

**SECRETARY OF STATE**

**Annual Financial Report**

**June 30, 2021**

LEGISLATIVE JOINT AUDITING COMMITTEE



SECRETARY OF STATE  
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# Arkansas

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



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
House Vice Chair

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

## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### INDEPENDENT AUDITOR'S REPORT

Secretary of State  
Legislative Joint Auditing Committee

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the major fund of the Secretary of State, an office of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Secretary of State's departmental financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Secretary of State as of June 30, 2021, the changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As indicated above, the financial statements of the Secretary of State are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund of the State that is attributable to the transactions of the Secretary of State. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2021, the changes in its financial position, and budgetary comparisons for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

***Other Matters******Required Supplementary Information***

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Secretary of State are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Secretary of State individually. Our opinion on the departmental financial statements is not affected by the omission of this information.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Secretary of State's departmental financial statements. The Schedule of Selected Information and Other General Information are presented for purposes of additional analysis and are not a required part of the departmental financial statements.

The Schedule of Selected Information and Other General Information have not been subjected to the auditing procedures applied in the audit of the departmental financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2022, on our consideration of the Secretary of State'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. 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 Secretary of State's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Secretary of State's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
September 14, 2022  
SA0406321



## LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

### REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

#### INDEPENDENT AUDITOR'S REPORT

Secretary of State  
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the Secretary of State (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Secretary of State's departmental financial statements, and have issued our report thereon dated September 14, 2022.

#### ***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### ***Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record, and distribution is not limited.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Tom Bullington", with a stylized flourish at the end.

Tom Bullington, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 14, 2022

SECRETARY OF STATE  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 11,503,459
Accounts receivable	131,327
Due from other state agencies	313,332
Inventories - resale	42,258
Prepaid expenses:	
Election	1,028,973
Other	<u>645,528</u>
 TOTAL ASSETS	 <u><u>\$ 13,664,877</u></u>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable - vendors	\$ 210,173
Due to other state agencies	451,324
Grants payable	3,311,117
Accrued payroll	509,412
Unearned income	<u>76,969</u>
Total Liabilities	<u>4,558,995</u>
 Deferred inflows of resources:	
Related to revenues	<u>2,572</u>
 Fund balance:	
Nonspendable for:	
Inventories	42,258
Prepaid expenses	1,674,500
Restricted for program requirements	3,833,590
Committed for program requirements	1,706,295
Assigned for capital projects	9,275
Unassigned	<u>1,837,392</u>
Total Fund Balance	<u>9,103,310</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u><u>\$ 13,664,877</u></u>

The accompanying notes are an integral part of these financial statements.

SECRETARY OF STATE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	<u>General Fund</u>
REVENUES	
Federal grants and reimbursements	\$ 31,142
Uniform Commercial Code filing fees	1,232,954
Rental income	247,268
Café sales	141,749
Gift shop sales	30,475
Interest income	58,908
Other sales, refunds, and reimbursements	<u>464,104</u>
 TOTAL REVENUES	 2,206,600
 Less: State Treasury service charge	 <u>38,996</u>
 NET REVENUES	 <u>2,167,604</u>
 EXPENDITURES	
Salaries and benefits	11,172,548
Communication and transportation of commodities	504,248
Printing and advertising	443,869
Repairing and servicing	2,664,028
Utilities and rent	963,424
Travel and subsistence	27,982
Professional services	633,831
Insurance and bonds	240,803
Other expenses and services	3,768,284
Commodities, materials, and supplies	791,340
Refunds, taxes, and claims	3,752,044
Purchases for resale:	
Café	113,032
Gift shop	19,086
Capital outlay	<u>594,293</u>
 TOTAL EXPENDITURES	 <u>25,688,812</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(23,521,208)</u>



SECRETARY OF STATE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	<u>General Fund</u>
OTHER FINANCING SOURCES (USES)	
Fees collected for other state funds	\$ 31,029,751
Interagency transfers:	
General revenue allocation	17,250,000
Franchise taxes transferred to:	
General Revenue Allotment Fund (AGA)	(8,000,000)
Education Adequacy Fund (SEA)	(18,743,562)
Franchise Tax Refund Fund (MTA)	(406,896)
Preservation of state-owned lands and historic sites	622,630
Corporate filing fees transferred to State Central Services Fund (HSC)	(3,813,453)
Other, net	<u>101,913</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>18,040,383</u>
 NET CHANGE IN FUND BALANCE	 (5,480,825)
 FUND BALANCE - JULY 1	 <u>14,584,135</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 9,103,310</u></u>

The accompanying notes are an integral part of these financial statements.

SECRETARY OF STATE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount			
	Original	Final	Actual	
REVENUES				
Federal grants and reimbursements			\$ 31,142	\$ 31,142
Fees	\$ 9,700	\$ 9,700	1,245,227	1,235,527
Cash funds	225,000	225,000	419,667	194,667
Other sales, refunds, and reimbursements	23,957,500	23,957,500	510,564	(23,446,936)
TOTAL REVENUES	24,192,200	24,192,200	2,206,600	(21,985,600)
Less: State Treasury service charge			38,996	(38,996)
NET REVENUES	24,192,200	24,192,200	2,167,604	(22,024,596)
EXPENDITURES				
Regular salaries	8,505,363	8,857,863	8,315,565	542,298
Extra help	144,909	144,909	57,269	87,640
Personal services matching	2,746,200	2,847,650	2,784,636	63,014
Overtime	33,000	33,000	15,079	17,921
Operating expenses	6,169,939	10,834,845	7,027,530	3,807,315
Conference fees and travel	65,651	65,651		65,651
Professional services	205,956	228,288	112,367	115,921
Grants and aid	17,500,000	21,638,886	6,347,714	15,291,172
Refunds and reimbursements	550,000	555,000	434,359	120,641
Capital outlay	210,000	15,782,644	594,293	15,188,351
Capitol grounds improvements	386,212	84,948		84,948
Special maintenance	500,048	15,592,485		15,592,485
Election expenses	2,738,029			
TOTAL EXPENDITURES	39,755,307	76,666,169	25,688,812	50,977,357
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(15,563,107)	(52,473,969)	(23,521,208)	28,952,761

SECRETARY OF STATE  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL - GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Fees collected for other state funds			\$ 31,029,751	\$ 31,029,751
Interagency transfers:				
General revenue allocation	\$ 19,955,359	\$ 19,955,359	17,250,000	(2,705,359)
Franchise taxes transferred to:				
General Revenue Allotment Fund (AGA)			(8,000,000)	(8,000,000)
Education Adequacy Fund (SEA)			(18,743,562)	(18,743,562)
Franchise Tax Refund Fund (MTA)			(406,896)	(406,896)
Preservation of state-owned lands and historic sites			622,630	622,630
Corporate filing fees transferred to				
State Central Services Fund (HSC)			(3,813,453)	(3,813,453)
Other, net			101,913	101,913
TOTAL OTHER FINANCING SOURCES (USES)	19,955,359	19,955,359	18,040,383	(1,914,976)
NET CHANGE IN FUND BALANCE	4,392,252	(32,518,610)	(5,480,825)	27,037,785
FUND BALANCE - JULY 1	14,584,135	14,584,135	14,584,135	
FUND BALANCE - JUNE 30	\$ 18,976,387	\$ (17,934,475)	\$ 9,103,310	\$ 27,037,785

The accompanying notes are an integral part of these financial statements.

SECRETARY OF STATE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Office of the Secretary of State was established as an office of Arkansas state government upon adoption of the Constitution of the State of Arkansas on September 7, 1874. This office is a branch of the Executive Department as set forth in Ark. Const. art. 6.

B. Basis of Presentation – Fund Accounting

The accounting system is organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for purposes of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. The following types of funds, if applicable to this Agency, are recognized in the accompanying financial statements.

Governmental Funds

General Fund – General Fund is the general operating fund and is used to report all financial resources, except those required to be accounted for in another fund.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay current liabilities (i.e., 45 days). Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met.

D. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, cash in State Treasury, 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.

E. Deposits and Investments

State Board of Finance Policies

Ark. Code Ann. § 19-4-805 requires that agencies holding monies not deposited in the State Treasury, other than the institutions of higher learning, abide by the recommendations of the State Board of Finance. The State Board of Finance promulgated cash management, collateralization, and investments policies and procedures, effective July 14, 2012, as referenced in the Financial Management Guide issued by the Department of Finance and Administration for use by all state agencies.

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

SECRETARY OF STATE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

State Board of Finance Policies (Continued)

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

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-510, -518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed 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.

Deposits

Deposits are carried at cost and consist of cash in bank and cash in State Treasury totaling \$1.4 million and \$10.1 million, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. As of June 30, 2021, none of the Agency's bank balance of \$1.8 million was exposed to custodial credit risk.

F. Interfund Balances and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Details of interfund transfers are disclosed in the financial statements.

G. Inventories

Inventories represent the cost of consumable supplies and goods on hand at year-end. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories, as reported in the general fund financial statements, are also recorded as a nonspendable component of fund balance indicating that they do not constitute "available, spendable financial resources." Inventories are valued for reporting purposes at actual cost.

H. Prepaid Expenses

Prepaid expenses generally represent the cost of consumable supplies on hand or unexpired services at year-end. The cost of these items is included with expenditures at the time of purchase. Prepaid expenses, as reported in the general fund financial statements, are also recorded as a nonspendable component of fund balance indicating that they do not constitute "available, spendable financial resources."

SECRETARY OF STATE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

J. Fund Equity

Fund Balance

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

The nonspendable fund balance includes amounts that cannot be spent because they are either (a) not in spendable form (e.g., prepaid items, inventories, long-term amount of loans and notes receivables, etc.) or (b) legally or contractually required to be maintained intact.

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

*Restricted fund balance.* This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) 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 the same action that imposed the constraint.

*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 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.

K. Budgetary Data

The State utilizes an annual budgeting process with budget amounts initially derived from the previous fiscal year's funded allocation. In accordance with the appropriations and funding provided by the Legislature, individual state agencies have been charged with the responsibility of administering and managing their programs as authorized by the Legislature. Agencies are also charged with the responsibility of preparing an annual operations plan as a part of the budgetary process for the operation of each of their assigned programs. State law provides for the establishment of a comprehensive financial management system that includes adequate controls over receipts, expenditures, and balances of Agency funds. It is mandated that this system include a modified accrual system, conform with generally accepted governmental accounting principles, and provide a reporting system whereby actual expenditures are compared to expenditures projected in the Agency's annual operation plan.

SECRETARY OF STATE  
SCHEDULE OF SELECTED INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2021	2020	2019	2018	2017
<b>General Fund</b>					
Total Assets	\$ 13,664,877	\$ 15,765,184	\$ 4,729,516	\$ 10,094,170	\$ 5,176,583
Total Liabilities	4,558,995	1,179,575	729,708	782,526	720,133
Total Deferred Inflows of Resources	2,572	1,474	1,220	1,229	5,679
Total Fund Equity	9,103,310	14,584,135	3,998,588	9,310,415	4,450,771
Net Revenues	2,167,604	11,804,927	2,187,180	6,461,406	2,015,892
Total Expenditures	25,688,812	28,915,787	23,786,792	21,686,536	20,760,970
Total Other Financing Sources (Uses)	18,040,383	27,696,407	16,287,785	20,084,774	19,574,303

SECRETARY OF STATE  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

A. Capital Assets

Capital assets purchased and in the custody of this Agency were recorded as expenditures at the time of purchase. Assets with costs exceeding \$5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Infrastructure or public domain fixed assets (such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are also capitalized. Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. In accordance with current accounting principles generally accepted in the United States of America, general capital assets and depreciation are reported in the State's "Government-Wide" financial statements but are not reported in the governmental fund financial statements. Depreciation is reported for proprietary fund capital assets based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

Assets:	Years
Equipment	5-20
Buildings and building improvements	20-50
Infrastructure	10-40
Land improvements	10-100
Intangibles	4-95
Other capital assets	10-15

Capital assets activity for the year ended June 30, 2021, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 1,772,188			\$ 1,772,188
Land improvements	2,628,104	\$ 48,259	\$ 90,086	2,586,277
Buildings	16,634,711		472,583	16,162,128
Equipment	2,562,433	546,034	1,085,438	2,023,029
Historical treasures	1,189,358			1,189,358
Intangibles	9,304,083		10,354	9,293,729
Total governmental activities	<u>\$ 34,090,877</u>	<u>\$ 594,293</u>	<u>\$ 1,658,461</u>	<u>\$ 33,026,709</u>

B. Pension Plan

Arkansas Public Employees Retirement System (APERS)

Plan Description – The Agency contributes to APERS, a cost-sharing, multiple-employer defined benefit pension plan administered by the APERS Board of Trustees. APERS provides retirement and disability benefits, annual redetermination of benefit adjustments, and survivor benefits to plan members and beneficiaries. The Constitution of Arkansas, Article 5, vests with the General Assembly the legislative power to enact and amend benefit provisions of APERS as published in Chapters 2, 3, and 4 of Title 24 of the Arkansas Code Annotated. APERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arkansas Public Employees Retirement System, One Union National Plaza, 124 West Capitol, Little Rock, Arkansas 72201 or by calling 1-501-682-7855.

Funding Policy – Contributory plan members are required to contribute 5% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2021, 2020, and 2019, were \$1.26 million, \$1.23 million, and \$1.17 million, respectively, equal to the required contributions for each year.



SECRETARY OF STATE  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

The Agency contributes to the Plan, a single employer defined benefit OPEB plan administered by DTSS-EBD, on a monthly basis. The Board establishes medical and prescription drug benefits for three classes of covered individuals: active employees, terminated employees with accumulated benefits, and retirees and beneficiaries. The Plan is established on the basis of a pay-as-you-go financing requirement, and no assets are accumulated in a trust, as defined by Governmental Accounting Standards Board (GASB) Statement No. 75. The State's annual OPEB cost for the Plan is based on an actuarially-determined calculated amount made in accordance with GASB Statement No. 75.

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed \$450 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer.

D. Compensated Absences – Employee Leave

Annual leave is earned by all full-time employees. Upon termination, employees are entitled to receive compensation for their unused accrued annual leave up to 30 days. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

Sick leave is earned by all full-time employees and there is no limit to the number of sick hours employees may accrue. Compensation up to a maximum of \$7,500 for unused sick leave is payable to employees upon retirement.

Compensated absences are reported in the State's "Government-Wide" financial statements but are not reported as liabilities or expenditures in the governmental funds. However, the compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2021 and 2020, amounted to \$1,017,981 and \$893,024, respectively. The net changes to compensated absences payable during the year ended June 30, 2021, amounted to \$124,957.