

ARKANSAS SUPREME COURT

Annual Financial Report

June 30, 2018



ARKANSAS SUPREME COURT
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2018

Independent Auditor's Report
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*

FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Governmental Fund	A
Statement of Revenues, Expenditures, and Changes in Fund Balance – Governmental Fund	B
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	C
Notes to Financial Statements	

OTHER INFORMATION (Unaudited)

	<u>Schedule</u>
Schedule of Selected Information	1
Other General Information	

Arkansas

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Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Supreme Court
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund of the Arkansas Supreme Court, an office of Arkansas state government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Arkansas Supreme Court's departmental financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Arkansas Supreme Court as of June 30, 2018, the changes in financial position, and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Supreme Court are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund of the State that is attributable to the transactions of the Arkansas Supreme Court. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, the changes in its financial position, and budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Arkansas Supreme Court 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 Supreme Court individually. Our opinion on the basic financial statements is not affected by the omission of this information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 4, 2019, on our consideration of the Arkansas Supreme Court's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of the Arkansas Supreme Court's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Arkansas Supreme Court's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
June 4, 2019
SA0203218

Arkansas

Sen. Jason Rapert
Senate Chair
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Senate Vice Chair



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House Chair
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House Vice Chair

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Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Arkansas Supreme Court
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the Arkansas Supreme Court (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Arkansas Supreme Court's departmental financial statements, and have issued our report thereon dated June 4, 2019.

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) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Compliance and Other Matters

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink that reads "Tom Bullington". The signature is written in a cursive, flowing style.

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 4, 2019

ARKANSAS SUPREME COURT
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2018

Exhibit A

	General Fund
ASSETS	
Cash and cash equivalents	\$ 3,048,560
Investments	3,400,000
Accounts receivable - accrued interest	1,540
Due from other state agencies	105
Prepaid items	141,322
TOTAL ASSETS	\$ 6,591,527
LIABILITIES AND FUND BALANCE	
Liabilities:	
Accounts payable - vendors	\$ 23,451
Accrued payroll	209,176
Due to other state agencies	4,624
Unearned license fees	890,193
Total Liabilities	1,127,444
Fund balance:	
Nonspendable for prepaid items	141,322
Assigned for regulating the practice of law and the professional conduct of attorneys at law	5,384,642
Unassigned	(61,881)
Total Fund Balance	5,464,083
TOTAL LIABILITIES AND FUND BALANCE	\$ 6,591,527

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

ARKANSAS SUPREME COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	General Fund
REVENUES	
Docket fees	\$ 68,050
License fees	1,924,307
Examination fees	173,100
Delinquent fees	118,483
Continuing legal education fees	58,550
Reinstatement fees	13,848
Professional practicum fees	17,500
Fines	17,828
Copies	5,940
E-file training	63,900
E-file fees	442,155
Interest income	56,729
Gants and reimbursements	242
Miscellaneous	61,177
TOTAL REVENUES	3,021,809
EXPENDITURES	
Salary and benefits	5,237,955
Communication and transportation of commodities	86,502
Printing and advertising	18,881
Repairing and servicing	67,622
Utilities and rent	282,531
Travel and subsistence	198,609
Professional services	1,304,903
Insurance and bonds	15,775
Other expenses and services	156,049
Commodities for household, office, and institutions	358,124
Refunds, taxes, and claims	19,773
Capital outlay	150,730
TOTAL EXPENDITURES	7,897,454
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,875,645)

ARKANSAS SUPREME COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit B

	General Fund
OTHER FINANCING SOURCES (USES)	
Interagency transfers:	
General revenue distribution	\$ 5,000,000
Marketing and redistribution sales proceeds	374
Other, net	(10,247)
Prior-year refunds to expenditures	78
TOTAL OTHER FINANCING SOURCES (USES)	4,990,205
NET CHANGE IN FUND BALANCE	114,560
FUND BALANCE - JULY 1	5,349,523
FUND BALANCE - JUNE 30	\$ 5,464,083

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

ARKANSAS SUPREME COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
REVENUES				
Docket fees			\$ 68,050	\$ 68,050
License fees			1,924,307	1,924,307
Examination fees			173,100	173,100
Delinquent fees			118,483	118,483
Continuing legal education fees			58,550	58,550
Reinstatement fees			13,848	13,848
Professional practicum fees			17,500	17,500
Fines			17,828	17,828
Copies			5,940	5,940
Bar of Arkansas - Cash	\$ 6,075,000	\$ 6,075,000		(6,075,000)
E-file training			63,900	63,900
E-file fees			442,155	442,155
Interest income			56,729	56,729
Grant and reimbursements			242	242
Miscellaneous			61,177	61,177
TOTAL REVENUES	6,075,000	6,075,000	3,021,809	(3,053,191)
EXPENDITURES				
Regular salaries	4,175,457	2,766,457	3,979,763	(1,213,306)
Extra help	55,000	30,000	10,617	19,383
Operating expenses	1,323,089	822,939	1,321,201	(498,262)
Personal services matching	1,351,830	866,830	1,247,575	(380,745)
Capital improvements	100,000			
Conference fees and travel	130,000	150,000	198,574	(48,574)
Professional fees and services	534,914	611,275	988,994	(377,719)
Capital outlay	212,000	152,000	150,730	1,270
Investments	2,250,000			
Printing	229,477			
Legal counsel	195,000			
Committee and commission expenses	20,000			
Special justices	5,500			
Judicial education	100,000			
Case document scanning	300,000			
Marketing and redistribution proceeds		374		374
TOTAL EXPENDITURES	10,982,267	5,399,875	7,897,454	(2,497,579)

ARKANSAS SUPREME COURT
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>\$ (4,907,267)</u>	<u>\$ 675,125</u>	<u>\$ (4,875,645)</u>	<u>\$ (5,550,770)</u>
OTHER FINANCING SOURCES (USES)				
Interagency transfers:				
General revenue distribution	4,638,588	4,638,588	5,000,000	361,412
Marketing and redistribution sales proceeds			374	374
Other, net			(10,247)	(10,247)
Prior-year refunds to expenditures			<u>78</u>	<u>78</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>4,638,588</u>	 <u>4,638,588</u>	 <u>4,990,205</u>	 <u>351,617</u>
 NET CHANGE IN FUND BALANCE	 (268,679)	 5,313,713	 114,560	 (5,199,153)
 FUND BALANCE - JULY 1	 <u>5,349,523</u>	 <u>5,349,523</u>	 <u>5,349,523</u>	 <u> </u>
 FUND BALANCE - JUNE 30	 <u>\$ 5,080,844</u>	 <u>\$ 10,663,236</u>	 <u>\$ 5,464,083</u>	 <u>\$ (5,199,153)</u>

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

ARKANSAS SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Arkansas State Constitution, adopted in 1874, and its amendments established the State Supreme Court, an office of Arkansas state government, and vested it with the judicial power of the State. The Court is composed of one Chief Justice and six Associate Justices who serve eight-year terms.

The Supreme Court has appellate jurisdiction and general superintending control over all inferior courts. The Court has power to issue writs and to hear and determine the same. The Supreme Court also has the authority to regulate the practice of law and the professional conduct of attorneys.

B. Basis of Presentation – Fund Accounting

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

Governmental Funds

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

C. Basis of Accounting

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

D. Cash and Cash Equivalents

Cash and cash equivalents include demand accounts, imprest accounts, cash on hand, cash in State Treasury, all certificates of deposit with maturities at purchase of 90 days or less, and all short-term instruments with maturities at purchase of 90 days or less. All short-term investments are stated at fair value.

E. Deposits and Investments

State Board of Finance Policies

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

ARKANSAS SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

State Board of Finance Policies (Continued)

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 \$3,008,225, \$40,070, and \$3,400,000, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. As of June 30, 2018, \$2,508,225 of the Agency's bank balance of \$3,008,225 was exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	0
Uninsured and collateralized with securities held by the pledging financial institution		2,508,225
Total	\$	2,508,225

F. 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."

ARKANSAS SUPREME COURT
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. Fund Equity

Fund Balance

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

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

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

Restricted fund balance. This classification reflects constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments or (b) by law through constitutional provisions or enabling legislation.

Committed fund balance. These amounts can only be used for specific purposes according to constraints imposed by legislation of the General Assembly, the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the General Assembly removes or changes the constraint by the same action that imposed the constraint.

Assigned fund balance. This classification reflects amounts constrained by the State's "intent" to be used for specific purposes but are neither restricted nor committed. The General Assembly has the authority to assign amounts to be used for specific purposes by legislation or approved methods of financing.

Unassigned fund balance. This amount is the residual classification for the general fund.

When more than one spendable classification is available for use, it is the State's policy to use the resources in this order: restricted, committed, assigned, and unassigned.

H. 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.

ARKANSAS SUPREME COURT
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2018
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2018	2017	2016	2015	2014
General Fund					
Total Assets	\$ 6,591,527	\$ 6,411,381	\$ 6,237,640	\$ 5,811,983	\$ 5,554,808
Total Liabilities	1,127,444	1,061,858	1,031,027	1,024,933	973,304
Total Fund Equity	5,464,083	5,349,523	5,206,613	4,787,050	4,581,504
Net Revenues	3,021,809	2,858,822	2,639,294	2,619,463	2,539,892
Total Expenditures	7,897,454	6,963,791	6,639,956	6,612,538	6,525,101
Total Other Financing Sources (Uses)	4,990,205	4,247,879	4,420,225	4,198,621	4,285,003

ARKANSAS SUPREME COURT
OTHER GENERAL INFORMATION
JUNE 30, 2018
(UNAUDITED)

A. Capital Assets

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

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

Capital assets activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Buildings	\$ 21,738			\$ 21,738
Equipment	1,813,388	\$ 144,927	\$ 18,600	1,939,715
Intangible assets	261,881			261,881
Library holdings	160,083		1,058	159,025
Total governmental activities	\$ 2,257,090	\$ 144,927	\$ 19,658	\$ 2,382,359

B. Pension Plan

Arkansas Public Employees Retirement System (APERS)

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

Funding Policy – Contributory plan members are required to contribute 5% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 14.75% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2018, 2017, and 2016, were \$578,191, \$547,457, and \$541,928, respectively, equal to the required contributions for each year.

ARKANSAS SUPREME COURT
OTHER GENERAL INFORMATION
JUNE 30, 2018
(UNAUDITED)

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Finance and Administration – Employee Benefits Division (DFA-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DFA-EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DFA-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DFA-EBD is included in the State of Arkansas’s Comprehensive Annual Financial Report (CAFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Finance and Administration, 1509 West Seventh Street, Suite 403, Little Rock, Arkansas 72201 or by calling 501-682-1675.

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

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

D. Compensated Absences – Employee Leave

Due to necessary requirements of the Supreme Court, Supreme Court Justices and their immediate staff are allowed to take vacations only during the period the Court is in recess. Because of these circumstances, these individuals are not allowed to earn annual leave and, therefore, cannot be compensated for such leave upon termination. Annual leave is earned by all other full-time employees. Upon termination, employees are entitled to receive compensation for their unused accrued annual leave up to 30 days. Liabilities for compensated absences are determined at the end of the year based on current salary rates.

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

Sick leave is earned by all full-time employees and may be accrued up to 120 days. Compensation up to a maximum of \$7,500 for unused sick leave is payable to employees upon retirement.

Compensated absences are reported in the State’s “Government-Wide” financial statements but are not reported as liabilities or expenditures in the governmental funds. However, the compensated absences payable attributable to this Agency’s employee annual and sick leave as of June 30, 2018 and 2017, amounted to \$268,413 and \$253,870, respectively. The net changes to compensated absences payable during the year ended June 30, 2018, amounted to \$14,543.