

ARKANSAS DEPARTMENT OF PUBLIC SAFETY

Annual Financial Report

June 30, 2023



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Arkansas



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

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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Arkansas Department of Public Safety
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the 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, 2023, 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.

In our opinion, the accompanying 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, 2023, and 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.

Basis for Opinions

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

Emphasis of Matter

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, 2023, 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.

As discussed in Note 2 to the financial statements, in 2023 the Department of Public Safety adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements*. Our opinion is not modified with respect to this matter.

Responsibilities of Management 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 and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the department's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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 opinions on the departmental financial statements are not affected by the omission of this information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report **February 21, 2025** on our consideration of the department’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 the testing, and not to provide an opinion on the effectiveness of the department’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 department’s internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
February 21, 2025
SAC991323

Arkansas

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



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
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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, 2023, 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 February 21, 2025.

Report on 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 or significant deficiencies may exist that were not identified.

Report on 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". The signature is fluid and cursive, with a long horizontal stroke at the end.

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
February 21, 2025

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

Exhibit A

		General Fund
ASSETS		
Cash and cash equivalents	\$	87,614,648
Investments		3,500,000
Funds held in trust by Arkansas Development Finance Authority		24,495,816
Accounts receivable:		
Federal grants and reimbursements		26,843,724
Customer receivables		6,891
Criminal history search fees		831,013
Accrued interest		256,006
Other receivables		5,138,532
Due from other state agencies		7,219,188
Prepaid items		1,827,368
Inventories		3,861,139
 TOTAL ASSETS	 \$	 161,594,325
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable	\$	2,008,773
Grants payable		21,131,945
Accrued payroll		1,938,853
Due to other agencies		1,320,019
Due to other governments		3,627,362
Unearned income - permits and licenses		39,515,590
Total Liabilities		69,542,542
 Deferred inflows of resources:		
Related to revenues		21,868,291

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

Exhibit A

		General Fund
Fund balance:		
Nonspendable for:		
Prepaid items	\$	1,827,368
Inventories		3,861,139
Restricted for:		
Capital projects		13,353
Debt service		12,854,496
Program requirements		1,242,776
Committed for:		
Capital projects		1,023,181
Disaster assistance		633,879
Other		38,777,532
Assigned for:		
Capital projects		11,450,945
Other		1,867,127
Unassigned		(3,368,304)
Total Fund Balance		70,183,492
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$	161,594,325

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, 2023

Exhibit B

	General Fund
REVENUES	
Federal grants and reimbursements	\$ 69,180,000
Emergency telephone service charge	37,640,491
Prepaid wireless public safety charge	20,519,175
Motorized vehicle license and testing fees	15,866,212
Criminal history search fees	13,032,632
Driver's license reinstatement fees	4,164,658
Concealed weapons permits	1,097,773
Uniform filing fees	1,748,875
Business licenses and fees	1,479,440
Other fees, fines, penalties, and taxes	4,563,966
Driving record information fees	1,731,383
Interest income	2,697,616
Federal surplus property program fees	1,869,256
Miscellaneous	5,947,703
	181,539,180
 Less: State Treasury service charge	 928,943
	 180,610,237
 EXPENDITURES	
Salary and benefits	108,727,087
Communication and transportation of commodities	2,971,901
Printing and advertising	136,988
Repairing and servicing	5,782,599
Utilities and rent	3,245,161
Travel and subsistence	1,475,907
Professional services	10,575,024
Insurance and bonds	982,182
Other expenses and services	4,448,645
Commodities, materials, and supplies	11,257,642
Assistance, grants, and aid	116,186,758
Refunds, taxes, and claims	16,410,645
Debt service:	
Principal	2,491,843
Interest	4,316,681
Low value asset purchases	1,723,205
Capital outlay	23,973,319
	314,705,587
 TOTAL EXPENDITURES	 314,705,587

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	General Fund
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (134,095,350)
OTHER FINANCING SOURCES (USES)	
Public Safety Charges Revenue Bonds proceeds (net)	5,759,115
Interagency transfers:	
General revenue distribution	80,349,566
Arkansas Department of Corrections	(7,010,067)
Arkansas Department of Health	(78,000)
Arkansas Department of Human Services	3,761,621
Arkansas Public Employees Retirement System	1,716,240
Department of Finance and Administration	26,923,128
Department of Finance and Administration - Arkansas Medical Marijuana Implementation and Operation Fund	699,900
Department of Finance and Administration - DPS Crime Victims Reparation	412,579
Department of Finance and Administration - Law Enforcement Stipends Grant	1,110,948
Department of Finance and Administration - Motor vehicle funding	8,886,549
Department of Finance and Administration - Public Safety Equipment Grant Program	10,000,000
University of Arkansas for Medical Sciences	(4,476,892)
Other transfers, net	(980,130)
Issuance of leases	128,264
Issuance of SBITAs	6,431,400
Prior-year refunds to expenditures	14,789
Prior-year warrants outlawed and cancelled	31,597
TOTAL OTHER FINANCING SOURCES (USES)	133,680,607
NET CHANGE IN FUND BALANCE	(414,743)
FUND BALANCE - JULY 1	70,598,235
FUND BALANCE - JUNE 30	\$ 70,183,492

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, 2023

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
REVENUES				
Federal grants and reimbursements	\$ 152,023,197	\$ 152,023,197	\$ 69,180,000	\$ (82,843,197)
Public safety trust fund			58,159,666	58,159,666
Special revenue	89,872,085	89,872,085	28,903,432	(60,968,653)
Criminal history search fees	8,100,000	8,100,000	13,032,632	4,932,632
Uniform filing fees	1,500,000	1,500,000	1,748,875	248,875
Federal surplus property program fees	1,700,000	1,700,000	1,869,256	169,256
Interest income			2,697,616	2,697,616
Miscellaneous	12,748,939	12,748,939	5,947,703	(6,801,236)
TOTAL REVENUES	265,944,221	265,944,221	181,539,180	(84,405,041)
Less: State Treasury service charge			928,943	(928,943)
NET REVENUES	265,944,221	265,944,221	180,610,237	(85,333,984)
EXPENDITURES				
Regular salaries	82,595,777	84,246,153	79,248,191	4,997,962
Extra help	1,135,830	1,108,677	155,482	953,195
Operating expenses	42,771,593	59,045,943	53,447,777	5,598,166
Personal services matching	40,954,033	42,704,464	28,276,521	14,427,943
Grants	132,727,391	119,935,570	56,815,098	63,120,472
Overtime	1,320,167	2,719,814	1,046,893	1,672,921
Conference fees and travel	1,545,916	1,806,899	845,642	961,257
Professional fees and services	4,557,410	8,117,629	2,968,113	5,149,516
Capital outlay	6,534,308	25,014,268	24,187,297	826,971
Covert operations	125,000			
General improvement projects	54,558,155	3,393,112		3,393,112
Data processing	1,201,035			
911 services	75,000,000	63,490,308	49,716,738	13,773,570
Claims	2,500,000	5,125,033	2,106,355	3,018,678
Unappropriated cash fund disbursements			15,891,480	(15,891,480)
TOTAL EXPENDITURES	447,526,615	416,707,870	314,705,587	102,002,283
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(181,582,394)	(150,763,649)	(134,095,350)	16,668,299

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, 2023

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Public Safety Charges Revenue Bonds proceeds (net)			\$ 5,759,115	\$ 5,759,115
Interagency transfers:				
General revenue distribution	\$ 92,885,700	\$ 92,885,700	80,349,566	(12,536,134)
Arkansas Department of Corrections			(7,010,067)	(7,010,067)
Arkansas Department of Health			(78,000)	(78,000)
Arkansas Department of Human Services	3,298,404	3,298,404	3,761,621	463,217
Arkansas Public Employees Retirement System			1,716,240	1,716,240
Department of Finance and Administration	1,939,149	1,939,149	26,923,128	24,983,979
Department of Finance and Administration - Arkansas Medical Marijuana Implementation and Operation Fund			699,900	699,900
Department of Finance and Administration - DPS Crime Victims Reparation			412,579	412,579
Department of Finance and Administration - Law Enforcement Stipends Grant			1,110,948	1,110,948
Department of Finance and Administration - Motor vehicle funding			8,886,549	8,886,549
Department of Finance and Administration - Public Safety Equipment Grant Program			10,000,000	10,000,000
University of Arkansas for Medical Sciences			(4,476,892)	(4,476,892)
Other transfers, net			(980,130)	(980,130)
Issuance of leases			128,264	128,264
Issuance of SBITAs			6,431,400	6,431,400
Prior-year refunds to expenditures			14,789	14,789
Prior-year warrants outlawed and cancelled			31,597	31,597
			<hr/>	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	<hr/> 98,123,253	<hr/> 98,123,253	<hr/> 133,680,607	<hr/> 35,557,354
NET CHANGE IN FUND BALANCE	(83,459,141)	(52,640,396)	(414,743)	52,225,653
FUND BALANCE - JULY 1	<hr/> 70,598,235	<hr/> 70,598,235	<hr/> 70,598,235	<hr/>
FUND BALANCE - JUNE 30	<hr/> <u>\$ (12,860,906)</u>	<hr/> <u>\$ 17,957,839</u>	<hr/> <u>\$ 70,183,492</u>	<hr/> <u>\$ 52,225,653</u>

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS - CUSTODIAL
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit D

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 1,163,397</u>
NET POSITION	
Restricted for individuals, organizations, and other governments	<u>\$ 1,163,397</u>

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
STATEMENT OF CHANGES IN FIDUCIARY NEW POSITION –
FIDUCIARY FUNDS - CUSTODIAL
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit E

	Custodial Funds
Additions:	
Seized funds	\$ 790,003
Deductions:	
Payments/withdrawals	1,945,791
Change in net position amounts held individuals, organizations, and other governments	(1,155,788)
Net position - beginning	2,319,185
Net position - ending	\$ 1,163,397

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

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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 Custodial Funds – Trust and Custodial 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 Custodial 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, 2023

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.

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 \$21,538,211, \$65,022,374, 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.

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, 2023, none of the Agency's bank balance of \$26,214,345 was exposed to custodial credit risk.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (Continued)

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.

L. Professional Services Contracts Commitments

At June 30, 2023, the Agency had commitments of approximately \$21,912,856 for professional services contracts and \$391,787 for subscription based information technology arrangements (SBITAs).

NOTE 2: New Accounting Pronouncement

The Agency implemented GASB Statement No. 96, Subscription Based Information Technology Arrangements (SBITAs), in the fiscal year ended June 30, 2023. A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction.

NOTE 3: Leases

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transactions.

Lease Obligations

The Agency leases nonfinancial assets including land and buildings. Since the financial statements of the Agency are presented using the modified accrual basis of accounting, no liability or leased asset is reflected on the balance sheet. Additional details regarding leased assets and related obligations are presented in Other General Information.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
 FINANCIAL INFORMATION BY BUSINESS AREA
 FOR THE YEAR ENDED JUNE 30, 2023
 (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	\$ 1,530,169	\$ 97,079	\$ 167,224	\$ 4,475,113	\$ 4,419,695
Arkansas State Crime Laboratory	0955	4,005,971	274,049	4,613,907	17,516,582	13,481,446
Arkansas State Police	0960	69,531,649	44,347,117	44,502,037	126,447,350	92,571,914
Arkansas Crime Information Center	0990	7,862,234	188,942	4,478,311	6,965,585	820,939
Arkansas Division of Emergency Management	0995	72,762,425	46,204,068	127,564,699	144,301,200	3,291,175
Department of Public Safety	9913	5,901,877	299,578	(715,941)	14,999,757	19,095,438
Totals		<u>\$ 161,594,325</u>	<u>\$ 91,410,833</u>	<u>\$ 180,610,237</u>	<u>\$ 314,705,587</u>	<u>\$ 133,680,607</u>

**ARKANSAS DEPARTMENT OF PUBLIC SAFETY
ARKANSAS STATE POLICE RETIREMENT SYSTEM (ASPRS) –
TEN-YEAR SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2023
(UNAUDITED)**

Schedule 3

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total Pension Liability										
Service cost	\$ 7,156,062	\$ 7,194,124	\$ 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	35,098,769	34,672,914	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	24,739,809	(4,036,778)	(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	14,369,541					(4,529,133)	15,875,267		8,703,080	8,970,858
Benefit payments, including refunds of employee contributions	(34,560,931)	(29,149,508)	(27,294,080)	(27,934,141)	(24,930,275)	(24,185,418)	(24,631,787)	(26,035,466)	(23,358,801)	(21,688,239)
Net changes in total pension liability	46,803,250	8,680,752	19,343,653	18,436,112	11,255,565	9,008,197	23,987,129	10,680,344	17,557,158	20,252,980
Total pension liability - beginning	504,594,302	495,913,550	476,569,897	458,133,785	446,878,220	437,870,023	413,882,894	403,202,550	385,645,392	365,392,412
Total pension liability - ending (a)	\$ 551,397,552	\$ 504,594,302	\$ 495,913,550	\$ 476,569,897	\$ 458,133,785	\$ 446,878,220	\$ 437,870,023	\$ 413,882,894	\$ 403,202,550	\$ 385,645,392
Plan Fiduciary Net Position										
Employer contributions	\$ 23,930,927	\$ 22,553,149	\$ 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	54,311	140,796	40,919	93,792	27,515	133,860	43,037	30,170	94,814	
Net investment income	31,210,504	(46,247,420)	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	(34,560,931)	(29,149,508)	(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	(240,447)	(229,348)	(215,384)	(195,464)	(554,440)	(228,431)	(208,424)	(205,342)	(196,232)	(189,657)
Net change in plan fiduciary net position	20,394,364	(52,932,331)	96,689,403	444,666	12,800,761	25,413,134	26,605,105	(6,737,558)	2,455,601	40,931,534
Plan fiduciary net position - beginning	381,940,750	434,873,081	338,183,678	337,739,012	324,938,251	299,525,117	272,920,012	279,657,570	277,201,969	236,270,435
Plan fiduciary net position - ending (b)	\$ 402,335,114	\$ 381,940,750	\$ 434,873,081	\$ 338,183,678	\$ 337,739,012	\$ 324,938,251	\$ 299,525,117	\$ 272,920,012	\$ 279,657,570	\$ 277,201,969
Net pension liability (asset) - ending (a-b)	\$ 149,062,438	\$ 122,653,552	\$ 61,040,469	\$ 138,386,219	\$ 120,394,773	\$ 121,939,969	\$ 138,344,906	\$ 140,962,882	\$ 123,544,980	\$ 108,443,423
Plan fiduciary net position as a percentage of total pension liability	72.97%	75.69%	87.69%	70.96%	73.72%	72.71%	68.41%	65.94%	69.36%	71.88%
Covered employee payroll (1)	\$ 37,711,310	\$ 32,757,302	\$ 33,585,266	\$ 33,311,093	\$ 30,287,691	\$ 29,593,145	\$ 29,076,764	\$ 29,448,593	\$ 29,929,358	\$ 28,548,873
Net pension liability as a percentage of covered employee payroll	395.27%	374.43%	181.75%	415.44%	397.50%	412.05%	475.79%	478.67%	412.79%	379.85%

Notes to Schedule

State Police Plan - The long-term expected rate of return of pension plan investments was decreased by 0.15% to 7.00% for FY2023. This also changes the discount rate used to measure the total pension liability. Pay increase assumptions for individual active members were revised for the FY2023 valuation. New mortality tables were adopted, and the probabilities of retirement for members eligible to retire were adjusted beginning in FY2023.

(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 \$67,421, respectively, was used.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
 ARKANSAS STATE POLICE RETIREMENT SYSTEM (ASPRS) –
 TEN-YEAR SCHEDULE OF AGENCY CONTRIBUTIONS
 FOR THE TEN-YEAR PERIOD ENDED JUNE 30, 2023
 (UNAUDITED)

Schedule 4

	(expressed in thousands)									
	2023	2022	2021	2020	2019	2018 (2)	2017	2016	2015	2014
Actuarially determined contribution	\$ 18,300	\$ 15,900	\$ 16,700	\$ 16,900	\$ 15,600	\$ 15,200	\$ 14,100	\$ 14,300	\$ 14,200	\$ 14,000
Contributions in relation to the actuarially determined contribution	<u>24,000</u>	<u>22,700</u>	<u>22,800</u>	<u>21,900</u>	<u>21,300</u>	<u>21,000</u>	<u>20,000</u>	<u>19,700</u>	<u>19,800</u>	<u>19,500</u>
Contribution deficiency (excess)	<u>\$ (5,700)</u>	<u>\$ (6,800)</u>	<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>
Covered-employee payroll (1)	\$ 37,700	\$ 32,800	\$ 33,600	\$ 33,300	\$ 30,300	\$ 30,000	\$ 29,100	\$ 29,400	\$ 29,900	\$ 29,100
Contributions as a percentage of covered employee payroll	63.66%	69.21%	67.86%	65.77%	70.30%	70.00%	68.73%	67.01%	66.22%	67.01%

Notes to Schedule

(1) In 2016, \$67,241 was used as an estimate of average annual pay for DROP participants.
 In 2015, \$75,000 was used as an estimate of average annual pay for DROP participants.

(2) Restated to match actuary.

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
OTHER GENERAL INFORMATION
JUNE 30, 2023
(UNAUDITED)

A. Capital Assets

Capital assets purchased (or leased) and in the custody of this Agency were recorded as expenditures at the time of purchase (lease inception). 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. Only leases in excess of \$25,000 with non-State entities were recorded in the statewide accounting system. 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, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 4,111,714	\$ 52,723		\$ 4,164,437
Improvements	6,667,547	14,484	\$ 43,060	6,638,971
Buildings	94,644,405	8,670,869		103,315,274
Equipment	140,956,167	9,288,855	4,020,129	146,224,893
Infrastructure	14,492,760			14,492,760
Intangibles	20,739,670	1,391,264		22,130,934
Construction in progress	42,666,491	6,940,828	14,484	49,592,835
Art and historical treasures	14,156			14,156
Right-to-Use assets:				
RtU land	1,163,667			1,163,667
RtU buildings	1,682,971	128,265		1,811,236
RtU SBITA		6,431,400		6,431,400
Total governmental activities	<u>\$ 327,139,548</u>	<u>\$ 32,918,688</u>	<u>\$ 4,077,673</u>	<u>\$ 355,980,563</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, 2023
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

Funding Policy – Contributory plan members are required to contribute 5.25% 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, 2023, 2022, and 2021, were \$6,389,943, \$5,580,357, and \$5,269,108, 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, 2023, 2022, and 2021, were \$10,565,934, \$8,808,114, and \$7,409,965, respectively. Total contributions from all sources to ASPRS for the years ended June 30, 2023, 2022, and 2021, were \$23,989,270, \$22,693,976, and \$22,783,661, respectively.

Benefits Provided – Contributory members are eligible for full retirement benefits at any age with 28 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, 2023
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPERS) (Continued)

Employees Covered by Benefit Terms – At June 30, 2023, the following employees were covered by the ASPRS defined benefit pension plan:

	Employees
Inactive employees or beneficiaries currently receiving benefits	775
Inactive employees entitled to but not yet receiving benefits	123
Active employees	482
Total	1,380

Net Pension Liability – At June 30, 2023, the Agency reported a net pension liability of \$149,062,438. 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, 2023
Inflation rate	3.25% wages, 2.50% price
Salary increases (1)	3.25%
Investment rate of return (1)	7.15%
Mortality rates	RP-2006 Amount-Weighted Below-Median Income Safety Retiree Mortality for healthy retirees, multiplied by 114% for males and 108% for females.
Actuarial experience study dates	July 1, 2017 - June 30, 2022

(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 2023 to 2032 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, 2023, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Broad domestic equity	37.00%	6.19%
International equity	24.00%	6.77%
Real assets	16.00%	3.34%
Absolute return	5.00%	3.36%
Domestic fixed	18.00%	1.79%
Total	100.00%	

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
OTHER GENERAL INFORMATION
JUNE 30, 2023
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPRS) (Continued)

Discount Rate – A single discount rate of 7.00% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investment 7.00%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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 (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2022	\$ 504,594,302	\$ 381,940,750	\$ 122,653,552
Changes for the year:			
Service cost	7,156,062		7,156,062
Interest	35,098,769		35,098,769
Changes in assumptions	14,369,541		14,369,541
Difference between expected and actual experience	24,739,809		24,739,809
Contribution - employer		23,989,270	(23,989,270)
Net investment income		31,210,504	(31,210,504)
Benefit payments, including refunds of employee contributions	(34,560,931)	(34,560,931)	
Administrative expense		(244,479)	244,479
Net changes	46,803,250	20,394,364	26,408,886
Balances, June 30, 2023	\$ 551,397,552	\$ 402,335,114	\$ 149,062,438

Sensitivity of the Net Pension Liability to Changes in the Discount Rate – The following presents the State's net pension liability for ASPRS 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:

	1% Lower than Current Discount Rate	Current Discount Rate 7.00%	1% Higher than Current Discount Rate
Net Pension Liability	\$ 217,805,521	\$ 149,062,438	\$ 92,141,569

Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions – For the year ended June 30, 2023, ASPRS recognized pension expense of \$28,503,042. For the year ended June 30, 2023, ASPRS reported deferred outflows of resources and deferred inflows of resources related to pensions as follows:

ARKANSAS DEPARTMENT OF PUBLIC SAFETY
OTHER GENERAL INFORMATION
JUNE 30, 2023
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas State Police Retirement System (ASPERS) (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 19,725,042	\$ 3,158,697
Changes of assumptions	10,964,194	
Net differences between projected and actual earnings on pension plan investments	49,705,903	34,392,342
Total	<u>\$ 80,395,139</u>	<u>\$ 37,551,039</u>

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
2024	\$ 11,104,723
2025	7,104,319
2026	23,456,505
2027	1,178,553
2028	
Thereafter	
Total	<u>\$ 42,844,100</u>

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, 2023, is \$928 per budgeted uniformed position.

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

Liabilities for claims incurred but not reported 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, 2023, are as follows:

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C. Arkansas State Police Health Insurance Plan (Continued)

	2023	2022
Claim liability, beginning of year	\$ 766,590	\$ 512,002
Incurred claims:		
Provision for insured events of current year	13,420,214	12,929,764
Increase (decrease) in provision for insured events of prior years	495,938	270,755
Total incurred claims and claim adjustment expense	13,916,152	13,200,519
Payments:		
Claims payments attributed to insured events of current year	12,724,862	12,163,174
Claims payments attributed to insured events of prior years	1,262,528	782,757
Total payments	13,987,390	12,945,931
Claim liability, end of year	\$ 695,352	\$ 766,590

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 Board of Finance (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 \$550 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 Ann. § 12-8-210. The Agency contributes \$928 to the Plan for each budgeted uniformed position. The retiree pays a premium based on eligibility of Medicare as well as dependents covered.

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

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

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, 2023, the following employees were covered by the Arkansas State Police Medical and Rx Plan:

	Employees
Inactive employees or beneficiaries currently receiving benefits	1,041
Active employees	644
Total	1,685

At June 30, 2023, the total OPEB liability was determined to be \$199,116,763 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, 2023	
Inflation rate	3.25%	
Discount rate	4.13%	(1)
Healthcare cost trend rates	7.5% initial; 4.25 % 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.

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

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

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

	Total OPEB Liability
Balance, June 30, 2022	<u>\$ 181,698,653</u>
Changes for the current fiscal year	
Service cost	5,937,579
Interest	7,467,347
Difference between expected and actual experience	2,255,812
Changes in assumptions or other inputs (1)	5,940,807
Benefit payments	<u>(4,183,435)</u>
Net changes	<u>17,418,110</u>
Balance, June 30, 2023	<u>\$ 199,116,763</u>

(1) The discount rate used was 4.09% at June 30, 2022, and 4.13% at June 30, 2023.

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

	1% Decrease of Rate to 3.13%	Current Discount Rate of 4.13%	1% Increase of Rate to 5.13%
Total OPEB Liability	<u>\$ 240,732,558</u>	<u>\$ 199,116,763</u>	<u>\$ 170,763,344</u>

The following table presents the Plan's total OPEB liability, as well as what the Plan's total OPEB liability would be if it were calculated using healthcare costs trend rates that are one percentage point lower or one percentage point higher than the current healthcare cost trend rates for the plan:

Sensitivity of Total OPEB Liability to changes in Healthcare Cost Trend Rates

	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>\$ 165,967,035</u>	<u>\$ 199,116,763</u>	<u>\$ 249,128,037</u>

For the year ended June 30, 2023, the Plan recognized OPEB expenses of \$10,798,847.

At June 30, 2023, 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	\$ 15,199,859	\$ 6,361,956
Changes of assumptions and other items	15,619,731	57,232,973
Total	\$ 30,819,590	\$ 63,594,929

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
2024	\$ (2,606,079)
2025	(2,606,079)
2026	(2,606,080)
2027	(8,089,153)
2028	(8,829,110)
Thereafter	(8,038,838)
Total	\$ (32,775,339)

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, 2023 and 2022, amounted to \$15,138,170 and \$14,294,390, respectively. The net changes to compensated absences payable during the year ended June 30, 2023, amounted to \$843,780.

F. Leases

The Agency has acquired property by entering into a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a lease under the GASB Statement No. 87 (GASB 87). For more information on the Agency's right-to-use assets, refer to Note A above. Future amounts required to pay principal and interest on lease obligations as of June 30, 2023, were as follows:

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F. Leases (Continued)

Years Ending June 30,	Principal	Interest	Total
2024	\$ 425,305	\$ 34,891	\$ 460,196
2025	432,568	26,811	459,379
2026	407,003	19,579	426,582
2027	83,374	15,079	98,453
2028	54,820	14,073	68,893
2029-2033	296,858	54,814	351,672
2034-2038	266,979	27,639	294,618
2039-2043	116,530	10,947	127,477
2044-2048	78,662	3,104	81,766
Totals	<u>\$ 2,162,099</u>	<u>\$ 206,937</u>	<u>\$ 2,369,036</u>

G. Subscription Based Information Technology Agreements (SBITAs)

The Agency has acquired an intangible asset by entering a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a SBITA under GASB Statement No. 96. For more information on the Agency's right-to-use assets, refer to Note A above. Future amounts required to pay principal and interest on SBITA's obligations as of June 30, 2023, were as follows:

Years Ending June 30,	Principal	Interest	Total
2024	\$ 1,238,375	\$ 140,520	\$ 1,378,895
2025	1,275,655	103,240	1,378,895
2026	1,314,058	64,837	1,378,895
2027	1,353,616	25,279	1,378,895
Totals	<u>\$ 5,181,704</u>	<u>\$ 333,876</u>	<u>\$ 5,515,580</u>

H. 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.)

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%. The debt service requirements on the loan payable are summarized as follows:

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H. Loans Payable to Arkansas Development Finance Authority (Continued)

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

Year Ending June 30,	Principal	Interest	Total
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	3,559,486	428,639	3,988,125
2028	2,055,130	346,771	2,401,901
2029-2033	6,853,499	1,410,080	8,263,579
2034-2035	6,168,357	180,496	6,348,853
Totals	<u>\$ 27,842,069</u>	<u>\$ 4,110,071</u>	<u>\$ 31,952,140</u>

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, 2023, the Arkansas Division of Emergency Management had received \$50,156,516 of the loan, with \$35,653,484 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
2024	\$ 2,517,500	\$ 3,660,687	\$ 6,178,187
2025	2,440,417	3,262,125	5,702,542
2026	2,565,417	3,140,104	5,705,521
2027	2,691,250	3,011,833	5,703,083
2028	2,824,583	2,879,617	5,704,200
2029-2033	15,917,917	12,609,516	28,527,433
2034-2038	17,594,432	8,321,470	25,915,902
Totals	<u>\$ 46,551,516</u>	<u>\$ 36,885,352</u>	<u>\$ 83,436,868</u>