ARKANSAS DEPARTMENT OF TRANSPORTATION

Annual Financial Report

June 30, 2022

LEGISLATIVE JOINT AUDITING COMMITTEE

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Arkansas Department of Transportation
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 Transportation, a department of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Department of Transportation'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 respective financial position of the major fund and the aggregate remaining fund information of the Arkansas Department of Transportation as of June 30, 2022, the respective 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 Transportation 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 Transportation. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2022, 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 2022 the department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. 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 judgement 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 Transportation 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 Transportation individually. Our opinion on the departmental financial statements is 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, Ten-Year Schedule of Changes in Net Pension Liability and Related Ratios, 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 dated September 7, 2023, 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

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

Little Rock, Arkansas
September 7, 2023
SA0509022

Arkansas

Sen. David Wallace
Senate Chair
Sen. John Payton
Senate Vice Chair

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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 Transportation
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 Transportation (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Arkansas Department of Transportation's departmental financial statements, and have issued our report thereon dated September 7, 2023.

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

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
September 7, 2023

ARKANSAS DEPARTMENT OF TRANSPORTATION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2022

Exhibit A

		General Fund
ASSETS		
Cash and cash equivalents	$	898,366,635
Investments		9,054,446
Receivable, net:		
Accounts		1,957,715
Taxes		39,469,642
Damage settlement claims		1,360,611
Accrued interest		278
Due from other state agencies		7,226,194
Due from other governments		53,129,108
Prepaid items		3,483,482
Inventories		32,830,641
TOTAL ASSETS	$	1,046,878,752
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE		
Liabilities:		
Accounts payable:		
Vendors	$	8,170,513
Construction contracts		23,524,611
Grants		490,531
Accrued and other current liabilities		8,392,905
Unearned revenues		114,461
Due to third parties - right of way, utility permits, and bid depositors		1,921,817
Due to other state agencies		3,058,992
Total Liabilities		45,673,830
Deferred inflows of resources:		
Related to revenues		38,421,108
Fund balance:		
Nonspendable for:		
Prepaid items		3,483,482
Inventories		32,830,641
Restricted		545,379,517
Committed		381,090,174
Total Fund Balance		962,783,814
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$	1,046,878,752

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

ARKANSAS DEPARTMENT OF TRANSPORTATION

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

	General Fund
REVENUES	
Motor user taxes and fees:	
Four-lane highway sales and use tax	$ 253,215,131
Motor fuel	400,148,992
Natural gas severance	43,529,984
Vehicle registration	105,976,873
Overload permits and penalties	16,030,666
Other	45,986,014
Casino gaming tax	13,156,037
Grants and reimbursements	17,283,277
Federal grants and reimbursements	754,990,699
Investment earnings	20,560
Miscellaneous	4,195,488
TOTAL REVENUES	1,654,533,721
Less: State Treasury service charge	18,152,603
NET REVENUES	1,636,381,118
EXPENDITURES	
Salary and benefits	234,625,838
Communication and transportation of commodities	2,647,044
Printing and advertising	1,157,798
Repairing and servicing	35,135,388
Utilities and rent	6,681,542
Travel and subsistence	4,508,127
Professional services	65,565,696
Insurance and bonds	484,521
Other expenses and services	8,690,014
Commodities, materials, and supplies	84,983,241
Assistance, grants, and aid	352,949,973
Refunds, taxes, and claims	1,936,515
Debt service:	
Principal	185,670,000
Interest	26,900,151
Low value asset purchases	2,914,577
Capital outlay	845,757,384
TOTAL EXPENDITURES	1,860,607,809
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(224,226,691)

ARKANSAS DEPARTMENT OF TRANSPORTATION

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2022

		General Fund
OTHER FINANCING SOURCES (USES)		
Interagency transfers in (out):		
Arkansas Highway Transfer Fund	$	71,889,807
Interest		26,141,417
Other, net		(416,997)
Prior-year adjustments		2,577,322
TOTAL OTHER FINANCING SOURCES (USES)		100,191,549
NET CHANGE IN FUND BALANCE		(124,035,142)
FUND BALANCE - JULY 1		1,086,818,956
FUND BALANCE - JUNE 30	$	962,783,814

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

ARKANSAS DEPARTMENT OF TRANSPORTATION Exhibit C
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2022

	General Fund			
	Budgeted Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Motor user taxes and fees	$ 810,500,000	$ 810,500,000	$ 864,887,660	$ 54,387,660
Casino gaming tax			13,156,037	13,156,037
Grants and reimbursements	79,079,000	79,079,000	17,283,277	(61,795,723)
Federal grants and reimbursements	850,000,000	850,000,000	754,990,699	(95,009,301)
Investment earnings			20,560	20,560
Miscellaneous			4,195,488	4,195,488
TOTAL REVENUES	1,739,579,000	1,739,579,000	1,654,533,721	(85,045,279)
Less: State Treasury service charge			18,152,603	(18,152,603)
NET REVENUES	1,739,579,000	1,739,579,000	1,636,381,118	(103,197,882)
EXPENDITURES				
Regular salaries	200,000,000	204,500,000	174,226,604	30,273,396
Extra help	10,000,000	5,500,000		5,500,000
Operating expenses	252,104,000	207,336,346	149,088,555	58,247,791
Personal services matching	70,000,000	80,000,000	60,399,234	19,600,766
Grants and aid	933,275,000	1,064,900,189	352,949,973	711,950,216
Conference fees and travel	300,000	300,000	50,212	249,788
Professional fees and services	105,000,000	105,000,000	65,565,696	39,434,304
Capital outlay	1,015,000,000	1,040,000,000	845,757,384	194,242,616
Debt service	230,000,000	230,000,000	212,570,151	17,429,849
TOTAL EXPENDITURES	2,815,679,000	2,937,536,535	1,860,607,809	1,076,928,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,076,100,000)	(1,197,957,535)	(224,226,691)	973,730,844
OTHER FINANCING SOURCES (USES)				
Interagency transfers in (out):				
Arkansas Highway Transfer Fund	50,000,000	50,000,000	71,889,807	21,889,807
Interest			26,141,417	26,141,417
Other, net			(416,997)	(416,997)
Prior-year adjustments			2,577,322	2,577,322
TOTAL OTHER FINANCING SOURCES (USES)	50,000,000	50,000,000	100,191,549	50,191,549
NET CHANGE IN FUND BALANCE	(1,026,100,000)	(1,147,957,535)	(124,035,142)	1,023,922,393
FUND BALANCE - JULY 1	1,086,818,956	1,086,818,956	1,086,818,956	
FUND BALANCE - JUNE 30	$ 60,718,956	$ (61,138,579)	$ 962,783,814	$ 1,023,922,393

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

ARKANSAS DEPARTMENT OF TRANSPORTATION
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2022

Exhibit D

	Custodial Funds	
ASSETS		
Cash and cash equivalents	$	759,419
LIABILITIES		
Due to third parties:		
Employee group insurance	$	534,528
Cafeteria plan		182,094
Due to other governments - drug forfeiture		42,797
TOTAL LIABILITIES	$	759,419
NET POSITION		
TOTAL NET POSITION	$	0

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

ARKANSAS DEPARTMENT OF TRANSPORTATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit E

	Custodial Funds
ADDITIONS	
Beneficiary deposits	$ 31,214,329
Investment earnings	787
TOTAL ADDITIONS	31,215,116
DEDUCTIONS	
Beneficiary withdrawals/payments	31,215,116
Net position - beginning	
Net position - ending	$ 0

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Agency's mission is to provide safe and efficient transportation solutions to support Arkansas's economy and enhance the quality of life for generations to come. This mission includes planning, constructing, maintaining, and policing state roads and highways; providing aid to individual county road systems; providing funding for the construction and maintenance of recreational trails for both motorized and non-motorized transport; and overseeing a number of programs related to Arkansas roads, including the Scenic Byways, Historic Bridges, and Wildflower Programs. Act 707 of 2017 changed the Agency name from the Arkansas State Highway and Transportation Department to the Arkansas Department of Transportation.

Arkansas Constitution Amendment 42 was adopted by voters in November 1952 and created the current Arkansas State Highway Commission (the "Commission"). Arkansas Constitution Amendment 42 and Arkansas Code Annotated Title 27 provide specific laws related to transportation, the powers and duties of the Commission and the Agency in the coordination of public and private transportation activities, and the effective implementation of the Agency's mission.

The Commission is composed of five members appointed by the Governor, with the advice and consent of the Senate, to serve 10-year terms. The Commission is assigned all powers necessary to fully and effectively administer state laws and regulations relating to Agency operations. The Agency Director is appointed by the Commission and is responsible for developing and managing a professional staff to oversee operations.

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 includes the following:

Custodial Funds – Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. These funds account for the collection and disbursement of payroll amounts withheld for various insurance products and the Section 125 Cafeteria Plan (Flexible Benefits Plan) and amounts confiscated by the Arkansas Highway Police while enforcing federal, state, and local drug laws.

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay current liabilities (i.e., 45 days). Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met. 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 $1,441,796, $897,604,389, and $1,760,761, 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.

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, 2022, none of the Agency's bank balance of $3,444,885 was exposed to custodial credit risk.

Investments

Except for certain interest-earning investment contracts and money market investments, investments are reported at fair value. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation assumptions used to measure the fair value of the asset as follows:

- Level 1 – quoted prices in active markets for identical assets
- Level 2 – significant other observable assumptions
- Level 3 – significant unobservable assumptions

The Agency has the following recurring fair value measurements as of June 30, 2022:

Investment Type	Valuation Method	Amount
Mutual funds	Level 1	$ 9,054,446

As of June 30, 2022, the Agency has the following investment balances and segmented maturities:

		Investment Maturities (In Years)			
Investment Type	Fair Value	Less than 1	1-5	6-10	More than 10
Mutual funds	$ 9,054,446	$ 9,054,446	$ 0	$ 0	$ 0

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary shown above indicates that none of the Agency's investment maturities are one year or longer.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency has adopted the State Board of Finance Policy that limits investment choices to certificates of deposit, repurchase agreements, treasury bills, treasury notes, and securities issued by the State of Arkansas and its political subdivisions. The Agency's exposure to credit risk as of June 30, 2022, is as follows:

Rating	Fair Value
AAA	$ 9,054,446

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 actual cost.

H. Prepaid Expenses

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

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.

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.

A summary of the nature and purpose of each of these fund balance classifications as of June 30, 2022, is as follows:

	Nonspendable	Spendable Fund Balance	
	Fund Balance	Restricted	Committed
Prepaid expenses	$ 3,483,482		
Inventories	32,830,641		
Debt service		$ 7,293,685	
Transportation		538,020,250	$ 381,090,174
Program requirements			
Other		65,582	
Total	$ 36,314,123	$ 545,379,517	$ 381,090,174

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: New Accounting Pronouncement

The Agency implemented GASB Statement No. 87, *Leases*, in the fiscal year ended June 30, 2022. 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 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.

NOTE 3: Commitments and Contingencies

The Agency and its employees are defendants in numerous legal proceedings, many of which normally occur in governmental operations. Such litigation includes, but is not limited to, claims assessed against the Agency for property damage and personal injury and alleged breaches of contract. For cases where it is reasonably possible that a loss will be incurred and the amount of the potential judgement can be reasonably estimated, the Attorney General and agency legal counsel estimate the liability to be approximately $67,146,612.

ARKANSAS DEPARTMENT OF TRANSPORTATION
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2022
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2022	2021	2020	2019	2018
General Fund					
Total Assets	$ 1,046,878,752	$ 1,165,635,329	$ 1,292,005,930	$ 1,337,361,988	$ 1,211,738,116
Total Liabilities	45,673,830	43,137,984	32,471,244	33,053,853	37,869,937
Total Deferred Inflows of Resources	38,421,108	35,678,389	1,959,534	2,621,814	2,390,523
Total Fund Equity	962,783,814	1,086,818,956	1,257,575,152	1,301,686,321	1,171,477,656
Net Revenues	1,636,381,118	1,585,124,850	1,296,130,334	1,274,628,173	1,460,298,155
Total Expenditures	1,860,607,809	1,856,318,202	1,431,509,873	1,285,199,111	1,580,313,405
Total Other Financing Sources (Uses)	100,191,549	100,437,156	91,268,370	140,779,602	56,095,666
Custodial Funds					
Total Assets	759,419	772,685	1,845,679	1,835,216	1,884,902
Total Liabilities	759,419	772,685	1,845,679	1,835,216	1,884,902

ARKANSAS DEPARTMENT OF TRANSPORTATION
TEN-YEAR SCHEDULE OF CHANGES IN NET POSITION LIABILITY AND RELATED RATIOS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Schedule 2

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Total Pension Liability										N/A
Service cost	$ 19,371,421	$ 20,916,486	$ 19,568,869	$ 19,699,067	$ 23,601,075	$ 42,816,372	$ 18,935,319	$ 18,412,588	$ 16,862,918	
Interest	129,721,361	133,728,922	127,936,561	128,527,434	113,808,845	110,543,661	126,829,266	115,441,556	112,962,064	
Benefit changes		(21,617,039)		(21,398,912)		(101,042,380)				
Difference between expected and actual experience of the Total Pension Liability	24,531,237	(33,301,030)	(8,753,212)	26,324,123	49,165,072	(31,506,816)	20,925,790	20,790,869		
Assumption changes		(15,094,440)		(216,056,489)	(331,139,733)	(137,435,476)	790,989,712	91,940,822		
Benefit payments, including refunds of employee contributions	(127,935,851)	(125,736,705)	(122,789,638)	(119,412,266)	(115,747,730)	(111,904,597)	(106,755,840)	(102,245,806)	(95,454,598)	
Net changes in total pension liability	45,688,168	(41,103,806)	15,962,580	(182,317,043)	(260,312,471)	(228,529,236)	850,924,247	144,340,029	34,370,384	
Total pension liability - beginning	1,783,900,358	1,825,004,164	1,809,041,584	1,991,358,627	2,251,671,098	2,480,200,334	1,629,276,087	1,484,936,058	1,450,565,674	
Total pension liability - ending (a)	$ 1,829,588,526	$ 1,783,900,358	$ 1,825,004,164	$ 1,809,041,584	$ 1,991,358,627	$ 2,251,671,098	$ 2,480,200,334	$ 1,629,276,087	$ 1,484,936,058	
Plan Fiduciary Net Position										
Employer contributions	$ 27,992,649	$ 24,091,743	$ 23,208,655	$ 19,281,642	$ 19,294,283	$ 19,175,401	$ 19,231,804	$ 19,059,012	$ 18,614,507	
Employee contributions	11,935,011	11,428,100	10,265,552	9,249,680	9,163,176	9,143,408	9,379,784	9,138,451	8,884,829	
Net investment income	(158,125,788)	398,242,832	110,541,618	4,559,025	205,497,639	133,167,344	(60,344,122)	25,383,756	234,208,606	
Benefit payments, including refunds of employee contributions	(127,935,851)	(125,736,705)	(122,789,638)	(119,412,266)	(115,747,730)	(111,904,597)	(106,755,840)	(102,245,806)	(95,454,598)	
Administrative expense	(121,760)	(105,929)	(129,016)	(74,348)	(55,703)	(130,076)	(118,199)	(91,542)	(43,282)	
Net change in plan fiduciary net position	(246,255,739)	307,920,041	21,097,171	(86,396,267)	118,151,665	49,451,480	(138,606,573)	(48,756,129)	166,210,062	
Plan fiduciary net position - beginning	1,715,093,810	1,407,173,769	1,386,076,598	1,472,472,865	1,354,321,200	1,304,869,720	1,443,476,293	1,492,232,422	1,326,022,360	
Plan fiduciary net position - ending (b)	$ 1,468,838,071	$ 1,715,093,810	$ 1,407,173,769	$ 1,386,076,598	$ 1,472,472,865	$ 1,354,321,200	$ 1,304,869,720	$ 1,443,476,293	$ 1,492,232,422	
Net pension liability (asset) - ending (a-b)	$ 360,750,455	$ 68,806,548	$ 417,830,395	$ 422,964,986	$ 518,885,762	$ 897,349,898	$ 1,175,330,614	$ 185,799,794	$ (7,296,364)	
Plan fiduciary net position as a percentage of total pension liability	80.28%	96.14%	77.11%	76.62%	73.94%	60.15%	52.61%	88.60%	100.49%	
Covered employee payroll (1)	$ 187,870,131	$ 159,568,380	$ 149,976,800	$ 146,461,468	$ 148,527,851	$ 141,154,763	$ 141,906,487	$ 140,544,393	$ 137,261,720	
Net pension liability as a percentage of covered employee payroll	192.02%	43.12%	278.60%	288.79%	349.35%	635.72%	828.24%	132.20%	(5.32)%	

Notes to Schedule

(1) The covered payroll is the reported salary for the fiscal year for active members (who are not in the DROP) as of the measurement date. If the reported salary was for a period of less than 12 months, it has been annualized.

N/A The Agency implemented GASB Statement No. 68 in fiscal year 2014. Information for the schedule was not available prior to this fiscal year.

ARKANSAS DEPARTMENT OF TRANSPORTATION
TEN-YEAR SCHEDULE OF AGENCY CONTRIBUTIONS
FOR THE YEAR ENDED JUNE 30, 2022
(UNAUDITED)

Schedule 3

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Statutorily determined contribution	$ 23,577,701	$ 24,091,743	$ 23,208,655	$ 19,281,642	$ 19,294,283	$ 19,175,401	$ 19,231,804	$ 19,059,012	$ 18,614,507	N/A
Contributions in relation to the statutorily determined contribution	27,992,649	24,091,743	23,208,655	19,281,642	19,294,283	19,175,401	19,231,804	19,059,012	18,614,507	
Contribution deficiency (excess)	$ (4,414,948)	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	$ 0	
Covered employee payroll	$ 187,870,131	$ 159,568,380	$ 149,976,800	$ 146,461,468	$ 148,527,851	$ 141,154,763	$ 141,906,487	$ 140,544,393	$ 137,261,720	
Contributions as a percentage of covered employee payroll	14.90%	15.10%	15.47%	13.16%	12.99%	13.58%	13.55%	13.56%	13.56%	

Notes to Schedule

N/A The Agency implemented GASB Statement No. 68 in fiscal year 2014. Information for the schedule was not available prior to this fiscal year.

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

At June 30, 2022, the Agency had commitments related to planning, designing and constructing infrastructure for roads and bridges totaling $1,228,455,081.

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	$ 874,732,462	$ 36,309,088	$ 1,852,673	$ 909,188,877
Buildings and welcome centers	163,616,908	2,418,729	23,404	166,012,233
Equipment	345,355,613	25,552,050	17,976,185	352,931,478
Infrastructure	17,602,308,136	643,210,380	28,608	18,245,489,908
Construction in progress	2,238,274,587	747,857,925	488,846,642	2,497,285,870
Right-to-Use assets				
RtU Buildings		306,333		306,333
Total governmental activities	$ 21,224,287,706	$ 1,455,654,505	$ 508,727,512	$ 22,171,214,699

B. Pension Plan

<u>Plan Description</u>

The Arkansas State Highway Employees Retirement System (ASHERS) is a single-employer, defined benefit pension plan administered by a seven-member Board of Trustees that provides pension benefits to all employees of the Agency. Benefit provisions are established and amended by Arkansas Code Annotated Title 24. ASHERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arkansas State Highway Employees Retirement System, 10324 Interstate 30, Little Rock, Arkansas 72209 or by calling 501-569-2000.

B. Pension Plan (Continued)

Benefits Provided

Members are eligible for full retirement benefits as follows:

- Age 65 with five or more years of service.
- Age 62 with 15 or more years of service.
- Age 60 with 20 years of service.
- Any age with 28 or more years of service.

A member may retire with a reduced benefit at age 55 with 10 years of service.

The retirement benefit is paid monthly and is determined based on the members' average salary and the number of years and months of credited service. Average salary is the average of the highest 36 consecutive months' salary. Retiree benefits are calculated each year on July 1 for the following 12 months. The benefit is recalculated based on the benefit determined as of the immediately preceding July 1, increased by the lesser of 3% or the percentage change in the Consumer Price Index for Urban Wage Earners and Clerical Workers as determined by the United States Department of Labor. ASHERS also provides disability and survivor benefits.

At June 30, 2022, the following employees were covered by the pension plan:

	Employees
Inactive employees or beneficiaries currently receiving benefits	3,586
Inactive employees entitled to but not yet receiving benefits	620
Active employees	3,277
Total	7,483

Funding Policy

The employer contribution rate is established under state statute. Periodic employer contributions are made at statutorily established rates with a fundamental financial objective of having contribution rates that remain relatively level. To test the adequacy of the statutory rates and assess the extent to which the fundamental financial objective is being achieved, ASHERS has actuarial valuations prepared annually.

The statutory employer contribution rate is 14.9% of the pay of each covered employee not in the deferred retirement option program (DROP). Employer contributions are not made on the pay of employees in Tier I DROP. Employer contributions are 6.9% on the pay of employees in Tier II DROP.

Covered employees not in Tier I DROP are required to contribute 7% of their compensation.

Net Pension Liability

At June 30, 2022, the Agency reported a net pension liability of $360,750,455 determined by an actuarial valuation as of that date. This amount is reported in the State's "Government-Wide" financial statements but is not reported in the governmental fund financial statements.

B. Pension Plan (Continued)

Actuarial Assumptions

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

Actuarial valuation date	June 30, 2022
Cost method	Entry Age Normal
Amortization method	Level Percent of Salary
Asset valuation	4-year smoothed Market Value
Inflation rate	2.50%
Salary increases (includes assumed inflation)	3.00%
Investment rate of return (includes assumed inflation)	7.50%
Mortality rates	105% Pub-2010-G(B) with no setback scaled with MP-2020 for males and females

Investment Rate of Return

The plan operates with an asset allocation of 20% to 80% equity and 20% to 80% fixed income. Because the asset classes are not set in a specific target range, the actuary used the expected rate of return of 7.50%.

Discount Rate

A single discount rate of 7.50% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.50%. The projection of cash flows, based on the assumptions made, found that the pension plan's net position was projected to make all projected future benefit payments of current plan members. Therefore, the single discount rate of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The following table provides the changes in net pension liability:

	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Liability (a-b)
Balances, June 30, 2021	$ 1,783,900,358	$ 1,715,093,810	$ 68,806,548
Changes for the year:			
Service cost	19,371,421		19,371,421
Interest	129,721,361		129,721,361
Difference between expected and actual experience	24,531,237		24,531,237
Contributions - employer		27,992,649	(27,992,649)
Contributions - employee		11,935,011	(11,935,011)
Net investment income (loss)		(158,125,788)	158,125,788
Benefit payments, including refunds of employee contributions	(127,935,851)	(127,935,851)	
Administrative expense		(121,760)	121,760
Net changes	45,688,168	(246,255,739)	291,943,907
Balances, June 30, 2022	$ 1,829,588,526	$ 1,468,838,071	$ 360,750,455

B. Pension Plan (Continued)

Sensitivity of the Net Pension Liability (Asset) to Changes in the Discount Rate

The following presents the Agency's net pension liability (asset) for the plan using the discount rate stated, as well as what the Agency's net pension liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher than the current rate:

1% lower than current discount rate		Current Discount Rate		1% higher than current discount rate	
Rate	Net Pension Liability	Rate	Net Pension Liability	Rate	Net Pension Liability
6.50%	$ 557,828,220	7.50%	$ 360,750,454	8.50%	$ 202,300,890

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State 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 retires 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.

D. Compensated Absences – Employee Leave

Upon separation from the Agency, employees are entitled to receive compensation for their unused accrued annual leave. Annual leave is earned by all full-time employees, and monthly accrual and yearly carryover rates are based on years of service as follows:

D. Compensated Absences – Employee Leave (Continued)

Years of Service with the State	Monthly Accrual Rate	Maximum Carryover to Next Leave Year
1 day to 3 years	8 hours	17 days
3 to 5 years	10 hours	20 days
5 to 12 years	12 hours	23 days
12 to 20 years	14 hours	26 days
20 years and over	15 hours	27.5 days

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, 2022 and 2021, amounted to $14,198,459 and $14,864,585, respectively. The net changes to compensated absences payable during the year ended June 30, 2022, amounted to $666,126.

E. Long-Term Liabilities – General Obligation Bonds

General obligation bonds issued by the Agency must be authorized by the General Assembly and approved by voters of the State during a general or special election. Principal, interest, and paying agent fees are recorded as debt service expenditures when due. When a bond is issued, the face amount of the debt is recorded as an other financing source, and the bond premium, discount, and/or issuance cost is recognized. Premiums and discounts are recorded as other financing sources and uses, respectively. Issuance costs are recorded as debt service expenditures. In accordance with current accounting principles generally accepted in the United States of America, the liability, deferred premiums and/or discounts, and amortization of deferred premiums and/or discounts are reported in the State's "Government-Wide" financial statements but are not reported in the governmental fund financial statements.

Changes in long-term liabilities for general obligation bonds for the year ended June 30, 2022, are summarized as follows:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022	Due Within One Year
Governmental activities:					
General obligation bonds payable	$ 537,725,000	$ 0	$ 185,670,000	$ 352,055,000	$ 196,920,000

E. Long-Term Liabilities – General Obligation Bonds (Continued)

General obligation bonds outstanding at June 30, 2022, are as follows:

	Authorization	Final Maturity (Fiscal Year)	Interest Rates	Balance
Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds for the rehabilitation and reconstruction of the existing interstate highway system:				
2012 series - $197 million issued in fiscal year 2013.	Act 511 of 2007	2025	3.0% - 5.0%	$ 57,545,000
2013 series - $171 million issued in fiscal year 2014.	Act 511 of 2007	2026	4.0% - 5.0%	64,920,000
2014 series - $206.5 million issued in fiscal year 2015.	Act 511 of 2007	2027	5%	91,145,000
Total Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds				213,610,000
Four-Lane Highway Construction and Improvement General Obligation Refunding Bonds:				
2021 series - $268 million issued in fiscal year 2021 for the construction and improvement of four-lane highways	Ark. Const. amend. 91	2023	5%	138,445,000
Total General Obligation Bonds				$ 352,055,000

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2022, are summarized as follows:

Year Ended June 30,	Principal	Interest	Total
2023	$ 196,920,000	$ 15,643,550	$ 212,563,550
2024	60,980,000	6,220,000	67,200,000
2025	51,560,000	3,605,950	55,165,950
2026	31,440,000	1,566,200	33,006,200
2027	11,155,000	278,875	11,433,875
Totals	$ 352,055,000	$ 27,314,575	$ 379,369,575

E. Long-Term Liabilities – General Obligation Bonds (Continued)

Details regarding the authorization of general obligation bonds are as follows:

Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds

Act 511 of 2007 and a statewide election conducted on November 8, 2011, authorized the Highway Commission to issue Federal Highway Grant Anticipation and Tax Revenue General Obligation Bonds. All bonds issued under the authority of this Act are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The bonds may be issued in one or more series, provided that the total principal amount outstanding, together with the total principal amount outstanding from the issuance of bonds pursuant to Act 1027 of 1999, shall not at any time exceed \$575 million. The proceeds are to be used for rehabilitation and reconstruction of the existing interstate highway system. No bonds were issued under the authority of this Amendment in the 2022 fiscal year.

Bonds issued under the authority of Act 511 of 2007 are payable primarily from federal interstate maintenance funds (FIMF), state matching for these funds, and a 4 cent per gallon diesel fuel tax. Revenues and apportionments designated for the repayment of bonds for fiscal years 2018 through 2022 and projected amounts for fiscal years 2023 through 2027 are as follows (expressed in thousands):

Revenues and Apportionments			Projected Revenues and Apportionments		
Fiscal Year Ending June 30,	Additional Diesel Tax Revenues	Apportioned FIMF	Fiscal Year Ending June 30,	Additional Diesel Tax Revenues	Apportioned FIMF
2018	$ 18,039	$ 103,074	2023	$ 18,000	$ 113,802
2019	18,399	105,135	2024	18,000	116,078
2020	18,164	107,238	2025	18,000	100,000
2021	18,800	109,383	2026	18,000	100,000
2022	19,790	111,571	2027	18,000	100,000

Four-Lane Highway Construction and Improvement General Obligation Bonds

Amendment 91 to the Arkansas Constitution was approved by a vote of the people on November 6, 2012. This amendment authorized the State to issue State of Arkansas General Obligation Four-Lane Highway Construction and Improvement Bonds. All bonds issued under this authority are general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Amendment limited the aggregate to principal amount to \$1.3 billion to be issued in several series of various principal amounts. The bonds are issued for the purpose of construction and improvement of four-lane highways in the State of Arkansas. The Arkansas State Highway Commission may issue additional bonds pursuant to Amendment 91 to the aggregate principal amount of \$831.1 million. Such additional bonds must have a maturity date no later than June 30, 2023. An amendment to the Arkansas Constitution was approved by the voters on November 3, 2020, removing the expiration date of the collection of the ½ cent sales tax. No bonds were issued under this under the authority of this Amendment in the 2021 fiscal year. The bonds are payable primarily from the ½ cent sales and use tax authorized by the Amendment. Revenues collected and designated for the repayment of the bonds during fiscal years 2018 through 2022 are as follows (expressed in thousands):

Fiscal Year Ending June 30,	Sales Tax Collections
2018	$ 187,427
2019	194,138
2020	202,932
2021	231,378
2022	253,215

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 GASB Statement No. 87. The following is a schedule of future minimum lease payments under leases together with the present value of the minimum lease payments as of June 30, 2022:

Year Ended June 30,	Principal	Interest	Total
2023	$ 146,849	$ 5,915	$ 152,764
2024	114,488	1,648	116,136
Totals	$ 261,337	$ 7,563	$ 268,900