

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

**Financial Statements
June 30, 2022 and 2021
(With Independent Accountants' Review Report Thereon)**





Independent Accountants' Review Report

Board of Directors
Arkansas State Board of Public Accountancy

We have reviewed the accompanying financial statements of the Arkansas State Board of Public Accountancy (the "Board"), a component unit of the State of Arkansas, which comprise the statements of net position as of June 30, 2022 and 2021, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements. A review includes primarily applying analytical procedures to management's financial data and making inquiries of the Board's management. A review is substantially less in scope than an audit, the objective of which is the expression of an opinion regarding the financial statements as a whole. Accordingly, we do not express such an opinion.

Management's Responsibility for the Financial Statements

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

Accountants' Responsibility

Our responsibility is to conduct the review engagements in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA (SSARS). Those standards require us to perform procedures to obtain limited assurance as a basis for reporting whether we are aware of any material modifications that should be made to the financial statements for them to be in accordance with GAAP. We believe that the results of our procedures provide a reasonable basis for our conclusion.

We are required to be independent of the Board and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements related to our review.

Accountants' Conclusion

Based on our reviews, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in accordance with GAAP.

Required Supplementary Information

GAAP requires that the management's discussion and analysis, schedule of proportionate share of the net pension liability – Arkansas Public Employees Retirement System, and schedule of contributions – Arkansas Public Employees Retirement System be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Such information is the responsibility of management. We have applied certain limited procedures to the required supplementary information in accordance with SSARS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge obtained during our review of the basic financial statements. We have not audited or reviewed such information and we do not express an opinion, a conclusion, nor provide any assurance on it.

A handwritten signature in black ink that reads "Rasw Hilder Thomas Group". The signature is written in a cursive, slightly slanted style.

March 7, 2024

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

Management's Discussion and Analysis

The following discussion and analysis of the financial performance of the Arkansas State Board of Public Accountancy (the Board), provides a narrative overview and analysis of the financial activities of the Board for the fiscal years ended June 30, 2022 and 2021. This discussion and analysis is designed to assist the reader in focusing on the significant financial issues and activities and to identify any significant changes in financial position. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

Overview of the Financial Statements

The Arkansas State Board of Public Accountancy is a regulatory agency of the State of Arkansas. The Board's financial statements report only the financial activities of the Board, and do not include the government-wide financial statements of the State of Arkansas.

The Board has only one governmental fund which is the enterprise fund. This fund is reported using the accrual basis of accounting.

The *Statements of Net Position* present information on the assets and liabilities at the end of the Board's fiscal years. The difference between assets and liabilities results in the total net position. Increases or decreases to the total net position may be a useful indicator of whether the financial position of the Board is improving or deteriorating. Total net position increases when revenues exceed expenditures.

The *Statements of Revenues, Expenditures, and Changes in Net Position* present information showing how the Board's net position changed during the fiscal years. Generally, increases to the net position occur when revenues become measurable and available, while decreases in net position occur when expenditures are incurred, rather than when paid. However, some expenditures result in prepaid expenses. Prepaid expenses are reported as assets on the Statements of Net Position and are reported as expenses in the future when the prepayment is utilized.

The *Statements of Cash Flows* detail how the cash balance changed from the beginning of the fiscal years until the end of the fiscal years. Cash provided by or used in operating activities and investing activities is presented, along with a reconciliation of operating income (loss) to the amount of cash provided by operating activities during the fiscal year.

The *Notes to Financial Statements* provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

Financial Analysis

Generally, total net position is a useful indicator of a government entity's financial position. The Board's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$1,108,908 and \$926,376, respectively, at the close of the fiscal years ending June 30, 2022 and 2021.

Below is a condensed summary of the assets, liabilities, and net position of the Board at June 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 1,790,405	1,708,167	1,641,950
Capital assets, net	-	-	4,630
Deferred outflows of resources	<u>5,878</u>	<u>93,841</u>	<u>125,630</u>
Total assets and deferred outflows of resources	<u>\$ 1,796,283</u>	<u>1,802,008</u>	<u>1,772,210</u>
Current liabilities	\$ 135,799	130,094	143,259
Net pension liability	181,297	688,351	589,375
Accrued compensated absences, non-current	25,398	33,584	25,803
Deferred inflows of resources	<u>344,881</u>	<u>23,603</u>	<u>37,220</u>
Total liabilities and deferred inflows of resources	687,375	875,632	795,657
Net position	<u>1,108,908</u>	<u>926,376</u>	<u>976,553</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 1,796,283</u>	<u>1,802,008</u>	<u>1,772,210</u>

During the year ending June 30, 2021, total assets and deferred outflows of resources increased by 1.7% ending the year with a balance of \$1,802,008. During the year ending June 30, 2022, total assets and deferred outflows of resources decreased by 0.3% ending the year with a balance of \$1,796,283.

Current assets have represented over 92% of the Board's total assets and deferred outflows of resources at the end of each fiscal year presented. Current assets consisted of the following as of June 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Cash	\$ 576,693	483,556	170,248
Prepaid expenses	2,172	3,880	1,200
Investments in United States			
Treasury bills	1,211,540	1,220,731	1,220,182
Certificate of deposit	-	-	250,320
Total current assets	<u>\$ 1,790,405</u>	<u>1,708,167</u>	<u>1,641,950</u>

Below is a condensed summary of the Board's changes in net position for the years ended June 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Operating revenue	\$ 1,004,561	1,049,973	970,584
Operating expenses	<u>(910,763)</u>	<u>(985,857)</u>	<u>(1,002,437)</u>
Operating income (loss)	93,798	64,116	(31,853)
Nonoperating revenue (expense)	<u>88,734</u>	<u>(114,293)</u>	<u>29,727</u>
Change in net position	182,532	(50,177)	(2,126)
Net position, beginning of year	<u>926,376</u>	<u>976,553</u>	<u>978,679</u>
Net position, end of year	<u>\$ 1,108,908</u>	<u>926,376</u>	<u>976,553</u>

Operating revenues exceeded operating expenses by \$93,798 and \$64,116, respectively.

During the year ending June 30, 2021, total net position decreased by \$50,177 or 5.1%. During the year ending June 30, 2022, total net position increased by \$182,532 or 19.7%.

The following table reflects the sources of the Board's operating revenue for the years ending June 30, 2022, 2021, and 2020:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Registration fees	\$ 621,580	619,060	619,125
Examination fees	238,636	246,947	215,530
Other	144,345	183,966	135,929
Total operating revenue	<u>\$ 1,004,561</u>	<u>1,049,973</u>	<u>970,584</u>

The Board's operating expenses for the years ending June 30, 2022, 2021, and 2020 consisted of the following:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Salaries and fringe benefits	\$ 552,034	600,421	660,243
Exam fees	205,143	211,107	177,891
Other	<u>153,586</u>	<u>174,329</u>	<u>164,303</u>
Total operating expenses	<u>\$ 910,763</u>	<u>985,857</u>	<u>1,002,437</u>

Requests for Information

This financial report is designed to provide a general overview of the Arkansas State Board of Public Accountancy's financial position for all those with an interest in its finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Executive Director, Arkansas State Board of Public Accountancy, 900 West Capitol, Suite 400, Little Rock, Arkansas 72201.

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

**Statements of Net Position
June 30, 2022 and 2021
(See Independent Accountants' Review Report)**

	2022	2021
<u>Assets and Deferred Outflows of Resources</u>		
Current assets:		
Cash	\$ 576,693	483,556
Prepaid expenses	2,172	3,880
Investments	1,211,540	1,220,731
Total current assets	1,790,405	1,708,167
Capital assets:		
Furniture and equipment	40,622	48,319
Less accumulated depreciation	(40,622)	(48,319)
Capital assets, net	-	-
Total assets	1,790,405	1,708,167
Deferred outflows of resources:		
Pension	5,878	93,841
Total assets and deferred outflows of resources	\$ 1,796,283	1,802,008

See accompanying notes to financial statements.

(continued)

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

**Statements of Net Position - Concluded
June 30, 2022 and 2021
(See Independent Accountants' Review Report)**

	2022	2021
<u>Liabilities, Deferred Inflows of Resources, and Net Position</u>		
Current liabilities:		
Accounts payable	\$ 29,011	34,576
Accrued expenses	47,336	39,958
Deferred revenue	59,452	55,560
Total current liabilities	135,799	130,094
Net pension liability	181,297	688,351
Accrued compensated absences, non-current	25,398	33,584
Total liabilities	342,494	852,029
Deferred inflows of resources:		
Pension	344,881	23,603
Net position:		
Unrestricted	1,108,908	926,376
Total net position	1,108,908	926,376
Total liabilities, deferred inflows of resources, and net position	\$ 1,796,283	1,802,008

See accompanying notes to financial statements.

**Arkansas State Board of Public Accountancy
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**Statements of Revenues, Expenses, and Changes in Net Position
For the Years Ended June 30, 2022 and 2021
(See Independent Accountants' Review Report)**

	<u>2022</u>	<u>2021</u>
Operating revenues:		
Registration	\$ 621,580	619,060
Examination	238,636	246,947
Application and reinstatement fees	100,515	100,086
Fines and late fees	38,730	77,580
Quality review	5,100	6,300
Total revenues	<u>1,004,561</u>	<u>1,049,973</u>
Operating expenses:		
Board member expenses	9,905	5,844
DOL overhead fee	40,956	44,614
Exam fees	205,143	211,107
Depreciation	-	4,630
Office expenses	16,743	14,799
Other	41,490	40,637
Professional services	5,975	21,785
Refunds	12,995	6,524
Rent and utilities	25,522	35,496
Salaries and fringe benefits	552,034	600,421
Total operating expenses	<u>910,763</u>	<u>985,857</u>
Operating income	<u>93,798</u>	<u>64,116</u>
Nonoperating revenue (expense):		
Investment income (loss)	(9,191)	2,631
Interest income	112	224
Gain (loss) on net pension liability	97,813	(117,148)
Total nonoperating revenue (expense)	<u>88,734</u>	<u>(114,293)</u>
Change in net position	182,532	(50,177)
Net position, beginning of year	<u>926,376</u>	<u>976,553</u>
Net position, end of year	<u>\$ 1,108,908</u>	<u>926,376</u>

See accompanying notes to financial statements.

**Arkansas State Board of Public Accountancy
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**Statements of Cash Flows
For the Years Ended June 30, 2022 and 2021
(See Independent Accountants' Review Report)**

	2022	2021
Cash flows from operating activities:		
Receipts from customers	\$ 1,008,453	1,009,624
Payments to suppliers and contractors	(362,586)	(365,064)
Payments to employees	(552,842)	(583,878)
Net cash provided by operating activities	93,025	60,682
Cash flows from investing activities:		
Interest income received	112	224
Net sales of investments	-	252,402
Net cash provided by investing activities	112	252,626
Net change in cash and cash equivalents	93,137	313,308
Cash and cash equivalents:		
Beginning of year	483,556	170,248
End of year	\$ 576,693	483,556
 <u>Reconciliation of operating income to net cash provided by operating activities:</u>		
Operating income	\$ 93,798	64,116
Non-cash operating activities:		
Depreciation	-	4,630
Changes in operating assets and liabilities:		
Prepaid expenses	1,708	(2,680)
Accounts payable	(5,565)	18,422
Accrued expenses and compensated absences	(808)	16,543
Deferred revenue	3,892	(40,349)
Net cash provided by operating activities	\$ 93,025	60,682

See accompanying notes to financial statements.

**Arkansas State Board of Public Accountancy
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**Notes to Financial Statements
June 30, 2022 and 2021
(See Independent Accountants' Review Report)**

(1) Summary of Significant Accounting Policies

Arkansas State Board of Public Accountancy (the "Board"), a component unit of the State of Arkansas, was created by the Arkansas Legislature in Act 160 of 1975 to regulate the practice of public accountancy within the state. The Board consists of seven governor-appointed members, of which five must be Certified Public Accountants and two must not be actively engaged in or retired from the profession of accounting. The Board's primary functions are to issue licenses, monitor the practice of public accountancy, ensure the quality of financial reports issued to the public, and screen applicants for the Uniform Certified Public Accountant Examination.

Basis of Accounting: The financial statements of the Board have been prepared on the accrual basis of accounting using the economic resources measurement focus. Revenues, expenses, gains, losses, assets, liabilities, and deferred inflows and outflows of resources from exchange and exchange-like transactions are recognized when the exchange transaction takes place, while those from government-mandated non-exchange transactions, if any, are recognized when all applicable eligibility requirements are met.

Operating revenues and expenses include exchange transactions and program-specific, government-mandated non-exchange transactions. Government-mandated non-exchange transactions that are not program specific, and investment income and interest, are included in non-operating revenues and expenses. The Board first applies restricted net position when an expense or outlay is incurred for purposes for which both restricted and unrestricted net position are available.

Cash and Cash Equivalents: The Board considers all liquid investments with original maturities of three months or less to be cash equivalents. As of June 30, 2022 and 2021, no cash equivalents were held.

Investments and Investment Income: Investments in U.S. Treasury bills with a remaining maturity of one year or less at time of acquisition are carried at fair value. Investment income includes interest income, gains and losses on investments, and the net change for the year in the fair value of investments carried at fair value.

Capital Assets: Capital assets are recorded at cost at the date of acquisition. Depreciation is computed using the straight-line method over the estimated useful life of each asset. Assets under capital lease obligations and leasehold improvements are depreciated over the shorter of the lease term or their respective estimated useful lives. Useful lives of furniture and equipment range from 3 – 10 years.

Compensated Absences: Board policies permit full-time employees to accumulate annual and sick leave benefits. Upon termination, employees are entitled to receive compensation for their unused annual accrued leave up to 30 days. Sick leave 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 absence liabilities are computed using the regular pay and termination pay rates in effect at the balance sheet date, plus an additional amount for compensation-related payments such as social security and medicare taxes, computed using rates in effect at that date.

Cost-Sharing Defined Benefit Pension Plan: The Board participates in a cost-sharing multiple-employer defined benefit pension plan, the Arkansas Public Employees Retirement System, (the “Plan”). For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Plan and additions to/deductions from the Plan’s fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position: Net position of the Board is classified, if applicable, in four components:

Net investment in capital assets - consists of capital assets net of accumulated depreciation and reduced by the outstanding balances of borrowings, if any, used to finance the purchase or construction of those assets.

Restricted expendable net position - consists of noncapital assets that must be used for a particular purpose, as specified by creditors, grantors, or donors external to the Board. The Board did not have any restricted expendable net position as of June 30, 2022 and 2021.

Restricted nonexpendable net position - consists of noncapital assets that are required to be maintained in perpetuity as specified by parties external to the Board. The Board did not have any restricted nonexpendable net position as of June 30, 2022 and 2021.

Unrestricted net position – consists of the remaining net position that does not meet the definition of net investment in capital assets or restricted net position.

Income Taxes: As an essential government function of the state of Arkansas, the Board is generally exempt from federal and state income taxes under Section 115 of the Internal Revenue Code and a similar provision of state law. However, the Board is subject to federal income tax on any unrelated business taxable income. The Board currently has no unrelated business income.

Use of Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to

make estimates and assumptions that affect the reported amounts of assets, liabilities, deferred inflows and outflows of resources, and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) **Deposits**

Custodial credit risk is the risk that in the event of a bank failure, a government's deposits may not be returned to it. The Board's deposit policy for custodial credit risk requires compliance with the provisions of state law.

Arkansas Code Annotated § 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 investment policies and procedures, effective October 2, 2017, as referenced in the Financial Management Guide issued by the Department of Finance and Administration for use by all state agencies.

The state cash management policy emphasizes 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 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 through 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.

As of June 30, 2022 and 2021, the Board's cash balances consisted of \$543,766 and \$459,281 deposited with in-state financial institutions, and \$38,351 and \$42,782 held by the Arkansas State Treasury, respectively. The book value of the deposits was \$576,693 and \$483,556, respectively. The financial institution accounts included \$293,766 and \$209,281 in excess of FDIC coverage as of June 30, 2022 and 2021, respectively. These were collateralized in accordance with the policy described in the preceding paragraph. State Treasury Management Law governs the management of funds held in the State Treasury and it is the responsibility of the Treasurer of the State to ensure these funds are adequately insured and collateralized.

(3) Investments and Investment Income

The Board may legally invest in direct obligations of, and other obligations guaranteed as to principal by the U.S. Treasury and U.S. agencies and instrumentalities.

As of June 30, 2022 and 2021, the Board's investments were made up entirely of United States Treasury bills with maturities of less than one year.

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Board 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.

Credit Risk - Credit risk is the risk that the issuer or other counterparty to an investment will not fulfill its obligations. It is the Board's policy to limit its investments to those guaranteed by the U. S. government.

Custodial Credit Risk - For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Board will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. All of the underlying securities for the Board's investments are held by a third party investment broker in the Board's name.

Concentration of Credit Risk - The Board places no limit on the amount that may be invested in any one issuer. At June 30, 2022 and 2021, 100% of the Board's investments were in a U.S. Treasury Bill.

(4) Capital Assets

Capital asset activity for the years ended June 30, 2022 and 2021 was:

	Beginning			Ending
June 30, 2022	Balance	Additions	Disposals	Balance
Furniture and equipment	\$ 48,319	-	(7,697)	40,622
Less accumulated depreciation	(48,319)	-	7,697	(40,622)
Capital assets, net	\$ -	-	-	-
June 30, 2021				
Furniture and equipment	\$ 102,682	-	(54,363)	48,319
Less accumulated depreciation	(98,052)	(4,630)	54,363	(48,319)
Capital assets, net	\$ 4,630	(4,630)	-	-

The Board had depreciation expense of \$0 and \$4,630 during the years ended June 30, 2022 and 2021, respectively.

(5) **Operating Leases**

The Board leases office space managed by the State of Arkansas under a 12-month agreement that is renewed annually. Total operating lease expense for the years ended June 30, 2022 and 2021 was \$23,354 and \$32,940, respectively, of which \$23,003 and \$32,940 was for office space, respectively.

(6) **Pension Plan**

Plan Description: The Board contributes to the Arkansas Public Employees' Retirement System (the "Plan" or "APERS"), a cost-sharing multiple-employer defined benefit pension plan administered by the Board of Trustees of APERS. 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. This power includes the enactment and amendment of benefit provisions of APERS as published in Chapters 2, 3 and 4 of Title 24 of the Arkansas Code Annotated.

The Plan issues a publicly available financial report which may be obtained by contacting:

Arkansas Public Employees Retirement System
124 West Capitol, Suite 400 Little Rock, AR 72201-3704
(501) 682-7800
<http://www.apers.org>

Benefits Provided: The Plan provides retirement, disability, and death benefits and annual adjustments to plan members and beneficiaries. The normal retirement benefit, paid on a monthly basis, is determined based on (1) the member's final average compensation (an average of the highest 36 months' earnings); and (2) the number of years of credited service. Retiree benefit increases are calculated each year on July 1 for the following 12 months. The redetermined amount is the amount of the benefit payable as of the preceding July 1, increased by 3%. Members are eligible for full retirement benefits (1) at any age with 28 years of credited service; (2) at age 65 with five years of actual service; or (3) at age 55 with 35 years of credited service as an elected official or public safety member. Members are eligible for reduced benefits (1) at any age with at least 25 years, but less than 28 years, of actual service; or (2) at age 55 with five years of actual service. Members who are defined as a public safety member are eligible for a reduced benefit with five years of actual service if the member is within 10 years of normal retirement age. The Board's covered-employee payroll was \$470,881 and \$416,332 for the years ended June 30, 2022 and 2021, respectively.

Contributions: Arkansas Code Title 24 establishes the contribution requirements of active members and participating employers. Contribution provisions applicable to the participating employers are established by the APERS' Board of Trustees and based on an independent actuary's determination of the rate required to fund the Plan. For the fiscal years ended June 30, 2022 and 2021, the Board's contribution rate, as a percentage of covered-employee payroll, was 15.32%, and required contributions to APERS were

\$72,139 and \$63,782, respectively. All required contributions were made during the fiscal years ended June 30, 2022 and 2021.

APERS consist of both a contributory plan and a noncontributory plan. The contributory plan has been in effect since 1957 and is available to all persons who became members prior to January 1, 1978. The noncontributory plan was created by Act 793 of 1977 and was effective January 1, 1978. It automatically applied to all members hire from January 1, 1978 to June 30, 2005. Act 2084 of 2005 requires that, beginning July 1, 2005, all new hires become contributory members and are required to contribute 5% of their earnings to APERS. Previous noncontributory members were given the opportunity to become contributory members, if so elected, by December 13, 2005. During a member's participation in the APERS deferred retirement option plan, the employer continues to make contributions and the employee ceases to make contributions.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2022 and 2021, the Board reported a liability of \$181,297 and \$688,351, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of the end of the previous fiscal year, the same date as of which the total pension liability used to calculate the net pension liability was determined, by an actuarial valuation. The Board's proportion of the net pension liability was based on a projection of the Board's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At both June 30, 2021 and 2020, the Board's proportion was approximately 0.024%.

For the years ended June 30, 2022 and 2021, the Board recognized net pension (gain) expense of \$(35,361) and \$186,503, respectively. This includes employer contributions to the Plan, as well as the gain or loss on net pension liability during the year. At June 30, 2022 and 2021, the Board reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 4,149	(11,627)
Changes in proportion and differences between employer contributions and proportionate share of contribution	1,729	(13,745)
Changes of assumptions	-	(1,270)
Net difference between projected and actual earnings on pension plan investments	-	(318,239)
	<u>\$ 5,878</u>	<u>(344,881)</u>

June 30, 2021	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 9,138	(456)
Changes in proportion and differences between employer contributions and proportionate share of contribution	3,243	(11,353)
Changes of assumptions	8,624	(11,794)
Net difference between projected and actual earnings on pension plan investments	72,836	-
	<u>\$ 93,841</u>	<u>(23,603)</u>

At June 30, 2022 and 2021, the Board reported \$72,139 and \$63,782, respectively, as deferred outflows of resources related to pensions resulting from Board contributions subsequent to the measurement date that will be recognized as a reduction of the net pension liability in the years ending June 30, 2022 and 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows for fiscal years subsequent to the year ending June 30, 2022:

2023	\$ 84,002
2024	76,292
2025	82,133
2026	96,576
	<u>\$ 339,003</u>

Actuarial Assumptions: The total pension liability, net pension liability, and certain sensitivity information was determined by an actuarial valuations at June 30, 2021 and 2020. The significant assumptions used in each of the valuations and adopted by the APERS Board of Trustees, were as follows:

Actuarial cost method	Entry age normal
Discount rate	7.15%
Inflation rate	3.25%
Salary increases	3.25 - 9.85%
Investment rate of return	7.15%

Mortality rates were based on the RP-2014 weighted generational mortality tables for healthy annuitant, disability, or employee death in service, as applicable. The tables applied credibility adjustments of 135% for males and 125% for females and were adjusted for fully generational mortality improvements using Scale MP-2017.

The actuarial assumptions used in the June 30, 2021 and 2020 actuarial valuations were based on the results of an actuarial experience study for the period of July 1, 2012 through June 30, 2017.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the current asset allocation percentage and by adding expected price inflation. Best estimates of arithmetic real rates of return for the 10-year periods from 2020 – 2029 and 2021 - 2030 were based upon capital market assumptions provided by the plan’s investment consultant. For each major asset class included in the plan’s current asset allocation at June 30, 2021 and 2020, these best estimates are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Broad Domestic Equity	37%	6.22%
International Equity	24%	6.69%
Real Assets	16%	4.81%
Absolute Return	5%	3.05%
Domestic Fixed	18%	0.57%
Total	<u>100%</u>	

Discount Rate: The discount rate used to measure the total pension liability was 7.15% for the actuarial studies completed as of June 30, 2021 and 2020. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that participating employer contributions will be made at contractually required rates, actuarially determined. Based on those assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current active and inactive employees. 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.

Sensitivity of the Board’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The Board’s proportionate share of the net pension liability has been calculated using a discount rate of 7.15%. The following presents the proportionate share of the net pension liability the Board would report as of June 30, 2022 and 2021 if calculated using a discount rate 1% higher and 1% lower than the current rate.

	<u>1% Decrease</u>	<u>Current Discount Rate</u>	<u>1% Increase</u>
2022	542,332	181,297	(116,865)
2021	1,048,409	688,351	391,221

Pension Plan Fiduciary Net Position: The Plan’s fiduciary net position as a percentage of total pension liability was 78.31% and 93.57% as of June 30, 2022 and 2021, respectively. Detailed information about the pension plan’s fiduciary net position is available in the separately issued APERS financial report found at <http://www.apers.org>.

(7) Fair Value Measurement

Under FASB ASC 820-10, three prioritized valuation inputs may be used to determine fair value at the measurement date: Level 1 – quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – observable inputs other than the quoted prices included in Level 1; Level 3 – unobservable inputs. There have been no changes in valuation methodologies during either of the periods presented, therefore no recognition of gain or loss is required for these financial statements.

Following is a description of the valuation methodologies used for assets measured at fair value:

U.S. treasury bills: Valued using quoted prices of identical assets traded on active markets.

The following table sets forth by level, within the fair value hierarchy, the Board’s assets held for investment purposes at fair value as of June 30, 2022 and 2021:

<u>June 30, 2022</u>	<u>Fair Value</u>	<u>Fair Value Measurements at Reporting Date</u>		
		<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Investments:				
U.S. treasury bills	\$ 1,211,540	1,211,540	-	-
	<u>\$ 1,211,540</u>	<u>1,211,540</u>	<u>-</u>	<u>-</u>
<u>June 30, 2021</u>				
Investments:				
U.S. treasury bills	\$ 1,220,731	1,220,731	-	-
	<u>\$ 1,220,731</u>	<u>1,220,731</u>	<u>-</u>	<u>-</u>

(8) Risk Management

The Board is exposed to various risks of loss from torts; theft, damage, or destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental and accident benefits. Commercial insurance coverage is purchased for claims arising from such matters other than employee health claims. No claims were filed or settled during the years ended June 30, 2022 and 2021.

(9) **Subsequent Events**

The Company's management has evaluated subsequent events through March 7, 2024, the date which the financial statements were available to be issued.

SUPPLEMENTARY INFORMATION

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

**Schedule of Proportionate Share of Net Pension Liability -
Arkansas Public Employees Retirement System**

	As of June 30						
	2020	2019	2018	2017	2016	2015	2014
Proportion of the net pension liability *	0.02358%	0.02443%	0.02414%	0.02486%	0.02511%	0.02456%	0.02465%
Proportionate share of the net pension liability*	\$ 688,351	589,375	532,481	642,528	600,553	452,397	349,706
Covered-employee payroll	\$ 480,019	469,021	452,142	436,101	439,963	431,597	430,899
Proportionate share of the net pension liability as a percentage of covered-employee payroll	143%	126%	118%	147%	137%	105%	81%
Plan fiduciary net position as a percentage of total pension liability	75.38%	78.55%	79.59%	75.65%	75.50%	80.39%	84.15%

This schedule is presented to illustrate the requirement to disclose information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Board will only present available information.

* The information in these rows is presented as of the measurement date. The Board's statements of financial position report net pension liability on a one year lag from the measurement date.

**Arkansas State Board of Public Accountancy
A Component Unit of the State of Arkansas**

**Schedule of Contributions -
Arkansas Public Employees Retirement System**

	As of June 30						
	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 71,855	71,621	66,691	64,979	66,038	64,327	64,839
Contributions related to the contractually required contribution	71,855	71,621	66,691	64,979	66,038	64,327	64,839
Contribution deficiency	\$ -	-	-	-	-	-	-
Covered-employee payroll	\$ 480,019	469,021	452,142	436,101	439,963	431,597	430,899
Contributions as a percentage of covered-employee payroll	14.97%	15.27%	14.75%	14.90%	15.01%	14.90%	15.05%

This schedule is presented to illustrate the requirement to disclose information for 10 years. However, until a full 10-year trend is compiled under the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, the Board will only present available information.