2029	10,495	6,937	17,432
2030	11,025	6,412	17,437
2031-2035	38,980	25,538	64,518
2036-2040	32,295	15,885	48,180
2041-2045	24,445	8,731	33,176
2046-2050	21,500	3,331	24,831
Total	\$ 166,725	\$ 91,392	\$ 258,117

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Colleges and Universities – The boards of trustees of state-sponsored colleges and universities are authorized to issue revenue bonds, notes, and installment purchase agreements 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 \$141.2 million. At June 30, 2025, business-type activity revenue bonds outstanding were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Beebe	2039	1.00-3.63	\$ 19,680
Arkansas State University – Jonesboro	2055	0.52-5.77	113,305
Arkansas State University – Midsouth	2042	1.00-4.70	15,860
Arkansas State University – Mountain Home	2033	2.00-3.12	2,960
Arkansas State University – Newport	2033	2.63-3.82	1,625
Henderson State University	2040	1.00-5.00	34,645
University of Arkansas - System			
Cossatot Community College of the University of Arkansas	2035	1.00-5.00	2,195
Phillips Community College of the University of Arkansas	2039	2.00-4.00	7,620
University of Arkansas East Arkansas Community College	2040	1.13-2.25	2,720
University of Arkansas – Fayetteville	2055	0.37-5.47	761,070
University of Arkansas – Fort Smith	2039	0.35-5.00	29,360
University of Arkansas – Little Rock	2038	0.44-5.00	57,690
University of Arkansas – Monticello	2042	0.49-5.00	21,135
University of Arkansas – Pine Bluff	2053	2.00-5.00	27,055
University of Arkansas – Pulaski Technical College	2041	1.80-5.00	65,475
University of Arkansas Community College – Hope-Texarkana	2039	1.00-3.65	1,640
University of Arkansas Community College – Morrilton	2051	2.00-5.00	18,655
University of Arkansas Community College – Rich Mountain	2049	1.00-5.00	10,540
University of Arkansas for Medical Sciences	2052	0.85-5.00	537,895

(1) Fiscal year

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Continued from the previous page

Other Institutions	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas Northeastern College	2047	1.95-4.00	6,095
Arkansas Tech University	2053	0.51-5.00	90,733
Black River Technical College	2044	2.00-4.00	6,976
National Park College	2051	2.00-4.50	32,520
North Arkansas College	2045	2.00-4.50	8,875
Northwest Arkansas Community College	2035	2.00-4.55	20,740
Ozarka College	2043	1.00-3.00	4,080
South Arkansas College	2039	2.00-4.00	2,295
Southern Arkansas University – Magnolia	2048	1.00-4.25	56,805
Southern Arkansas University Tech – Camden	2043	1.70-4.50	4,130
Southeast Arkansas College	2044	4.25-5.13	5,315
University of Central Arkansas	2050	0.55-6.13	<u>181,145</u>
Total			<u>\$ 2,150,834</u>

(1) Fiscal year

Future amounts required to pay principal and interest on business-type activity revenue bonds as of June 30, 2025, were as follows (expressed in thousands):

	Principal	Interest	Total
Year ending June 30:			
2026	\$ 102,806	\$ 86,469	\$ 189,275
2027	103,505	82,705	186,210
2028	107,030	78,779	185,809
2029	107,427	74,802	182,229
2030	110,559	70,823	181,382
2031-2035	573,114	287,494	860,608
2036-2040	458,491	180,264	638,755
2041-2045	329,032	100,922	429,954
2046-2050	186,400	38,348	224,748
2051-2055	72,470	6,989	79,459
Total	<u>\$ 2,150,834</u>	<u>\$ 1,007,595</u>	<u>\$ 3,158,429</u>

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Business-type activity notes payable outstanding at June 30, 2025, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Arkansas State University - System			
Arkansas State University – Midsouth	2038	3.3	\$ 1,108
Henderson State University (2)	2040	3.08-5.74	21,508
University of Arkansas - System			
University of Arkansas – Fayetteville	2029	1.38-1.81	14,970
University of Arkansas for Medical Sciences	2033	2.23-9.17	47,980
University of Arkansas for Math/Science	2030	2.5	500
University of Arkansas System Office	2029	3.00	12,620
University of Arkansas Community College – Hope-Texarkana	2041	2.15	3,996
University of Arkansas Community College – Rich Mountain	2028	2.00	612
University of Arkansas – Fort Smith	2042	0.77	347
Other Institutions			
National Park College	2027	0.00	91
North Arkansas College	2031	2.63	780
Northwest Arkansas Community College	2030	2.69	3,225
South Arkansas College	2045	2.05-4.95	3,829
Southern Arkansas University – Magnolia	2029	2.02-4.25	268
University of Central Arkansas	2028	3.94	684
Total			<u>\$ 112,518</u>

(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 a Secured Overnight Financing 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.

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Future amounts required to pay principal and interest on business-type activity notes payable as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 19,493	\$ 4,163	\$ 23,656
2027	17,551	3,563	21,114
2028	16,497	3,075	19,572
2029	13,808	2,559	16,367
2030	15,594	1,799	17,393
2031-2035	21,422	3,238	24,660
2036-2040	7,259	968	8,227
2041-2045	894	111	1,005
Total	<u>\$ 112,518</u>	<u>\$ 19,476</u>	<u>\$ 131,994</u>

Installment Purchase agreements are issued to college institutions for various purposes. Principal and interest payments are made from specifically dedicated fees and other revenue sources.

Future amounts required to pay principal and interest on business-type activity installment purchase agreements payable as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 3,514	\$ 1,300	\$ 4,814
2027	3,645	1,213	4,858
2028	3,698	1,124	4,822
2029	3,865	1,033	4,898
2030	4,076	936	5,012
2031-2035	19,038	3,056	22,094
2036-2040	5,548	1,137	6,685
2041-2045	1,650	615	2,265
2046-2050	1,872	239	2,111
Total	<u>\$ 46,906</u>	<u>\$ 10,653</u>	<u>\$ 57,559</u>

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Lease Obligations

Future amounts required to pay principal and interest on business-type activity lease obligations as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 29,569	\$ 5,815	\$ 35,384
2027	21,003	4,859	25,862
2028	16,399	4,170	20,569
2029	15,110	3,563	18,673
2030	9,479	3,082	12,561
2031-2035	33,499	11,437	44,936
2036-2040	12,713	7,316	20,029
2041-2045	8,862	5,349	14,211
2046-2050	8,930	3,693	12,623
2051-2055	9,237	1,831	11,068
2056-2060	5,879	305	6,184
2061-2065	494	3	497
Total	<u>\$ 171,174</u>	<u>\$ 51,423</u>	<u>\$ 222,597</u>

Significant lease obligations for business-type activities as of June 30, 2025, consists of University of Arkansas Buildings (95%).

SBITA Obligations

Future amounts required to pay principal and interest on business-type activity SBITA obligations as of June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 10,362	\$ 999	\$ 11,361
2027	9,875	609	10,484
2028	3,732	295	4,027
2029	4,249	155	4,404
2030	797	54	851
2031 - 2035	837	27	864
Total	<u>\$ 29,852</u>	<u>\$ 2,139</u>	<u>\$ 31,991</u>

Significant SBITA obligations for business-type activities as of June 30, 2025, consists of University of Arkansas (59%), ASU Jonesboro (21%), and North West Arkansas Community College (18%), IT Software subscriptions.

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

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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, 2025, the bonds outstanding issued under these programs aggregated \$2.8 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, 2025, were as follows (expressed in thousands):

	Final Maturity Date (1)	Interest Rates %	Balance
Single family bonds payable	2056	2.49-6.10	\$ 191,216
Federal housing notes payable	2045	1.00	2,960
Bond guaranty program	2040	2.25-6.00	23,327
State facilities bonds payable	2051	1.60-5.00	252,516
Tobacco bonds payable	2047	4.89-5.10	68,110
Total			\$ <u>538,129</u>

(1) Fiscal year

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The principal amount shown below differs from the amount on the balance sheet due to accreted interest of \$41.5 million and unamortized premiums and discounts of \$3.4 million. Future amounts required to pay principal and interest on ADFA's debt at June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 24,627	\$ 16,850	\$ 41,477
2027	25,780	17,216	42,996
2028	30,503	16,351	46,854
2029	23,597	15,516	39,113
2030	23,703	14,877	38,580
2031-2035	133,105	63,924	197,029
2036-2040	112,442	46,401	158,843
2041-2045	91,846	31,924	123,770
2046-2050	58,858	19,087	77,945
2051-2055	48,710	7,174	55,884
2056-2060	3,075	93	3,168
Total	<u>\$ 576,246</u>	<u>\$ 249,413</u>	<u>\$ 825,659</u>

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, 2025, were \$327,224 including interest ranging from 3.00% to 15.00%.

Aggregate annual maturities of annuity obligations at June 30, 2025, were as follows (expressed in thousands):

Year ending June 30:	<u>Principal</u>
2026	\$ 1,239
2027	1,163
2028	1,030
2029	899
2030	832
2031-2035	2,851
2036-2040	1,660
2041-2045	625
2046-2050	51
2051-2055	5
Total	<u>\$ 10,355</u>

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

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Current Refundings

Primary Government

Higher Education

On December 12, 2024, Arkansas State University (Jonesboro Campus) issued \$10.4 million in Refunding Bonds, with an interest rate of 5.00%, to refund the outstanding bond Series 2013B. The net proceeds of the bonds were remitted to an escrow agent to provide for all future payments of the defeased bonds. The University refunded the bonds to reduce its total debt service payments by \$1.2 million over the next 19 years and to obtain an economic gain of \$873,349. The refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$69,716. This difference, reported in the accompanying financial statements as a deferred inflow of resources, will be amortized through the year 2044 using the straight-line method.

On August 28, 2024, the University of Arkansas (Fayetteville Campus) issued \$29.8 million in Various Facilities Revenue Bonds Refunding Series 2024A, with an interest rate of 5.00%. Bond proceeds and premiums of \$3.3 million were issued to finance costs of certain capital improvements on or for the Fayetteville Campus including, without limitation, (a) the renovation, acquisition, construction, furnishing, and equipping the Health, Physical Education, and Recreation Building; (b) the acquisition of property for expansion purposes and other purposes of the Fayetteville Campus; and (c) the acquisition of construction, improvement, renovation, equipping and/or furnishing of other capital improvements and infrastructure and the acquisition of various equipment and/or real property for the Fayetteville Campus.

On August 28, 2024, the University of Arkansas (Fayetteville Campus), issued \$72.3 million in Various Facility Revenue Bonds, Refunding Series 2024B, with an interest rate between 4.00% and 5.00%. The proceeds of the bonds were used to accomplish the current refunding of certain portions of the Series 2016A, Series 2017, Series 2019B and Series 2021 Bonds that were validly tendered for purchase and to pay costs of issuance of the Series 2024B Bonds. A total of \$82.0 million was deposited into the Series 2024B Purchase Account used to purchase for a purchase price of \$82.0 million for the tendered bonds. The combined refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$7.3 million. This difference will be amortized through the fiscal year 2046. The University completed the refunding to reduce its total debt service payments over the next twenty-two years by \$6.8 million and to obtain an economic gain of \$4.5 million.

On September 12, 2024, the University of Arkansas Fort Smith (UAFS Campus) issued the Refunding Series 2024 Revenue Bonds (the 2024 Bonds). The 2024 Bonds consist of Student Fee Revenue Bonds in the original amount of \$7.2 million, with a premium of \$870,942, which bear interest at 5.00%. The bonds are payable in annual installments through June 2039. Proceeds from the issuance of the bonds were used to current refund Student Fee Revenue Bonds, Series 2014B.

On November 5, 2024, the University of Arkansas Community College at Morrilton (UACCM Campus) issued the Refunding Series 2024 Revenue Bonds (the 2024 Bonds). The 2024 Bonds consist of Student Fee Revenue Bonds in the original amount of \$10.2 million, with a premium of \$937,280, which bear interest at 5.00%. The 2024 Bonds are payable in annual installments through May 2051. Proceeds from the issuance of the bonds will be used to finance certain capital improvements, to fund capitalized interest, and to pay costs of issuance.

On January 30, 2025, the University of Arkansas for Medical Sciences (UAMS) issued the Various Facilities Revenue Bonds Refunding Series 2025. The bonds were issued in the original amount of \$59.2 million, with a premium of \$5.4 million, and bear interest at 5.00%. The bonds are payable

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in annual installments through September 2035. Proceeds from the issuance of the bonds were used to current refund Various Facilities Revenue Refunding Bonds, Series 2014.

(10) 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 June 30, 2025, 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	\$ 22,520	37.08%	\$ 4,338	\$ 1,701
Court filing fees	Construction of building and refunding	2051	21,529	83.64%	990	865
Rental income	Purchase of building park facilities	2050	38,388	37.02%	4,148	2,618
Drivers license revenue	Construction of building	2035	25,175	32.92%	7,648	4,106

(1) Fiscal year

Business-Type Activities

Certain revenues have been pledged as security to extinguish long-term debt issues.

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, 2025, 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	2055	\$ 995,582	5.68%	\$ 584,555	\$ 54,677
	Athletic fees	Construction of facilities and refunding of prior issues					
University of Arkansas at Fort Smith	Student fees	Construction of facilities, refunding of prior issues and general improvements	2039	36,466	5.36%	48,558	6,419
University of Arkansas at Little Rock	Student fees	Refunding of prior issues, general improvements and capital improvements	2038	48,669	5.86%	63,899	8,526
	Auxiliary revenue	Construction of facilities and refunding of prior issues					
University of Arkansas for Medical Sciences	Clinical programs revenue	Construction of facilities and refunding of prior issues	2052	792,006	2.52%	1,162,387	30,599
	Parking fees	Construction of facilities and refunding of prior issues					
University of Arkansas at Monticello	Student fee & various facility revenue	Construction of facilities and refunding of prior issues	2042	28,522	6.26%	26,793	1,988
University of Arkansas at Pine Bluff	Student tuition & fee revenue	Refunding of prior issues and capital improvements	2053	44,967	4.44%	36,207	1,932
Cossatot Community College of the University of Arkansas	Student fees	Purchase of property	2035	2,644	6.86%	3,856	266

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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	9,538	28.73%	2,371	681
University of Arkansas Community College at Hope-Texarkana	Student fees	Construction of facilities and refunding of prior issues	2039	2,105	4.39%	3,424	147
University of Arkansas Community College at Morrilton	Student fees	Construction of facilities and refunding of prior issues	2051	31,428	17.24%	7,011	860
University of Arkansas - Pulaski Technical College	Student tuition & fee revenue	Construction and renovation of facilities and refunding of prior issues	2041	85,313	21.74%	24,532	5,012
University of Arkansas Community College at Rich Mountain	Student tuition & fee revenue & auxiliary Millage revenue	Capital improvements	2049	11,116	12.95%	3,576	489
		Capital improvements and refunding of prior issue	2042	4,644	47.93%	570	272
Arkansas State University - Jonesboro	Student tuition & fee revenue	Construction of facilities, property purchase, and refunding of prior issues	2055	112,979	3.59%	104,901	4,045
	Housing fees	Construction of facilities and refunding of prior issues	2042	62,489	23.53%	15,620	5,460
Arkansas State University - Beebe	Recreation center fees	Construction of facilities	2037	11,385	59.93%	1,583	947
	Student tuition & fee revenue	Construction, renovation, and refunding of prior issues	2036	17,349	16.68%	9,456	1,613
	Housing fees	Construction of facilities and refunding of prior issues	2039	6,838	65.30%	748	493
Arkansas State University - Mid South	Millage revenue	Construction of facilities and refunding of prior issues	2042	22,212	33.35%	3,918	1,306
Arkansas State University - Mountain Home	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	3,274	8.58%	4,770	495
Arkansas State University - Newport	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2033	1,786	2.90%	7,696	435
Arkansas State University-Henderson	Auxiliary revenue	Refunding of prior issues and capital improvements	2040	39,585	26.27%	10,046	2,837
	Student tuition & fee revenue	Renovation and maintenance of other auxiliary services and refunding of existing auxiliary service bonds	2032	4,348	3.35%	18,521	822
Arkansas Tech University	Housing fees	Construction and renovation of facilities	2041	25,598	17.04%	9,390	2,272
	Student tuition & fee revenue	Construction and renovation of facilities and upgrade computer system and software	2044	41,404	3.91%	55,720	2,478
Southern Arkansas University - Magnolia	Athletic/food service revenue	Construction of facilities	2043	10,091	5.53%	10,135	617
	Student union fees	Construction of facilities	2053	51,776	62.85%	2,942	1,852
	Student fees	Construction of facilities, capital improvements, and refunding of prior issues	2048	43,501	4.46%	42,417	2,320
	Auxiliary revenue	Athletic improvements, capital improvements to facilities and refunding of prior issues	2048	37,291	11.30%	14,352	2,030
Southern Arkansas University - Tech Branch	Student tuition & fee revenue	Capital improvements and refunding of prior issue	2043	5,834	12.83%	2,526	320
University of Central Arkansas	Student fees	Construction of facilities, capital improvements, and refunding of prior issues	2050	124,152	7.05%	70,433	7,117
	Housing fees	Construction of facilities and refunding of prior issues	2049	110,721	32.10%	14,374	6,250
	Auxiliary revenue	Construction of facilities and refunding of prior issues	2042	18,079	7.51%	14,156	1,904
East Arkansas Community College	Millage revenue	Construction and renovation of facilities, and refunding of prior issues	2040	3,188	46.10%	461	209
National Park College	Millage revenue	Capital improvements and refunding of prior issue	2052	39,807	74.50%	1,979	1,566
	Housing revenue	Acquisition, construction, furnishing, and equipping a new student housing facility	2049	11,166	5.10%	9,118	465
Arkansas Northeastern College	Millage revenue	Construction of facilities and refunding of prior issues	2047	9,127	59.61%	696	415
North Arkansas College	Millage revenue	Capital improvements and refunding of prior issue	2045	11,530	50.57%	1,140	610
South Arkansas Community College	Millage revenue	Construction of facilities and refunding of prior issues	2039	3,016	34.86%	618	216
Northwest Arkansas Community College	Millage revenue & support fees	Construction of facilities and refunding of prior issues	2035	22,053	12.87%	17,132	2,115
	Student fees	Workday loan	2030	3,490	7.71%	9,055	698
Black River Technical College	Student tuition	Land purchase	2035	1,639	0.87%	18,766	163
Ozarka College	Student tuition & fee revenue	Renovation and expansion of facilities and refunding of prior issues	2044	9,226	4.99%	9,730	658
Southeast Arkansas College	Student tuition & fee revenue	Construction of facilities and refunding of prior issues	2043	4,965	44.49%	620	354
		Performance energy contract	2044	8,350	12.37%	3,554	401

(1) Fiscal year

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(11) 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, will be \$1 million.

(12) Pollution Remediation

Primary Government

Governmental Activities

The State estimates and reports the potential costs of pollution remediation in accordance with Governmental Accounting Standards Board (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 other factors.

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

	2025	2024
Balance, beginning of year	\$ 27,245	\$ 22,262
Incurred claims	1,344	5,066
Payments	<u>(1,450)</u>	<u>(83)</u>
Balance, end of year	<u><u>\$ 27,139</u></u>	<u><u>\$ 27,245</u></u>
Current portion	\$ 4,987	\$ 4,259
Noncurrent portion	<u>22,152</u>	<u>22,986</u>
	<u><u>\$ 27,139</u></u>	<u><u>\$ 27,245</u></u>

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, \$9.6 million is covered by the Hazardous Substance Remedial Action Trust Fund (HSRATF), which was established by Ark. Code Ann. § 19-26-223 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

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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 \$10.5 million at June 30, 2025.

Of the above-mentioned obligations, \$17.4 million is covered by the Landfill Post-Closure Trust Fund (LPCTF), which was established by Ark. Code Ann. § 19-26-265. Funding for LPCTF is generated mostly by landfill disposal fees. The LPCTF had a cash and cash equivalent balance of \$23.2 million at June 30, 2025. While the largest parts of the Nabors Landfill Cleanup Project 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 \$3.0 million.

(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; and 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, 2025, is as follows (expressed in thousands):

	Restricted Purposes	Committed Purposes	Assigned Purposes
Capital projects	\$ 11,933	\$ 139,563	\$ 112
Debt service	223,181		
Program requirements	1,589,888	1,254,244	
Lottery funds	343,931		
Wildlife management	61,702		
Tobacco settlement	5,000	88,277	
Transportation programs	204,737	379,188	
Disaster assistance		2,622	
State employee insurance		198,380	
Long-term reserve		4,288,680	
Other		2,418,093	47,521
Total	\$ 2,440,372	\$ 8,769,047	\$ 47,633

The State's fund balance includes (1) \$1.6 billion in federal program revenue, private grants, and revenue restricted by enabling legislation for specific programs, of which 14.35% is held by the health and human services function of the State, 71.67% is held by the general government function of the State to be used for administrative costs that are federally funded, and 7.31% is held by the education function of the State; (2) \$204.7 million in four-lane highway construction and improvement funds restricted by voter passage of Amendment 91; (3) \$1.3 billion in revenue committed by the Arkansas General Assembly through legislation for State programs (i.e., property

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tax relief trust, health and human services, education, operations of constitutional offices and state central services, Arkansas natural and cultural resources, public safety and disaster assistance, business regulation and incentives, agricultural and environmental regulation, and recreation and tourism) as specified in Arkansas Code; (4) \$379.2 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) \$2.4 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 restrictions 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, 2025, the government-wide statement of net position reported \$4.1 billion in restricted net position for governmental activities, of which \$1.1 billion was restricted by enabling legislation.

Donor-Restricted Endowments

The State has donor-restricted endowments with net appreciation of \$98.0 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 \$49.8 million deficit in net position as of June 30, 2025. 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 tax rate under this section shall not exceed 1.5%.

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(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 Network, area vocational-technical schools, Arkansas Rehabilitation Services, enterprises privatized by a public school district, and educational nonprofit organizations licensed and regulated by the Department of Human Services' Division of Developmental Disabilities Services. 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 Public Safety's Division 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	124 West Capitol, Suite 400, Little Rock, AR 72201-3704	(501) 682-7800	https://www.apers.org
ASPRS			
ASHERS	10324 Interstate 30, Little Rock, AR 72209	(501) 569-2000	www.ardot.gov

Benefits Provided

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

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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 (FAC) and (2) the number of years of credited service. For members first hired prior to July 1, 2022, FAC is the average of the three highest annual compensations paid for a completed fiscal year of credited service, and, for members first hired on or after July 1, 2022, FAC is the average of the five highest annual compensations paid for a completed fiscal year 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 five 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 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 actual service.

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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 they became members before July 1, 1983, and have 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.

Tier One (hired prior to April 3, 1997) noncontributory members are eligible for full retirement benefits at any age with 28 years of actual service, at age 52 with five years of actual service, or at age 65 with five years of actual service. The age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. 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.

Tier Two (hired on or after April 3, 1997) noncontributory members are eligible for full retirement benefits at any age with 28 years of actual service, or at age 65 with five years of actual service. The age requirement is reduced by 75% of a month for each credited month of service but not below age 55. 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.

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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 salary paid in the three years immediately preceding termination for the contributory plan, (2) the average of the highest 60 calendar months' salary for Tier One, or (3) the average of the highest 48 calendar months' salary for Tier Two.

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 at age 65 with five or more years of service, at age 62 with 15 or more years of service, at age 60 with 20 years of service, or at 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 greater of (1) average of the highest 60 consecutive months' salary, or (2) 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.

	ARJS (2025)	ASPRS (2025)	ASHERS (2024)
Inactive employees or beneficiaries currently receiving benefits	183	789	3,872
Inactive employees entitled to but not yet receiving benefits	12	123	383
Active employees	145	542	3,625
Total	340	1,454	7,880

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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, 2024**, the employer contribution rates, as a percentage of active member payroll, ranged from 4% to 67.13%. Contributions to APERS from the State were \$223 million for the year ended June 30, 2025.

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, 2024**, the employer contribution rate was 15.0% of covered employee payroll. Contributions to ATRS from the State were \$13.7 million for the year ended June 30, 2025.

ATRS has contributory and noncontributory plans. The contributory plan has been in effect since the establishment of ATRS. Contributory members of ATRS contribute 7.0% of their gross wages. The noncontributory plan began July 1, 1986. Effective July 1, 2021, all new members under contract for 185 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 2025 was \$6.6 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 26% 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

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reinstatement fees. The State's supplemental contribution for fiscal year 2025 was \$10.4 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.

Covered employees not in Tier I of DROP are required to contribute 7% of their compensation, and Tier II members of DROP contribute 6%. Anyone hired after June 30, 2021, upon enrollment in DROP, will continue employee contributions equal to active employee rates during participation in DROP. The employer contribution rate is 14.9% of the pay of each covered employee including active DROP participants.

Net Pension Liability

At June 30, 2025, the State reported the following for the various plans (expressed in thousands):

Primary Government

	Measurement Date	Net Pension Liability
APERS	June 30, 2024	\$ 1,522,518
ATRS	June 30, 2024	104,859
AJRS	June 30, 2025	9,422
ASPRS	June 30, 2025	115,113
ASHERS	June 30, 2024	309,998
Total		<u>\$ 2,061,910</u>

Component Unit - APERS

	Measurement Date	Net Pension Liability
ADFA	June 30, 2024	\$ 3,519

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 2025 fiscal year of all participating employers. At June 30, 2025, the State's proportion was 61.19% for APERS and 2.45% for ATRS, decreases of 1.15% and 0.31%, respectively.

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Actuarial assumptions

The total pension liability in the actuarial valuation (as of the date noted in the following table) 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, 2024	June 30, 2024	June 30, 2025	June 30, 2025	June 30, 2024
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)	7.00%	7.25%	5.50%	7.00%	7.50%
Mortality rates	PubG-2010 Amount - Weighted Below - Median Income General Retiree Mortality for healthy retirees, multiplied by 114% for males and 132% for females.	Pub-2010 General Healthy Retired, General Disabled Retiree and General Employee Mortality amount weighted tables for males and females.	PubG-2010 Above-Median Income Retiree Mortality evaluating tables for healthy retirees.	PubS - 2010 Below-Median Income Safety Retiree Mortality for healthy retirees, multiplied by 114% for males and 108% for females.	Pub-2010 Public Retirement Plans for males and females, amount weighted Mortality Table for General employees with below median income, scaled at 105% with no setback. Generational mortality improvements are in accordance with MP-2020 from the table's base year of 2010 (both before and after the measurement date).
Actuarial experience study dates	July 1, 2017 - June 30, 2022	July 1, 2015 - June 30, 2020	July 1, 2016 - June 30, 2021	July 1, 2017 - June 30, 2022	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 target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2024-2033 were provided by the plan's investment consultants.

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For each major asset class included in the pension plan's target asset allocation as of **June 30, 2024**, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	39.00%	5.03%
International equity	17.00%	6.34%
Real assets	16.00%	4.51%
Private equity	5.00%	9.00%
Hedge funds	2.00%	3.63%
Domestic fixed	21.00%	3.38%
Total	<u>100.00%</u>	

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 included in the pension plan's target asset allocation as of **June 30, 2024**, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global equity	48.00%	4.70%
Fixed income	20.00%	2.40%
Alternatives	5.00%	4.50%
Real assets	15.00%	4.60%
Private equity	12.00%	6.90%
Cash equivalents	<u>0.00%</u>	1.80%
Total	<u>100.00%</u>	

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 target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025 to 2034 were based on capital market assumptions provided by the plan's investment consultants.

ARKANSAS

For each major asset class that is included in the pension plan's target asset allocation as of June 30, 2025, 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%	5.29%
International equity	15.00%	6.17%
Real estate	8.00%	4.89%
Domestic fixed	40.00%	2.50%
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 target asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2025-2034 were based on capital market assumptions provided by the plan's investment consultants.

For each major asset class included in the pension plan's target asset allocation as of June 30, 2025, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	39.00%	5.14%
International equity	17.00%	5.97%
Real estate	16.00%	5.00%
Private equity	5.00%	8.77%
Hedge funds	2.00%	3.58%
Domestic fixed	21.00%	3.26%
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 ended June 30, 2025, the rate of return on pension plan investments, net of pension plan investment expenses, was (7.82%).

Discount rate

The discount rate for each plan was determined as follows:

APERS

A single discount rate of 7.00% 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 7.00%. The projection

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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 7.25% 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 7.25%. The current member and employer contribution rates are 7.00% and 15.00% of active member payroll, 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 5.50% 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 5.50%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be 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 7.00% 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 7.00%. 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.

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Changes in the Net Pension Liability

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

ASPRS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, June 30, 2024	\$ 574,075	\$ 439,505	\$ 134,570
Changes for the year:			
Service cost	11,297		11,297
Interest	39,440		39,440
Change in Benefit Term	4,853		4,853
Differences between expected and actual experience	1,229		1,229
Contributions – employer		31,124	(31,124)
Net investment income		45,406	(45,406)
Benefit payments, including refunds of employee contributions	(32,582)	(32,582)	
Administrative expense		(254)	254
Net changes	<u>24,237</u>	<u>43,694</u>	<u>(19,457)</u>
Balance, June 30, 2025	<u><u>598,312</u></u>	<u><u>483,199</u></u>	<u><u>115,113</u></u>
 AJRS			
Balance, June 30, 2024	\$ 353,569	\$ 334,690	\$ 18,879
Changes for the year:			
Service cost	8,568		8,568
Interest	19,164		19,164
Differences between expected and actual experience	9,216		9,216
Contributions – employer		10,689	(10,689)
Contributions – employee		1,422	(1,422)
Net investment income		34,489	(34,489)
Benefit payments, including refunds of employee contributions	(18,819)	(18,819)	
Administrative expense		(195)	195
Net changes	<u>18,129</u>	<u>27,586</u>	<u>(9,457)</u>
Balance, June 30, 2025	<u><u>371,698</u></u>	<u><u>362,276</u></u>	<u><u>9,422</u></u>

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ASHERS	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balance, June 30, 2024	\$ 1,876,794	\$ 1,504,602	\$ 372,192
Changes for the year:			
Service cost	21,955		21,955
Interest	136,484		136,484
Contributions – employer		31,269	(31,269)
Contributions – employee		13,410	(13,410)
Differences between expected and actual experience	22,806		22,806
Net investment income		198,862	(198,862)
Benefit payments, including refunds of employee contributions	(135,972)	(135,972)	
Administrative expense		(102)	102
Net changes	45,273	107,467	(62,194)
Balance, June 30, 2025	<u>\$ 1,922,067</u>	<u>\$ 1,612,069</u>	<u>\$ 309,998</u>

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	Pension Liability (Asset)
APERS	6.00%	\$ 2,597,965	7.00%	\$ 1,522,518	8.00%	\$ 635,892
ATRS	6.25%	186,484	7.25%	104,859	8.25%	37,193
AJRS	4.50%	52,897	5.50%	9,422	6.50%	(27,738)
ASPRS	6.00%	190,021	7.00%	115,113	8.00%	52,871
ASHERS	6.50%	531,889	7.50%	309,998	8.50%	151,719

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	Pension Liability (Asset)
ADFA	6.00%	\$ 6,005	7.00%	\$ 3,519	8.00%	\$ 1,470

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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, 2025, the State recognized total pension expense of \$3.7 million, which consists of (\$7.5 million), (\$11.6 million), (\$14.6 million), \$8.4 million, and \$29.0 million for the ATRS, APERS, ASHERS, AJRS, and ASPRS plans, respectively.

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to pensions as follows (expressed in thousands):

Primary Government

	Deferred Outflows of Resources	Deferred Inflows of Resources
APERS		
Differences between expected and actual experience	\$ 59,086	\$ 62,249
Changes of assumptions	44,168	
Net differences between projected and actual earnings on pension plan investments	53,059	
Changes in proportion and differences between State contributions and proportionate share of contribution	38,576	70,584
State contributions subsequent to the measurement date	<u>223,009</u>	
Total	<u>\$ 417,898</u>	<u>\$ 132,833</u>
ATRS		
Differences between expected and actual experience	\$ 3,058	\$ 74
Changes of assumptions		11,580
Net differences between projected and actual earnings on pension plan investments	5,094	
Changes in proportion and differences between State contributions and proportionate share of contribution	4,427	21,430
State contributions subsequent to the measurement date	<u>13,654</u>	
Total	<u>\$ 26,233</u>	<u>\$ 33,084</u>

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	Deferred Outflows of Resources	Deferred Inflows of Resources
AJRS		
Differences between expected and actual experience	\$ 9,416	\$ 3,298
Changes of assumptions	3,301	
Net differences between projected and actual earnings on pension plan investments		11,650
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	<u><u>\$ 12,717</u></u>	<u><u>\$ 14,948</u></u>
ASPRS		
Differences between expected and actual experience	\$ 11,336	\$ 374
Changes of assumptions	4,153	
Net differences between projected and actual earnings on pension plan investments		4,735
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	<u><u>\$ 15,489</u></u>	<u><u>\$ 5,109</u></u>
ASHERS		
Differences between expected and actual experience	\$ 43,850	\$ 6,660
Changes of assumptions		3,019
Net differences between projected and actual earnings on pension plan investments		28,501
Changes in proportion and differences between State contributions and proportionate share of contribution		
State contributions subsequent to the measurement date		
Total	<u><u>\$ 78,498</u></u>	<u><u>\$ 38,180</u></u>
Total		
Differences between expected and actual experience	\$ 126,746	\$ 72,655
Changes of assumptions	51,622	14,599
Net differences between projected and actual earnings on pension plan investments	58,153	44,886
Changes in proportion and differences between State contributions and proportionate share of contribution	43,003	92,014
State contributions subsequent to the measurement date	271,311	
Total	<u><u>\$ 550,835</u></u>	<u><u>\$ 224,154</u></u>

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Component Unit - APERS

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
ADFA		
Differences between expected and actual experience	\$ 137	\$ 144
Changes of assumptions	102	
Net differences between projected and actual earnings on pension plan investments	123	
Changes in proportion and differences between State contributions and proportionate share of contribution	16	64
State contributions subsequent to the measurement date	509	
Total	\$ 887	\$ 208

The primary government reported \$271.3 million as deferred outflows of resources related to pensions resulting from State contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the year ended June 30, 2025.

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
2026	\$ (32,439)	\$ (11,781)	\$ 10,934	\$ 20,177	\$ (19,067)	\$ (32,176)
2027	201,727	6,531	(5,759)	(2,101)	49,831	250,229
2028	(70,793)	(8,329)	(5,201)	(4,866)	(11,766)	(100,955)
2029	(36,438)	(6,926)	(2,206)	(2,830)	(13,328)	(61,728)

Component Unit - APERS

Year ended

June 30:	ADFA
2026	\$ (80)
2027	489
2028	(155)
2029	(84)

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.

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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 that 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. 97, plan balances and activities are not reflected in the State's financial statements. According to the custodian, plan assets totaled \$1.25 billion at June 30, 2025.

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 4% to 15.32% 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 2025, total employer contributions to VALIC, TIAA-CREF, and Fidelity were \$173.9 million, while contributions to other plans were \$2.6 million. Employee contributions to VALIC, TIAA-CREF, and Fidelity were \$201.1 million, while contributions to other plans were \$942,657.

(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), and Dental and Vision (administered by Delta Dental)

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- Arkansas State Employee Health Plan (ASE); Medical (administered by Transformation and Shared Services – Employee Benefits Division for active employees and retirees); and Rx (administered by Navitus)
 - The ASE Plan includes certain employees who are in agencies classified as Business Type, Fiduciary, and Component unit. The plan is allocated as 98.6% Governmental Activities. For disclosure purposes the plan, as presented under Governmental Activities, includes Business Type and Fiduciary Activities. The liabilities, expense, deferred inflows, and deferred outflows are properly allocated to the correct fund type. A reconciliation of OPEB liability and a summary of OPEB expense is provided at the end of the note.

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 Board of Finance
 - Ark. Code Ann. § 21-5-401

No assets are accumulated in a trust that meets the criteria in paragraph 4 of Governmental Accounting Standards Board (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 Teacher 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 the plan in which the retiree takes part 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 they are enrolled in Medicare. The required plan contribution is based on the projected pay-as-you-go financing requirements.

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Employees Covered by Benefit Terms

At June 30, 2025, the following employees were covered by each plan:

	ASP	ASE
Inactive employees or beneficiaries currently receiving benefits	1,073	16,439
Inactive employees entitled to but not yet receiving benefits		8,651
Active employees	718	30,028
Total	1,791	55,118

(b) Total OPEB Liability

At June 30, 2025, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

Governmental Activities

	Measurement	Total OPEB
	Date	Liability
ASP	June 30, 2025	\$ 203,884
ASE	June 30, 2025	<u>1,220,441</u>
Total		<u>1,424,325</u>

Component Unit – ADFA

	Measurement	Total OPEB
	Date	Liability
ASE	June 30, 2025	\$ 2,024

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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 (4)	
Actuarial valuation date	June 30, 2025	June 30, 2025	
Inflation rate	3.25%	2.30%	
Discount rate	4.81%	(1)	5.20% (2)
Salary increase, including inflation	N/A	3.45%	
Healthcare cost trend rates	7.50% initial 4.25% ultimate	6.60% initial 3.70% ultimate	
Mortality rate	Pub-2010 Public Retirement Plans Mortality Table for Public Safety, using head counts (retired lives at ages 55 and over) projected generationally with Scale MP-2020 from 2010.	PubG-2010 Amount- Weighted Below-Median Income General Employee Mortality Tables for males and females. Mortality rates are multiplied by 75% for males and 75% for females and are adjusted for fully generational mortality improvements using Scale MP-2021.	
Retirees' share of benefit-related costs	100%	16% - 45%	
Actuarial experience study dates	N/A	July 1, 2017, through June 30, 2022 (3)	

- (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 an index of 20-year, tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher.
- (3) Used actuarial experience study performed for APERS.
- (4) ASE assumptions do not include National Park College (NPC). NPC has its own actuarial report for its employees on the State plan. The effect on the above assumptions is considered immaterial.

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(c) Changes in the Total OPEB Liability

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

Governmental Activities

	Total OPEB Liability	
	ASP	ASE
Balance, June 30, 2024	\$ 206,983	\$ 1,162,861
Changes for the current fiscal year:		
Service cost	6,576	41,641
Interest	8,750	46,357
Differences between expected and actual experience	8,141	174,590
Changes in assumptions or other inputs	(21,695) (1)	(154,526) (2)
Change in proportion		(13)
Benefit payments	(4,871)	(50,469)
Net changes	(3,099)	57,580
Balance, June 30, 2025	<u>203,884</u>	<u>\$ 1,220,441</u>

Component Unit – ADFA

	Total OPEB Liability	
	ASE	
Balance, June 30, 2024	\$ 1,915	
Changes for the current fiscal year:		
Service cost	69	
Interest	77	
Differences between expected and actual experience	291	
Changes in assumptions or other inputs	(256) (2)	
Changes in proportion	13	
Benefit payments	(85)	
Net changes	109	
Balance, June 30, 2025	<u>\$ 2,024</u>	

(1) The discount rate used was 4.21% at June 30, 2024, and 4.81% at June 30, 2025.

(2) The discount rate used was 3.93% at June 30, 2024, and 5.20% at June 30, 2025.

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(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):

Governmental Activities

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASP	3.81%	\$ 244,450	4.81%	\$ 203,884	5.81%	\$ 177,163
ASE	4.20%	\$ 1,373,014	5.20%	\$ 1,219,202	6.20%	\$ 1,090,816
NPC	3.81%	\$ 1,332	4.81%	\$ 1,239	5.81%	\$ 1,153
ASE total		\$ 1,374,346		\$ 1,220,441		\$ 1,091,969

Component Unit – ADFA

	1% Decrease		Current Discount Rate		1% Increase	
	Rate	Total OPEB Liability	Rate	Total OPEB Liability	Rate	Total OPEB Liability
ASE	4.20%	\$ 2,279	5.20%	\$ 2,024	6.20%	\$ 1,810

(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):

Governmental Activities

	Total OPEB Liability		
	Current Health Care Cost Trend		
	1% Decrease	Rate (1)	1% Increase
ASP	\$ 172,341	\$ 203,884	\$ 252,682
ASE	\$ 1,070,468	\$ 1,219,202	\$ 1,401,802
NPC	\$ 1,100	\$ 1,239	\$ 1,406
ASE total	\$ 1,071,568	\$ 1,220,441	\$ 1,403,208

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Component Unit – ADFA

	Total OPEB Liability		
	Current Health Care Cost Trend		
	1% Decrease	Rate (1)	1% Increase
ASE	\$ <u>1,777</u>	\$ <u>2,024</u>	\$ <u>2,327</u>

(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, 2025, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Governmental Activities

	Total OPEB Expense
ASP	\$ <u>10,368</u>
ASE	(121,384)
NPC	285
ASE Total	<u>(121,099)</u>
Total	\$ <u>(110,731)</u>

Component Unit – ADFA

	Total OPEB Expense
ASE	\$ <u>(272)</u>

At June 30, 2025, 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):

Governmental Activities

	ASE		NPC	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 191,513	\$ (42,851)	\$ 157	\$ (496)
Changes of assumptions and other inputs	<u>(49)</u>	<u>(397,907)</u>	<u>324</u>	<u>(117)</u>
Total	\$ <u>191,464</u>	\$ <u>(440,758)</u>	\$ <u>481</u>	\$ <u>(613)</u>

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	ASP		TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 12,689	\$ (3,817)	\$ 204,359	\$ (47,164)
Changes of assumptions and other inputs	8,698	(58,830)	8,973	(456,854)
Total	\$ <u>21,387</u>	\$ <u>(62,647)</u>	\$ <u>213,332</u>	\$ <u>(504,018)</u>

Component Unit – ADFA

	ASE	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 318	\$ (71)
Changes of assumptions and other inputs	49	(709)
Total	\$ <u>367</u>	\$ <u>(780)</u>

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):

Governmental Activities

	Year ended June 30:						
	2026	2027	2028	2029	2030	The reafter	Total
ASP	\$ <u>(4,958)</u>	\$ <u>(10,441)</u>	\$ <u>(11,181)</u>	\$ <u>(10,391)</u>	\$ <u>(2,352)</u>	\$ <u>(1,937)</u>	\$ <u>(41,260)</u>
ASE	\$ <u>(189,498)</u>	\$ <u>(31,926)</u>	\$ <u>(32,003)</u>	\$ <u>4,133</u>	\$ <u></u>	\$ <u></u>	\$ <u>(249,294)</u>
NPC	\$ <u>103</u>	\$ <u>103</u>	\$ <u>(43)</u>	\$ <u>(44)</u>	\$ <u>(44)</u>	\$ <u>(207)</u>	\$ <u>(132)</u>
ASE total	\$ <u>(189,395)</u>	\$ <u>(31,823)</u>	\$ <u>(32,046)</u>	\$ <u>4,089</u>	\$ <u>(44)</u>	\$ <u>(207)</u>	\$ <u>(249,426)</u>

Component Unit – ADFA

	Year ended June 30:						
	2026	2027	2028	2029	2030	The reafter	Total
ASE	\$ <u>(300)</u>	\$ <u>(95)</u>	\$ <u>(18)</u>	\$ <u></u>	\$ <u></u>	\$ <u></u>	\$ <u>(413)</u>

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 institutions. Each plan is administered by the respective higher education institutions unless otherwise noted:

- Arkansas State University System BlueAdvantage Plan (ASU)
- Arkansas Tech University Retirement with Benefits Plan (ATU) (administered by Blue Cross and Blue Shield)
- Northwest Arkansas Community College Healthcare Plan (NWACC)

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- 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 Blue Advantage and Ochs Securian Financial Group)

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 Governmental Accounting Standards Board (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 (EACC moving forward in future years will be in the UofA system):

- Arkansas Northeastern College Retirement Option (ANC)
- Black River Technical College Early Retirement Incentive Program (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.

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Henderson State University (HSU) was moved into the ASU system in fiscal year 2021, and beginning in fiscal year 2023 was consolidated into the ASU system actuary report. Some differences remain between the previous ASU postemployment benefits and those offered by HSU, and those differences are noted below.

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 for employees retiring prior to July 1, 2022. Life insurance benefits are provided to beneficiaries of retirees who die prior to age 65, up to a maximum of \$20,000.

Arkansas Tech University (ATU)

The plan offers postemployment health benefits for retirees reaching age 60 and completing 10 years of service. For employees who retired prior to July 1, 1998, ATU pays the medical premium of the employee for the employee's lifetime. For employees who retire on or after July 1, 1998, ATU will pay the medical premium of the employee until the employee 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 who retired on or after July 1, 2017, retirees pay the same percentage of dental premiums as they paid when active. The plan pays 100% of dental premiums for employees who retired prior to July 1, 2017.

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 full-time service. Coverage continues until the retiree 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.

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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) pays 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.

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 59½ 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 retire with at least 15 years of service and are at least age 55 or have 28 years of service. 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. This excludes grant funded employees. 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. EACC moved into the UofA system in fiscal year 2025 but is still separately stated in this note. In fiscal years going forward, EACC will be adopting the UofA postemployment benefit plan.

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.” Retirees 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.

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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. Retirees can receive coverage until they are eligible for Medicare and must pay the same premium as an active employee. Retirees can also continue \$20,000 of the basic life insurance and the group vision benefit at their 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, 2025, 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	261	1,091	1,352
ATU	41	736	777
NWACC	5	440	445
SAUT	13	112	125
SAU	9	401	410
U of A	1,750	19,921	21,671
UCA	32	1,183	1,215
ANC	9	145	154
BRTC	67	133	200
EACC	4	131	135
NPC		67	67
NAC	9	177	186
OC	29	90	119
SACC	31	127	158
Total	2,260	24,754	27,014

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

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(b) Total OPEB Liability

At June 30, 2025, the State reported the following liabilities as determined as of the date listed (expressed in thousands):

	Measurement Date	Total OPEB Liability
ASU	June 30, 2025	\$ 9,584
ATU	June 30, 2024	6,011
NWACC	June 30, 2025	1,003
SAUT	June 30, 2025	1,389
SAU	June 30, 2025	2,374
U of A	June 30, 2024	69,987
UCA	June 30, 2025	3,305
ANC	June 30, 2025	1,507
BRTC	June 30, 2025	1,589
EACC	June 30, 2025	721
NPC	June 30, 2025	395
NAC	June 30, 2025	1,132
OC	June 30, 2025	887
SACC	June 30, 2025	580
Total		<u><u>\$ 100,464</u></u>

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Actuarial Assumptions and Other Inputs

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

	ASU	ATU	NWACC	SAUT	SAU
	January 1, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025
Actuarial valuation date	January 1, 2025	June 30, 2024	June 30, 2025	June 30, 2024	June 30, 2025
Inflation rate	N/A	2.40%	3.00%	3.00%	3.00%
Salary increases	4.00%	3.25%	N/A	N/A	N/A
Discount rate	4.81% (2)	3.93% (1)	4.81% (3)	4.81% (3)	4.81% (2)
Healthcare cost trend rates	5.90% initial 4.60% ultimate	7.5% initial 3.83% ultimate	9% initial 4.5% ultimate	8% initial 4.75% ultimate	7% initial 4% ultimate
Retirees' share of benefit-related costs	50%	80% to 100%	95% to 100%	1% to 4%	28%
Mortality rates	Pub-2010 total dataset mortality for general employees, with generational projection according to Scale MP-2021	SOA RPH-2014 Total Dataset Mortality Table fully generational using Scale MP-2017	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2019.	Pri-2012 Mortality Table with Improvement Scale MP-2021
Actuarial experience study date	January 1, 2024	N/A	N/A	N/A	N/A
	U of A	UCA	ANC	BRTC	EACC
	July 1, 2024	June 30, 2025	June 30, 2025	June 30, 2025	June 30, 2025
Actuarial valuation date	July 1, 2024	June 30, 2025	June 30, 2025	June 30, 2025	June 30, 2025
Inflation rate	2.30%	3.00%	3.00%	3.00%	2.50%
Salary increases	4.00%	N/A	N/A	N/A	N/A
Discount rate	3.93% (1)	4.81% (2)	4.81% (3)	4.81% (3)	4.81% (3)
Healthcare cost trend rates	7.0% initial 3.73% ultimate	7% initial 4% ultimate	8% initial 5% ultimate	8% initial 5% ultimate	8% initial 5% ultimate
Retirees' share of benefit-related costs	0% to 100%	75% to 100%	9% to 80%	0% to 57%	0% to 100%
Mortality rates	Pub-2010 Teachers Headcount weighted Mortality Tables using projection scale MP-2021 from base year 2010.	Pri-2012 Mortality Table with Improvement Scale MP-2021	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP-2019	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP-2019	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP-2019
Actuarial experience study date	N/A	N/A	N/A	N/A	N/A
	NPC	NAC	OC	SACC	
	July 1, 2025	June 30, 2025	June 30, 2025	June 30, 2025	
Actuarial valuation date	July 1, 2025	June 30, 2025	June 30, 2025	June 30, 2025	
Inflation rate	2.50%	3.00%	3.00%	3.00%	
Salary increases	N/A	N/A	N/A	N/A	
Discount rate	4.81% (3)	4.81% (3)	4.81% (3)	4.81% (3)	
Healthcare cost trend rates	7.5% initial 4.25% ultimate	8% initial 4.5% ultimate	8% initial 4.75% ultimate	8% initial 5% ultimate	
Retirees' share of benefit-related costs	25%	100%	0% to 15%	0% to 75%	
Mortality rates	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.	Pub-T 2010 Mortality Table (headcount basis), projected generationally with Scale MP 2020.	
Actuarial experience study date	N/A	N/A	N/A	N/A	

- (1) The discount rate was based upon the Bond Buyer 20-Bond GO Index.
- (2) The discount rate was based upon the S&P Muni Bond 20 Year High Grade Rate Index.
- (3) 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.

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(c) Changes in the Total OPEB Liability

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

	ASU	ATU	NWACC
Balance, June 30, 2024	<u>10,036</u>	<u>6,265</u>	<u>1,354</u>
Changes for the current fiscal year:			
Service cost	263	402	97
Interest cost	408	232	59
Differences between expected and actual experience	556	(143)	(463)
Changes in assumptions or other inputs	(460) (3)	(119) (4)	(44) (1)
Benefit payments	<u>(1,219)</u>	<u>(626)</u>	<u>(351)</u>
Net changes	<u>(452)</u>	<u>(254)</u>	<u>(351)</u>
Balance, June 30, 2025	<u><u>9,584</u></u>	<u><u>6,011</u></u>	<u><u>1,003</u></u>
	SAUT	SAU	U of A
Balance, June 30, 2024	<u>1,356</u>	<u>2,521</u>	<u>75,221</u>
Changes for the current fiscal year:			
Service cost	89	250	5,031
Interest cost	58	103	2,890
Differences between expected and actual experience		307	(2,433)
Changes in assumptions or other inputs	(54) (1)	(134) (1)	(8,522) (2)
Benefit payments	<u>(60)</u>	<u>(673)</u>	<u>(2,200)</u>
Net changes	<u>33</u>	<u>(147)</u>	<u>(5,234)</u>
Balance, June 30, 2025	<u><u>1,389</u></u>	<u><u>2,374</u></u>	<u><u>69,987</u></u>
	UCA	ANC	BRTC
Balance, June 30, 2024	<u>3,448</u>	<u>1,024</u>	<u>1,522</u>
Changes for the current fiscal year:			
Service cost	222	40	81
Interest cost	139	43	64
Differences between expected and actual experience	(278)	475	52
Changes in assumptions or other inputs	(164) (1)	(32) (1)	(55) (1)
Benefit payments	<u>(62)</u>	<u>(43)</u>	<u>(75)</u>
Net changes	<u>(143)</u>	<u>483</u>	<u>67</u>
Balance, June 30, 2025	<u><u>3,305</u></u>	<u><u>1,507</u></u>	<u><u>1,589</u></u>
	EACC	NPC	NAC
Balance, June 30, 2024	<u>708</u>	<u>544</u>	<u>1,315</u>
Changes for the current fiscal year:			
Service cost	55	41	50
Interest cost	31	24	57
Differences between expected and actual experience	(28)	(194)	(228)
Changes in assumptions or other inputs	(32) (1)	(20) (1)	(62) (1)
Benefit payments	<u>(13)</u>	<u>(149)</u>	<u>(183)</u>
Net changes	<u>13</u>	<u>(149)</u>	<u>(183)</u>
Balance, June 30, 2025	<u><u>721</u></u>	<u><u>395</u></u>	<u><u>1,132</u></u>
	OC	SACC	
Balance, June 30, 2024	<u>865</u>	<u>780</u>	
Changes for the current fiscal year:			
Service cost	40	56	
Interest cost	37	34	
Differences between expected and actual experience		(250)	
Changes in assumptions or other inputs	(47) (1)	(30) (1)	
Benefit payments	<u>(8)</u>	<u>(10)</u>	
Net changes	<u>22</u>	<u>(200)</u>	
Balance, June 30, 2025	<u><u>887</u></u>	<u><u>580</u></u>	

- (1) Reflects a change in discount rate.
- (2) Reflects a change in discount rate and inflation rates.
- (3) Reflects a change in discount rate and healthcare trend rates.
- (4) Reflects a change in discount rate, inflation rate, and healthcare trend rates.

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(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	
	Total OPEB Liability		Total OPEB Liability		Total OPEB Liability	
	Rate	Rate	Rate	Rate	Rate	Rate
ASU	3.81%	\$ 10,156	4.81%	\$ 9,584	5.81%	\$ 9,055
ATU	2.93%	6,489	3.93%	6,011	4.93%	5,602
NWACC	3.81%	1,076	4.81%	1,003	5.81%	934
SAUT	3.81%	1,483	4.81%	1,389	5.81%	1,302
SAU	3.81%	2,603	4.81%	2,374	5.81%	2,170
U of A	2.93%	76,529	3.93%	69,987	4.93%	64,117
UCA	3.81%	3,584	4.81%	3,305	5.81%	3,055
ANC	3.81%	1,614	4.81%	1,507	5.81%	1,408
BRTC	3.81%	1,681	4.81%	1,589	5.81%	1,503
EACC	3.81%	775	4.81%	721	5.81%	671
NPC	3.81%	428	4.81%	395	5.81%	363
NAC	3.81%	1,166	4.81%	1,132	5.81%	971
OC	3.81%	967	4.81%	887	5.81%	816
SACC	3.81%	628	4.81%	580	5.81%	529

(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		
	Current Healthcare Cost Trend Rate (1)		
	1% Decrease		1% Increase
ASU	\$ 8,978	\$ 9,584	\$ 10,266
ATU	5,670	6,011	6,403
NWACC	915	1,003	1,108
SAUT	1,248	1,389	1,556
SAU	2,117	2,374	2,679
U of A	63,392	69,987	77,685
UCA	3,008	3,305	3,653
ANC	1,357	1,507	1,684
BRTC	1,453	1,589	1,748
EACC	642	721	816
NPC	343	395	457
NAC	1,004	1,132	1,284
OC	787	887	1,005
SACC	512	580	678

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

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

For the year ended June 30, 2025, the State recognized OPEB expense for each plan and in total as follows (expressed in thousands):

Total OPEB Expense	
ASU	\$ (2,287)
ATU	80
NWACC	73
SAUT	77
SAU	370
U of A	4,103
UCA	173
ANC	590
BRTC	83
EACC	73
NPC	1
NAC	103
OC	55
SACC	36
Total	\$ 3,530

At June 30, 2025, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB for each plan from the following sources (expressed in thousands):

	ASU		ATU		NWACC	
	De ferred Outflow of Resources	De ferred Inflow of Resources	De ferred Outflow of Resources	De ferred Inflow of Resources	De ferred Outflow of Resources	De ferred Inflow of Resources
Difference between expected and actual experience	\$ 585	\$ (1,021)	\$ (1,234)	\$ (756)		
Changes of assumptions and other inputs	11	(1,016)	659	(2,489)	183	(149)
State benefit payments and administrative expenses subsequent to the measurement date			532			
Total	\$ 596	\$ (2,037)	\$ 1,191	\$ (3,723)	\$ 183	\$ (905)

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	SAUT		SAU		U of A	
	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	\$ 152	\$ (495)	\$ 1,396	\$ (695)	\$ 954	\$ (5,013)
Changes of assumptions and other inputs	49	(242)	190	(562)	634	(11,617)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	\$ <u>201</u>	\$ <u>(737)</u>	\$ <u>1,586</u>	\$ <u>(1,257)</u>	\$ <u>3,661</u>	\$ <u>(16,630)</u>
	UCA		ANC		BRTC	
	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	\$ 372	\$ (693)	\$ 253	\$ (99)	\$ 46	\$ (338)
Changes of assumptions and other inputs	196	(1,420)	33	(99)	61	(209)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	\$ <u>568</u>	\$ <u>(2,113)</u>	\$ <u>286</u>	\$ <u>(99)</u>	\$ <u>107</u>	\$ <u>(547)</u>
	EACC		NPC		NAC	
	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	\$ 57	\$ (116)	\$ 53	\$ (354)	\$ 167	\$ (255)
Changes of assumptions and other inputs	26	(117)	21	(135)	94	(216)
State benefit payments and administrative expenses subsequent to the measurement date						
Total	\$ <u>83</u>	\$ <u>(233)</u>	\$ <u>74</u>	\$ <u>(489)</u>	\$ <u>261</u>	\$ <u>(471)</u>
	OC		SACC			
	Deferred Outflow of Resources	Deferred Inflow of Resources	Deferred Outflow of Resources	Deferred Inflow of Resources		
Difference between expected and actual experience	\$ 16	\$ (44)	\$ (310)			
Changes of assumptions and other inputs	45	(193)	27	(148)		
State benefit payments and administrative expenses subsequent to the measurement date						
Total	\$ <u>61</u>	\$ <u>(237)</u>	\$ <u>27</u>	\$ <u>(458)</u>		

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	TOTAL	
	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 4,051	\$ (11,324)
Changes of assumptions and other inputs	2,229	(18,612)
State benefit payments and administrative expenses subsequent to the measurement date	<u>2,605</u>	
Total	<u><u>8,885</u></u>	<u><u>(29,936)</u></u>

\$2.6 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, 2025.

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:						
	2026	2027	2028	2029	2030	The thereafter	Total
ASU	\$ (1,341)	\$ (117)	\$ 16	\$ 1	\$ (348)	\$ (498)	\$ (1,441)
ATU	(555)	(555)	(554)	(554)	(348)	(498)	(3,064)
NWACC	(82)	(82)	(82)	(83)	(86)	(307)	(722)
SAUT	(71)	(71)	(71)	(71)	(73)	(179)	(536)
SAU	16	16	16	16	16	249	329
U of A	(4,416)	(4,888)	(2,648)	(2,161)	(501)	(428)	(15,042)
UCA	(188)	(188)	(188)	(188)	(188)	(605)	(1,545)
ANC	32	32	31	31	18	43	187
BRTC	(63)	(62)	(62)	(62)	(66)	(125)	(440)
EACC	(13)	(13)	(14)	(15)	(26)	(69)	(150)
NPC	(64)	(64)	(38)	(38)	(38)	(173)	(415)
NAC	(4)	(4)	(4)	(3)	(4)	(191)	(210)
OC	(22)	(22)	(22)	(22)	(23)	(65)	(176)
SACC	(55)	(54)	(54)	(54)	(55)	(159)	(431)

Total OPEB Liability

Reconciliation of Total OPEB Liability to Financial Statements

Governmental	\$ 1,406,678
Business-type	112,041
Fiduciary	6,071
Component units	2,024
Total OPEB liability	<u>\$ 1,526,814</u>

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Total OPEB Expense

Summary of Total OPEB Expense	
Governmental	\$ (109,382)
Business-type	2,785
Fiduciary	(605)
Component units	(272)
Total OPEB expense	<u><u>\$ (107,474)</u></u>

(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	\$ 149,821	\$ 73,412
Noncurrent assets		
Advances to other funds	334	
Other noncurrent assets	<u>515,618</u>	<u>292,820</u>
Total assets	<u><u>\$ 665,773</u></u>	<u><u>\$ 366,232</u></u>
Current liabilities		
Due to other funds	\$ 404	
Other current liabilities	8,010	1,945
Noncurrent liabilities	<u>155,332</u>	<u>19,980</u>
Total liabilities	<u><u>\$ 163,342</u></u>	<u><u>\$ 22,329</u></u>
Net position		
Restricted	502,431	343,903
Total liabilities and net position	<u><u>\$ 665,773</u></u>	<u><u>\$ 366,232</u></u>

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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	\$ 4,844	\$ 2,305
Operating expenses	<u>(9,649)</u>	<u>(18,143)</u>
Operating income (loss)	(4,805)	(15,838)
Nonoperating revenue/expenses:		
Investment earnings (pledged against bonds)	9,882	8,145
Grants and contributions	<u>4,911</u>	<u>19,924</u>
Nonoperating revenue	14,793	28,069
Transfers in (out), net	<u>3,677</u>	<u>3,282</u>
Change in net position	13,665	15,513
Total net position, beginning of year	<u>488,766</u>	<u>328,390</u>
Total net position, end of year	<u>\$ 502,431</u>	<u>\$ 343,903</u>

Condensed Statement of Cash Flows (expressed in thousands):

	Construction Assistance Revolving Loan Fund	Safe Drinking Water Revolving Loan Fund
Net cash provided (used) by:		
Operating activities	\$ 3,510	\$ (724)
Noncapital financing activities	89,667	5,465
Investing activities	<u>(48,591)</u>	<u>(91,830)</u>
Net increase (decrease)	44,586	(87,089)
Cash and cash equivalents, beginning	<u>101,619</u>	<u>159,509</u>
Cash and cash equivalents, ending	<u>\$ 146,205</u>	<u>\$ 72,420</u>

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(17) Risk Management Programs

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

Primary Government

Governmental Activities

(a) Health and Life Plans

State Employee Health and Life Benefit Plan

As required by Ark. Code Ann. § 21-5-405, the State 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 include 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.

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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):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ <u>24,917</u>	\$ <u>23,152</u>
Incurred claims:		
Provision for insured events of current year	321,295	278,696
Provision for insured events of prior years	<u>2,927</u>	<u>3,069</u>
Total incurred claims	<u>324,222</u>	<u>281,765</u>
Payments:		
Claims payments attributed to insured events of current year	294,942	254,576
Claims payments attributed to insured events of prior years	<u>27,041</u>	<u>25,424</u>
Total payments	<u>321,983</u>	<u>280,000</u>
Claim liability, end of year	<u>\$ 27,156</u>	<u>\$ 24,917</u>

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 Administrative Services section serves as Plan Administrator. Healthcare benefits are funded by employer and retired employee contributions and Act 1500 of the 2001 Regular Session, 83rd General Assembly. Act 1500 stipulates that for every Arkansas driver's license sold, \$6 and \$12 of the four year and eight year license fee respectively is used to fund the ASP Health Plan. The plan is self-funded. 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, 2025, is \$1,045 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. ASE offers ASP a cafeteria plan that includes a flexible medical spending account and a dependent daycare/elder care account. 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.

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The amounts of these liabilities, based on evaluation of claims data for those claims that were incurred before year-end and paid after year-end for June 30, 2025, are as follows (expressed in thousands):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ 818	\$ 695
Incurred claims:		
Provision for insured events of current year	18,615	15,025
Increase in provision for insured events of prior years	397	502
Total incurred claims and claim adjustment expense	<u>19,012</u>	<u>15,527</u>
Payments:		
Claims payments attributed to insured events of current year	16,812	14,207
Claims payments attributed to insured events of prior years	1,215	1,197
Total payments	<u>18,027</u>	<u>15,404</u>
Claim liability, end of year	<u>\$ 1,803</u>	<u>\$ 818</u>

(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 units are included in the Program. Prior to July 1, 1994, employees of state-sponsored school districts were also included in the Program, 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 Program, 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.

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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):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ 78,299	\$ 82,745
Incurred claims:		
Provision for insured events of current year	17,212	15,189
Decrease in provision for insured events of prior years	(8,553)	(7,228)
Total incurred claims and claim adjustment expense	<u>8,659</u>	<u>7,961</u>
Payments:		
Claims payments attributed to insured events of current year	6,004	4,899
Claims payments attributed to insured events of prior years	7,508	7,508
Total payments	<u>13,512</u>	<u>12,407</u>
Claim liability, end of year	<u>\$ 73,446</u>	<u>\$ 78,299</u>

(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):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ 25,293	\$ 26,318
Incurred claims:		
Provision for insured events of current year	12,687	8,109
Payments:		
Claims payments attributed to insured events of current year	<u>5,882</u>	<u>9,134</u>
Claim liability, end of year	<u>\$ 32,098</u>	<u>\$ 25,293</u>

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(d) Risk Management Division Office

The State established the Risk Management Division Office (RISK), Act 272 of the 1981 Regular Session, 73rd General Assembly, 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).

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 \$8.5 million aggregate retention paid from the AMAIT, Act 1762 of the 2003 Regular Session, 84th General Assembly, with varying deductible amounts retained by the participating State agency entities from \$2,500 up to \$250,000 per occurrence. The total annual payout by AMAIT for the All-Other Perils coverage is capped at \$8.5 million. Losses arising from earth movement are generally insured for the full amount of loss, 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 \$25,000 per occurrence deductible per location. Due to market conditions, limited availability, and excessive cost, total earth movement coverage is limited to \$35 million aggregate limit in Insurance Services Office (ISO) earthquake Zones 2, 3, and Sharp County and \$100 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 \$10 million in a Special Flood Hazard Zone A, with a \$1 million deductible per occurrence, per location, per agency, up to \$35 million in Zone B and X shaded, with a \$100,000 deductible per occurrence, per agency, and 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 the 2015 Regular Session, 90th General Assembly, amended the AMAIT to allow for cyber 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 the 1987 Regular Session, 76th General Assembly. 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).

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RISK provides staff for the Arkansas Cyber Response Board in the administration of the State of Arkansas Self-Insured Cyber Response Program in accordance with Act 846 of 2023. The Cyber Response Program provides coverage for cybersecurity incidents and risks, damages, or losses caused by cyberattack that are committed against participating county, municipal, and school district entities. The policy limit is \$100,000 per occurrence, in accordance with Ark. Code Ann. § 21-2-804(b)(1)(A).

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-one 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 Counsel, Inc.; and the University of Arkansas Technology Development Foundation. All ASU campuses participate in the health plan, which is administered by Arkansas Blue Advantage Administrators.

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

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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):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ 25,221	\$ 20,524
Incurred Claims:		
Provision for insured events of current year	237,506	225,928
Increase (decrease) in provision for insured events of prior years	(7,538)	4,221
Total incurred claims and claim adjustment expense	<u>229,968</u>	<u>230,149</u>
Payments:		
Claims payments attributed to insured events of current year	213,139	200,707
Claims payments attributed to insured events of prior years	17,613	24,745
Total Payments	<u>230,752</u>	<u>225,452</u>
Claim liability, end of year	\$ 24,437	\$ 25,221

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 \$1.8 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 its inception. 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 Department of 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 State Board of Finance 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 \$234.50 for July 2024 – December 2024

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and \$234.50 for Plan Year January 2025 - June 2025. Some school districts provide additional support for their employees through locally generated funding. Act 1745 of the 2001 Regular Session, 83rd General Assembly, provides the State Legislature the authority to establish the minimum school district matching amount. Act 517 of 2013 amended Ark. Code Ann. § 6-17-1117 so that the contribution rate increases annually by the same percentage that the legislature increases the salary and benefit component of the per-student foundation funding amount under Ark. Code Ann. § 6-20-2305. The plans have not purchased any annuity contracts on behalf of claimants. Effective July 1, 2017, Ark. Code Ann. § 6-17-1117 authorizes the Department of Education to pay an additional matching amount of \$142 million per fiscal year 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):

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ <u>45,299</u>	\$ <u>37,788</u>
Incurred claims:		
Provision for insured events of current year	474,549	413,872
Provision for insured events of prior years	<u>5,169</u>	<u>3,610</u>
Total incurred claims	<u>479,718</u>	<u>417,482</u>
Payments:		
Claims payments attributed to insured events of current year	430,845	369,884
Claims payments attributed to insured events of prior years	<u>49,540</u>	<u>40,087</u>
Total payments	<u>480,385</u>	<u>409,971</u>
Claim liability, end of year	\$ <u>44,632</u>	\$ <u>45,299</u>

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

The State provides for 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).

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Death and Permanent Total Disability Trust Fund

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 the 2007 Regular Session, 86th General Assembly, 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. 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 2016 Third Extraordinary Session, 90th General Assembly, provides that no claims shall be made to the Death and Permanent Total Disability Trust Fund after June 30, 2019. Upon the final payment of the liabilities of the Death and Permanent Total Disability Trust Fund under Ark. Code Ann. § 11-9-502, the current maximum premium tax rate of 3% will change to 1.5%.

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

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

	<u>2025</u>	<u>2024</u>
Claim liability, beginning of year	\$ <u>154,964</u>	\$ <u>166,285</u>
Incurred claims:		
Provision for insured events of current year	\$ (3,259)	\$ (6,706)
Decrease in provision for insured events of prior years	\$ 7,433	\$ 7,999
Increase due to decrease in discount period	\$ 4,174	\$ 1,293
Total incurred claims and claim adjustment expense	<u>12,604</u>	<u>12,614</u>
Payments:		
Claims payments attributed to insured events of prior years	\$ 146,534	\$ 154,964
Claim liability, end of year		

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(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 \$3.7 million for the payment of such claims. As of June 30, 2025, 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 \$900,987.

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

	2025	2024
Litigation, beginning of year	\$ 32,157	\$ 800
Incurred litigation	678	32,365
Litigation payments/dismissals	(29,183)	(1,008)
Litigation, end of year	<u>\$ 3,652</u>	<u>\$ 32,157</u>

(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, 2025, the amount of expenditures disallowed and returned to the grantor after fiscal year-end as a result of the financial and compliance audits was \$9.0 million.

(c) Construction and Other Commitments

At June 30, 2025, the State had commitments of approximately \$1.6 billion for construction and other contracts, approximately \$1.6 billion for professional service contracts, and approximately \$68.7 million for subscription based information technology arrangements (SBITAs). The Arkansas Natural Resources Commission has approved \$55.7 million in

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loans for projects for water systems, waste water, and pollution abatement that had not been disbursed at June 30, 2025.

(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, 2025, there was on deposit in ADFA's Guaranty Reserve Account approximately \$18.1 million. As of June 30, 2025, ADFA had outstanding guarantees on obligations aggregating approximately \$48.9 million in principal amount. Approximately \$1.9 million in principal amount was 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 that have been deposited into a guaranty fund. In the event AEDC's guarantee is called upon, monies in the guaranty fund are applied to satisfy the obligation. In the event monies 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. As of June 30, 2025, there was approximately \$14.3 million on deposit in AEDC's Bond Reserve Guaranty Fund. As of June 30, 2025, AEDC had outstanding guarantees on approximately \$9.9 million in principal amount of debt in connection with the program described above. None of the principal amount was 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 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 4.89% to 5.10%. 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

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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 had been considered insufficient at June 30, 2025, the University would have incurred a \$68.1 million liability related to the issue. This would include 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 2025. In fiscal year 2025, the State recorded a total of \$47.0 million, with \$5.0 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 to State law, and other alleged violations of state and federal laws. At June 30, 2025, 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, 2025.

(b) Construction and Other Commitments

Higher Education

At June 30, 2025, the State had commitments in its business-type activities of approximately \$277.8 million for construction and other contracts, and approximately \$10.6 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

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with both vendors that expire in fiscal year 2027. Total fees paid on these contracts for the fiscal year ended June 30, 2025, were \$28.6 million.

Component Unit Activities

Construction and Other Commitments

Arkansas Development Finance Authority

ADFA has \$16.7 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, 2025.

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, 2025, was \$1.7 million.

Outstanding commitments to various funds/companies were \$7.7 million for the year ending June 30, 2025.

At June 30, 2025, 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 Ark. Code Ann. § 15-4-2707. Financial incentive agreements may be offered to eligible businesses at the discretion of the director of the Arkansas Economic Development Commission. The agreements may 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 \$1.25 million to \$2.0 million annually for new, full-time, permanent employees, depending on the county tier, and file a claim with the Department of Finance and Administration (DFA). No claims may be filed until the minimum annual payroll is met. Claims not filed within 24 months from the end of the tax year that the rebate was earned are forfeited. The agreements may be terminated if the initial certification is not filed with DFA within 4 years after the date of the agreement. The State has accrued liabilities of approximately \$251.9 million for the Create Rebate business incentive.

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

	<u>2025</u>	<u>2024</u>
Create Rebate business incentives, beginning of year	\$ 303,627	\$ 243,310
Incurred Create Rebate business incentives, net of allowance	9,098	80,890
Create Rebate business incentives payments/dismissals	<u>(60,841)</u>	<u>(20,573)</u>
Create Rebate business incentives, end of year	<u>\$ 251,884</u>	<u>\$ 303,627</u>
Current Create Rebate business incentives	\$ 15,534	\$ 15,247
Noncurrent Create Rebate business incentives	236,350	288,380

(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 \$40.9 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):

	<u>2025</u>	<u>2024</u>
Tax Back business incentives, beginning of year	\$ 28,362	\$ 2,173
Incurred Tax Back business incentives, net of allowance	28,214	28,366
Tax Back business incentives payments/dismissals	<u>(15,642)</u>	<u>(2,177)</u>
Tax Back business incentives, end of year	<u>\$ 40,934</u>	<u>\$ 28,362</u>
Current Tax Back business incentives	\$ 4,033	\$ 2,593
Noncurrent Tax Back business incentives	36,901	25,769

(c) Motion Picture Program

The Motion Picture Program is authorized under Ark. Code Ann. §§ 15-4-2001 – 15-4-2012. The Director of the Arkansas Economic Development Commission may offer to a production company a tax incentive of 25% on all qualified production and postproduction costs in connection with the production of a State-certified film project and various additional rebates or tax credits related to various aspects of the costs. The requirements to qualify for these incentives vary based on the nature of the expenditures. The maximum total tax incentives are 30% of the total qualified expenditures. No liabilities were accrued under this program for the fiscal year ended June 30, 2025.

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

	2025	2024
Motion Picture business incentives, beginning of year	\$ 1,500	\$ 713
Incurred Motion Picture business incentives, net of allowance	1,556	2,355
Motion Picture business incentives payments/dismissals	<u>(3,056)</u>	<u>(1,568)</u>
Motion Picture business incentives, end of year	<u><u>\$ 1,500</u></u>	<u><u>\$ 1,500</u></u>
Current Motion Picture business incentives	\$	\$ 1,500
Noncurrent Motion Picture business incentives		

(20) Tax Abatements

As of June 30, 2025, the State provides tax abatements through 15 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

Established under Ark. Code Ann. § 15-4-2705, the Advantage Arkansas Program provides income tax abatements to encourage economic development through job creation. 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, established under Ark. Code Ann. § 15-4-2706(b), provides income tax and sales and use tax abatements to encourage economic development through job creation and capital investments. 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,

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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. No income taxes were abated under this program for the fiscal year ended June 30, 2025.

(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) 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

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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.

(e) 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.

(f) 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(39). 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, 2025.

(g) 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

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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(14)(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.

(h) 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 five 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 five 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 \$20 million. In the calendar year when the cumulative amount of credits taken reaches \$20 million, any remaining unused credits shall expire as of December 31 of the following calendar year. No other commitments are made by the State under this program.

(i) 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-

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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 the following calendar year. No other commitments are made by the State under this program.

(j) 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.

(k) Historic Rehabilitation Program

The Historic Rehabilitation Program provides for abatement of income and premium taxes to promote the rehabilitation of historic structures throughout Arkansas. The program is authorized under Ark. Code Ann. §§ 26-51-2202 – 26-51-2208. To be eligible, the taxpayer must own an interest in either an income-producing property in Arkansas that qualifies as a certified historic structure or a non-income producing property that is listed on the Nation Register of Historic Places and receives a certificate of completion issued by the Division of Arkansas Heritage. An eligible entity must submit documentation that the completed rehabilitation qualifies as a certified rehabilitation. The income tax credit is only allowed one time in a twenty-four-month period for each eligible property. Taxes are abated using an income tax credit equal to 30-40% of the total qualified rehabilitation expenses. The amount of credit taken in any one tax year cannot exceed the State income or premium taxes due from the taxpayer. Any unused credits may be carried forward up to five years. The maximum amount of State income tax credits that can be awarded under this program each year cannot exceed \$8 million in any one fiscal year. No other commitments are made by the State under this program.

(l) Philanthropic Investment in Arkansas Kids Program

The Philanthropic Investment in Arkansas Kids Program provides for abatement of income taxes to encourage contributions to a scholarship-granting organization. The program is authorized under Ark. Code Ann. §§ 6-18-2301 – 6-18-2308. A tax credit claimed shall be in an amount equal to the total eligible contributions during the calendar year in which the

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receipt is issued by a scholarship-granting organization. The receipt must be filed with the taxpayer's return for any year the contribution is claimed. An eligible contribution shall not be claimed as a charitable deduction. Taxes are abated using an income tax credit equal to 100% of eligible contributions made to a scholarship-granting organization. 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 three years. At the beginning of each calendar year the Department of Finance and Administration shall certify the total amount of state income tax credits that may be awarded in that year. The maximum amount of State income tax credits that can be awarded under this program each year cannot exceed \$6 million in any one calendar year. No other commitments are made by the State under this program.

(m) Railroad Modernization Program

The Railroad Modernization Program provides for abatement of income taxes to encourage maintenance, reconstruction, and replacement of railroad track throughout the State. The program is authorized under Ark. Code Ann. §§ 26-51-2801 – 26-51-2804. To be eligible, the taxpayer must be a railroad that is classified as a Class II or Class III railroad by the United States Surface Transportation Board, owns or leases the property and existed as of July 28, 2021. Eligible expenses include, without limitation roadbed, bridges, industrial leads and side track, and related track structures, to the extent the expenditures are on railroad track located in the state. Taxes are abated using an income tax credit equal to 50% of eligible maintenance expenses and shall not exceed the product of \$5,000 and the number of miles of track owned or leased within the state at close of the taxable year. 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. No other commitments are made by the State under this program.

(n) Recycling Equipment Tax Credit Program

The Recycling Equipment Tax Credit Program, also known as the Recycling Tax Credit, provides for abatement of income taxes to engage in the business of reducing, reusing, or recycling solid waste. The program is authorized under Ark. Code Ann. § 26-51-506. An eligible applicant must be engaged in the business of reducing, reusing, or recycling recovered material for commercial purposes in Arkansas. The income tax credits can be obtained through an application by the business to the Arkansas Department of Energy and Environment. Applicants for a tax credit certification must submit an application for certification no later than ninety (90) days following the end of the calendar year in which the purchase of waste reduction, reuse, or recycling equipment occurs and provide a narrative describing the project or equipment purpose. The tax credits may be authorized for 30% of the amount paid for eligible recycling equipment and installation to offset the business' tax liability but cannot exceed the State income taxes due. Any unused credits may be carried forward up to three years after year first earned or until exhausted, whichever occurs first. No other commitments are made by the State under this program.

(o) Motion Picture Program

The Motion Picture Program is authorized by the Digital Product and Motion Picture Industry Development Act of 2009 (Ark. Code Ann. §§ 15-4-2001 – 15-4-2012). The Director of the Arkansas Economic Development Commission may offer to a production company a tax incentive of 25% on all qualified production and postproduction costs in connection with the production of a State-certified film project and various additional rebates or tax credits related to various aspects of the costs. The requirements to qualify for these incentives vary based on the nature of the expenditures. The maximum total tax

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incentives are 30% of the total qualified expenditures. The maximum amount of State income tax credits that can be awarded under this program each year cannot exceed \$4 million in any one fiscal year. Any unused credits may be carried forward up to five years.

A summary of the taxes abated by tax abatement program for fiscal year ended June 30, 2025, is as follows (expressed in thousands):

Tax Abatement Program	2025
Income Tax Abatements	
In-House Research and Development Program	\$ 2,075
Advantage Arkansas Program	404
Water Resource Conservation and Development Program	569
Low Income Housing Program	147
Targeted Research Program	692
Wetland and Riparian Zone Program	273
Arkansas Historic Rehabilitation Program	1,300
Philanthropic Investment in Arkansas Kids Program	5,180
Railroad Modernization Program	4,255
Waste Reduction, Reuse, or Recycling Equipment Program	33,973
Motion Picture Program	2,916
 Sales and Use Tax Abatements	
InvestArk Program	13,989
Tourism Development Program	530

(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, 2025, 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 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. 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

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if it were to ever leave MUSL. As of June 30, 2025, the OAL had reserve fund deposits with MUSL of \$1.9 million. MUSL does not maintain prize reserve funds for Lucky for Life®.

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, 2025, is summarized in the table below (expressed in thousands):

	Operating Revenues	Prizes
Powerball®	\$ 22,027	\$ 9,962
Mega Millions®	21,649	10,376
Lucky for Life®	7,599	4,407

(22) Public-Public and Public-Private Partnership Arrangements

Southeast Arkansas College (the College) entered into a public-private partnership (PPP) agreement that is considered a service concession arrangement (SCA) with P3 SEARK Student Housing, LLC (the LLC). The agreement, which was entered into in FY2023, is for the purchase, renovation, and operation of a student housing facility in Pine Bluff, Arkansas. The facility was purchased, renovated, and placed into service in FY2024. The College recorded the facility as an asset with a value of \$6.2 million and recorded a deferred inflow of \$3.1 million, with a remaining deferred inflow of \$2.5 million. The term of the SCA is 10 years, with the deferred inflow being amortized from FY2024 – FY2033 to be recognized as service concession revenue. Housing revenue from students will not be recognized as revenue of the College but will be collected on behalf of and forwarded to the LLC. Operations of the student housing facility are paid for by the College. The LLC will take the collected housing revenues and subtract operating costs, debt service costs on the property, and a third-party management fee to determine net proceeds. These net proceeds will then be shared with the College in a 50/50 split, which the College will recognize as additional housing revenue. At the end of the term, the College has the option to purchase the facility for \$10, and the College intends to exercise that option.

(23) Subsequent Events

Primary Government

Governmental Activities

Arkansas Educational Television Commission

On July 24, 2025, the federal government eliminated funding under the Corporation for Public Broadcasting – Community Service Grant. The commission's revenues are reduced by approximately \$2.5 million beginning in the 2026 fiscal year.

Business-Type Activities

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

On July 18, 2025, and November 13, 2025, total payments of \$58.0 million were made from the Lottery Scholarship Trust Account to Arkansas Division of higher Education (ADHE) for

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Academic Challenge Scholarship, Access to Acceleration Scholarship, and Workforce Challenge Scholarship funding for the 2025-2026 academic year of \$50.0 million, \$5.0 million, and \$3.0 million, respectively.

On August 8, 2025, ADHE refunded \$2.0 million to the OAL for the fiscal year ended June 30, 2025. This refund was due to an excess of requested Lottery scholarship trust funds over scholarships issued.

University of Arkansas System

The Boards of the University of Arkansas System and the Trustees of North Arkansas College have entered into an agreement to complete a merger by 2026.

On November 25, 2025, the University of Arkansas issued Refunding Series 2025 Various Facilities Revenue Bonds, in the amount of \$9.0 million, on behalf of the University of Arkansas at Pine Bluff (UAPB). The bonds were issued with a premium of \$1.0 million, bear interest at 5%, and are payable in annual installments through December 2035. The bond proceeds will be used to current refund the portion of the Board's Various Facilities Revenue Refunding Bonds (Pine Bluff Campus), Series 2014A maturing after December 1, 2025, and to pay costs of issuance.

On November 25, 2025, the University of Arkansas issued Refunding Series 2025 Student Tuition and Fee Revenue Bonds, in the amount of \$12.8 million, on behalf of the University of Arkansas Pulaski Technical College (UAPTC). The bonds were issued with a premium of \$1.3 million, bear interest at 5%, and are payable in annual installments through September 2036. The bond proceeds will be used to provide a portion of the funds necessary to current refund the Board of Trustees of Pulaski Technical College Student Tuition and Fee Refunding Revenue Bonds, Series 2015, and to pay costs of issuance of the Bonds.

Arkansas State University System

On August 7, 2025, the University entered into an agreement with the city of Jonesboro for transportation services. The city of Jonesboro operates a public transportation service in Jonesboro and the three-year pilot program provides fare free transportation for students, faculty, and staff to nine fixed route bus stops and one will-call bus stop on the University campus. The University will pay the city \$518,282 annually for this service. The contract begins August 16, 2025, and ends on August 15, 2028.

University of Central Arkansas

On November 20, 2025, the Board of Trustees of University of Central Arkansas issued Student Fee Revenue Bonds, in the amount of \$10.0 million. The bonds were issued with a premium of \$202,365, bear interest at various rates between 3.125% and 5.000%, and payable serially through 2045. Proceeds will support the planning, design, and construction of a new chiller plant.

South Arkansas Community College

On December 16, 2025, the Union County Community College issued Improvement Bonds, in the amount of \$4.7 million. The bonds were issued with a discount of \$19,270, bear interest at various rates between 4.375% and 4.625%, with maturity dates beginning in 2045 and running through 2055. Proceeds will be used to finance a portion of the costs of certain capital improvements for the College and to pay costs of issuing and insuring the Bonds.

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Safe Drinking Water and Construction Assistance Revolving Loan Funds

On January 6, 2026, the State of Arkansas closed on the Arkansas Development Finance Authority Revolving Loan Fund Revenue Bonds Series 2026. The bonds, in the par amount of \$150.0 million, were issued to provide funding to the Construction Assistance Revolving Loan Fund and the Safe Drinking Water Revolving Loan Fund with funds to provide Clean Water Loans and Drinking Water Loans to local governments and utilities throughout the state. These programs are authorized by the Federal Clean Water Act and the Safe Drinking Water Act and further authorized by the State Amended Construction Assistance RLF Act (Act 718 of 1991 as amended by Act 459 of 2001), and the Drinking Water RLF Act (Act 772 of 1997).

Component Units

Arkansas Development Finance Authority

Act 944 of 2025 removed the Arkansas Development Finance Authority (Authority) from the Arkansas Department of Commerce effective July 1, 2025. The Authority now serves as an independent instrumentality of the State of Arkansas, whereby the Authority is still subject to State oversight but is given independence to better serve the public needs.

On August 7, 2025, the Authority issued 2025 Series B Single Family Mortgage Revenue Bonds for \$65.0 million, at rates ranging between 2.95% and 5.50%, with a premium of \$1.5 million, and maturing on January 1, 2056. The proceeds from these bonds will be used to fund loans with a weighted-average mortgage interest rate of 5.788% per annum.

On December 18, 2025, the Authority issued 2025 Series C Single Family Mortgage Revenue Bonds for \$65.0 million, at rates ranging between 2.85% and 5.50%, with a premium of \$1.6 million, and maturing on January 1, 2056. The proceeds from these bonds will be used to fund loans with a weighted-average mortgage interest rate of 5.30% per annum.

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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 Ten Fiscal Years
(Expressed in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 8,568	\$ 8,578	\$ 8,102	\$ 8,053	\$ 7,197	\$ 7,096	\$ 6,919	\$ 6,927	\$ 7,221	\$ 7,230
Interest	19,164	18,988	18,132	17,515	16,823	16,175	15,878	15,379	16,121	15,770
Differences between expected and actual experience	9,216	(5,897)	6,858	(37)	3,798	2,340	(4,482)	(744)	(3,463)	(5,184)
Changes of assumptions				16,745					2,369	
Benefit payments	(18,819)	(18,108)	(17,412)	(17,060)	(15,310)	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)
Refunds				(48)	(6)	(22)	(22)	(78)	(1)	
Net changes in total pension liability	18,129	3,561	15,680	25,216	12,460	12,164	5,313	8,793	9,860	5,808
Total pension liability - beginning	353,569	350,008	334,328	309,112	296,652	284,488	279,175	270,382	260,522	254,714
Total pension liability - ending (a)	<u>\$ 371,698</u>	<u>\$ 353,569</u>	<u>\$ 350,008</u>	<u>\$ 334,328</u>	<u>\$ 309,112</u>	<u>\$ 296,652</u>	<u>\$ 284,488</u>	<u>\$ 279,175</u>	<u>\$ 270,382</u>	<u>\$ 260,522</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 10,689	\$ 10,267	\$ 8,231	\$ 8,964	\$ 8,210	\$ 8,573	\$ 8,234	\$ 8,421	\$ 8,486	\$ 5,561
Employee contributions	1,422	1,308	1,268	1,301	1,117	1,138	988	1,016	1,063	1,011
Net investment income	34,489	33,278	19,324	(43,074)	72,229	17,434	14,656	19,162	28,044	(1,744)
Benefit payments	(18,819)	(18,108)	(17,412)	(17,060)	(15,310)	(13,441)	(12,980)	(12,769)	(12,310)	(12,007)
Refunds				(49)	(6)	(22)	(22)	(79)	(1)	
Administrative expense	(195)	(150)	(171)	(164)	(145)	(142)	(147)	(142)	(169)	(159)
Other						1	42			
Net change in plan fiduciary net position	27,586	26,595	11,240	(50,033)	66,052	13,557	10,771	15,688	25,035	(7,339)
Plan fiduciary net position - beginning	334,690	308,095	296,855	346,888	280,836	267,279	256,508	240,820	215,785	223,124
Plan fiduciary net position - ending (b)	<u>\$ 362,276</u>	<u>\$ 334,690</u>	<u>\$ 308,095</u>	<u>\$ 296,855</u>	<u>\$ 346,888</u>	<u>\$ 280,836</u>	<u>\$ 267,279</u>	<u>\$ 256,508</u>	<u>\$ 240,820</u>	<u>\$ 215,785</u>
State's net pension liability - ending (a-b)	<u>\$ 9,422</u>	<u>\$ 18,879</u>	<u>\$ 41,913</u>	<u>\$ 37,473</u>	<u>\$ (37,776)</u>	<u>\$ 15,816</u>	<u>\$ 17,209</u>	<u>\$ 22,667</u>	<u>\$ 29,562</u>	<u>\$ 44,737</u>
Plan fiduciary net position as a percentage of total pension liability	97.47%	94.66%	88.03%	88.79%	112.22%	94.67%	93.95%	91.88%	89.07%	82.83%
Covered payroll	\$ 29,794	\$ 28,123	\$ 27,529	\$ 26,259	\$ 25,479	\$ 24,586	\$ 23,603	\$ 23,435	\$ 22,918	\$ 22,308
Net pension liability as percentage of covered payroll	31.62%	67.13%	152.25%	142.71%	(148.26%)	64.33%	72.91%	96.72%	128.99%	200.54%

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 11,297	\$ 9,796	\$ 7,156	\$ 7,194	\$ 6,536	\$ 5,861	\$ 6,691	\$ 6,577	\$ 5,474	\$ 5,488
Interest	39,440	37,841	35,099	34,673	33,333	31,967	31,300	30,678	30,323	29,470
Benefit changes	4,853				9,590	998				
Differences between expected and actual experience	1,229	6,451	24,740	(4,037)	(2,821)	7,544	(1,805)	467	(3,053)	1,757
Changes of assumptions			14,370 (2)					(4,529)	15,875	
Benefit payments	(32,582)	(31,411)	(34,561)	(29,150)	(27,294)	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)
Net changes in total pension liability	24,237	22,677	46,804 (2)	8,680	19,344	18,436	11,256	9,008	23,987	10,680
Total pension liability - beginning	<u>574,075</u>	<u>551,398</u>	<u>504,594</u>	<u>495,914</u>	<u>476,570</u>	<u>458,134</u>	<u>446,878</u>	<u>437,870</u>	<u>413,883</u>	<u>403,203</u>
Total pension liability - ending (a)	<u>\$ 598,312</u>	<u>\$ 574,075</u>	<u>\$ 551,398</u>	<u>(2)</u>	<u>\$ 504,594</u>	<u>\$ 495,914</u>	<u>\$ 476,570</u>	<u>\$ 458,134</u>	<u>\$ 446,878</u>	<u>\$ 437,870</u>
	<u>\$ 598,312</u>	<u>\$ 574,075</u>	<u>\$ 551,398</u>	<u>(2)</u>	<u>\$ 504,594</u>	<u>\$ 495,914</u>	<u>\$ 476,570</u>	<u>\$ 458,134</u>	<u>\$ 446,878</u>	<u>\$ 437,870</u>
Plan Fiduciary Net Position										
Employer contributions	\$ 31,124	\$ 29,586	\$ 23,989	\$ 22,694	\$ 22,784	\$ 21,873	\$ 21,254	\$ 21,004	\$ 19,961	\$ 19,713
Employee contributions										
Net investment income	45,406	39,222	31,211	(46,248)	101,415	6,701	17,031	28,823	31,484	(210)
Benefit payments	(32,582)	(31,411)	(34,561)	(29,150)	(27,294)	(27,934)	(24,930)	(24,185)	(24,632)	(26,035)
Administrative expense	(254)	(227)	(244)	(230)	(215)	(195)	(554)	(229)	(208)	(206)
Net change in plan fiduciary net position	43,694	37,170	20,395	(52,934)	96,690	445	12,801	25,413	26,605	(6,738)
Plan fiduciary net position - beginning	<u>439,505</u>	<u>402,335</u>	<u>381,940</u>	<u>434,874</u>	<u>338,184</u>	<u>337,739</u>	<u>324,938</u>	<u>299,525</u>	<u>272,920</u>	<u>279,658</u>
Plan fiduciary net position - ending (b)	<u>\$ 483,199</u>	<u>\$ 439,505</u>	<u>\$ 402,335</u>	<u>\$ 381,940</u>	<u>\$ 434,874</u>	<u>\$ 338,184</u>	<u>\$ 337,739</u>	<u>\$ 324,938</u>	<u>\$ 299,525</u>	<u>\$ 272,920</u>
State's net pension liability - ending (a-b)	<u>\$ 115,113</u>	<u>\$ 134,570</u>	<u>\$ 149,063</u>	<u>(2)</u>	<u>\$ 122,654</u>	<u>\$ 61,040</u>	<u>\$ 138,386</u>	<u>\$ 120,395</u>	<u>\$ 121,940</u>	<u>\$ 138,345</u>
	<u>\$ 115,113</u>	<u>\$ 134,570</u>	<u>\$ 149,063</u>	<u>(2)</u>	<u>\$ 122,654</u>	<u>\$ 61,040</u>	<u>\$ 138,386</u>	<u>\$ 120,395</u>	<u>\$ 121,940</u>	<u>\$ 138,345</u>
Plan fiduciary net position as a percentage of total pension liability	80.76%	76.56%	72.97%	75.69%	87.69%	70.96%	73.72%	72.71%	68.41%	65.94%
Covered payroll (1)	\$ 46,387	\$ 42,913	\$ 37,711	\$ 32,757	\$ 33,585	\$ 33,311	\$ 30,288	\$ 29,593	\$ 29,077	\$ 29,449
Net pension liability as a percentage of covered payroll	248.16%	313.59%	395.28%	374.44%	181.75%	415.44%	397.50%	412.06%	475.79%	478.67%

(1) In 2017 and thereafter, actual Deferred Retirement Option Participant (DROP) pays were used. In 2016, an estimate of average annual payroll for DROP participants of \$67,241, respectively, was used.
(2) Restated due to rounding.

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Total Pension Liability										
Service cost	\$ 21,955	\$ 19,679	\$ 19,372	(3)	\$ 20,916	\$ 19,569	\$ 19,699	\$ 23,601	\$ 42,816	\$ 18,935
Interest	136,484	133,014	129,721		133,729	127,936	128,527	113,809	110,544	126,829
Benefit changes					(21,617)		(21,399)		(101,042)	
Differences between expected and actual experience	22,806	26,321	24,531		(33,301)	(8,753)	26,324	49,165	(31,507)	20,926
Changes of assumptions					(15,094)		(216,056)	(331,140)	(137,435)	790,990
Benefit payments, including refunds of employee contributions	(135,972)	(131,809)	(127,935)		(125,737)	(122,790)	(119,412)	(115,747)	(111,905)	(106,756)
Net changes in total pension liability	45,273	47,205	45,689	(3)	(41,104)	15,962	(182,317)	(260,312)	(228,529)	850,924
Total pension liability - beginning	1,876,794	1,829,589	1,783,900		1,825,004	1,809,042	1,991,359	2,251,671	2,480,200	1,444,340
Total pension liability - ending (a)	\$ 1,922,067	\$ 1,876,794	\$ 1,829,589	(3)	\$ 1,783,900	\$ 1,825,004	\$ 1,809,042	\$ 1,991,359	\$ 2,251,671	\$ 2,480,200
										\$ 1,629,276
Plan Fiduciary Net Position										
Employer contributions	\$ 31,269	\$ 29,712	\$ 27,993		\$ 24,092	\$ 23,209	\$ 19,282	\$ 19,294	\$ 19,175	\$ 19,232
Employee contributions	13,410	12,689	11,935		11,428	10,265	9,250	9,164	9,144	9,379
Net investment income	198,862	125,318	(158,126)		398,243	110,542	4,559	205,498	133,168	(60,344)
Benefit payments, including refunds of employee contributions	(135,972)	(131,809)	(127,935)		(125,737)	(122,790)	(119,412)	(115,748)	(111,905)	(106,756)
Administrative expense	(102)	(146)	(122)	(3)	(106)	(129)	(75)	(56)	(130)	(118)
Net change in plan fiduciary net position	107,467	35,764	(246,256)	(3)	307,920	21,097	(86,396)	118,152	49,452	(138,607)
Plan fiduciary net position - beginning	1,504,602	1,468,838	1,715,094		1,407,174	1,386,077	1,472,473	1,354,321	1,304,869	1,443,476
Plan fiduciary net position - ending (b)	\$ 1,612,069	\$ 1,504,602	\$ 1,468,838	(3)	\$ 1,715,094	\$ 1,407,174	\$ 1,386,077	\$ 1,472,473	\$ 1,354,321	\$ 1,304,869
										\$ 1,443,476
State's net pension liability - ending (a-b)	\$ 309,998	\$ 372,192	\$ 360,751	(3)	\$ 68,806	\$ 417,830	\$ 422,965	\$ 518,886	\$ 897,350	\$ 1,175,331
										\$ 185,800
Plan fiduciary net position as a percentage of total pension liability	83.87%	80.17%	80.28%		96.14%	77.11%	76.62%	73.94%	60.15%	52.61%
Covered payroll (2)	\$ 209,859	\$ 199,408	\$ 187,870		\$ 159,568	\$ 149,977	\$ 146,461	\$ 148,528	\$ 141,155	\$ 141,906
Net pension liability as a percentage of covered payroll	147.72%	186.65%	192.02%		43.12%	278.60%	288.79%	349.35%	635.72%	828.24%
										132.20%

- (1) Measurement date is as of the State's prior fiscal year-end date.
- (2) Beginning with 2022, the covered payroll amount increased for the additional salaries for those on DROP that now have an employer contribution applied. During fiscal years 2019 through 2021, the covered payroll is the payroll on which contributions to a pension plan are based. Prior to fiscal year 2019, 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.
- (3) Restated due to rounding.

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined	\$ 10,689	\$ 10,267	\$ 8,231	\$ 8,963	\$ 8,210	\$ 8,573	\$ 8,234	\$ 8,421	\$ 8,485	\$ 5,561
Contributions in relation to the actuarially determined contribution	\$ 10,689	\$ 10,267	\$ 8,231	\$ 8,963	\$ 8,210	\$ 8,573	\$ 8,234	\$ 8,421	\$ 8,485	\$ 5,561
Contribution deficiency (excess)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll	\$ 29,794	\$ 28,123	\$ 27,529	\$ 26,259	\$ 25,479	\$ 24,586	\$ 23,603	\$ 23,435	\$ 22,918	\$ 22,308
Contributions as a percentage of covered payroll	35.88%	36.51%	29.90%	34.13%	32.22%	34.87%	34.89%	35.93%	37.02%	24.93%
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 9-20 years									
Asset valuation method	4-year smoothed market, 25% corridor									
Inflation	2.50% price inflation									
Salary increases	3.25%									
Investment rate of return	5.50%									
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition									
Mortality	PubG-2010 mortality tables, adjusted for mortality improvement back to the observation period base year of 2010, and using the MP-2021 improvement scale.									

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Actuarially determined	\$ 24,100	\$ 24,300	\$ 18,300	\$ 15,900	\$ 16,700	\$ 16,900	\$ 15,600	\$ 15,200	(2)	\$ 14,100
Contributions in relation to the actuarially determined contribution	\$ 31,100	\$ 29,600	\$ 24,000	\$ 22,700	\$ 22,800	\$ 21,900	\$ 21,300	\$ 21,000	\$ 20,000	\$ 19,700
Contribution deficiency (excess)	\$ (7,000)	\$ (5,300)	\$ (5,700)	\$ (6,800)	\$ (6,100)	\$ (5,000)	\$ (5,700)	\$ (5,800)	(2)	\$ (5,900)
Covered payroll (1)	\$ 46,400	\$ 42,900	\$ 37,700	\$ 32,800	\$ 33,600	\$ 33,300	\$ 30,300	\$ 30,000	\$ 29,100	\$ 29,400
Contributions as a percentage of covered payroll	67.03%	69.00%	63.66%	69.21%	67.86%	65.77%	70.30%	70.00%	68.73%	67.01%

(1) In 2017 and thereafter, actual Deferred Retirement Option Participant (DROP) pays were used. In 2016, an estimate of average annual payroll for DROP participants of \$67,241 was used.
(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	15 years
Asset valuation method	4-year smoothed market
Inflation	2.50% price inflation
Salary increases	4.05% to 8.25% including inflation
Investment rate of return	7.00%
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition.
Mortality	Based on PubS-2010 Amount-Weighted Below Median Income Safety mortality tables for males and females. Mortality rates are multiplied by 114% for males and 108% for females and are adjusted for future mortality improvements using Scale MP-2021.

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily determined contribution	\$ 35,207	\$ 31,353	\$ 27,957	\$ 23,578	\$ 24,092	\$ 23,209	\$ 19,282	\$ 19,294	\$ 19,175	\$ 19,232
Contributions in relation to the actuarially determined contribution	\$ 34,648	\$ 31,269	\$ 29,712	\$ 27,993	\$ 24,092	\$ 23,209	\$ 19,282	\$ 19,294	\$ 19,175	\$ 19,232
Contribution deficiency (excess)	\$ 559	\$ 84	\$ (1,755)	\$ (4,415)	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
Covered payroll (1)	\$ 232,540	\$ 209,859	\$ 199,408	\$ 187,870	\$ 159,568	\$ 149,977	\$ 146,461	\$ 148,528	(2) \$ 141,155	\$ 141,906
Contributions as a percentage of covered payroll	14.90%	14.90%	14.90%	14.90%	15.10%	15.47%	13.16%	12.99%	(2) 13.58%	13.55%
(1)	Beginning with 2022, the covered payroll amount increased for the additional salaries for those on DROP that now have an employer contribution applied. During fiscal years 2019 through 2021, the covered payroll is the payroll on which contributions to a pension plan are based. Prior to fiscal year 2019, 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)	Restated to match actuary.									
Methods and assumptions used to determine contribution rates:										
Actuarial cost method	Entry age normal									
Amortization method	Level percentage of salary									
Remaining amortization period	Closed Layers, beginning at 18 years									
Asset valuation method	4-year smoothed market									
Inflation	2.50%									
Salary increases	3.50% to 10.50% total payroll growth of 3.0%									
Investment rate of return	7.50%									
Mortality	105% Pub-2010-G(B) with no setback scaled with MP-2020 for males and females.									

ARKANSAS

Required Supplementary Information
Arkansas Public Employees Retirement System
Schedule of State's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (1)
(Expressed in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State's proportion of the net pension liability (asset)	61.19%	62.34%	62.65%	64.89%	64.97%	65.48%	65.78%	65.68%	66.75%	67.27%
State's proportionate share of the net pension liability (asset)	\$ 1,522,518	\$ 1,816,653	\$ 1,689,372	\$ 498,876	\$ 1,860,489	\$ 1,579,726	\$ 1,451,086	\$ 1,697,154	\$ 1,596,332	\$ 1,238,862
State's covered payroll	\$ 1,256,313	\$ 1,254,501	\$ 1,189,456	\$ 1,138,768	\$ 1,162,671	\$ 1,196,492	\$ 1,179,811	\$ 1,101,174	\$ 1,125,557	\$ 1,112,250
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	121.19%	144.81%	142.03%	43.81%	160.02%	132.03%	122.99%	154.12%	141.83%	111.38%
Plan fiduciary net position as a percentage of the total pension liability	81.61%	77.94%	78.31%	93.57%	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

ARKANSAS

Required Supplementary Information
Arkansas Teachers Retirement System
Schedule of State's Proportionate Share of the Net Pension Liability
Last Ten Fiscal Years (1)
(Expressed in thousands)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
State's proportion of the net pension liability (asset)	2.45%	2.76%	2.80%	2.94%	3.24%	3.44%	3.60%	3.79%	3.96%	4.14%
State's proportionate share of the net pension liability (asset)	\$ 104,859	\$ 143,426	\$ 147,670	\$ 81,442	\$ 183,496	\$ 143,543	\$ 130,937	\$ 159,385	\$ 174,692	\$ 134,997
State's covered payroll	\$ 90,656	\$ 94,552	\$ 95,180	\$ 95,566	\$ 99,701	\$ 106,771	\$ 109,372	\$ 111,173	\$ 115,753	(2) \$ 119,107
State's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	115.67%	151.69%	155.15%	85.22%	184.05%	134.44%	119.72%	143.37%	150.92%	113.34%
Plan fiduciary net position as a percentage of the total pension liability	83.93%	79.94%	78.85%	88.58%	74.91%	80.96%	82.78%	79.48%	76.75%	82.20%

(1) The amounts presented for each fiscal year were determined as of the prior fiscal year-end.

(2) Restated to match actuary.

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily determined contribution	\$ 223,009	\$ 213,197	\$ 204,709	\$ 200,732	\$ 199,257	\$ 193,899	\$ 191,079	\$ 180,533	\$ 170,844	\$ 174,479
Contributions in relation to the statutorily determined contribution	<u>223,009</u>	<u>213,197</u>	<u>204,709</u>	<u>200,732</u>	<u>199,257</u>	<u>193,899</u>	<u>191,079</u>	<u>180,533</u>	<u>170,844</u>	<u>174,479</u>
Contribution deficiency (excess)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Covered payroll	\$ 1,344,595	\$ 1,256,313	(2) \$ 1,254,501	\$ 1,189,456	(1) \$ 1,138,768	(1) \$ 1,162,671	(1) \$ 1,196,492	(1) \$ 1,179,811	(1) \$ 1,101,174	\$ 1,125,557
Contributions as a percentage of covered payroll	16.59%	16.97% (2)	16.32%	16.88%	17.50%	16.68%	15.97%	15.30%	15.51%	15.50%

(1) Restated to match actuary.

(2) Restated to include ASU satellite campuses.

ARKANSAS

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

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Statutorily determined contribution	\$ 13,654	\$ 13,594	\$ 14,803	\$ 14,113	\$ 14,295	\$ 14,448	\$ 14,876	\$ 15,213	\$ 15,619	\$ 16,337
Contributions in relation to the statutorily determined contribution	\$ 13,654	\$ 13,594	\$ 14,803	\$ 14,113	\$ 14,295	\$ 14,448	\$ 14,876	\$ 15,213	\$ 15,619	\$ 16,337
Contribution deficiency (excess) \$	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Covered payroll	\$ 90,268	\$ 90,656	(2)	\$ 94,552	\$ 95,180	(1)	\$ 95,566	(1)	\$ 99,701	(1)
Contributions as a percentage of covered payroll	15.13%	15.00% (2)		15.66%	14.83%		14.96%	14.49%	13.93%	13.91%
(1)	Restated to match actuary.									
(2)	Restated to include ASU satellite campuses.									

ARKANSAS

Required Supplementary Information
Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2025
(Expressed in thousands)

	Budgeted Amounts		Actual Amounts	Variance with Final Budget – Positive (Negative)
	Original	Final		
Expenditures (1)				
Current:				
Commerce	\$ 747,142	\$ 1,125,589	\$ 526,298	\$ 599,291
Education	6,090,135	6,662,089	4,929,380	1,732,709
General government	3,046,065	3,233,143	2,615,508	617,635
Health and human services	11,445,521	11,875,398	10,946,827	928,571
Law, justice, and public safety	1,422,972	1,456,352	1,173,437	282,915
Recreation and tourism	424,677	510,449	339,982	170,467
Regulation of business and professionals	37,479	38,560	31,320	7,240
Resource development	398,340	919,829	341,064	578,765
Transportation	910,772	1,432,121	702,024	730,097
Capital outlay	2,111,459	2,705,466	1,674,113	1,031,353
Debt service	140,002	147,284	109,956	37,328
Total expenditures	\$ <u>26,774,564</u>	\$ <u>30,106,280</u>	\$ <u>23,389,909</u>	\$ <u>6,716,371</u>

(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.

ARKANSAS

**Required Supplementary Information
Notes to Schedule of Expenditures – Budget and Actual
General Fund
For the Fiscal Year Ended June 30, 2025**

(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 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

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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, 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) within the appropriation act, 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 appropriation and commitment item level and can be obtained at this web address:

<https://www.dfa.arkansas.gov/office/accounting/annual-comprehensive-financial-report-acfr/>

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	\$ 23,098,631
Less non-cash expenditures	(71,122)
Less non-appropriated expenditures	(9,775,612)
Plus expenditures eliminated or reclassified as transfers for reporting purposes	9,346,113
Plus refunds treated as reduction of revenue for financial statements purposes	1,345,209
Plus basis of accounting differences	(553,310)
Total statutory cash basis expenditures General Fund	\$ <u>23,389,909</u>

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

	2025	2024	2023	2022
Premium and investment revenues:				
Premium income	\$ 431,171,396	\$ 423,130,385	\$ 435,475,198	\$ 421,223,328
Investment interest income	9,906,291	13,182,664	6,508,936	197,671
Totals	<u>\$ 441,077,687</u>	<u>\$ 436,313,049</u>	<u>\$ 441,984,134</u>	<u>\$ 421,420,999</u>
Unallocated expenses:				
Operating costs	<u>\$ 9,359,375</u>	<u>\$ 9,514,030</u>	<u>\$ 4,684,985</u>	<u>\$ 4,113,182</u>
Estimated incurred claims and expenses, end of fiscal year	\$ 474,549,000	\$ 413,872,000 (2)	\$ 374,651,000 (2)	\$ 368,213,000 (2)
Paid (cumulative) claims and claims adjustment expenses:				
End of fiscal year	430,845,000	369,884,000 (2)	337,135,000 (2)	330,696,000 (2)
One year later		418,669,000	375,017,000	368,375,000 (2)
Two years later			377,052,000	370,720,000
Re-estimated incurred claims and expenses:				
End of fiscal year	474,549,000	413,872,000 (2)	374,651,000 (2)	368,213,000 (2)
One year later		413,872,000 (2)	374,651,000 (2)	368,213,000 (2)
Two years later			374,651,000 (2)	368,213,000 (2)
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	66,491	65,384	66,008	65,829

(1) Government Accounting Standards Board Statement No. 10, Accounting and Financial Reporting for Risk Financing and Related Insurance Activities, as amended, requires certain disclosures for public entity risk pools. This schedule provides 10-year claim development information for the program as described by GASB Statement No. 10, as amended.

(2) Restated to match actuary.

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2021	2020	2019	2018	2017	2016
\$ 353,861,571	\$ 325,116,026	\$ 314,954,651	\$ 309,752,545	\$ 305,452,670	\$ 301,501,278
236,842	2,169,178	3,380,809	2,525,713	1,167,240	292,270
<u>\$ 354,098,413</u>	<u>\$ 327,285,204</u>	<u>\$ 318,335,460</u>	<u>\$ 312,278,258</u>	<u>\$ 306,619,910</u>	<u>\$ 301,793,548</u>
<u>\$ 3,064,078</u>	<u>\$ 6,747,838</u>	<u>\$ 6,683,244</u>	<u>\$ 8,668,569</u>	<u>\$ 9,037,550</u>	<u>\$ 10,579,867</u>
\$ 358,111,000 (2)	\$ 319,895,000 (2)	\$ 281,668,000	\$ 271,486,000	\$ 241,903,000	\$ 253,985,000
321,864,000 (2)	296,447,000 (2)	253,782,431 (2)	242,619,284 (2)	214,935,703 (2)	223,050,692 (2)
355,769,000 (2)	322,132,000	300,151,000 (2)	271,399,761	241,802,196	253,882,147
355,921,000	321,802,000	300,166,000	266,569,000 (2)	241,874,673	253,952,179
358,111,000 (2)	319,895,000 (2)	281,668,000	271,486,000	241,903,000	253,985,000
358,111,000 (2)	319,895,000 (2)	281,668,000	271,486,000	241,903,000	253,985,000
358,111,000 (2)	319,895,000 (2)	281,668,000	271,486,000	241,903,000	253,985,000
0	0	0	0	0	0
0	0	0	0	0	0
64,859	63,874	62,416	60,929	59,388	58,181

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

	2025	2024	2023	2022
Premium and investment revenues:				
Premium income	\$ 8,557,326	\$ 8,281,066	\$ 6,737,745	\$ 6,351,840
Investment interest income	<u>3,180,266</u>	<u>3,135,974</u>	<u>2,556,071</u>	<u>292,487</u>
Totals	<u><u>\$ 11,737,592</u></u>	<u><u>\$ 11,417,040</u></u>	<u><u>\$ 9,293,816</u></u>	<u><u>\$ 6,644,327</u></u>
Unallocated expenses:				
Operating costs (2)	<u><u>\$ 581,158</u></u>	<u><u>\$ 570,140</u></u>	<u><u>\$ 597,890</u></u>	<u><u>\$ 539,936</u></u>
Estimated incurred claims and expenses, end of fiscal year	\$ 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 (3)	0	0	0	0
Number of fund participants receiving benefits at end of year	1,001	1,020	1,066	1,093

(1) Government Accounting Standards Board Statement No. 10, *Accounting and Financial Reporting for Risk Financing and Related Insurance Activities*, as amended, requires disclosures for public entity risk pools. This schedule provides 10-year claim development information for the program as described by GASB 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.
(3) Restated to match actuary.

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<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
\$ 8,078,777	\$ 8,094,866	\$ 8,655,652	\$ 9,753,376	\$ 10,074,701	\$ 9,519,983
<u>541,557</u>	<u>1,593,050</u>	<u>3,710,195</u>	<u>1,333,563</u>	<u>1,395,741</u>	<u>718,453</u>
<u>\$ 8,620,334</u>	<u>\$ 9,687,916</u>	<u>\$ 12,365,847</u>	<u>\$ 11,086,939</u>	<u>\$ 11,470,442</u>	<u>\$ 10,238,436</u>
\$ 533,765	\$ 575,733	\$ 595,682	\$ 270,595	\$ 277,340	\$ 220,142
\$ 0	\$ 0	\$ 6,937,646	\$ 7,334,183	\$ 7,334,041	\$ 6,864,888
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
	32,502		38,244	45,312	35,336
			222,697	176,424	174,922
				394,845	368,883
					617,396
0	0	4,183,068	2,940,203	1,242,119	2,754,013
0	0	4,075,961	6,254,793	2,260,839	4,978,108
0	0	3,017,823	6,939,375	1,272,953	5,441,589
0	0	3,322,879	6,205,123	1,468,021	5,459,593
0	0	4,327,734	5,904,938	2,803,102	5,206,901
	0	4,308,607	5,344,323	3,329,015	4,593,743
		4,125,043	5,792,777	4,733,730	5,489,251
			5,533,906	5,202,074	5,121,901
				5,865,201	4,412,378
					4,788,344
0	0	(2,812,603)	(1,800,277)	(1,468,840)	(2,076,544)
1,145	1,188	1,235	1,265	1,333	1,369

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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	Changes in Assumptions and Other Inputs
<i>Governmental Activities</i>						
Arkansas State Police	2025	\$ 6,576	\$ 8,750	\$	\$ 8,141	\$ (21,695)
	2024	6,756	8,275			(2,911)
	2023	5,938	7,467		2,256	5,940
	2022	11,529	5,427			(76,310)
	2021	10,155	6,440		(10,179)	3,857
	2020	9,701	6,234			5,920
	2019	6,409	5,062		35,377	8,488
	2018	6,114	4,959			3,949
Arkansas Employee Benefits Plan	2025	41,641	46,357		174,590	(154,539)
	2024	49,641	46,128		66,516	(188,167)
	2023	53,325	45,715		23,256	(93,604)
(2)	2022	129,793	57,538	(660,043)	(214,256)	(573,400)
(2)	2021	123,540	55,967		7,308	(106,370)
	2020	70,390	68,690		(66,272)	628,240
(3)	2019	66,616	78,141		12,982	(194,015)
(2)	2018	69,996	73,092		(13,267)	(92,281)
<i>Component Unit</i>						
Arkansas Employee Benefits Plan	2025	69	77		291	(243)
	2024	82	76		110	(362)
	2023	90	77		39	(109)
	2022	214	95	(1,089)	(354)	(979)
	2021	206	93		12	(73)
	2020	114	112		(108)	1,140
	2019	104	122		20	(966)
	2018	132	137		(55)	(144)
<i>Higher Education</i>						
Arkansas Northeastern College	2025	40	43		475	(32)
	2024	37	33		189	(5)
	2023	37	31			(1)
	2022	42	16		117	(109)
	2021	39	18			20
	2020	31	16		77	48
	2019	29	16			7
	2018	29	17			5
Arkansas State University	2025	263	408		556	(460)
	2024	393	447		131	(796)
	2023	377	428		339	37
(4)	2022	910	385	(2,986)	(1,221)	(2,518)
(4)	2021	1,400	560	37	(823)	(5,355)
(4)	2020	1,632	987	999	(10,181)	(636)
(4)	2019	1,931	886	(322)	2,540	459
(4)	2018	1,858	818		(569)	322
Arkansas Tech University	2025	402	232		(143)	(119)
	2024	396	240		(162)	(321)
	2023	539	173		(389)	(854)
	2022	641	207		(200)	(1,306)
	2021	566	312		(757)	937
	2020	557	332	(217)	(144)	475
	2019	691	333	(446)	(177)	(381)
	2018	655	331		(274)	(1,990)
Black River Technical College	2025	81	64		52	(55)
	2024	80	71		(270)	(7)
	2023	81	67			(4)
	2022	124	44		(197)	(253)
	2021	116	50			58
	2020	102	50		(8)	37
	2019	100	50			19
	2018	98	50			15
East Arkansas Community College	2025	55	31		(28)	(32)
	2024	51	32		(98)	(26)
	2023	49	30		(17)	(2)
	2022	56	18		35	(139)
	2021	52	20			24
	2020	42	17		91	25
	2019	41	17			8
	2018	40	16			6

2017 to 2016 (1)

- (1) The State implemented Governmental Accounting Standards Board (GASB) Statement No. 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.
- (2) Restated to show reallocation of covered employee payroll between Arkansas Employee Benefit plan and National Park College plan.
- (3) Restated to add National Park College.
- (4) Restated to add Henderson State University.

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.

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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
\$ (4,871)	\$ (3,099)	\$ 206,983	\$ 203,884		\$ 53,529	380.89%
(4,254)	7,866	199,117	206,983		48,796	424.18%
(4,183)	17,418	181,699	199,117		47,315	420.83%
(4,290)	(63,644)	245,343	181,699		39,557	459.35%
(3,889)	6,384	238,959	245,343		38,931	630.20%
(3,011)	18,844	220,115	238,959		37,504	637.16%
(3,811)	51,525	168,590	220,115		35,433	621.21%
(3,614)	11,408	157,182	168,590		33,508	503.13%
(50,469)	57,580	1,162,861	1,220,441	99.83%	1,718,108	71.03%
(49,996)	(75,878)	1,238,739	1,162,861	99.84%	1,628,727	71.40%
(55,282)	(26,590)	1,265,329	1,238,739	99.83%	1,673,965	74.00%
(65,922)	(1,326,290)	2,591,619	1,265,329	99.84%	1,510,210	83.78%
(55,500)	24,945	2,566,674	2,591,619	99.83%	1,452,075	178.48%
(53,515)	647,533	1,919,141	2,566,674	99.84%	1,461,341	175.64%
(60,316)	(96,592)	2,015,733	1,919,141	99.84%	1,437,502	133.51%
(58,018)	(20,478)	2,036,211	2,015,733	99.81%	1,409,773	142.98%
(85)	109	1,915	2,024	0.17%	3,342	60.56%
(82)	(176)	2,091	1,915	0.16%	3,225	59.38%
(93)	4	2,087	2,091	0.17%	3,325	62.89%
(109)	(2,222)	4,309	2,087	0.16%	2,952	70.70%
(92)	146	4,163	4,309	0.17%	2,959	145.62%
(87)	1,171	2,992	4,163	0.16%	3,372	123.46%
(94)	(814)	3,806	2,992	0.16%	3,428	87.28%
(109)	(39)	3,845	3,806	0.19%	3,394	112.14%
(43)	483	1,024	1,507		8,674	17.37%
(30)	224	800	1,024		7,952	12.88%
(33)	34	766	800		8,051	9.94%
(35)	31	735	766		7,755	9.88%
(41)	36	699	735		7,841	9.37%
(31)	141	558	699		8,188	8.54%
(46)	6	552	558		7,859	7.10%
(65)	(14)	566	552		8,382	6.59%
(1,219)	(452)	10,036	9,584		81,515	11.76%
(1,110)	(935)	10,971	10,036		85,567	11.73%
(602)	579	10,392	10,971		98,300	11.16%
(474)	(5,904)	17,560	11,656		108,217	10.77%
(425)	(4,606)	22,166	17,560		139,336	12.60%
(304)	(7,503)	29,669	22,166		148,157	14.96%
(912)	4,582	25,087	29,669		139,541	21.26%
(1,097)	1,332	23,755	25,087		137,682	18.22%
(626)	(254)	6,265	6,011		41,757	14.40%
(536)	(383)	6,648	6,265		41,924	14.94%
(577)	(1,108)	7,756	6,648		43,722	15.21%
(636)	(1,294)	9,050	7,756		48,650	15.94%
(700)	358	8,692	9,050		44,466	20.35%
(641)	362	8,330	8,692		45,450	19.12%
(691)	(671)	9,001	8,330		46,943	17.74%
(788)	(2,066)	11,067	9,001		43,684	20.60%
(75)	67	1,522	1,589		5,906	26.90%
(69)	(195)	1,717	1,522		6,078	25.04%
(77)	67	1,650	1,717		5,606	30.63%
(82)	(364)	2,014	1,650		5,531	29.83%
(82)	142	1,872	2,014		6,862	29.35%
(76)	105	1,767	1,872		6,807	27.50%
(77)	92	1,675	1,767		6,832	25.86%
(66)	97	1,578	1,675		6,980	24.00%
(13)	13	708	721		6,899	10.45%
(4)	(45)	753	708		6,394	11.07%
(43)	17	736	753		6,361	11.84%
(43)	(73)	809	736		5,887	12.50%
(40)	56	753	809		5,966	13.56%
(25)	150	603	753		6,450	11.67%
(21)	45	558	603		5,016	12.02%
(21)	41	517	558		6,613	8.44%

Continued on the following page

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Required Supplementary Information
Other Postemployment Benefits
Ten -Year Schedule of Changes in Total OPEB Liability and Related Ratios
(Expressed in thousands)

Continued from previous page

Plan	Fiscal Year	Service Cost	Interest Cost	Change of Benefit Terms	Difference Between Expected and Actual Experience	Changes in Assumptions and Other Inputs
North Arkansas College	2025	\$ 50	\$ 57	\$	\$ (228)	\$ (62)
	2024	51	52			(9)
	2023	48	50		(61)	(5)
	2022	65	29			(223)
	2021	45	28		130	75
	2020	44	27			12
	2019	22	18		219	101
	2018	21	18			8
National Park College	2025	41	24		(194)	(20)
	2024	41	21			(3)
	2023	51	27		(244)	8
	(2)	67	15			(102)
	(2)	21	14		106	26
	2020	34	13			3
	2019	43	20		(4)	(239)
	(2)	42	20			7
Northwest Arkansas Community College	2025	97	59		(463)	(44)
	2024	98	52			(7)
	2023	77	50		(200)	95
	2022	100	28			(162)
	2021	59	35		(247)	71
	2020	58	34			15
	2019	53	33		(152)	173
	2018	52	32			15
Ozarka College	2025	40	37			(47)
	2024	40	34			(6)
	2023	38	33		22	(66)
	2022	51	19			(153)
	2021	40	22		(59)	49
	2020	39	21			10
	2019	36	21		(30)	29
	2018	35	20			10
South Arkansas Community College	2025	56	34		(250)	(30)
	2024	57	30			(5)
	2023	59	34		(110)	(53)
	2022	80	19			(132)
	2021	72	20		(4)	36
	2020	70	19			8
	2019	54	18		(21)	11
	2018	52	17			7
Southern Arkansas University - Technical Branch	2025	89	58			(54)
	2024	124	72		(499)	(7)
	2023	126	67			(4)
	2022	120	34		240	(290)
	2021	113	39			45
	2020	111	42		(211)	30
	2019	108	42			17
	2018	105	40			13
Southern Arkansas University	2025	250	103		307	(134)
	2024	249	104		388	(15)
	2023	273	94		620	(138)
	2022	338	65		(515)	(358)
	2021	296	63		(82)	33
	2020	240	86		(202)	302
	2019	156	56		545	(113)
	2018	160	60		(360)	(1)
University of Arkansas System Self-Funded Plan	2025	5,031	2,890		(2,433)	(8,522)
	2024	4,579	2,630		132	(713)
	2023	5,244	1,818		(4,434)	(9,569)
	2022	4,891	1,776		(971)	398
	2021	4,510	2,736	(10,108)	(2,196)	9,159
	2020	4,026	2,831		(3,244)	3,131
	2019	3,953	2,569	832	(3,266)	(691)
	2018	4,589	2,321			(13,905)
University of Central Arkansas	2025	222	139		(278)	(164)
	2024	287	149		(715)	(21)
	2023	233	115		286	(166)
	2022	313	83		(658)	(410)
	2021	326	81		(108)	42
	2020	255	106		(3)	369
	2019	204	86		407	(491)
	2018	198	85		(191)	

2017 to 2016 (1)

(1) The State implemented Governmental Accounting Standards Board (GASB) Statement No. 75 in fiscal year 2018. Information for the schedule was not available prior to this fiscal year.

(2) Restated to show reallocation of covered employee payroll between Arkansas Employee Benefit plan and National Park College plan.

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.

ARKANSAS

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
\$ (183)	\$ 1,315	\$ 1,132	\$ 1,315	\$ 8,063	\$ 14,04%	
94	1,221	1,315	7,866	16.72%		
32	1,189	1,221	7,890	15.48%		
(129)	1,318	1,189	7,234	16.44%		
278	1,040	1,318	7,384	17.85%		
83	957	1,040	7,188	14.47%		
360	597	957	6,815	14.04%		
47	550	597	6,955	8.58%		
(149)	544	597	2,628	15.03%		
(4)	55	489	2,549	21.34%		
(4)	(162)	651	2,852	17.15%		
(4)	(24)	675	3,879	16.78%		
(4)	169	506	4,291	15.73%		
(13)	37	469	4,667	10.84%		
(10)	(190)	659	4,115	11.40%		
(20)	49	610	3,999	16.48%		
(351)	1,354	1,003	33,209	3.02%		
143	1,211	1,354	28,273	4.79%		
22	1,189	1,211	27,743	4.37%		
(34)	1,223	1,189	26,495	4.49%		
(82)	1,305	1,223	20,622	5.93%		
107	1,198	1,305	17,481	7.47%		
107	1,091	1,198	26,429	4.53%		
99	992	1,091	20,606	5.29%		
(8)	22	865	4,955	17.90%		
(6)	62	803	4,792	18.05%		
(5)	22	781	4,570	17.57%		
(83)	864	781	4,385	17.81%		
52	812	864	4,477	19.30%		
70	742	812	4,225	19.22%		
(5)	51	691	4,144	17.91%		
(13)	52	639	3,854	17.93%		
(10)	(200)	780	3,633	15.96%		
(15)	67	713	3,823	20.40%		
(18)	(88)	801	7,769	9.18%		
(15)	(48)	849	6,885	11.63%		
(9)	115	734	7,469	11.37%		
(6)	91	643	7,956	9.23%		
(12)	50	593	7,670	8.38%		
(11)	65	528	7,786	7.62%		
(60)	33	1,356	6,358	21.85%		
(55)	(365)	1,721	6,358	21.33%		
(72)	117	1,604	6,428	26.77%		
(67)	37	1,567	6,559	24.45%		
(57)	140	1,427	6,203	25.26%		
(37)	(65)	1,492	6,064	23.53%		
(43)	124	1,368	5,923	25.19%		
(37)	121	1,247	6,071	22.53%		
(673)	(147)	2,521	24,539	9.67%		
(816)	(90)	2,611	22,478	11.22%		
(1,001)	(152)	2,763	23,006	11.35%		
(20)	(490)	3,253	24,239	11.40%		
(2)	308	2,945	23,674	13.74%		
(30)	396	2,549	23,902	12.32%		
(30)	614	1,935	24,822	10.27%		
(16)	(157)	2,092	23,815	8.13%		
(2,200)	(5,234)	75,221	69,987	1,731,690	4.04%	
(2,189)	4,439	70,782	75,221	1,668,004	4.51%	
(2,595)	(9,536)	80,318	70,782	1,592,376	4.45%	
(2,379)	3,715	76,603	80,318	1,455,294	5.52%	
(2,245)	1,856	74,747	76,603	1,351,363	5.67%	
(2,180)	4,564	70,183	74,747	1,328,526	5.63%	
(2,019)	1,378	68,805	70,183	1,309,045	5.36%	
(2,109)	(9,104)	77,909	68,805	1,320,436	5.21%	
(62)	(143)	3,448	3,305	85,700	3.86%	
(42)	(342)	3,790	3,448	81,779	4.22%	
(68)	400	3,390	3,790	80,196	4.73%	
(48)	(720)	4,110	3,390	77,894	4.35%	
(65)	276	3,834	4,110	77,340	5.31%	
(56)	671	3,163	3,834	78,963	4.86%	
(50)	156	3,007	3,163	79,580	3.97%	
(61)	31	2,976	3,007	82,107	3.66%	



COMBINING FINANCIAL STATEMENTS





ARKANSAS

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 appropriated 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.

Workers' Compensation Commission Fund – This 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.

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 capitalizable educational and general projects for community and technical colleges; financing energy efficiency and conservation projects for residential homes; providing funding for communities to address affordable housing needs in metropolitan and rural areas in Arkansas; and for no-cost assistance for energy performance contracting for State agencies, institutions of higher learning, municipalities, and counties.

ARKANSAS

Combining Statement of Fund Net Position
Non-Major Enterprise Funds
June 30, 2025
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Employee Health and Life Benefit Plan	Workers' Compensation Commission	Revolving Loan Funds and Other Enterprise Funds	Total
Assets					
Current assets:					
Cash and cash equivalents	\$ 146,205	\$ 159,292	\$ 1,191	\$ 84,077	\$ 390,765
Investments	2,871	74,196	97,697	3	174,767
Receivables:					
Accounts	128	20,416	8,303	157	29,004
Loans				22	22
Interest	617	430	352	427	1,826
Advances to other funds				1,132	1,132
Due from other funds			333		333
Due from other governments				463	463
Prepaid Items			50		50
Total current assets	<u>149,821</u>	<u>254,334</u>	<u>107,926</u>	<u>86,281</u>	<u>598,362</u>
Noncurrent assets:					
Advances to other funds	334			5,593	5,927
Loans receivable, restricted	515,618			297,268	812,886
Financial assurance instruments			7,475		7,475
Capital assets:					
Nondepreciable		669	580		1,249
Depreciable, net		40			40
Total noncurrent assets	<u>515,952</u>	<u>669</u>	<u>8,095</u>	<u>302,861</u>	<u>827,577</u>
Total assets	<u>665,773</u>	<u>255,003</u>	<u>116,021</u>	<u>389,142</u>	<u>1,425,939</u>
Deferred Outflows of Resources:					
Related to pensions			1,457		1,457
Related to other postemployment benefits			726		726
Total deferred outflows of resources			<u>2,183</u>		<u>2,183</u>
Total assets and deferred outflows of resources	<u>\$ 665,773</u>	<u>\$ 255,003</u>	<u>\$ 118,204</u>	<u>\$ 389,142</u>	<u>\$ 1,428,122</u>

ARKANSAS

Combining Statement of Fund Net Position
Non-Major Enterprise Funds
June 30, 2025
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Employee Health and Life Benefit Plan	Workers' Compensation Commission	Revolving Loan Funds and Other Enterprise Funds	Total
Liabilities					
Current liabilities:					
Accounts payable	\$ 413	\$ 30,220	\$ 4	\$ 354	\$ 30,991
Accrued interest	1,377			137	1,514
Accrued and other current liabilities			165		165
Investment principal payable			16		16
Due to other funds		813		403	1,216
Workers' compensation benefits payable			12,607		12,607
Bonds, notes, and installment agreements payable	6,220			1,495	7,715
Lease obligation			24		24
Claims, judgments, and compensated absences		44,632	1,571		46,203
Other postemployment benefits liability			195		195
Unearned revenue			298		298
Total current liabilities	8,010	75,665	14,880	2,389	100,944
Noncurrent liabilities:					
Workers' compensation benefits payable			133,927		133,927
Bonds, notes, and installment agreements payable	155,332			19,980	175,312
Lease obligation			6		6
Other postemployment liability			3,668		3,668
Net pension liability			5,918		5,918
Claims, judgments, and compensated absences			94		94
Other noncurrent liabilities			7,474		7,474
Total noncurrent liabilities	155,332		151,087	19,980	326,399
Total liabilities	163,342	75,665	165,967	22,369	427,343
Deferred Inflows of Resources:					
Related to pensions			459		459
Related to other postemployment benefits			1,535		1,535
Total deferred inflows of resources			1,994		1,994
Total liabilities and deferred inflows of resources	163,342	75,665	167,961	22,369	429,337
Net Position:					
Net investment in capital assets			669	589	1,258
Restricted for:					
Program requirements	502,431			366,773	869,204
Unrestricted		178,669	(50,346)		128,323
Total net position	502,431	179,338	(49,757)	366,773	998,785
Total liabilities, deferred inflows of resources, and net position	\$ 665,773	\$ 255,003	\$ 118,204	\$ 389,142	\$ 1,428,122

ARKANSAS

Combining Statement of Revenues, Expenses, and Changes in Fund Net Position
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Employee Health and Life Benefit Plan	Workers' Compensation Commission	Revolving Loan Funds and Other Enterprise Funds	Total
Operating revenues:					
Charges for sales and services	\$ 4,844	\$ 496,582	\$ 17,999	\$ 3,635	\$ 496,582
Licenses, permits, and fees					8,479
Insurance taxes			79		17,999
Other operating revenues					79
Total operating revenues	<u>4,844</u>	<u>496,582</u>	<u>18,078</u>	<u>3,635</u>	<u>523,139</u>
Operating expenses:					
Compensation and benefits			7,096		7,096
Supplies and services		339	637		976
General and administrative expenses	2,012		294	3,119	5,425
Benefit and aid payments		535,854	4,172		540,026
Federal financial assistance	4,059			13,845	17,904
Bond interest	3,578			1,241	4,819
Depreciation and amortization			26		26
Total operating expenses	<u>9,649</u>	<u>536,193</u>	<u>12,225</u>	<u>18,205</u>	<u>576,272</u>
Operating income (loss)	<u>(4,805)</u>	<u>(39,611)</u>	<u>5,853</u>	<u>(14,570)</u>	<u>(53,133)</u>
Nonoperating revenues (expenses):					
Investment earnings	9,895	8,495	5,051	8,393	31,834
Grants and contributions	4,911		(20)	19,923	24,814
Interest and amortization expense			(2)		(2)
Net increase (decrease) in fair value of investments	<u>(13)</u>			<u>(91)</u>	<u>(104)</u>
Total nonoperating revenues (expenses)	<u>14,793</u>	<u>8,495</u>	<u>5,029</u>	<u>28,225</u>	<u>56,542</u>
Income (loss) before transfers and contributions	9,988	(31,116)	10,882	13,655	3,409
Transfers in	3,680			6,323	10,003
Transfers out	<u>(3)</u>	<u>(515)</u>	<u>(466)</u>	<u>(3,040)</u>	<u>(4,024)</u>
Change in net position	13,665	(31,631)	10,416	16,938	9,388
Total net position - beginning	488,766	210,969	(60,173)	349,835	989,397
Total net position - ending	<u>\$ 502,431</u>	<u>\$ 179,338</u>	<u>\$ (49,757)</u>	<u>\$ 366,773</u>	<u>\$ 998,785</u>

(1) Restated due to the implementation of GASB Statement 101.

ARKANSAS

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in thousands)

	Construction Assistance Revolving Loan Fund	Employee Health and Life Benefit Plan	Workers' Compensation Commission	Revolving Loan Funds and Other Enterprise Funds	Total
Cash flows from operating activities:					
Cash received from customers	\$ 492,620	\$ (535,797)	\$ (20,273)	\$ (556,070)	\$ 492,620
Payments to suppliers	24,406	(935)	17,732	97	23,471
Insurance taxes					17,732
Loan administration received				97	97
Other operating receipts	3,510	68			3,578
Net cash provided by (used in) operating activities	<u>3,510</u>	<u>(18,771)</u>	<u>(3,408)</u>	<u>97</u>	<u>(18,572)</u>
Cash flows from noncapital financing activities:					
Grants and contributions	4,911	(20)	19,889	24,780	
Proceeds from bond issuance	70,614		5,044	75,658	
Bonds proceeds reallocated - 2023 bonds	20,000		(20,000)		
Payments of bond principal	(5,582)		(1,475)	(7,057)	
Payments of interest	(3,953)		(1,277)	(5,230)	
Transfers in	3,680		3,284	6,964	
Transfers out	(3)	(515)	(466)		(984)
Net cash provided by (used in) noncapital financing activities	<u>89,667</u>	<u>(515)</u>	<u>(486)</u>	<u>5,465</u>	<u>94,131</u>
Cash flows from capital and related financing activities					
Principal paid on capital debts and leases		(25)		(25)	
Interest paid on capital debts and leases		1		1	
Acquisition and construction of capital assets	(669)				(669)
Net cash used in capital and related financing activities	<u>(669)</u>	<u>(24)</u>			<u>(693)</u>
Cash flows from investing activities:					
Purchase of investments	(3,100)	32,322	(14,899)	14,323	
Proceeds from sale and maturities of investments	3,147		(91)	3,056	
Interest and dividends on investments	4,627	8,675	5,355	6,729	25,386
Loan disbursements	(80,318)		(111,883)	(192,201)	
Principal repayments on loans	25,892		19,780	45,672	
Interest received on loans	5,220		2,484	7,704	
Federal grant funds expended	(4,059)		(13,845)	(17,904)	
Net cash provided by (used in) investing activities	<u>(48,591)</u>	<u>40,997</u>	<u>(9,544)</u>	<u>(96,826)</u>	<u>(113,964)</u>
Net increase (decrease) in cash and cash equivalents	<u>44,586</u>	<u>21,042</u>	<u>(13,462)</u>	<u>(91,264)</u>	<u>(39,098)</u>
Cash and cash equivalents - beginning	<u>101,619</u>	<u>138,250</u>	<u>14,653</u>	<u>175,341</u>	<u>429,863</u>
Cash and cash equivalents - ending	<u>\$ 146,205</u>	<u>\$ 159,292</u>	<u>\$ 1,191</u>	<u>\$ 84,077</u>	<u>\$ 390,765</u>

Continued on the following page

ARKANSAS

Combining Statement of Cash Flows
Non-Major Enterprise Funds
For the Fiscal Year Ended June 30, 2025
(Expressed in thousands)

Continued from the previous page

	Construction Assistance Revolving Loan Fund	Employee Health and Life Benefit Plan	Public School Workers' Compensation Commission	Revolving Loan Funds and Other Enterprise Funds	Total
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (4,805)	\$ (39,611)	\$ 5,853	\$ (14,570)	\$ (53,133)
Adjustments to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation and amortization			26		26
Interest on investments				(452)	(452)
Bond interest	5,038			1,269	6,307
Bond issuance cost	597			45	642
Amortization of bond premiums	(1,460)			(28)	(1,488)
Federal grants expended	4,059			13,845	17,904
Net changes in assets, liabilities, and deferred outflows/inflows:					
Accounts receivable	48	(3,962)	(229)	(116)	(4,259)
Prepaid items			(8)		(8)
Accounts payable and other accrued liabilities	33	24,802	(8,441)	104	16,498
Other postemployment benefits liabilities			208		208
Net pension liability			(1,035)		(1,035)
Deferred outflows related to pensions			956		956
Deferred outflows related to OPEB			(383)		(383)
Deferred inflows related to pensions			(16)		(16)
Deferred inflows related to OPEB			(418)		(418)
Compensated absences			79		79
Net cash provided by (used in) operating activities	<u>3,510</u>	<u>(18,771)</u>	<u>(3,408)</u>	<u>97</u>	<u>(18,572)</u>
Non-cash investing, capital, and financing activities:					
Investment principal payable	\$	\$	\$	\$	\$
Investment principal receivable				16	16
Net gain/loss on disposal of assets					

ARKANSAS

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

ARKANSAS

**Combining Statement of Fiduciary Net Position
Pension Trust Funds
June 30, 2025
(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	\$ 265,032	\$ 21,321	\$ 2,191	\$ 393,680	\$ 108,425	\$ 790,649
Investments at fair value:						
U.S. government securities	577,506	22,885	57,813	333,704	148,279	1,140,187
Bonds, notes, mortgages, and preferred stock	83,939	3,326	131	940,872	314,411	1,342,679
Common stock	4,993,428	197,877	142,457	2,558,609	368,341	8,260,712
Real estate	1,389,004	55,043	25,741	106,460		1,576,248
International investments	1,633,104	64,716	20,752	1,432,135	218,802	3,369,509
Mutual funds					407,868	407,868
Pooled investment funds	1,893,662	75,041	56,704	6,125,282	7,824	8,158,513
Corporate obligations	549,129	21,761	24,776	1,160,596	65,923	1,822,185
Asset and mortgage-backed securities	312,595	12,387	30,728	259,987		615,697
State recycling tax credit				178,400		178,400
Other	237,176	9,399	294	10,202,628		10,449,497
Total investments	<u>11,669,543</u>	<u>462,435</u>	<u>359,396</u>	<u>23,298,673</u>	<u>1,531,448</u>	<u>37,321,495</u>
Receivables:						
Employee	1,192			12,525	693	14,410
Employer	8,184	8	2	29,698	1,549	39,441
Interest and dividends	16,872	680	1,061	39,593	2,143	60,349
Investment principal	26,307	1,042	859	37,227		65,435
Other	129			6,002	75	6,206
Total receivables	<u>52,684</u>	<u>1,730</u>	<u>1,922</u>	<u>125,045</u>	<u>4,460</u>	<u>185,841</u>
Due from other funds				4,269		4,269
Other assets:						
Securities lending collateral	701,221	27,787		797,011	87,945	1,613,964
Other assets	415			174		589
Capital assets	6,081			46		6,127
Total other assets	<u>707,717</u>	<u>27,787</u>		<u>797,231</u>	<u>87,945</u>	<u>1,620,680</u>
Total assets	<u>12,694,976</u>	<u>513,273</u>	<u>363,509</u>	<u>24,618,898</u>	<u>1,732,278</u>	<u>39,922,934</u>
Deferred Outflows of Resources						
Related to other postemployment benefits		459		579		1,038
Total assets and deferred outflows of resources	<u>\$ 12,695,435</u>	<u>\$ 513,273</u>	<u>\$ 363,509</u>	<u>\$ 24,619,477</u>	<u>\$ 1,732,278</u>	<u>\$ 39,923,972</u>
Liabilities						
Accounts payable and other liabilities	\$ 26,973	\$ 1,064	\$ 355	\$ 19,749	\$ 1,196	\$ 49,337
Investment principal payable	30,253	1,199	878	57,277		89,607
Due to other funds	10					10
Obligations under securities lending	701,810	27,811		796,929	87,950	1,614,500
Other postemployment benefits	2,870			3,201		6,071
Total liabilities	<u>761,916</u>	<u>30,074</u>	<u>1,233</u>	<u>877,156</u>	<u>89,146</u>	<u>1,759,525</u>
Deferred Inflows of Resources						
Related to other postemployment benefits		1,065		1,185		2,250
Total liabilities and deferred inflows of resources	<u>\$ 762,981</u>	<u>\$ 30,074</u>	<u>\$ 1,233</u>	<u>\$ 878,341</u>	<u>\$ 89,146</u>	<u>\$ 1,761,775</u>
Net position restricted for pensions	<u>\$ 11,932,454</u>	<u>\$ 483,199</u>	<u>\$ 362,276</u>	<u>\$ 23,741,136</u>	<u>\$ 1,643,132</u>	<u>\$ 38,162,197</u>

ARKANSAS

Combining Statement of Changes in Fiduciary Net Position
Pension Trust Funds
For the Fiscal Year Ended June 30, 2025
 (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	\$ 114,384	\$ 85	\$ 1,422	\$ 214,670	\$ 15,093	\$ 345,654
Employers	367,603	12,156	3,489	560,280	34,648	978,176
Supplemental contributions		10,387	6,632			17,019
Title fees		6,009				6,009
Court fees		943	568			1,511
Reinstatement fees		1,544				1,544
Total contributions	<u>481,987</u>	<u>31,124</u>	<u>12,111</u>	<u>774,950</u>	<u>49,741</u>	<u>1,349,913</u>
Investment income:						
Net increase (decrease) in fair value of investments	1,055,163	41,509	26,149	1,966,764	97,469	3,187,054
Interest, dividends, and other	154,535	6,278	9,608	256,043	34,374	460,838
Other investment income	250	9		6,564		6,823
Securities lending income, net of expenses	2,938	115		3,267	337	6,657
Total investment income	<u>1,212,886</u>	<u>47,911</u>	<u>35,757</u>	<u>2,232,638</u>	<u>132,180</u>	<u>3,661,372</u>
Less investment expense	<u>63,535</u>	<u>2,505</u>	<u>1,268</u>	<u>70,836</u>	<u>9,298</u>	<u>147,442</u>
Net investment income	<u><u>1,149,351</u></u>	<u><u>45,406</u></u>	<u><u>34,489</u></u>	<u><u>2,161,802</u></u>	<u><u>122,882</u></u>	<u><u>3,513,930</u></u>
Miscellaneous	<u>3,769</u>			<u>171</u>	<u>16</u>	<u>3,956</u>
Total additions	<u><u>1,635,107</u></u>	<u><u>76,530</u></u>	<u><u>46,600</u></u>	<u><u>2,936,923</u></u>	<u><u>172,639</u></u>	<u><u>4,867,799</u></u>
Deductions:						
Benefits paid to participants or beneficiaries	713,838	32,580	18,819	1,531,980	139,145	2,436,362
Refunds of employee/employer contributions	20,712	2		13,519	2,311	36,544
Administrative expenses	13,239	254	195	9,519	120	23,327
Total deductions	<u>747,789</u>	<u>32,836</u>	<u>19,014</u>	<u>1,555,018</u>	<u>141,576</u>	<u>2,496,233</u>
Change in net position held in trust for employees' pension benefits	887,318	43,694	27,586	1,381,905	31,063	2,371,566
Net position - beginning	<u>11,045,136</u>	<u>439,505</u>	<u>334,690</u>	<u>22,359,231</u>	<u>1,612,069</u>	<u>35,790,631</u>
Net position - ending	<u><u>\$ 11,932,454</u></u>	<u><u>\$ 483,199</u></u>	<u><u>\$ 362,276</u></u>	<u><u>\$ 23,741,136</u></u>	<u><u>\$ 1,643,132</u></u>	<u><u>\$ 38,162,197</u></u>



STATISTICAL SECTION





ARKANSAS

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 six sections as follows:

Contents	Page
Financial Trends	194
<i>These schedules contain trend information to help the reader understand how the State's financial performance and well-being have changed over time. Fund perspective schedules are presented for the last 10 years, except where noted.</i>	
Revenue Capacity Information	204
<i>These schedules contain trend information to help the reader understand the State's capacity to raise revenues and the sources of those revenues.</i>	
Debt Capacity Information	207
<i>These schedules contain trend information to help the reader understand the State's outstanding debt and the capacity to repay that debt.</i>	
Demographic and Economic Information	209
<i>These schedules contain trend information to help the reader understand the environment in which the State's financial activities occur.</i>	
Operating Information	214
<i>These schedules contain service and infrastructure data in relation to the services the State provides and the activities it performs.</i>	
Other Information	219
<i>This schedule provides miscellaneous information about the State.</i>	

ARKANSAS

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

	2025	2024	2023
Primary government			
Governmental activities			
Net investment in capital assets (3)	\$ 16,691,657	\$ 15,757,165	\$ 14,849,324
Restricted	4,059,477	4,094,663	6,990,512
Unrestricted	<u>3,353,426</u>	<u>2,535,022</u>	<u>(1,195,922)</u>
Total governmental activities net position	<u><u>24,104,560</u></u>	<u><u>22,386,850</u></u>	<u><u>20,643,914</u></u>
Business-type activities			
Net investment in capital assets	2,403,527	2,267,495	2,203,200
Restricted	1,477,380	1,446,580	1,392,381
Unrestricted	<u>2,698,081</u>	<u>2,613,353</u>	<u>2,489,436</u>
Total business-type activities net position	<u><u>6,578,988</u></u>	<u><u>6,327,428</u></u>	<u><u>6,085,017</u></u>
Total primary government			
Net investment in capital assets	19,095,184	18,024,660	17,052,524
Restricted	5,536,857	5,541,243	8,382,893
Unrestricted	<u>6,051,507</u>	<u>5,148,375</u>	<u>1,293,514</u>
Total primary government activities net position	<u><u>\$ 30,683,548</u></u>	<u><u>\$ 28,714,278</u></u>	<u><u>\$ 26,728,931</u></u>

(1) Fiscal year 2017 balances restated in fiscal year 2018.
(2) Fiscal year 2020 balances restated in fiscal year 2021.
(3) Fiscal year 2020 through 2024 balances restated in fiscal year 2025.

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<u>2022</u>	<u>2021</u>	<u>2020 (2)</u>	<u>2019</u>	<u>2018</u>	<u>2017 (1)</u>	<u>2016</u>
\$ 13,994,108	\$ 13,110,639	\$ 12,342,405	\$ 11,879,274	\$ 11,602,289	\$ 11,116,044	\$ 10,573,154
5,963,009	3,972,239	3,284,221	2,899,173	2,426,386	2,318,037	2,142,787
<u>(2,066,187)</u>	<u>(2,732,113)</u>	<u>(3,041,816)</u>	<u>(3,178,832)</u>	<u>(3,115,348)</u>	<u>(3,044,139)</u>	<u>(1,548,988)</u>
<u>17,890,930</u>	<u>14,350,765</u>	<u>12,584,810</u>	<u>11,599,615</u>	<u>10,913,327</u>	<u>10,389,942</u>	<u>11,166,953</u>
2,123,732	2,061,401	2,082,158	2,062,077	2,015,796	1,992,873	1,997,666
1,318,257	1,264,813	1,195,709	1,135,777	1,193,250	1,132,263	1,046,934
<u>2,392,461</u>	<u>2,215,955</u>	<u>1,930,875</u>	<u>1,868,254</u>	<u>1,568,292</u>	<u>1,398,280</u>	<u>1,233,085</u>
<u>5,834,450</u>	<u>5,542,169</u>	<u>5,208,742</u>	<u>5,066,108</u>	<u>4,777,338</u>	<u>4,523,416</u>	<u>4,277,685</u>
16,117,840	15,172,040	14,424,563	13,941,351	13,618,085	13,108,917	12,570,820
7,281,266	5,237,052	4,479,930	4,034,950	3,619,636	3,450,300	3,189,721
<u>326,274</u>	<u>(516,158)</u>	<u>(1,110,941)</u>	<u>(1,310,578)</u>	<u>(1,547,056)</u>	<u>(1,645,859)</u>	<u>(315,903)</u>
<u>\$ 23,725,380</u>	<u>\$ 19,892,934</u>	<u>\$ 17,793,552</u>	<u>\$ 16,665,723</u>	<u>\$ 15,690,665</u>	<u>\$ 14,913,358</u>	<u>\$ 15,444,638</u>

ARKANSAS

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

	2025	2024	2023
Governmental expenses			
General government	\$ 1,635,853	\$ 1,715,246	\$ 1,519,309
Education	4,875,938	4,917,505	4,604,255
Health and human services	11,643,945	11,060,760	12,408,738
Transportation (4)	1,417,981	1,175,163	1,045,602
Law, justice, and public safety	1,184,281	1,254,534	1,079,395
Recreation and tourism	286,857	264,582	252,151
Regulation of business and professionals	30,254	28,789	27,703
Resource development	332,614	284,239	238,758
Commerce	412,800	585,411	385,317
Interest expense	27,707	29,016	24,339
Total expenses	21,848,230	21,315,245	21,585,567
Program revenues			
Charges for services			
General government	440,641	413,286	443,479
Education	4,021	3,818	4,538
Health and human services	494,505	466,494	468,299
Transportation	143,947	146,887	142,204
Law, justice, and public safety	166,738	164,281	167,908
Recreation and tourism	76,692	78,074	71,995
Regulation of business and professionals	23,488	23,226	21,875
Resource development	84,750	86,539	81,857
Commerce	144,822	111,474	93,457
Operating grants	10,434,143	10,274,730	11,578,353
Capital grants and contributions	1,031,260	1,083,849	938,391
Total program revenues	13,045,007	12,852,658	14,012,356
Net (expense)	(8,803,223)	(8,462,587)	(7,573,211)
General revenues, special items, and transfers			
Taxes			
Personal and corporate income	3,517,099	3,520,692	3,935,189
Consumer sales and use	4,732,617	4,623,007	4,558,369
Gas and motor carrier	479,933	509,347	494,691
Other	1,648,463	1,603,950	1,651,859
Investment earnings	754,935	442,735	49,453
Miscellaneous income	495,134	527,176	599,355
Special items:			
Disposal of operations			
Issuance of tax credits			
Transfers - internal activities	(873,556)	(1,021,384)	(962,721)
Restatement			
Total general revenues, special items, and transfers	10,754,625	10,205,523	10,326,195
Total governmental activities change in net position	\$ 1,951,402	\$ 1,742,936	\$ 2,752,984

(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.
(4) Fiscal year 2020 through 2024 balances restated in fiscal year 2025.

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	2022	2021	2020 (2) (3)	2019	2018	2017 (1)	2016
\$	713,045	1,901,668	1,682,289	1,662,161	1,695,822	1,607,462	1,553,087
	4,638,304	4,181,586	3,736,183	3,765,007	3,755,721	3,751,603	3,718,585
	11,811,414	10,760,985	9,561,794	9,284,039	8,872,832	8,949,631	8,461,524
	808,462	1,156,541	1,072,028	1,013,447	1,070,420	1,290,944	954,670
	1,018,650	973,492	925,432	899,186	847,513	820,043	829,280
	221,103	204,219	204,395	280,067	289,991	277,979	275,987
	26,737	24,395	25,195	126,535	122,444	126,905	134,567
	214,473	177,001	141,779				
	520,486	572,567	457,881				
	34,528	43,104	49,039	52,584	56,192	60,318	61,920
	<u>20,007,202</u>	<u>19,995,558</u>	<u>17,856,015</u>	<u>17,083,026</u>	<u>16,710,935</u>	<u>16,884,885</u>	<u>15,989,620</u>

418,048	397,282	367,952	446,659	433,410	433,652	415,138
3,949	3,866	3,772	5,157	5,011	5,632	5,092
409,283	408,577	378,902	384,045	408,368	414,670	413,515
139,799	131,987	123,422	126,967	123,462	122,438	120,004
167,581	161,356	133,388	89,698	95,302	67,948	95,585
69,243	65,618	57,642	95,372	98,008	101,985	97,925
21,907	19,031	20,757	131,594	100,122	116,413	116,206
80,939	79,862	81,161				
104,681	85,759	80,131				
11,344,966	10,192,325	8,735,224	7,719,932	7,477,492	7,691,132	7,333,883
766,011	809,547	549,292	566,097	780,600	781,522	572,654
<u>13,526,407</u>	<u>12,355,210</u>	<u>10,531,643</u>	<u>9,565,521</u>	<u>9,521,775</u>	<u>9,735,392</u>	<u>9,170,002</u>
<u>(6,480,795)</u>	<u>(7,640,348)</u>	<u>(7,324,372)</u>	<u>(7,517,505)</u>	<u>(7,189,160)</u>	<u>(7,149,493)</u>	<u>(6,819,618)</u>

4,489,965	3,926,344	3,652,717	3,526,596	3,237,048	3,163,104	3,222,351
4,220,058	3,887,187	3,422,311	3,284,531	3,216,406	3,114,497	3,028,285
506,400	488,974	477,659	476,675	475,227	468,822	463,126
1,570,923	1,397,747	1,199,047	1,058,412	1,043,766	1,023,700	989,901
(472,773)	(25,725)	110,418	187,790	61,087	60,201	84,100
582,862	572,546	456,927	439,952	457,515	346,077	335,198
		(11,913)			33,611	
					(187,598)	
(876,475)	(829,755)	(1,009,512)	(770,163)	(778,504)	(766,675)	(775,406)
		898			(883,257)	
<u>10,020,960</u>	<u>9,405,405</u>	<u>8,310,465</u>	<u>8,203,793</u>	<u>7,712,545</u>	<u>6,372,482</u>	<u>7,347,555</u>
<u>\$ 3,540,165</u>	<u>\$ 1,765,057</u>	<u>\$ 986,093</u>	<u>\$ 686,288</u>	<u>\$ 523,385</u>	<u>\$ (777,011)</u>	<u>\$ 527,937</u>

Continued on the next page

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

Continued from the previous page

	2025	2024	2023
Business-type expenses			
Higher education	\$ 5,492,810	\$ 5,134,705	\$ 4,931,856
Division of Workforce Services	70,932	75,066	72,062
Office of the Arkansas Lottery	475,565	499,132	500,166
War Memorial Stadium Commission (2)			
Public School Employee Health and Life			
Benefit Plan	536,193	457,704	417,427
Workers' Compensation Commission	12,227	9,746	7,439
Revolving loans	<u>27,854</u>	<u>12,520</u>	<u>6,942</u>
Total expenses	<u>6,615,581</u>	<u>6,188,873</u>	<u>5,935,892</u>
Program revenues			
Charges for services			
Higher education	2,740,245	2,580,265	2,425,566
Division of Workforce Services	79,727	85,083	88,961
Office of the Arkansas Lottery	578,278	613,636	608,223
War Memorial Stadium Commission (2)			
Public School Employee Health and Life			
Benefit Plan	496,582	449,004	450,655
Workers' Compensation Commission	17,999	17,566	15,438
Revolving loans	8,479	6,621	6,258
Operating grants	1,322,532	1,016,763	1,091,674
Capital grants and contributions	<u>70,199</u>	<u>62,111</u>	<u>49,559</u>
Total program revenues	<u>5,314,041</u>	<u>4,831,049</u>	<u>4,736,334</u>
Net (expense)	<u>(1,301,540)</u>	<u>(1,357,824)</u>	<u>(1,199,558)</u>
Business-type revenues, special items, and transfers			
Taxes			
Other	42,824	39,729	38,970
Investment earnings (loss)	196,986	197,481	110,544
Miscellaneous income	441,172	341,641	337,890
Special items:			
Assisted Living Incentive Fund (3)			
Disposal of operations			
Transfers - internal activities	873,556	1,021,384	962,721
Restatement			
Total business-type revenues, special items, and transfers	<u>1,554,538</u>	<u>1,600,235</u>	<u>1,450,125</u>
Total business-type activities change in net position	<u>252,998</u>	<u>242,411</u>	<u>250,567</u>
Total primary government change in net position	<u>\$ 2,953,380</u>	<u>\$ 1,804,150</u>	<u>\$ 2,843,883</u>

(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.

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	2022	2021	2020	2019	2018	2017 (1)	2016
\$	4,702,199	\$ 4,394,289	\$ 4,274,112	\$ 4,185,164	\$ 4,125,923	\$ 3,971,283	\$ 3,806,452
114,733	1,671,273	1,757,900	100,296	130,895	147,061	216,398	
479,947	529,723	444,164	421,017	409,282	366,200	368,085	
					2,630	3,419	
398,664	399,831	354,163	315,396	297,257	270,234	284,984	
4,575	9,315	12,892	19,629	18,410	12,115	19,905	
11,364	6,494	11,254	7,956	6,610	4,281	4,848	
<u>5,711,482</u>	<u>7,010,925</u>	<u>6,854,485</u>	<u>5,049,458</u>	<u>4,988,377</u>	<u>4,773,804</u>	<u>4,704,091</u>	
2,356,821	2,292,585	2,216,971	2,329,275	2,247,823	2,234,590	2,039,020	
102,956	118,577	124,681	185,418	198,337	242,692	301,567	
580,234	632,579	531,932	516,222	500,484	449,911	456,317	
					1,639	2,279	
440,567	368,297	332,455	318,482	310,412	306,087	302,445	
21,297	16,906	16,637	18,159	19,409	19,905	17,864	
6,115	4,753	4,484	4,209	2,611	2,589	4,024	
1,248,909	2,638,386	2,313,876	811,887	796,739	784,516	826,300	
78,917	29,609	85,962	72,299	112,104	46,482	31,627	
<u>4,835,816</u>	<u>6,101,692</u>	<u>5,626,998</u>	<u>4,255,951</u>	<u>4,187,919</u>	<u>4,088,411</u>	<u>3,981,443</u>	
<u>(875,666)</u>	<u>(909,233)</u>	<u>(1,227,487)</u>	<u>(793,507)</u>	<u>(800,458)</u>	<u>(685,393)</u>	<u>(722,648)</u>	
38,802	40,633	38,023	36,829	34,966	32,397	31,935	
(30,686)	106,384	74,149	85,734	66,185	68,636	21,217	
283,356	265,888	248,437	193,550	174,725	96,293	107,527	
			(3,999)				
876,475	829,755	1,009,512	770,163	778,504	766,675	775,406	
					(664)		
					(32,213)		
<u>1,167,947</u>	<u>1,242,660</u>	<u>1,370,121</u>	<u>1,082,277</u>	<u>1,054,380</u>	<u>931,124</u>	<u>936,085</u>	
<u>292,281</u>	<u>333,427</u>	<u>142,634</u>	<u>288,770</u>	<u>253,922</u>	<u>245,731</u>	<u>213,437</u>	
<u>\$ 3,653,398</u>	<u>\$ 1,967,201</u>	<u>\$ 1,030,943</u>	<u>\$ 975,058</u>	<u>\$ 777,307</u>	<u>\$ (531,280)</u>	<u>\$ 741,374</u>	

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

	2025	2024	2023	2022	2021
General fund					
Nonspendable	\$ 141,847	\$ 134,009	\$ 121,566	\$ 153,144	\$ 176,527
Restricted	2,440,372	1,801,902	2,254,660	1,843,368	1,684,008
Committed	8,769,047	8,846,363	6,661,455	5,213,593	3,795,155
Assigned	47,633		178,140	86,048	85,872
Unassigned	74,161	(213,529)	328,438	644,754	826,996
Total general fund	<u>\$ 11,473,060</u>	<u>\$ 10,568,745</u>	<u>\$ 9,544,259</u>	<u>\$ 7,940,907</u>	<u>\$ 6,568,558</u>

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2020	2019	2018	2017	2016
\$ 117,748	\$ 111,863	\$ 108,481	\$ 106,448	\$ 100,632
2,211,805	1,984,048	1,594,604	1,488,099	1,507,742
2,253,863	2,025,202	1,981,386	1,837,219	1,489,615
118,213	71,693	72,964	152,890	337,504
789,132	572,265	414,529	547,275	788,136
<u>\$ 5,490,761</u>	<u>\$ 4,765,071</u>	<u>\$ 4,171,964</u>	<u>\$ 4,131,931</u>	<u>\$ 4,223,629</u>

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

	2025	2024	2023	2022
Revenues:				
Taxes:				
Personal and corporate income	\$ 3,521,188	\$ 3,521,101	\$ 3,932,123	\$ 4,490,595
Consumer sales and use	4,740,166	4,639,049	4,559,747	4,199,145
Gas and motor carrier	482,371	506,911	494,805	506,521
Other	1,648,576	1,628,312	1,629,533	1,571,273
Intergovernmental	11,443,889	11,221,223	12,490,430	12,177,163
Licenses, permits, and fees	1,608,274	1,516,933	1,520,617	1,441,788
Investment earnings (loss)	754,935	442,735	49,453	(472,773)
Miscellaneous	570,524	569,347	603,654	550,515
Total revenues	<u>24,769,923</u>	<u>24,045,611</u>	<u>25,280,362</u>	<u>24,464,227</u>
Expenditures: (2)				
Current:				
General government	1,798,329	1,646,752	1,635,355	1,580,566
Education	4,870,867	4,912,965	4,604,347	4,638,723
Health and human services	11,511,193	10,915,820	12,389,117	11,968,473
Transportation	813,792	847,497	760,392	784,338
Law, justice, and public safety	1,127,275	1,216,678	1,036,743	988,209
Recreation and tourism development	260,614	241,563	229,063	198,020
Regulation of business and professionals	29,541	28,372	27,602	26,529
Resource development	320,659	277,527	232,005	204,352
Commerce	485,840	464,656	411,949	560,389
Debt service:				
Principal retirement	107,364	121,242	246,451	246,871
Interest expense	35,012	38,144	43,888	54,735
Bond issuance costs				
Capital outlay	<u>1,738,145</u>	<u>1,448,744</u>	<u>1,239,317</u>	<u>1,139,455</u>
Total expenditures	<u>23,098,631</u>	<u>22,159,960</u>	<u>22,856,229</u>	<u>22,390,660</u>
Excess of revenues over expenditures	<u>1,671,292</u>	<u>1,885,651</u>	<u>2,424,133</u>	<u>2,073,567</u>
Other financing sources (uses):				
Issuance of debt	29,294	59,359	60,903	82,819
Issuance of refunding debt			15,356	16,108
Bond discounts/premiums	(373)	935	242	209
Payment to refunding escrow agent			(15,356)	(16,378)
Lease proceeds	53,137	24,009	26,690	87,834
Sale of capital assets	3,763	4,396	2,906	4,665
SBITA proceeds	20,758	71,520	51,199	
Transfers in	229,210	219,298	211,763	221,312
Transfers out	(1,102,766)	(1,240,682)	(1,174,484)	(1,097,787)
Restatement				
Total other financing uses	<u>(766,977)</u>	<u>(861,165)</u>	<u>(820,781)</u>	<u>(701,218)</u>
Special Items:				
Disposal of operations				
Net change in fund balances	904,315	1,024,486	1,603,352	1,372,349
Fund balances-beginning as restated	<u>10,568,745</u>	<u>9,544,259</u>	<u>7,940,907</u>	<u>6,568,558</u>
Fund balances-ending	<u>\$ 11,473,060</u>	<u>\$ 10,568,745</u>	<u>\$ 9,544,259</u>	<u>\$ 7,940,907</u>
Debt service as a percentage of noncapital expenditures:	0.67%	0.77%	1.34%	1.42%

(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.

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2021 (3)	2020	2019	2018	2017	2016
\$ 3,921,586	\$ 3,654,603	\$ 3,532,123	\$ 3,232,455	\$ 3,165,911	\$ 3,219,066
3,860,050	3,410,118	3,280,703	3,218,765	3,113,922	3,031,524
488,737	477,660	476,683	475,225	469,542	462,761
1,410,108	1,204,519	1,057,303	1,044,078	1,023,060	989,962
10,836,160	9,235,843	8,242,021	8,231,911	8,443,611	7,888,337
1,369,747	1,273,012	1,304,469	1,293,003	1,291,699	1,327,225
(25,725)	110,418	187,790	61,087	60,201	84,100
531,176	395,298	446,587	410,043	347,449	330,258
<u>22,391,839</u>	<u>19,761,471</u>	<u>18,527,679</u>	<u>17,966,567</u>	<u>17,915,395</u>	<u>17,333,233</u>
1,642,741	1,457,416	1,539,201	1,536,902	1,446,481	1,468,346
4,177,850	3,732,911	3,762,150	3,752,555	3,748,403	3,715,057
10,740,086	9,530,819	9,239,216	8,834,154	8,930,024	8,458,304
731,333	517,988	457,534	493,272	680,353	521,237
935,489	873,435	852,412	814,586	789,376	796,987
181,550	182,273	259,939	265,003	257,494	255,074
24,008	24,869	124,385	119,428	125,232	131,865
165,593	141,455				
554,912	441,429				
240,662	176,064	116,756	155,947	102,397	99,689
56,288	60,753	63,846	67,455	77,568	76,631
	93			63	63
<u>1,106,636</u>	<u>944,402</u>	<u>823,005</u>	<u>1,136,524</u>	<u>1,133,099</u>	<u>875,513</u>
<u>20,557,148</u>	<u>18,083,907</u>	<u>17,238,444</u>	<u>17,175,826</u>	<u>17,290,490</u>	<u>16,398,766</u>
<u>1,834,691</u>	<u>1,677,564</u>	<u>1,289,235</u>	<u>790,741</u>	<u>624,905</u>	<u>934,467</u>
26,187	30,755	43,041	13,428	22,199	892
317,110				131,840	28,495
38,881	847	1,342		9,846	1,665
(351,662)				(140,877)	(43,636)
38,018	21,773	26,225	9,047	2,807	11,323
4,327	3,297	3,427	4,420	4,922	3,707
201,716	175,438	208,501	203,878	180,819	174,908
(1,031,471)	(1,184,882)	(978,664)	(983,431)	(959,820)	(950,317)
	898				
<u>(756,894)</u>	<u>(951,874)</u>	<u>(696,128)</u>	<u>(752,658)</u>	<u>(748,264)</u>	<u>(772,963)</u>
<u>_____</u>	<u>_____</u>	<u>(1)</u>	<u>1,950</u>	<u>31,661</u>	<u>_____</u>
1,077,797	725,690	593,107	40,033	(91,698)	161,504
5,490,761	4,765,071	4,171,964	4,131,931	4,223,629	4,062,125
<u>\$ 6,568,558</u>	<u>\$ 5,490,761</u>	<u>\$ 4,765,071</u>	<u>\$ 4,171,964</u>	<u>\$ 4,131,931</u>	<u>\$ 4,223,629</u>
1.53%	1.38%	1.10%	1.39%	1.11%	1.14%

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

Industry	2025		2024		2023		2022	
	Revenue base	Percent of total						
Agriculture, forestry, fishing, and hunting	\$ 145,240	0.19%	\$ 133,840	0.18%	\$ 127,080	0.17%	\$ 137,244	0.20%
Mining	410,629	0.53%	205,623	0.27%	192,529	0.26%	216,198	0.32%
Utilities	6,663,876	8.65%	6,529,986	8.56%	7,229,355	9.76%	5,995,932	8.79%
Construction	1,903,922	2.47%	1,773,027	2.33%	1,523,309	2.06%	1,282,963	1.88%
Manufacturing	5,230,913	6.79%	5,695,267	7.47%	5,734,531	7.74%	5,079,603	7.44%
Wholesale trade	6,617,839	8.60%	6,678,032	8.76%	6,678,860	9.02%	5,959,050	8.73%
Retail trade	36,600,646	47.54%	36,635,828	48.05%	35,200,633	47.52%	33,491,428	49.09%
Transportation and warehousing	827,732	1.08%	709,915	0.93%	670,045	0.91%	517,296	0.76%
Information	2,746,080	3.57%	2,666,965	3.50%	2,666,634	3.60%	2,739,522	4.02%
Finance and insurance	160,233	0.21%	150,442	0.20%	142,411	0.19%	154,198	0.23%
Real estate, rental, and leasing	2,589,608	3.36%	2,148,599	2.82%	1,739,513	2.35%	1,631,089	2.39%
Professional, scientific, and technical services	635,176	0.82%	591,698	0.78%	515,915	0.70%	476,758	0.70%
Management of companies and enterprises	59,686	0.08%	48,657	0.06%	26,177	0.04%	5,249	0.01%
Administrative, support, waste management, and remediation services	1,814,272	2.36%	1,797,714	2.36%	1,553,166	2.10%	1,352,857	1.98%
Educational services	76,172	0.10%	77,953	0.10%	77,522	0.10%	71,516	0.10%
Health care and social services	100,144	0.13%	97,017	0.13%	83,898	0.11%	64,460	0.09%
Arts, entertainment and recreation	539,930	0.70%	502,224	0.66%	462,658	0.62%	434,664	0.64%
Accommodation and food services	7,093,888	9.21%	6,968,587	9.14%	6,676,791	9.01%	6,121,915	8.97%
Other services (except public administration)	2,630,480	3.42%	2,691,070	3.53%	2,628,304	3.55%	2,359,631	3.46%
Public administration	149,766	0.19%	145,593	0.19%	141,451	0.19%	137,396	0.20%
Total (1)	\$ 76,996,232	100%	\$ 76,248,037	100%	\$ 74,070,782	100%	\$ 68,228,969	100%
Direct sales tax rate	6.50% (General) 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 0.625% (Mfg Repair Appr. Project)		6.50% (General) 0.125% (Food) 0.625% (Mfg util tax) 1.625% (Elec) 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

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2021		2020		2019		2018		2017		2016	
Revenue base	Percent of total										
\$ 108,259	0.18%	\$ 114,384	0.21%	\$ 112,348	0.22%	\$ 94,688	0.19%	\$ 92,103	0.19%	\$ 97,579	0.21%
166,584	0.27%	161,907	0.30%	164,244	0.31%	170,316	0.34%	127,753	0.26%	174,093	0.37%
5,377,619	8.76%	4,935,097	9.14%	4,981,909	9.49%	5,150,000	10.19%	4,761,393	9.82%	4,690,082	10.02%
1,038,563	1.69%	930,484	1.72%	918,210	1.75%	848,747	1.68%	868,432	1.79%	811,057	1.73%
4,441,710	7.24%	4,435,943	8.21%	4,146,807	7.90%	3,800,632	7.52%	3,960,281	8.17%	4,038,757	8.63%
5,145,638	8.38%	4,561,076	8.45%	4,403,208	8.39%	4,262,562	8.43%	3,882,947	8.01%	3,835,197	8.19%
31,030,255	50.55%	26,085,606	48.30%	24,691,217	47.03%	23,338,973	46.16%	22,165,564	45.71%	21,332,067	45.58%
336,543	0.55%	303,591	0.56%	269,546	0.51%	272,277	0.54%	286,595	0.59%	252,137	0.54%
2,535,771	4.13%	2,406,815	4.46%	2,617,057	4.99%	2,886,407	5.71%	2,930,387	6.04%	2,632,096	5.62%
146,938	0.24%	127,926	0.24%	113,528	0.22%	102,196	0.20%	108,919	0.22%	94,030	0.20%
1,623,554	2.64%	1,385,852	2.57%	1,365,668	2.60%	1,288,153	2.55%	1,218,863	2.51%	1,123,616	2.40%
407,206	0.66%	283,406	0.52%	231,362	0.44%	216,562	0.43%	211,277	0.44%	213,535	0.46%
2,791	0.00%	5,050	0.01%	1,626	0.00%	1,133	0.00%	715	0.00%	2,156	0.00%
1,174,717	1.91%	1,108,804	2.05%	1,051,761	2.00%	1,023,010	2.02%	960,065	1.98%	884,244	1.89%
59,386	0.10%	73,623	0.14%	75,830	0.14%	69,919	0.14%	71,001	0.15%	64,333	0.14%
80,938	0.13%	57,766	0.11%	69,703	0.13%	54,836	0.11%	71,528	0.15%	52,051	0.11%
330,797	0.54%	298,737	0.55%	307,170	0.59%	279,755	0.55%	251,958	0.52%	289,079	0.62%
5,187,079	8.45%	4,770,199	8.83%	5,014,457	9.55%	4,789,282	9.47%	4,629,764	9.55%	4,457,348	9.52%
2,014,992	3.28%	1,845,453	3.42%	1,841,655	3.51%	1,792,064	3.54%	1,762,280	3.64%	1,711,584	3.66%
178,188	0.29%	117,368	0.21%	119,368	0.23%	114,991	0.23%	124,613	0.26%	50,447	0.11%
\$ 61,387,528	100%	\$ 54,009,087	100%	\$ 52,496,674	100%	\$ 50,556,503	100%	\$ 48,486,438	100%	\$ 46,805,488	100%
6.50% (General)		6.50% (General)		6.50% (General)		6.50% (General)		6.50% (General)		6.50% (General)	
0.125% (Food)		0.125% (Food)		0.125% (Food)		1.50% (Food)		1.50% (Food)		1.50% (Food)	
0.625% (Mfg util tax)		0.625% (Mfg util tax)		0.625% (Mfg util tax)		0.625% (Mfg util tax)		0.625% (Mfg util tax)		0.625% (Mfg util tax)	
1.625% (Elec.)		1.625% (Elec.)		1.625% (Elec.)		1.625% (Elec.)		1.625% (Elec.)		1.625% (Elec.)	
2.50% (Mfg Repair)		3.50% (Mfg Repair)		4.50% (Mfg Repair)		5.50% (Mfg Repair)		5.50% (Mfg Repair)		5.50% (Mfg Repair)	
0.625% (Mfg Repair Appr. Project)		0.625% (Mfg Repair Appr. Project)		0.625% (Mfg Repair Appr. Project)		0.625% (Mfg Repair Appr. Project)		0.625% (Mfg Repair Appr. Project)		0.625% (Mfg Repair Appr. Project)	

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Schedule 6
Revenue Payers (Unaudited)
Current Fiscal Year as Compared to 2016
 (Expressed in thousands, except number of taxpayers)

Industry	2025				2016			
	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	\$ 8,959	0.20%	473	0.78%	\$ 6,155	0.23%	548	0.86%
Mining	26,672	0.61%	162	0.27%	11,004	0.41%	193	0.30%
Utilities	400,300	9.12%	697	1.15%	291,008	10.73%	817	1.28%
Construction	123,726	2.82%	2,732	4.50%	52,704	1.94%	2,460	3.86%
Manufacturing	300,760	6.85%	6,272	10.33%	215,725	7.95%	4,714	7.39%
Wholesale	413,523	9.42%	5,878	9.68%	240,413	8.86%	4,649	7.29%
Retail trade	1,888,304	43.02%	20,947	34.50%	1,129,868	41.65%	24,226	37.98%
Transportation and warehousing	53,516	1.22%	696	1.15%	16,286	0.60%	925	1.45%
Information	173,817	3.96%	1,225	2.02%	171,075	6.31%	927	1.45%
Finance and insurance	10,415	0.24%	332	0.55%	6,112	0.23%	346	0.54%
Real estate, rental, and leasing	142,216	3.24%	1,415	2.33%	72,960	2.69%	1,473	2.31%
Professional, scientific, and technical services	41,200	0.94%	2,250	3.70%	13,862	0.51%	1,820	2.85%
Management of companies and enterprises	3,870	0.09%	51	0.08%	138	0.01%	17	0.03%
Administrative, support, waste management, and remediation services	117,903	2.69%	3,248	5.35%	57,471	2.12%	3,495	5.48%
Educational services	4,944	0.11%	385	0.63%	4,180	0.15%	307	0.48%
Health care and social	6,487	0.15%	979	1.61%	3,351	0.12%	1,146	1.80%
Arts, entertainment, and recreation	34,984	0.80%	1,158	1.91%	18,179	0.67%	1,262	1.98%
Accommodation and food services	457,936	10.43%	5,767	9.50%	288,222	10.62%	7,238	11.35%
Other services (except public administration)	170,638	3.89%	5,960	9.81%	111,077	4.09%	7,163	11.23%
Public administration	8,765	0.20%	89	0.15%	3,276	0.12%	66	0.10%
Total	\$ 4,388,935	100.00%	60,716	100.00%	\$ 2,713,066	100.00%	63,792	100.00%

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

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Schedule 7

Ratios of Outstanding Debt by Type (Unaudited)

Last Ten Fiscal Years

(Expressed in thousands, except per capita amount)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Governmental										
General obligation bonds	\$ 372,525	\$ 437,405	\$ 514,130	\$ 702,090	\$ 881,565	\$ 1,125,440	\$ 1,250,480	\$ 1,310,345	\$ 1,447,370	\$ 1,518,148
Add (deduct):										
Issuance premiums	28,274	37,180	46,852	67,047	88,281	70,541	82,687	94,654	108,042	112,405
Loan payable to component unit	128,385	131,919	109,571	106,844	79,892	61,039	59,399	59,567	60,514	68,915
Notes payable to component unit					51	551	1,039	1,499	1,891	2,202
Capital leases (6)	121,782	131,438	138,944	139,259	149,909	127,740	127,387	110,185	109,493	114,926
Installment purchases with component unit (6)	91,284	64,126	65,972	65,382						
Lease obligations (6)	66,071	68,039	24,262							
Total governmental activities debt	<u>808,321</u>	<u>870,107</u>	<u>899,731</u>	<u>1,080,622</u>	<u>1,199,698</u>	<u>1,385,311</u>	<u>1,520,992</u>	<u>1,580,450</u>	<u>1,727,310</u>	<u>1,816,596</u>
Business-Type										
Special obligation:										
War Memorial Stadium Commission										500
Construction Assistance Revolving Loan Fund	147,080	70,035				17,475	20,220	23,140	25,485	27,890
Safe Drinking Water Revolving Loan Fund	19,645	34,580				13,150	15,215	17,420	19,185	20,995
College & university revenue bonds	2,144,338	2,179,525	2,227,555	2,202,650	2,147,000	2,095,095	1,951,875	1,973,331	1,898,326	1,836,895
Revenue bonds from direct placement	6,496	6,744	7,316	7,880	8,443	12,547	10,957			
Add: issuance premiums	157,476	150,813	148,405	153,429	164,055	145,447	129,848	134,062	119,742	115,742
Notes payable from direct placement	106,623	102,529	116,755	113,325	95,642	95,223	66,038	69,155	66,945	83,988
Notes payable with component unit	5,895	6,447	6,987	7,512	8,021	8,517	8,998	9,466	9,921	10,137
Capital leases (6)					70,975	79,135	67,219	66,288	60,808	46,802
Installment purchases with component unit (6)	46,906	47,430	54,213	58,410						
Lease obligations (6)	171,174	171,101	164,188	105,942						
SBITA obligations (6)	29,852	27,538	21,860							
Total business-type activities debt	<u>2,835,485</u>	<u>2,796,742</u>	<u>2,747,279</u>	<u>2,649,148</u>	<u>2,494,136</u>	<u>2,466,589</u>	<u>2,270,370</u>	<u>2,292,862</u>	<u>2,200,412</u>	<u>2,142,949</u>
Total Primary Government Debt	<u>3,643,806</u>	<u>3,666,849</u>	<u>3,647,010</u>	<u>3,729,770</u>	<u>3,693,834</u>	<u>3,851,900</u>	<u>3,791,362</u>	<u>3,873,312</u>	<u>3,927,722</u>	<u>3,959,545</u>
Debt Ratios: Primary Government										
Ratio of primary government debt to personal income (1)	1.93%	2.04%	2.21%	2.44%	2.49%	2.78%	2.88%	3.04%	3.18%	3.29%
Per capita (2)	1,177	1,191	1,193	1,229	1,224	1,280	1,263	1,294	1,315	1,330
Net General Obligation Bonded Debt										
Gross bonded debt (3)	372,525	437,405	514,130	702,090	881,565	1,125,440	1,250,480	1,310,345	1,447,370	1,518,148
Less: debt service funds (4)	218,873	(224,358)	(221,757)	(221,540)	(187,416)	(182,986)	(168,094)	(197,637)	(245,864)	(58,985)
Net bonded debt	<u>591,398</u>	<u>213,047</u>	<u>292,373</u>	<u>480,550</u>	<u>694,149</u>	<u>942,454</u>	<u>1,082,386</u>	<u>1,112,708</u>	<u>1,201,506</u>	<u>1,459,163</u>
Per capita (2)	120	69	96	158	230	313	361	372	402	490
Supplementary Information										
Component Unit Debt										
Arkansas Development Finance Authority (5):										
Bonds payable	531,778	429,867	404,447	494,513	553,336	476,485	556,282	593,955	625,743	714,085
Notes payable from direct placement	2,960	3,102	3,241	8,003	9,442	20,141	11,640	29,441	82,656	66,906
Add: issuance premiums	3,391	546		(544)	(645)	(745)	109	152		104
Less: unamortized bond issuance cost								(1,046)		(1,146)
U of A Foundation annuity obligations	10,355	12,989	14,051	15,402	18,677	14,670	15,492	15,458	14,069	14,065
Total Component Unit Debt	<u>548,484</u>	<u>446,504</u>	<u>421,739</u>	<u>517,374</u>	<u>580,810</u>	<u>510,551</u>	<u>583,523</u>	<u>639,006</u>	<u>721,422</u>	<u>794,014</u>
Total Debt	<u>\$ 4,192,290</u>	<u>\$ 4,113,353</u>	<u>\$ 4,068,749</u>	<u>\$ 4,247,144</u>	<u>\$ 4,274,644</u>	<u>\$ 4,362,451</u>	<u>\$ 4,374,885</u>	<u>\$ 4,512,318</u>	<u>\$ 4,649,144</u>	<u>\$ 4,753,559</u>
Debt Ratios										
Ratio of total debt to personal income (1)	2.22%	2.28%	2.46%	2.77%	2.88%	3.15%	3.32%	3.54%	3.77%	3.95%
Per capita (2)	\$ 1,355	\$ 1,336	\$ 1,331	\$ 1,399	\$ 1,416	\$ 1,450	\$ 1,458	\$ 1,507	\$ 1,557	\$ 1,597

(1) Personal income data can be found in Schedule 9.

(2) Population can be found in Schedule 9.

(3) Bond detail can be found in Note 9 to the financial statements.

(4) As restated to reflect full accrual rather than modified accrual balances.

(5) As restated to reflect the merger of Student Loan Authority and Development Finance Authority in fiscal year 2018.

(6) Changed as a result of GASB 87: Leases and GASB 96: SBITAs.

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Schedule 8
Pledged Revenue Bond Coverage (Unaudited)
Last Ten Years
(Expressed in thousands)

Colleges and Universities	Revenue Available for Debt Service			Interest	Total Debt Service	Coverage
	(1)	Principal				
Refunding Bonds						
2025	\$ 1,531,086	\$ 38,183	\$ 35,391	\$ 73,574	20.81	
2024	1,400,192	37,806	35,509	73,315	19.10	
2023	1,411,054	52,878	28,081	80,959	17.43	
2022	1,392,570	41,878	30,951	72,829	19.12	
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	
Housing Bonds						
2025	\$ 98,342	\$ 10,400	\$ 6,995	\$ 17,395	5.65	
2024	106,136	11,002	7,162	18,164	5.84	
2023	102,253	10,517	7,405	17,922	5.71	
2022	100,644	10,522	7,912	18,434	5.46	
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	
Facilities Bonds						
2025	\$ 986,844	\$ 49,220	\$ 41,450	\$ 90,670	10.88	
2024	900,041	48,545	37,769	86,314	10.43	
2023	850,489	57,323	26,850	84,173	10.10	
2022	769,015	31,048	36,770	67,818	11.34	
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	
General Revenue and Other Bonds						
2025	\$ 12,540	\$ 1,615	\$ 805	\$ 2,420	5.18	
2024	12,144	1,549	873	2,422	5.01	
2023	10,815	883	788	1,671	6.47	
2022	18,033	2,462	2,109	4,571	3.95	
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	

(1) Revenue Available for Debt Service includes student tuition and fees, housing fees, rent, athletic fees, millage revenue, and other auxiliary revenues.

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Schedule 9
Demographic and Economic Indicators (Unaudited)
Last Ten Years

Calendar Year	Total Population (in thousands)	Total			Unemployment Rate
		Personal Income (in millions)	Per Capita Personal Income	Per Capita Personal Income	
2025	(1)	3,094	188,835	61,018	3.6%
2024		3,079	177,455	57,631	3.4%
2023		3,059	169,527	55,422	3.0%
2022		3,037	160,329	52,789	3.3%
2021		3,021	152,846	50,599	5.2%
2020		3,010	137,184	45,580	5.0%
2019		3,001	130,244	43,399	3.5%
2018		2,994	126,189	42,142	3.7%
2017		2,986	121,719	40,762	3.8%
2016		2,976	118,349	39,771	4.3%

(1) Projected numbers

Note: Prior-year data may include revisions based on the latest available official release.

Source: Arkansas Department of Finance and Administration Economic Analysis and Tax Research

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Schedule 10
Principal Employers (Unaudited)
Fiscal Year 2025 as Compared to 2016

2025	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Wal-Mart Stores, Inc.	60,201	4.6%
2	Arkansas State Government (1)	27,227	2.1%
3	U.S. Federal Government	21,419	1.6%
4	Tyson Foods, Inc.	13,763	1.0%
5	University of Arkansas for Medical Sciences (UAMS)	12,646	1.0%
6	Baptist Health	7,925	0.6%
7	University of Arkansas	7,714	0.6%
8	Mercy Hospital Support Services	6,724	0.5%
9	Dollar General	5,288	0.4%
10	J.B. Hunt Transport Services, Inc.	5,202	0.4%
		<u>168,109</u>	<u>12.8%</u>

2016	Employer	Total Employees	Percentage of Total Arkansas Employment
1	Arkansas State Government	60,816	4.9%
2	Wal-Mart Stores, Inc.	51,680	4.2%
3	Tyson Foods, Inc.	23,000	1.9%
4	U.S. Federal Government	20,300	1.7%
5	Baptist Health	8,249	0.7%
6	Community Health Systems, Inc.	5,700	0.5%
7	CHI St Vincent	4,662	0.4%
8	Mercy	4,653	0.4%
9	Kroger Company	4,309	0.4%
10	Arkansas Children's Hospital	4,110	0.3%
		<u>187,479</u>	<u>15.4%</u>

Source: Arkansas Division of Workforce Services

(1) Beginning in fiscal year 2024, Arkansas Department of Transportation, Colleges, and Universities will not be included in the Arkansas State Government number.

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

Full-Time Employees

	2025	2024	2023	2022
Resource Development				
Agriculture Department	455	450	568	594
All other	486	505	587	601
Commerce				
Division of Workforce Services	714	415	662	769
All other	365	659	745	754
Law, Justice, and Public Safety				
Division of Correction	3,672	3,056	3,022	3,049
Department of the Military	384	413	538	442
Arkansas State Police	972	955	933	918
All other	2,225	2,575	2,788	2,770
Education				
Division of Elementary and Secondary Education	463	459	316	327
All other	487	511	618	657
General Government				
Department of Finance and Administration - Revenue	1,293	1,255	1,271	1,332
All other	4,743	4,951	2,093	2,140
Health and Human Services				
Department of Human Services	6,595	6,537	6,815	6,894
Department of Health	1,805	1,858	1,992	2,014
All other	729	740	916	865
Regulation of Business and Professionals				
Arkansas Public Service Commission	101	96	93	93
All other	170	175	303	306
Recreation and Tourism				
Department of Parks, Heritage, and Tourism	638	634	1,158	1,102
Arkansas Game and Fish Commission	618	615	695	680
All other	174	176	271	274
Transportation				
Department of Transportation	3,940	3,777	3,648	3,647
Proprietary Funds				
Colleges and Universities	35,291	35,176	27,039	26,952
Workers' Compensation Commission	78	79	80	78
Office of the Arkansas Lottery	60	62	64	63
State Total	<u>66,458</u>	<u>66,129</u>	<u>57,215</u>	<u>57,321</u>

Source: Department of Transformation and Shared Services, Arkansas Department of Transportation, Department of Higher Education, and the Arkansas Democrat-Gazette

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2021	2020	2019	2018	2017	2016
521	562	583	572	561	558
567	582	563	600	584	582
919	963	928	914	878	893
730	700	853	848	876	888
3,191	3,770	4,121	4,098	4,072	4,143
457	1,401	725	512	725	1,046
956	946	986	968	958	997
2,767	2,754	2,591	2,617	2,536	2,478
342	339	366	369	383	374
595	635	628	716	779	777
1,319	1,255	1,293	1,297	1,354	1,338
2,087	2,111	2,169	2,175	2,245	2,277
6,938	7,375	7,710	7,882	8,039	7,772
1,989	2,027	2,054	2,028	2,117	2,362
840	836	827	845	830	826
99	100	101	103	106	105
227	297	314	293	288	293
1,066	1,083	1,343	1,365	1,385	1,384
658	642	686	689	677	694
227	275	228	234	251	260
3,695	3,695	3,692	3,701	3,671	3,715
28,066	28,004	28,472	28,577	27,050	26,893
80	86	88	90	89	96
63	65	64	66	66	65
<u>58,399</u>	<u>60,503</u>	<u>61,385</u>	<u>61,559</u>	<u>60,520</u>	<u>60,816</u>

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

	<u>2025</u>	<u>2024</u>	<u>2023</u>
General Government			
Department of Finance & Administration-Revenue			
Office of Driver Services			
Licenses and ID cards issued	1,159,524	772,758	648,197
Registered vehicles	5,124,899	4,996,287	4,884,662
Income Tax Administration			
Total electronic tax filers	1,516,967	1,568,786	1,452,741
EFT estimate payments by corporations	14,437	14,453	12,317
EFT withholding payments	948,556	899,556	914,986
Education			
Division of Elementary and Secondary Education			
All school districts			
Average daily membership	442,634	445,162	448,849
Number of certified personnel	36,522	36,318	35,445
Average salary of K-12 classroom full-time			
employees	\$ 59,814	\$ 59,022	\$ 55,156
Per pupil expenditures	\$ 13,519	\$ 13,326	\$ 12,751
Foundation aid per student	\$ 7,771	\$ 7,618	\$ 7,413
Assessed valuation (in millions)	\$ 65,415	\$ 61,385	\$ 61,308
Higher Education			
Public institutions			
Net enrollment	140,290	135,644 (2)	132,719 (2)
Undergraduate degrees awarded	44,277	42,002 (2)	39,198 (2)
Graduate degrees awarded	7,707	7,786 (2)	7,114
Private institutions			
Fall net enrollment	15,477	15,458	15,380
Undergraduate degrees awarded	2,499	2,369	2,391
Graduate degrees awarded	952	946	905
Health and Human Services			
Department of Human Services			
Foster care recipients	5,638	5,958	6,815
Percent of population	0.18%	0.19%	0.22%
SNAP recipients	360,873	377,312	402,521
Percent of population	11.68%	12.27%	13.17%
Medicaid recipients (1)	1,098,611	1,319,636	1,204,773
Percent of population	35.57%	42.91%	39.43%
Department of Health			
Women, Infants, and Children Nutrition Program (WIC)			
Recipients	109,601	107,925	109,942
Percent of population	3.53%	3.51%	3.60%
Doses of vaccine administered	268,667	291,479	347,825

(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.

(2) Prior year data includes revisions based on the latest available information.

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

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2022	2021	2020	2019	2018	2017	2016
554,738	495,969	780,643	903,612	863,312	932,555	912,820
4,803,804	4,728,319	4,950,287	4,983,539	4,908,311	4,334,774	4,252,854
1,451,121	1,521,123	1,263,203	1,302,435	1,218,689	1,152,797	1,137,497
12,028	10,714	7,786	8,030	7,211	6,619	6,123
827,151	755,330	722,082	685,368	647,558	613,249	577,097
447,375	446,065	455,763	456,479	459,275	459,774	459,858
35,615	35,385	36,460	36,610	36,581	36,238	36,028
\$ 53,416	\$ 52,552	\$ 51,336	\$ 50,295	\$ 49,840	\$ 49,104	\$ 48,976
\$ 12,203	\$ 11,232	\$ 10,155	\$ 10,229	\$ 10,039	\$ 9,807	\$ 9,701
\$ 7,182	\$ 7,018	\$ 6,899	\$ 6,781	\$ 6,713	\$ 6,646	\$ 6,584
\$ 56,735	\$ 53,837	\$ 51,718	\$ 50,347	\$ 48,797	\$ 47,624	\$ 46,135
130,462 (2)	132,348 (2)	141,179 (2)	143,475 (2)	145,977	148,605	149,475
39,567 (2)	37,403	37,791	37,348	33,887	33,326	33,342
6,799 (2)	7,051 (2)	6,796	6,832	7,013	6,991	6,081
15,524	15,242	15,657	15,988	16,024	16,528	16,611
2,468	2,635	2,559	2,725	2,637	2,757	2,781
803	751	609	626	603	637	600
7,439	7,614	7,568	7,673	8,358	9,032	8,555
0.24%	0.25%	0.23%	0.24%	0.26%	0.28%	0.27%
462,877	510,941	496,712	429,378	508,171	537,536	642,571
15.22%	16.88%	15.11%	13.22%	15.82%	16.92%	20.46%
1,180,015	1,217,331	1,085,938	1,086,485	824,868	1,164,197	1,085,787
38.81%	40.22%	33.04%	33.44%	25.68%	36.65%	34.57%
104,153	104,211	117,548	128,946	136,003	141,694	148,441
3.43%	3.43%	4.02%	3.97%	4.23%	4.46%	4.73%
377,834	335,515	470,692	498,515	504,859	554,079	663,689

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

Continued from previous page

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Transportation			
Department of Transportation			
Miles of state highway maintained	16,370	16,385	16,436
Law, Justice, and Public Safety			
Division of Correction			
Custody population count	16,663	15,931	15,311
Inmate cost per day	\$ 75	\$ 70	\$ 70
Operating capacity	16,454	16,241	15,440
Inmate care/custody operating expenses (in thousands)	\$ 323,683	\$ 324,497	\$ 363,217
Arkansas State Police			
Commissioned officers	576	555	519
Number of homicides investigated (3)	53	28	56
Total citations issued	72,488	183,159	157,687
Total motorist assists	19,475	35,512	31,380
Total number of traffic accidents	8,071	28,126	18,563
Total criminal investigations	1,000	926	1,000
Recreation and Tourism			
Department of Parks, Heritage, and Tourism			
Acres of state parks maintained	55,448	55,181	55,145
Game and Fish Commission			
Fishing licenses sold	519,875	550,944	622,106
Hunting licenses sold	520,001	506,576	604,336
Lifetime licenses sold	24,414	23,324	23,897
Other licenses sold (4)	12,203	25,931	15,214
Commerce			
Department of Insurance			
Number of active licensed insurance agents	217,507	219,036	217,042
Total consumer complaints received	2,116	2,408	1,914
Total consumer complaints closed	2,160	2,306	1,888
Total dollars recovered for consumers (in thousands)	\$ 12,196	\$ 13,576	\$ 7,862

(2) Prior year data includes revisions based on the latest available information.

(3) In fiscal year 2017, State Police started using a new reporting system that identifies cause of death by type (e.g., homicide, suicide, accidental death, and natural death) as determined by the State Medical Examiner's Office.

(4) In fiscal year 2016 and prior years, the quantity of reprinted license sales was reported as other licenses. In fiscal year 2017, a new process was implemented, and there is no longer a charge for reprinted licenses. As a result, the quantity of other licenses sold decreased.

Sources: Arkansas State Police; Arkansas Game and Fish Commission; Department of Finance and Administration - Revenue Division; Department of Education; Department of Higher Education; Department of Health; Department of Human Services; Department of Transportation; Department of Correction; Department of Parks, Heritage, and Tourism; and Department of Commerce

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2022	2021	2020	2019	2018	2017	2016
16,451	16,451	16,465	16,465	16,466	16,449	16,431
14,775	14,110	15,762	15,594	15,637	15,885	16,050
\$ 66	\$ 71	\$ 64	\$ 62	\$ 61	\$ 60	\$ 60
14,886	14,886	15,095	14,710	14,540	14,900	14,821
\$ 357,967	\$ 365,777	\$ 369,247	\$ 354,108	\$ 351,613	\$ 346,549	\$ 343,138 (2)
515	533	544	535	532	526	559
52	118	72	80	63	73	200
133,263	135,092	186,734	195,127	179,863	162,928	222,922
21,471	24,989	21,876	26,039	27,522	27,064	26,872
12,146	19,114	16,881	18,201	18,778	19,862	18,962
1,200	1,653	1,670	1,712	1,682	1,712	1,820
55,007	54,770	54,770	54,769	54,680	54,643	54,602
601,821	653,134	641,987	593,556	648,985	647,888	681,493
590,584	614,320	589,237	580,096	615,322	506,497	505,058
22,351	27,060	23,786	22,955	21,404	30,826	28,997
17,975	16,980	16,692	15,773	15,954	21,349	36,873
207,259	169,373	156,501	138,665	130,144	123,313	119,066
1,818	1,745	2,163	2,267	2,270	2,409	2,437
1,752	1,782	2,195	2,381	2,301	2,386	2,218
\$ 5,557	\$ 4,203	\$ 3,885	\$ 6,128	\$ 4,822	\$ 3,200	\$ 3,557

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

	2025	2024	2023	2022	2021	2020 (1)	2019	2018	2017	2016
General Government										
Department of Finance and Administration -										
Revenue										
Vehicles	121	143	154	156	151	152	176	177	183	170
Education										
Division of Elementary and Secondary Education										
Vehicles	28	30	8	8	9	9	8	7	7	7
Higher Education										
Campuses (public institutions)	33	33	33	33	33	33	33	33	33	33
Health and Human Services										
Department of Human Services										
Buildings	274	274	274	274	274	292	292	292	293	292
Vehicles	340	439	415	430	438	504	467	447	457	459
Department of Health										
Buildings	8	8	8	9	9	8	8	8	7	7
Vehicles	108	109	129	126	126	127	138	133	135	137
Transportation										
Department of Transportation										
Passenger vehicles	2166	2061	2068	2109	1861	1775	1820	1728	1841	1845
Law, Justice, and Public Safety										
Division of Correction										
Correctional units	21	21	21	21	21	21	21	20	21	21
Vehicles	378	391	382	385	392	385	371	389	387	425
Arkansas State Police										
Police stations	12	12	12	12	12	12	12	12	12	12
Vehicles	1028	1151	981	945	970	940	866	854	836	910
Recreation and Tourism										
Department of Parks, Heritage, and Tourism										
State parks and museums	52	52	52	52	52	52	52	52	52	52
Vehicles	283	265	257	254	251	261	254	262	275	253
Game and Fish Commission										
Hatcheries	6	6	6	6	5	5	5	5	5	5
Vehicles	564	605	514	455	462	450	456	480	531	571
Boats	564	568	565	583	556	543	554	585	569	581
Regulation of Business and Professionals										
Vehicles	32	33	33	29	28	23	99	94	91	92
Commerce										
Vehicles	120	102	100	91	81	89	N/A	N/A	N/A	N/A

(1) In fiscal year 2020, functional areas grouping changed due to the Transformation and Efficiencies Act 910 of 2019.

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

ARKANSAS

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 which includes the Ozark National Forest and Ouachita National Forest. Each forest covers more than one million acres, with the Ouachita National Forest being the oldest national forest in the South. Arkansas has over 600,000 acres of lakes and 90,000 miles of rivers and streams. Visitors can mine for diamonds at the only producing 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% (109 million bushels) of rice.
- Arkansas is third in the nation for total pounds of broiler meat produced yielding over 7.5 billion pounds.
- Arkansas, at an estimated \$7.27 billion, is consistently ranked in the top 5 in total wood fiber produced.

Arkansas is the birthplace of President William "Bill" Clinton, Johnny Cash, Daisy Bates, Paul "Bear" Bryant, Billy Bob Thornton, Johnnie Hunt, Blaze Foley, Milton Crenshaw, and Maurice "Footsie" Britt.



Source: Arkansas Secretary of State, USDA, Encyclopedia of Arkansas, Arkansas Department of Parks, Heritage, and Tourism

