ARKANSAS COMMISSIONER OF STATE LANDS

Annual Financial Report

June 30, 2023

LEGISLATIVE JOINT AUDITING COMMITTEE

ARKANSAS COMMISSIONER OF STATE LANDS
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Arkansas Commissioner of State Lands
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of each major fund and the aggregate remaining fund information of the Arkansas Commissioner of State Lands, an office of Arkansas state government, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Arkansas Commissioner of State Lands 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 each major fund and the aggregate remaining fund information of the Arkansas Commissioner of State Lands as of June 30, 2023; the respective changes in financial position thereof; and the respective 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 office, 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 Commissioner of State Lands are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of each major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Arkansas Commissioner of State Lands. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2023, the changes in its financial position, and budgetary comparisons for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

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.

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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 office's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the office'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 office'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 Commissioner of State Lands 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 Commissioner of State Lands individually. Our opinions on the departmental financial statements are not affected by the omission of this information.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information 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 July 31, 2024, on our consideration of the office'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 office'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 office's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 31, 2024
SA0406123

Arkansas

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

Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
House Vice Chair

Kevin William White, CPA, JD
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 Commissioner of State Lands
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 each major fund and the aggregate remaining fund information of the Arkansas Commissioner of State Lands (the "Agency"), an office of Arkansas state government, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Arkansas Commissioner of State Lands' departmental financial statements, and have issued our report thereon dated July 31, 2024.

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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below in the Schedule of Findings and Responses as item 2023-1.

SCHEDULE OF FINDINGS AND RESPONSES

2023-1 According to Governmental Accounting Standards Board (GASB) Statement No. 84, "A liability to the beneficiaries of a fiduciary activity should be recognized in a fiduciary fund when an event has occurred that compels the government to disburse fiduciary resources. Events that compel a government to disburse fiduciary resources occur when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary to release the assets."

Amounts that exceed the amount of delinquent taxes owed and any fees associated with the sale of land are considered "excess proceeds." Excess proceeds collected from land sales are held until the original land owner, or their descendant, submits a claim to the Commissioner of State Lands and that claim is approved. If no claim is received for the excess proceeds within three years from the date of the sale, the excess proceeds are returned to the county to which the delinquent taxes were originally owed. For financial reporting purposes, a liability and expenditure should be recorded in AASIS for only the portion of excess proceeds for which the Agency has received and approved a claim as of June 30, 2023, or for excess proceeds which were received more than three years prior to June 30, 2023. However, the Agency recorded the full amount of excess proceeds collected but not yet paid on the financial statements. As a result, fiduciary fund liabilities and expenditures recorded in AASIS were overstated by $17,967,335. An adjusting journal entry was made to the financial statements; therefore, amounts listed on the Statement of Fiduciary Net Position and the Statement of Changes in Fiduciary Net Position are accurate.

We recommend the Agency establish procedures to ensure balances are properly recorded in AASIS.

Management response: *COSL agrees with the finding and recommendation as presented by Legislative Audit. COSL staff erroneously determined that since an ultimate disbursement date for excess proceeds was established by law, the excess proceeds should be recorded as liabilities. Recommended changes in processes and procedures have been implemented to prevent reoccurrence in the future. Additionally, adjustment to current liabilities have been recorded to ensure current and future compliance with Legislative Audit recommendations.*

Agency's Response to Findings

Government Auditing Standards require the auditors to perform limited procedures on the Agency's response to the finding identified in our audit and described in the Schedule of Findings and Responses above. The Agency's response was not subjected to the other auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on the response.

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

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 31, 2024

ARKANSAS COMMISSIONER OF STATE LANDS
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

Exhibit A

		General Fund
ASSETS		
Cash and cash equivalents	$	13,746,953
Investments		8,007,814
Accounts receivable		
Interest		68,467
Prepaid items		54,160
TOTAL ASSETS	$	21,877,394
LIABILITIES AND FUND BALANCE		
Liabilities:		
Accounts payable:		
Vendors	$	75,760
Total Liabilities		75,760
Fund balance:		
Nonspendable for:		
Prepaid items		54,160
Unassigned		21,747,474
Total Fund Balance		21,801,634
TOTAL LIABILITIES AND FUND BALANCE	$	21,877,394

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

ARKANSAS COMMISSIONER OF STATE LANDS

Exhibit B

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

	General Fund
REVENUES	
Commissioner fees and penalties	$ 2,833,925
Investment earnings	918,074
Other sales, refunds, and reimbursements	11,647
TOTAL REVENUES	3,763,646
EXPENDITURES	
Salary and benefits	3,357,496
Communication and transportation of commodities	389,928
Printing and advertising	69,342
Repairing and servicing	33,762
Utilities and rent	232,992
Travel and subsistence	22,914
Professional services	684,414
Insurance and bonds	8,656
Other expenses and services	70,539
Commodities, materials, and supplies	458,855
Refunds, taxes, and claims	45,635
Low value asset purchases	42,989
Capital outlay	57,362
TOTAL EXPENDITURES	5,474,884
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(1,711,238)
OTHER FINANCING SOURCES (USES)	
Interagency transfers in:	
General revenue distribution	3,700,000
Prior-year refunds to expenditures	4,857
TOTAL OTHER FINANCING SOURCES (USES)	3,704,857
NET CHANGE IN FUND BALANCE	1,993,619
FUND BALANCE - JULY 1	19,808,015
FUND BALANCE - JUNE 30	$ 21,801,634

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

ARKANSAS COMMISSIONER OF STATE LANDS

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

	General Fund			
	Budgeted Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Commissioner fees and penalties	$ 36,626,856	$ 3,766,856	$ 2,833,925	$ (932,931)
Investment earnings			918,074	918,074
Other sales, refunds, and reimbursements			11,647	11,647
TOTAL REVENUES	36,626,856	3,766,856	3,763,646	(3,210)
EXPENDITURES				
Regular salaries	2,952,092	2,952,096	2,471,294	480,802
Personal services matching	924,156	924,156	854,938	69,218
Extra help	40,000	40,000	31,264	8,736
Operating expenses	1,275,056	1,417,856	1,328,376	89,480
Conference fees and travel	10,000	10,000	1,616	8,384
Professional fees and services	1,750,000	1,750,000	684,399	1,065,601
Refunds/reimbursements		140,000	45,635	94,365
Capital outlay	267,800	125,000	57,362	67,638
Islands/Submerged lands	400,000	400,000		400,000
Delinquent tax remittal	33,000,000			
TOTAL EXPENDITURES	40,619,104	7,759,108	5,474,884	2,284,224
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(3,992,248)	(3,992,252)	(1,711,238)	2,281,014
OTHER FINANCING SOURCES (USES)				
Interagency transfers in:				
General revenue distribution	3,992,252	3,992,252	3,700,000	(292,252)
Prior-year refunds to expenditures			4,857	4,857
TOTAL OTHER FINANCING SOURCES (USES)	3,992,252	3,992,252	3,704,857	(287,395)
NET CHANGE IN FUND BALANCE	4		1,993,619	1,993,619
FUND BALANCE - JULY 1	19,808,015	19,808,015	19,808,015	
FUND BALANCE - JUNE 30	$ 19,808,019	$ 19,808,015	$ 21,801,634	$ 1,993,619

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

ARKANSAS COMMISSIONER OF STATE LANDS
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2023

	Custodial Funds
ASSETS	
Cash and cash equivalents	$ 22,248,947
Investments	9,750,000
TOTAL ASSETS	$ 31,998,947
LIABILITIES	
Due to previous land owners and other governments	$ 14,102,370
NET POSITION	
Restricted for individuals and other governments	17,896,577
TOTAL LIABILITIES AND NET POSITION	$ 31,998,947

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

ARKANSAS COMMISSIONER OF STATE LANDS
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit E

	Custodial Funds
Additions:	
Land sales and redemptions	$ 21,869,874
Deductions:	
Refunds, taxes and claims	21,056,935
Change in net position amounts held for individuals and other governments	812,939
Net position - beginning	17,083,638
Net position - ending	$ 17,896,577

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Constitutional Amendment 37 of 1946 established the Commissioner of State Lands as one of seven elected constitutional officers as set forth in Ark. Const. art. 6. The Commissioner maintains records of the disposition of all lands forfeited to the State for nonpayment of taxes. Any related patents, survey plats, and field survey notes acquired in processing the land for sale are kept as public records. County clerks are notified of any redemptions or sales of these properties for proper entry in the county tax records. The Commissioner is also required to maintain a file of all the deeds to realty owned by the State of Arkansas or by its agencies and institutions, with the exception of the Arkansas Department of Transportation.

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 – These funds account for payments received for delinquent property taxes as well as the proceeds from the sale of tax-delinquent properties. The Agency distributes property taxes collected to the respective counties. Any proceeds from the land sales in excess of the delinquent taxes, penalties, interest, and other administrative fees can be claimed by former owners or lien holders. The Agency complies with holding periods established by various Arkansas Code sections, when applicable. Once the holding period for excess proceeds has expired, any unclaimed funds related to the property are disbursed back to the respective county, less administrative fees retained by the Agency. In addition, payments made into this fund are subsequently refunded to the payer if the original landowner redeems the property during the 10-day redemption period following a sale or if it is determined that a payer is not qualified to redeem a particular property.

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

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 $35,387,032, $316,569, and $17,757,814, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. As of June 30, 2023, none of the Agency's bank balance of $53,249,534 was exposed to custodial credit risk.

F. Interfund Balances and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Details of interfund transfers are disclosed in the financial statements.

NOTE 1: Summary of Significant Accounting Policies (Continued)

G. 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."

H. 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.

I. 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.

J. 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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Budgetary Data (Continued)

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 COMMISSIONER OF STATE LANDS
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE YEAR PERIOD ENDED JUNE 30, 2023
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2023	2022	2021	2020	2019
General Fund					
Total Assets	$21,877,394	$19,825,154	$16,088,045	$15,521,747	$14,145,959
Total Liabilities	75,760	17,139	13,932	25,827	43,638
Total Fund Equity	21,801,634	19,808,015	16,074,113	15,495,920	14,102,321
Net Revenues	3,763,646	6,099,660	2,768,350	2,937,126	3,364,759
Total Expenditures	5,474,884	5,693,969	5,190,169	4,943,591	5,087,002
Total Other Financing Sources (Uses)	3,704,857	3,328,211	3,000,012	3,400,064	3,000,521
Custodial Funds					
Total Assets	31,998,947	45,642,946	19,775,609	21,802,782	26,686,006
Total Liabilities	14,102,370	28,559,308	11,571,550	21,802,782	26,686,006
Total Net Position	17,896,577	17,083,638	8,204,059		
Total Additions	21,869,874	39,407,693	16,799,089		
Total Deductions	21,056,935	30,528,114	17,716,145		

A. Capital Assets

Capital assets purchased (or leased) and in the custody of this Agency were recorded as expenditures at the time of purchase (lease inception). Assets with costs exceeding $5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Infrastructure or public domain fixed assets (such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are also capitalized. Only leases in excess of $25,000 with non-State entities were recorded in the statewide accounting system. Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. In accordance with current accounting principles generally accepted in the United States of America, general capital assets and depreciation are reported in the State's "Government-Wide" financial statements but are not reported in the governmental fund financial statements. Depreciation is reported for proprietary fund capital assets based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

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

Capital assets activity for the year ended June 30, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Equipment	$ 517,033	$ 57,362	$ 56,900	$ 517,495
Leasehold improvements	171,109			171,109
Total governmental activities	$ 688,142	$ 57,362	$ 56,900	$ 688,604

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 5.25% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2023, 2022, and 2021, were $380,087, $384,286, and $367,246, respectively, equal to the required contributions for each year.

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 retirees and beneficiaries. The Plan is established on the basis of a pay-as-you-go financing requirement, and no assets are accumulated in a trust, as defined by Governmental Accounting Standards Board (GASB) Statement No. 75. The State's annual OPEB cost for the Plan is based on an actuarially-determined calculated amount made in accordance with GASB Statement No. 75.

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414 and may not exceed $550 per budgeted position. Employees, retirees, and beneficiaries contribute varying amounts based on the type of coverage and inclusion of family members. Benefits for Medicare-eligible retirees are coordinated with Medicare Parts A and B, and the Plan is the secondary payer.

D. Compensated Absences – Employee Leave

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

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

Compensated absences are reported in the State's "Government-Wide" financial statements but are not reported as liabilities or expenditures in the governmental funds. However, the compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2023 and 2022, amounted to $209,452 and $229,087, respectively. The net changes to compensated absences payable during the year ended June 30, 2023, amounted to $(19,635).