

# **ARKANSAS DEPARTMENT OF PUBLIC SAFETY**

## **Annual Financial Report**

**June 30, 2021**

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LEGISLATIVE JOINT AUDITING COMMITTEE



ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
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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

Arkansas Department of Public Safety  
Legislative Joint Auditing Committee

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

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Arkansas Department of Public Safety, 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 Arkansas Department of Public Safety'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 opinions 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 opinions.

#### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund, and the aggregate remaining fund information of the Arkansas Department of Public Safety 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***

##### ***Departmental Financial Statements***

As indicated above, the financial statements of the Arkansas Department of Public Safety are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Arkansas Department of Public Safety.

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.

#### *Implementation of New Accounting Guidance*

As discussed in Note 1C to the financial statements, the Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*. Our opinions are 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 Arkansas Department of Public Safety 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 Arkansas Department of Public Safety 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 opinions on the financial statements that collectively comprise the Arkansas Department of Public Safety's departmental financial statements. The Schedule of Selected Information, Financial Information by Business Area, Arkansas State Police Retirement System (ASPRS) - Ten-Year Schedule of Changes in Net Pension Liability and Related Ratios, Arkansas State Police Retirement System (ASPRS) - Ten-Year Schedule of Agency Contributions and Other General Information are presented for purposes of additional analysis and are not a required part of the financial statements.

The Schedule of Selected Information, Financial Information by Business Area, Arkansas State Police Retirement System (ASPRS) - Ten-Year Schedule of Changes in Net Pension Liability and Related Ratios, Arkansas State Police Retirement System (ASPRS) - Ten-Year Schedule of Agency Contributions, 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 23, 2022, on our consideration of the Arkansas Department of Public Safety'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 Arkansas Department of Public Safety'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 Arkansas Department of Public Safety's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
September 23, 2022  
SAC991321

# 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

### 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

Arkansas Department of Public Safety  
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 and the aggregate remaining fund information of the Arkansas Department of Public Safety (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 Arkansas Department of Public Safety's departmental financial statements, and have issued our report thereon dated September 23, 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 opinions 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below in the Schedule of Findings and Responses as item 2021-1.

## SCHEDULE OF FINDINGS AND RESPONSES

2021-1 As required by Section R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide, the Agency notified Arkansas Legislative Audit (ALA) of the following thefts of state property:

- a) On September 29, 2020, a Bushmaster XM-15 rifle equipped with an Aimpoint Optic sight was stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was \$1,166. (St. Francis County)
- b) Between February 10 and February 11, 2021, a Stinger flashlight and a tactical vest (body armor) were stolen from a state vehicle parked at an employee's personal residence. Incident and police reports were filed. The value of the property taken was \$855. (Garland County)
- c) On April 18, 2022, the Agency discovered that catalytic converters were missing from two Arkansas Crime Information Center (ACIC) vehicles parked in ACIC parking. Incident and police reports were filed. The cost to repair vehicles was \$521. (Pulaski County)

We recommend the Agency continue to report losses of property when they occur.

### Management personnel responded as follows:

*Corrective Action a): The Criminal Investigation Division (CID) of the Arkansas State Police (ASP) initiated an investigation into the theft and reported the serial number of the weapon as stolen in the ACIC database. It was determined during the investigation that the employee failed to properly secure the weapon in the correct gun rack. Disciplinary action was taken against the employee. The weapon has not been recovered at this time.*

*Corrective Action b): A police report of the theft was filed with the Garland County Sheriff's Office. No suspects have been identified in the theft and the stolen items have not been recovered.*

*Corrective Action c): A police report of the theft was filed with the Little Rock Police Department and the vehicles were repaired. The parking garage is accessible through badge entry or prepaid ticket. The owner of the parking garage has installed security cameras since the date of the theft.*

### Agency's Response to Findings

The Agency's response to the finding identified in our audit is described above. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### 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



Tom Bullington, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
September 23, 2022

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 114,197,089
Investments	3,500,000
Accounts receivable:	
Federal grants and reimbursements	11,711,048
Customer receivables	37,000
Criminal history search fees	735,450
Accrued interest	2,305
Other receivables	5,183,742
Due from other state agencies	1,860,357
Prepaid items	1,496,532
Inventories	<u>39,675,065</u>
 TOTAL ASSETS	 \$ <u><u>178,398,588</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable	\$ 1,299,035
Grants payable	9,486,435
Accrued payroll	4,592,708
Due to other agencies	5,467,207
Due to other governments	8,991,379
Unearned income - permits and licenses	<u>51,452,118</u>
Total Liabilities	<u>81,288,882</u>
 Deferred inflows of resources:	
Related to revenues	<u>4,671,720</u>

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
Fund balance:	
Nonspendable for:	
Prepaid items	\$ 1,496,532
Inventories	39,675,065
Restricted for:	
Debt services	20,797,206
Capital projects	1,549,891
Program requirements	7,813,918
Committed for:	
Disaster assistance	587,450
Other	25,165,259
Assigned for:	
Capital projects	6,006,097
Other	1,700,040
Unassigned	<u>(12,353,472)</u>
Total Fund Balance	<u>92,437,986</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 178,398,588</u>

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



ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
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	\$ 60,958,774
Emergency telephone service charge	35,031,907
Prepaid wireless public safety charge	25,306,500
Motorized vehicle license and testing fees	11,392,613
Criminal history search fees	8,493,861
Driver's license reinstatement fees	9,367,419
Concealed weapons permits	2,183,480
Uniform filing fees	1,462,528
Business licenses and fees	1,396,074
Other fees, fines, penalties, and taxes	4,346,004
Driving record information fees	1,659,497
Interest income	275,930
Federal surplus property program fees	685,083
Miscellaneous	<u>66,951,339</u>
 TOTAL REVENUES	 229,511,009
 Less: State Treasury service charge	 <u>863,277</u>
 NET REVENUES	 <u>228,647,732</u>
 EXPENDITURES	
Salary and benefits	91,749,745
Communication and transportation of commodities	3,013,841
Printing and advertising	74,228
Repairing and servicing	5,177,367
Utilities and rent	3,147,893
Travel and subsistence	456,034
Professional services	9,718,875
Insurance and bonds	516,512
Other expenses and services	2,258,303
Commodities, materials, and supplies	9,697,811
Assistance, grants, and aid	147,265,014
Refunds, taxes, and claims	13,787,709
Debt service:	
Principal	101,158
Interest	2,184,593
Bond issuance	815,332
Low value asset purchases	1,996,003
Capital outlay	<u>24,449,929</u>
 TOTAL EXPENDITURES	 <u>316,410,347</u>

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	<u>General Fund</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (87,762,615)</u>
OTHER FINANCING SOURCES (USES)	
Driver's license revenue bond proceeds (net)	1,456,401
Public Safety Charges Revenue Bonds proceeds (net)	34,392,962
Interagency transfers:	
General revenue distribution	65,374,295
Arkansas Department of Health	(3,720,000)
Arkansas Department of Human Services	3,298,404
Arkansas Public Employees Retirement System	1,567,461
Department of Finance and Administration	21,606,130
Department of Finance and Administration - personal protective equipment inventory	3,429,385
Department of Finance and Administration - motor vehicle funding	4,449,838
University of Arkansas for Medical Sciences	(426,114)
Other transfers, net	820,375
Gain on sale of building	598,561
Prior-year refunds to expenditures	101,165
Prior-year warrants outlawed and cancelled	<u>10,727</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>132,959,590</u>
NET CHANGE IN FUND BALANCE	45,196,975
FUND BALANCE - JULY 1	<u>47,241,011</u>
FUND BALANCE - JUNE 30	<u><u>\$ 92,437,986</u></u>

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
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		
REVENUES				
Federal grants and reimbursements	\$ 107,773,436	\$ 107,773,436	\$ 60,958,774	\$ (46,814,662)
Public safety trust fund			60,338,407	60,338,407
Special revenue	87,515,533	87,515,533	30,345,087	(57,170,446)
Criminal history search fees	7,576,640	7,576,640	8,493,861	917,221
Uniform filing fees	1,595,695	1,595,695	1,462,528	(133,167)
Federal surplus property program fees	1,400,000	1,400,000	685,083	(714,917)
Interest income			275,930	275,930
Miscellaneous	12,729,735	12,729,735	66,951,339	54,221,604
TOTAL REVENUES	218,591,039	218,591,039	229,511,009	10,919,970
Less: State Treasury service charge			863,277	(863,277)
NET REVENUES	218,591,039	218,591,039	228,647,732	10,056,693
EXPENDITURES				
Regular salaries	74,482,459	68,921,735	68,078,941	842,794
Extra help	970,830	970,830	90,993	879,837
Operating expenses	43,593,809	50,596,216	89,301,840	(38,705,624)
Personal services matching	37,393,006	35,189,378	22,563,060	12,626,318
Grants	130,203,079	98,732,765	37,883,379	60,849,386
Overtime	1,365,167	1,550,297	1,016,750	533,547
Conference fees and travel	1,591,327	1,144,693	206,254	938,439
Professional fees and services	4,101,510	4,292,970	2,667,957	1,625,013
Capital improvements projects	165,000	15,758,007		15,758,007
Capital outlay	5,181,820	11,835,013	22,351,521	(10,516,508)
Covert operations	125,000			
General improvement projects	12,305,533	15,871,583		15,871,583
Special maintenance		700,000		700,000
Marketing and redistribution proceeds		11,186		11,186
Data processing	1,201,035			
911 services	75,000,000	75,000,000	54,998,590	20,001,410
Claims	2,500,000	2,900,000	1,759,972	1,140,028
Unappropriated cash fund disbursements			15,491,090	(15,491,090)
TOTAL EXPENDITURES	390,179,575	383,474,673	316,410,347	67,064,326
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(171,588,536)	(164,883,634)	(87,762,615)	77,121,019

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
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)				
Driver's license revenue bond proceeds (net)			\$ 1,456,401	\$ 1,456,401
Public Safety Charges Revenue Bonds proceeds (net)			34,392,962	34,392,962
Interagency transfers:				
General revenue distribution	\$ 87,980,333	\$ 87,980,333	65,374,295	(22,606,038)
Arkansas Department of Health			(3,720,000)	(3,720,000)
Arkansas Department of Human Services	3,298,404	3,298,404	3,298,404	
Arkansas Public Employees Retirement System			1,567,461	1,567,461
Department of Finance and Administration	5,279,683	5,279,683	21,606,130	16,326,447
Department of Finance and Administration - personal protective equipment inventory			3,429,385	3,429,385
Department of Finance and Administration - motor vehicle funding			4,449,838	4,449,838
University of Arkansas for Medical Sciences			(426,114)	(426,114)
Other transfers, net			820,375	820,375
Gain on sale of building			598,561	598,561
Prior-year refunds to expenditures			101,165	101,165
Prior-year warrants outlawed and cancelled			10,727	10,727
TOTAL OTHER FINANCING SOURCES (USES)	96,558,420	96,558,420	132,959,590	36,401,170
NET CHANGE IN FUND BALANCE	(75,030,116)	(68,325,214)	45,196,975	113,522,189
FUND BALANCE - JULY 1	47,241,011	47,241,011	47,241,011	
FUND BALANCE - JUNE 30	\$ (27,789,105)	\$ (21,084,203)	\$ 92,437,986	\$ 113,522,189

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
JUNE 30, 2021

Exhibit D

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 2,115,670</u>
NET POSITION	
Restricted for other parties	<u>\$ 2,115,670</u>

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit E

	<u>Custodial Funds</u>
Additions:	
Investment income - interest	\$           7,427
Seized funds	<u>2,301,529</u>
Total additions	<u>2,308,956</u>
 Deductions:	
Payments/withdrawals	<u>324,878</u>
 Change in net position amounts held for other parties	1,984,078
 Net position - beginning (as restated)	<u>131,592</u>
 Net position - ending	<u><u>\$       2,115,670</u></u>

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 910 of 2019 created the Department of Public Safety by combining the administrative functions of the following state entities:

Arkansas Commission on Law Enforcement Standards and Training.  
Arkansas Crime Information Center.  
Arkansas Emergency Telephone Services Board.  
Arkansas Homeland Security Advisory Group.  
Arkansas State Police Commission.  
Child Abuse Hotline.  
Crimes Against Children Division.  
Crime Victims Reparations Board.  
Arkansas Department of Emergency Management.  
Department of Arkansas State Police.  
Law Enforcement Support Office.  
Office of Fire Protection Services.  
State Crime Laboratory.  
State Crime Laboratory Board.  
State Emergency Response Commission.  
State Fire Prevention Commission.  
Supervisory Board for the Arkansas Crime Information Center.

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.

Fiduciary Funds

Trust and Agency Funds – Trust and Agency Funds are used to report resources held by the Agency in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. The specific activity accounted for at this Agency is custodial in nature. It accounts for the collection and disbursement of amounts seized by the Arkansas State Police as evidence from criminal activity. The amounts are retained in this fund until a court order has been made on the individual legal cases directing the disposition of the related funds.

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.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting (Continued)

Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met. The economic resources measurement focus and accrual basis of accounting are used in all Proprietary and Fiduciary Fund financial statements. Under the accrual basis, revenues are recognized when earned, and expenses are recorded when incurred.

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was implemented for the year ended June 30, 2021. The statement establishes specific criteria for identifying fiduciary activities. All activities meeting these criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. A liability to the beneficiaries should only be recognized when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary(s) to release the assets. As explained in Note 1B, these funds are known as custodial funds. Prior to the adoption of this standard, they were called agency funds.

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.

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, cash in State Treasury, and certificates of deposit totaling \$27,409,935, \$61,704,643, and \$3,500,000, 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.



ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

Deposits (Continued)

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 \$29,635,076 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 replacement 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."

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.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (Continued)

*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.

NOTE 2: Restatement of Prior-Year Ending Net Position

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

**Custodial Funds**

Beginning net position	\$ 0
Prior-year GASB 84: Net Fiduciary Activities	\$131,592
	<hr/>
Beginning net position, restated	\$131,592
	<hr/> <hr/>

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
SCHEDULE OF SELECTED INFORMATION  
FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2021  
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2021	2020	2019 (1)	2018 (1)	2017 (1)
<b>General Fund</b>					
Total Assets	\$ 178,398,588	\$ 136,836,448	\$ 98,717,991	\$ 78,412,635	\$ 65,984,586
Total Liabilities	81,288,882	83,494,758	74,367,657	61,773,313	46,565,828
Total Deferred Inflows of Resources	4,671,720	6,100,680	7,699,853	5,717,488	338,049
Total Fund Equity	92,437,986	47,241,010	16,650,481	10,921,834	19,080,709
Net Revenues	228,647,732	133,101,053	91,960,797	91,787,085	84,622,413
Total Expenditures	316,410,347	226,128,317	200,634,378	196,037,228	166,576,200
Total Other Financing Sources (Uses)	132,959,590	123,616,235	116,819,662	96,886,867	62,642,288

(1) - Fiscal year 2020 was the first year of existence for the Department of Public Safety. Prior-year numbers used for comparison consist of only the activity of the five complete business areas that were consolidated into the Department of Public Safety. These five business areas include the Arkansas Commission on Law Enforcement Standards and Training, Arkansas State Crime Laboratory, Arkansas State Police, Arkansas Crime Information Center, and Arkansas Division of Emergency Management. The amounts do not include the activity of several small boards and commissions that were also incorporated into the new Department. Also, interagency activity of the five agencies combined was not eliminated in the amounts prior to fiscal year 2020.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
FINANCIAL INFORMATION BY BUSINESS AREA  
FOR THE YEAR ENDED JUNE 30, 2021  
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Revenues	Expenditures	Other Financing Sources/(Uses)
Arkansas Commission on Law Enforcement Standards and Training	0950	\$ 913,764	\$ 157,387	\$ 226,944	\$ 3,322,275	\$ 3,299,648
Arkansas State Crime Laboratory	0955	3,044,551	1,028,043	4,119,284	14,221,099	10,454,456
Arkansas State Police	0960	72,742,618	61,443,988	44,117,345	107,619,748	69,868,769
Arkansas Crime Information Center	0990	9,940,523	378,323	4,493,953	5,586,364	2,500,252
Arkansas Division of Emergency Management	0995	90,711,172	22,650,160	172,557,292	174,678,258	40,340,428
Department of Public Safety	9913	1,045,960	302,701	3,132,914	10,982,603	6,496,037
Totals		<u>\$ 178,398,588</u>	<u>\$ 85,960,602</u>	<u>\$ 228,647,732</u>	<u>\$ 316,410,347</u>	<u>\$ 132,959,590</u>

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
ARKANSAS STATE POLICE RETIREMENT SYSTEM (ASPRS) –  
TEN-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS  
FOR THE YEAR ENDED JUNE 30, 2021  
(UNAUDITED)

Schedule 3

	2021	2020	2019	2018	2017	2016	2015	2014
<b>Total Pension Liability</b>								
Service cost	\$ 6,536,818	\$ 5,861,499	\$ 6,691,528	\$ 6,577,148	\$ 5,473,626	\$ 5,488,445	\$ 6,101,608	\$ 4,866,199
Interest	33,332,676	31,967,469	31,299,758	30,678,211	30,322,786	29,469,678	29,218,802	28,558,511
Changes in benefit terms	9,589,716	997,533						
Differences between expected and actual experience	(2,821,477)	7,543,752	(1,805,446)	467,389	(3,052,763)	1,757,687	(3,107,531)	(454,349)
Changes of assumptions				(4,529,133)	15,875,267		8,703,080	8,970,858
Benefit payments, including refunds of employee contributions	(27,294,080)	(27,934,141)	(24,930,275)	(24,185,418)	(24,631,787)	(26,035,466)	(23,358,801)	(21,688,239)
<b>Net changes in total pension liability</b>	<b>19,343,653</b>	<b>18,436,112</b>	<b>11,255,565</b>	<b>9,008,197</b>	<b>23,987,129</b>	<b>10,680,344</b>	<b>17,557,158</b>	<b>20,252,980</b>
<b>Total pension liability - beginning</b>	<b>476,569,897</b>	<b>458,133,785</b>	<b>446,878,220</b>	<b>437,870,023</b>	<b>413,882,894</b>	<b>403,202,550</b>	<b>385,645,392</b>	<b>365,392,412</b>
<b>Total pension liability - ending (a)</b>	<b>\$ 495,913,550</b>	<b>\$ 476,569,897</b>	<b>\$ 458,133,785</b>	<b>\$ 446,878,220</b>	<b>\$ 437,870,023</b>	<b>\$ 413,882,894</b>	<b>\$ 403,202,550</b>	<b>\$ 385,645,392</b>
<b>Plan Fiduciary Net Position</b>								
Employer contributions	\$ 22,742,726	\$ 21,779,576	\$ 21,226,478	\$ 20,869,779	\$ 19,918,021	\$ 19,683,114	\$ 19,784,130	\$ 19,501,677
Employee contributions	40,919	93,792	27,515	133,860	43,037	30,170	94,814	
Net investment income	101,415,222	6,700,903	17,031,483	28,823,344	31,484,258	(210,034)	6,131,690	43,307,753
Benefit payments, including refunds of employee contributions	(27,294,080)	(27,934,141)	(24,930,275)	(24,185,418)	(24,631,787)	(26,035,466)	(23,358,801)	(21,688,239)
Administrative expense	(215,384)	(195,464)	(554,440)	(228,431)	(208,424)	(205,342)	(196,232)	(189,657)
<b>Net change in plan fiduciary net position</b>	<b>96,689,403</b>	<b>444,666</b>	<b>12,800,761</b>	<b>25,413,134</b>	<b>26,605,105</b>	<b>(6,737,558)</b>	<b>2,455,601</b>	<b>40,931,534</b>
<b>Plan fiduciary net position - beginning</b>	<b>338,183,678</b>	<b>337,739,012</b>	<b>324,938,251</b>	<b>299,525,117</b>	<b>272,920,012</b>	<b>279,657,570</b>	<b>277,201,969</b>	<b>236,270,435</b>
<b>Plan fiduciary net position - ending (b)</b>	<b>\$ 434,873,081</b>	<b>\$ 338,183,678</b>	<b>\$ 337,739,012</b>	<b>\$ 324,938,251</b>	<b>\$ 299,525,117</b>	<b>\$ 272,920,012</b>	<b>\$ 279,657,570</b>	<b>\$ 277,201,969</b>
<b>Net pension liability (asset) - ending (a-b)</b>	<b>\$ 61,040,469</b>	<b>\$ 138,386,219</b>	<b>\$ 120,394,773</b>	<b>\$ 121,939,969</b>	<b>\$ 138,344,906</b>	<b>\$ 140,962,882</b>	<b>\$ 123,544,980</b>	<b>\$ 108,443,423</b>
<b>Plan fiduciary net position as a percentage of total pension liability</b>	<b>87.69%</b>	<b>70.96%</b>	<b>73.72%</b>	<b>72.71%</b>	<b>68.41%</b>	<b>65.94%</b>	<b>69.36%</b>	<b>71.88%</b>
<b>Covered employee payroll (1)</b>	<b>\$ 33,585,266</b>	<b>\$ 33,311,093</b>	<b>\$ 30,287,691</b>	<b>\$ 29,593,145</b>	<b>\$ 29,076,764</b>	<b>\$ 29,448,593</b>	<b>\$ 29,929,358</b>	<b>\$ 28,548,873</b>
<b>Net pension liability as a percentage of covered employee payroll</b>	<b>181.75%</b>	<b>415.44%</b>	<b>397.50%</b>	<b>412.05%</b>	<b>475.79%</b>	<b>478.67%</b>	<b>412.79%</b>	<b>379.85%</b>

**Notes to Schedule**

Public Employees: The maximum number of years employees are eligible to remain in the deferred retirement program (DROP) was extended from 7 to 10 years effective March 31, 2021. Beginning July 1, 2022, all contributory plan member rates will increase by 0.25% for the next eight fiscal years until they reach a maximum of 7%. For members first hired on or after July 1, 2022, the final average compensation period will increase from three years to five years, and the cost of living adjustment on benefit payments will be the lesser of 3.0% or the increase in the Consumer Price Index. There were no changes in economic or non-economic assumptions.

State Police Plan: The eligibility for normal retirement was reduced from 30 years to 28 years of service for both Tier I and Tier 2. The benefit multiplier for Tier I increased from 1.55% to 1.66%, and for Tier II, the increase was from 2.475% to 2.65%. There were no changes in economic or non-economic assumptions.

(1) In 2017, actual DROP participant pays were used. In 2015 and 2016, an estimate of average annual payroll for DROP participants of \$75,000 and \$67,000, respectively, was used.

The Agency implemented Governmental Accounting Standards Board (GASB) Statement No. 68 in fiscal year 2015. Information for the schedule was not available prior to fiscal year 2014.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
ARKANSAS STATE POLICE RETIREMENT SYSTEM (ASPRS) –  
TEN-YEAR SCHEDULE OF AGENCY CONTRIBUTIONS  
FOR THE YEAR ENDED JUNE 30, 2021  
(UNAUDITED)

Schedule 4

	(expressed in thousands)									
	2021	2020	2019	2018 (2)	2017	2016	2015	2014	2013	2012
Actuarially determined contribution	\$ 16,700	\$ 16,900	\$ 15,600	\$ 15,200	\$ 14,100	\$ 14,300	\$ 14,200	\$ 14,000	\$ 13,600	\$ 14,100
Contributions in relation to the actuarially determined contribution	22,800	21,900	21,300	21,000	20,000	19,700	19,800	19,500	19,500	19,700
Contribution deficiency (excess)	<u>\$ (6,100)</u>	<u>\$ (5,000)</u>	<u>\$ (5,700)</u>	<u>\$ (5,800)</u>	<u>\$ (5,900)</u>	<u>\$ (5,400)</u>	<u>\$ (5,600)</u>	<u>\$ (5,500)</u>	<u>\$ (5,900)</u>	<u>\$ (5,600)</u>
Covered-employee payroll (1)	\$ 33,600	\$ 33,300	\$ 30,300	\$ 30,000	\$ 29,100	\$ 29,400	\$ 29,900	\$ 29,100	\$ 28,100	\$ 29,500
Contributions as a percentage of covered employee payroll	67.86%	65.77%	70.30%	70.00%	68.73%	67.01%	66.22%	67.01%	69.40%	66.78%

**Notes to Schedule**

(1) In 2016, \$67,000 was used as an estimate of average annual pay for DROP participants.  
In 2015, \$75,000 was used as an estimate of average annual pay for DROP participants.

(2) Restated to match actuary.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
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. Total uncompleted construction project commitments at June 30, 2021, amounted to \$10,043. 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	\$ 4,089,636	\$ 55,730	\$ 33,652	\$ 4,111,714
Improvements	6,642,365	25,182		6,667,547
Buildings	66,688,111	19,240,488	254,683	85,673,916
Infrastructure	14,472,013			14,472,013
Intangibles	15,886,895	243,203	28,521	16,101,577
Assets under construction	28,781,079	18,888,847	19,209,358	28,460,568
Art and historical treasures	14,156			14,156
Equipment	139,191,987	5,559,589	3,462,554	141,289,022
Total governmental activities	<u>\$ 275,766,242</u>	<u>\$ 44,013,039</u>	<u>\$ 22,988,768</u>	<u>\$ 296,790,513</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.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

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 \$5,269,108, \$ 5,306,207, and \$ 4,966,839, respectively, equal to the required contributions for each year.

Arkansas State Police Retirement System (ASPRS)

Plan Description – The Agency contributes to ASPRS, a single-employer defined benefit pension plan administered by the ASPRS Board of Trustees. ASPRS 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 for the enactment and amendment of benefit provisions of ASPRS as published in Chapter 6 of Title 24 of the Arkansas Code Annotated. ASPRS issues a publicly available financial report that includes financial statements and required supplementary information for ASPRS. That report may be obtained by writing to Arkansas State Police Retirement System, One Union National Plaza, 124 West Capitol, Little Rock, Arkansas 72201 or by calling 1-501-682-7800.

Funding Policy – Contributory plan members, if any, are required to contribute 9.25% of their annual covered salary. The Agency is required to contribute for all covered State employees at the rate of 22% of annual covered payroll. Additional funding sources include certain designated court fees, a portion of the driver license fees, and a portion of insurance premium taxes, as authorized by the Arkansas Code Annotated. The contribution requirements of plan members and the Agency are established and may be amended by the Arkansas General Assembly. The Agency contributions to ASPRS for the years ended June 30, 2021, 2020, and 2019, were \$7,409,965, \$7,169,503, and \$6,753,505, respectively. Total contributions from all sources to ASPRS for the years ended June 30, 2021, 2020, and 2021, were \$22,783,661, \$21,873,425, and \$21,254,010, respectively.

Benefits Provided – Contributory members are eligible for full retirement benefits at any age with 30 years of credited service or at age 50 with 5 years of actual service. Contributory members are eligible for reduced benefits at any age after 20 years of credited service.

Noncontributory members are eligible for full retirement benefits at any age with 30 years of actual service, at age 52 with 5 years of actual service for Tier One, or at age 65 with five years of actual service for Tier Two. For Tier One, the age requirement is reduced by one month for every two months of Public Safety service credit but not below age 52. The age requirement for Tier Two is reduced by 75% of a month for each actual month of service but not below age 55. Noncontributory members are eligible for a reduced benefit after five years of actual service once the covered employee is within 10 years of becoming eligible for full benefits. Public Safety service credit is granted at the rate of 1.5 months of credit for each actual month of Public Safety employment for Tier One noncontributory members.

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

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

ASPRS also provides disability and survivor benefits.



ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPRS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2021, the following employees were covered by the ASPRS defined benefit pension plan.

	<u>Employees</u>
Inactive employees or beneficiaries currently receiving benefits	745
Inactive employees entitled to but not yet receiving benefits	108
Active employees	<u>488</u>
Total	<u><u>1,341</u></u>

Net Pension Liability – At June 30, 2021, the Agency reported a net pension liability of \$61,040,469. This amount was reported in the State's "government-wide" financial statements but is not reported in the governmental fund financial statements.

Actuarial Assumptions – The total pension liability in the actuarial valuation (as of the date noted below) was determined using the following actuarial assumptions, applied to all periods in the measurement:

Actuarial valuation date	June 30, 2021
Inflation rate	3.25% wages, 2.50% price
Salary increases (1)	3.25%
Investment rate of return (1)	7.15%
Mortality rates	RP-2006 Healthy Annuitant benefit weighted generational mortality tables for males and females.
Actuarial experience study dates	July 1, 2012 - June 30, 2017

(1) Includes assumed inflation

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns net of plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year period from 2021 to 2030 were based on capital market assumptions provided by the plan's investment consultants. For each major asset class that is included in the pension plan's current asset allocation as of June 30, 2021, these best estimates are summarized in the following table:

ARKANSAS DEPARTMENT OF PUBLIC SAFETY  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPRS) (Continued)

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

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

Changes in Net Pension Liability – The following table provides the changes in net pension liability for the ASPRS single-employer defined benefit pension plan:

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

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the State's net pension liability for each plan calculated using the discount rate stated, as well as what the State's net pension 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 rate:

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B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPRS) (Continued)

	1% Lower than Current Discount Rate	Current Discount Rate 7.15%	1% Higher than Current Discount Rate
Net Pension Liability	\$ 121,821,007	\$ 61,040,469	\$ 12,464,072

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2021, ASPRS recognized pension expense of \$12,907,589. For the year ended June 30, 2021, ASPRS reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,255,131	\$ 2,811,070
Changes of assumptions		573,385
Net differences between projected and actual earnings on pension plan investments	12,754,450	63,429,057
Total	\$ 17,009,581	\$ 66,813,512

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30	Net Deferred Outflows of Resources
2022	\$ (12,192,604)
2023	(9,989,577)
2024	(11,810,673)
2025	(15,811,077)
2026	0
Thereafter	0
Total	\$ (49,803,931)

C. Arkansas State Police Health Insurance Plan

Pursuant to Ark. Code Ann. § 12-8-210, the Arkansas State Police (ASP) offers healthcare benefits to active uniformed members and retirees. The ASP Human Resource section serves as plan administrator. A contracted third party administrator (TPA) is selected each plan year to serve as claims processor. The TPA also administers the COBRA Act of 1985 and provides certain actuarial estimates for the Plan. Health care benefits are funded by employer and retired employee contributions and by an additional fee assessed on each issued or renewed driver's license, as allowed by Ark. Code Ann. § 27-16-801(g). The Plan is partially self-funded; reinsurance stop-loss coverage for aggregate benefit utilization is contracted for each plan year. Plan years cover January 1 through December 31 of any given year. Employer contribution rates are set by the ASP, with final approval by the ASP Commission. The Commission is authorized by Ark. Code Ann. § 12-8-210 to direct the Plan. The current monthly premium, set on July 1, 2019, is \$905 per budgeted uniformed position.

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C. Arkansas State Police Health Insurance Plan (Continued)

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

Liabilities for claims incurred but not reported for the Plan are reported on the State's "government-wide" financial statements but are not reported as liabilities or expenditures in the governmental funds. These liabilities exist because of the span of time between the incurrence of obligations to pay claims and the liquidation of the obligations by the Agency cross reporting periods. The amounts of these liabilities, based on evaluation of claims data for those claims incurred before year-end and paid after year-end for June 30, 2021, are as follows:

	2021	2020
Claim liability, beginning of year	\$ 543,116	\$ 488,835
Incurred claims:		
Provision for insured events of current year	11,767,861	11,415,283
Increase (decrease) in provision for insured events of prior years	254,660	89,399
Total incurred claims and claim adjustment expense	12,022,521	11,504,682
Payments:		
Claims payments attributed to insured events of current year	11,255,859	10,872,167
Claims payments attributed to insured events of prior years	797,776	578,234
Total payments	12,053,635	11,450,401
Claim liability, end of year	\$ 512,002	\$ 543,116

D. 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.

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F. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Arkansas State Employee Health Insurance Plan (Plan) (Continued)

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.

Arkansas State Police Medical and Rx Plan (Plan)

Plan Description – The Agency also contributes to a separate single-employer defined benefit health care plan, which 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 plan provides medical, dental, vision, and prescription drug benefits to eligible employees as established by Ark. Code § 12-8-210. The Agency contributes \$905 to the Plan for each budgeted uniformed position. The retiree pays a premium based on eligibility of 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, and no assets are accumulated in a trust, as defined by GASB Statement No. 75. The medical portion of the plan is administered by HMO Partners Inc. (Health Advantage) The dental and vision portion of the plan is administered by Delta Dental. The prescription drug portion of the plan is administered by Medimpact Healthcare Systems Inc.

At June 30, 2021, the following employees were covered by the Arkansas State Police Medical and Rx Plan:

	<u>Employees</u>
Inactive employees or beneficiaries currently receiving benefits	981
Active employees	668
Total	<u>1,649</u>

At June 30, 2021, the total OPEB liability was determined to be \$245,343 based on an actuarial valuation and procedures to roll forward the actuarial valuation to year end (the measurement date). The actuarial valuations used the following assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2021	
Inflation rate	3.25%	
Discount rate	2.18%	(1)
Healthcare cost trend rates	7.5% initial; 4.0 % Ultimate	
Mortality rate	Pub-2010 Public Retirement Plans Mortality Table for Public Safety, Projected with Scale MP-2020 from 2010	
Retirees' share of benefit-related costs	100.00%	
Actuarial experience study dates	N/A	

- (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.

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D. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Arkansas State Police Medical and Rx Plan (Plan) (Continued)

The following table provides the changes in the total OPEB liability for the Arkansas State Police Medical and Rx Plan:

	Total OPEB Liability
Balance, June 30, 2020	<u>\$ 238,959,263</u>
Changes for the current fiscal year	
Service cost	10,155,200
Interest	6,439,664
Difference between expected and actual experience	(10,179,132)
Changes in assumptions or other inputs (1)	3,856,934
Benefit payments	<u>(3,888,500)</u>
Net changes	<u>6,384,166</u>
Balance, June 30, 2021	<u><u>\$ 245,343,429</u></u>

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

The following table presents the Plan's total OPEB liability, as well as what the 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 the plan.

	1% Decrease of Rate to 1.18%	Current Discount Rate of 2.18%	1% Increase of Rate to 3.18%
Total OPEB Liability	<u>\$ 299,704,407</u>	<u>\$ 245,343,429</u>	<u>\$ 205,217,799</u>

The following table presents the Plan's total OPEB liability, as well as what the 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 the plan:

	1% Decrease in Health Care Cost Trend Rate (6.5%)	Current Health Care Cost Trend Rate (7.5%)	1% Increase in Health Care Cost Trend Rate (8.5%)
OPEB Liability	<u>\$ 197,578,839</u>	<u>\$ 245,343,429</u>	<u>\$ 314,552,558</u>

For the year ended June 30, 2021, the Plan recognized OPEB expenses of \$22,356,668.

At June 30, 2021, the Agency reported deferred outflows of resources and deferred inflows of resources related to OPEB for the Arkansas State Police Medical and Rx Plan from the following sources:

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D. Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Arkansas State Police Medical and Rx Plan (Plan) (Continued)

	Deferred Outflow of Resources	Deferred Inflow of Resources
Difference between expected and actual experience	\$ 22,110,510	\$ 8,906,740
Changes of assumptions and other items	15,751,799	
Total	<u>\$ 37,862,309</u>	<u>\$ 8,906,740</u>

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

Year Ending June 30	Net Deferred Outflows of Resources
2022	\$ 5,761,804
2023	5,761,804
2024	5,761,804
2025	5,761,804
2026	5,761,803
Thereafter	146,550
Total	<u>\$ 28,955,569</u>

E. 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 may be accrued up to 120 days. 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 \$14,016,793 and \$13,110,616, respectively. The net changes to compensated absences payable during the year ended June 30, 2021, amounted to \$906,177.

F. Loans Payable to Arkansas Development Finance Authority

2020 Driver's License Revenue Refunding Bonds – Arkansas State Police Headquarters Project

The Agency obtained a loan, dated May 14, 2020, from the Arkansas Development Finance Authority (ADFA) in the amount of \$28,370,000 for the purpose of refunding bonds issued in 2017. (The proceeds of the 2017 bond issue were for the purpose of financing the design, acquisition, construction, and equipping of headquarter facilities in Lowell, Newport, Forrest City, Warren, and Harrison, Arkansas.)

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F Loans Payable to Arkansas Development Finance Authority (Continued)

2020 Driver's License Revenue Refunding Bonds – Arkansas State Police Headquarters Project  
(Continued)

Any funds received in excess of the bond issuance costs and the amount needed for the refunding can be used for financing the designing, acquisition, construction and equipping of additions to headquarter facilities to be used by the Division of Arkansas State Police. The 2020 loan agreement provided for payments to be made semi-annually and to meet the principal and interest requirements of the bonds issued by ADFA, which mature on March 1, 2035, plus any other fees and expenses incurred as part of the bond issue. All automobile operator license fees deposited into the Driver's License Revenue Cash Fund are considered pledged revenues and must be used to satisfy debt service requirements of loans and associated bonds. The interest rate on the loan payable was noted as 2.30%. As of June 30, 2021, the Arkansas State Police had received \$27,438,070 of the loan, with \$931,930 still available to draw in subsequent fiscal years. The debt service requirements on the loan payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 131,730	\$ 649,995	\$ 781,725
2023	286,843	646,965	933,808
2024	2,091,268	640,368	2,731,636
2025	3,513,883	592,268	4,106,151
2026	3,600,446	511,449	4,111,895
2027-2031	6,129,180	1,666,415	7,795,595
2032-2036	11,575,362	699,571	12,274,933
Totals	<u>\$ 27,328,712</u>	<u>\$ 5,407,031</u>	<u>\$ 32,735,743</u>

2020 Public Safety Charges Revenue Bonds – Arkansas Division of Emergency Management Project

The Agency obtained a loan, dated December 29, 2020, from ADFA in the amount of \$85,810,000 for the purpose of financing the designing, acquisition, construction and equipping of additions to and enhancements of upgrades and maintenance of the Arkansas Wireless Information Network. This loan agreement provides for payments to be made quarterly and to meet the principal and interest requirements of the bonds issued by ADFA, which mature on June 1, 2045, plus any other fees and expenses incurred as part of the bond issue. All Public Safety Charges Revenue deposited in the Arkansas Public Safety Trust Fund are considered pledged revenues and must be used to satisfy debt service requirements of the loan and associated bonds. The interest rate on the loan payable ranged from 4% to 5%. As of June 30, 2021, the Arkansas Division of Emergency Management had received \$20,568,545 of the loan, with \$65,241,455 still available to draw in subsequent fiscal years. The debt service requirements on the loan payable are summarized as follows:

Year Ending June 30,	Principal	Interest	Total
2022	\$ 1,583,750	\$ 3,859,771	\$ 5,443,521
2023	2,214,167	3,489,062	5,703,229
2024	2,324,583	3,378,354	5,702,937
2025	2,440,417	3,262,125	5,702,542
2026	2,565,417	3,140,104	5,705,521
2027-2031	9,440,211	8,889,343	18,329,554
Totals	<u>\$ 20,568,545</u>	<u>\$ 26,018,759</u>	<u>\$ 46,587,304</u>