

**DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION**

Annual Financial Report

June 30, 2023



DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
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Arkansas

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



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

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Division of Elementary and Secondary Education – Arkansas Educational Television Commission
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Division of Elementary and Secondary Education – Arkansas Educational Television Commission (the "Commission"), a commission 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 Commission's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Commission as of June 30, 2023, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Commission, 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 Commission are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the governmental activities and the major fund of the State that is attributable to the transactions of the Commission. 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, or 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 Matter

Report on Summarized Comparative Information

We have previously audited the Commission's 2022 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities and the major fund in our report dated February 3, 2023. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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 Commission's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, listed in the accompanying table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, 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 we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information, Schedule of Combined Statement of Net Position, and Schedule of Combined Statement of Activities but does not include the basic financial statements and our auditor's reports thereon. Our opinions on the basic 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 basic 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 January 25, 2024, on our consideration of the Commission'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 Commission'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 Commission's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
January 25, 2024
SA1451623

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Division of Elementary and Secondary Education – Arkansas Educational Television Commission
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 governmental activities and the major fund of the Division of Elementary and Secondary Education – Arkansas Educational Television Commission (the "Commission"), a commission 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 Commission's basic financial statements, and have issued our report thereon dated January 25, 2024.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Commission'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 Commission's internal control. Accordingly, we do not express an opinion on the effectiveness of the Commission'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; therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the Schedule of Findings and Responses below as item 2023-1, that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Commission'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 which are described below in the Schedule of Findings and Responses as item 2023-2.

SCHEDULE OF FINDINGS AND RESPONSES

2023-1 Ark. Code Ann. § 19-11-204(13)(A) defines “small procurements” as procurements not exceeding \$20,000, which may be obtained without seeking bids; however, competition should be used to the maximum extent practicable. Additionally, Ark. Code Ann. § 19-11-234 provides guidance regarding competitive bidding for contracts in which the purchase price exceeds \$20,000 and is less than or equal to \$75,000 and states that using repeated small quantity procurements to circumvent competitive bid limits or failing to obtain competitive bids without justification constitutes a violation of Arkansas Procurement Law. The *State of Arkansas Financial Management Guide* states that vendors should be selected before a purchase order is created; after the purchase order is approved, it can be printed and sent to the vendor. Services Contract Instructions issued by the Department of Transformation and Shared Services – Office of State Procurement (OSP) require that the department and the contractor complete the signature portion of the form. Additionally, the use of state-issued credit cards (such as purchasing cards and travel cards) is governed by rules and regulations issued by OSP.

Our review of 61 maintenance and operation expense items, totaling \$3,405,679, and 35 expense items specifically from credit card activities, totaling \$199,066, revealed the following:

- The Agency obtained goods and services without always obtaining bids for transactions that were at or near the threshold for requiring bids, which increases the risk that noncompliance could occur. In one instance, a change order of \$5,000 was made after the contract began, which caused the total contract to rise above the bid threshold.
- A contract valued at \$250,000 was not manually or digitally signed by the vendor; rather, the vendor’s name was typed onto the contract.
- Contracts for two vendors, valued at \$48,448 and \$37,200, respectively, were not executed for services.
- Expenditures totaling \$25,037 were coded to incorrect expenditure descriptions.
- Expenditures totaling \$75,825 for contractors’ travel costs were charged directly to the Agency’s travel card, and \$6,825 was charged to the personal credit card of an employee, instead of being paid by the contractors. OSP guidance on the use of credit cards stipulates that the travel card is intended for official state travel-related use only and should never be used for personal purchases or to pay for someone else’s travel expenses.
- Overpayments for rental car charges totaling \$3,033 were identified. In one instance, the cost of a contractor’s rental car was charged directly to the Agency’s credit card and reimbursed to the contractor. As a result, the Agency unnecessarily paid the contractor \$2,762. The Agency was unaware of this event until informed by the auditors. In another instance, a credit of \$271 was issued by a rental car company to a different contractor towards a new personal rental instead of refunded to the Agency. This event was self-reported by the Agency. After auditor inquiries, the Agency recovered the funds from both contractors.
- The Agency was charged \$108 for a hotel room for a contractor who did not stay overnight.

The Agency did not adequately plan, prepare, and train staff to ensure that the extraordinary number and type of transactions associated with its projects would always follow applicable state laws and guidelines.

We recommend the Agency strengthen internal controls to comply with applicable sections of Arkansas procurement laws, state travel regulations, and the Arkansas Financial Management Guide.

2023-2 Ark. Code Ann. § 6-3-110(b) states that “only an appropriate state employee may supervise state employees of the Educational Television Division of the Division of Elementary and Secondary Education,” and “no person or employee paid with funds not appropriated by the General Assembly shall supervise any state employee of the Educational Television Division.” An AETC employee trained an employee of the Arkansas PBS Foundation (“Foundation”) from June 26 through September 1, 2023. As stipulated in a Short Term Accounting Shared Services Agreement, which was executed between the Agency and the Foundation on July 26, 2023, the Agency employee was under the exclusive direction of the Chief Executive Officer of the Foundation during the days of the training. AETC received \$17,025 from the Foundation to cover payroll costs associated with the employee.

As a result of this arrangement, the employee was supervised by a person who was not a state employee and who was paid with funds not appropriated by the General Assembly.

We recommend the Agency comply with applicable sections of Arkansas Code.

Agency Management Response

Arkansas PBS values the time, effort, and recommendations of Arkansas Legislative Audit. We acknowledge and concur with the FY23 findings. Please find our detailed responses to the audit findings below.

The following FY23 background information informs the audit findings:

- The agency had 60% turnover in its fiscal/procurement positions during FY23.
- The CFO, controller and procurement coordinator positions were vacant for 5 months, 3 months and one month, respectively. A new CFO began work on January 31, a new procurement coordinator on April 3, and a new controller on June 19. A fiscal division manager position was added (filled on June 26).
- The agency does not employ a contracts administrator. The CFO manages procurement contracting.
- In FY2023, the agency issued 464 purchase orders totaling \$7,506,307. Thirty-two percent (32%) of the POs were for two projects: 99 for the K2 project and 48 for the Rise & Shine S3 project.
- All fiscal and procurement activities for the Rise & Shine S3 project and most fiscal/procurement activities for the K2 project were concentrated during the spring-summer of 2023. Project complexity, the extraordinary number and type of transactions, as well as insufficient staff capacity contributed to regulatory compliance issues.

Finding 2023-1

Item 1.1

This finding is related to approximately 240 individual educational video segments produced during a 90-day period (Rise & Shine S3 project).

The agency had 30 days to plan (48 purchase orders) and 60 days to execute the work, which included puppet shows to teach spelling, educational field trips throughout the state, video-taped readings of stories, animated videos to teach colors and shapes, educational music videos and video-taped lessons by teachers. Work began in early April 2023.

On April 14, 2023, the agency solicited competitive bids from 12 prospective vendors for field trip video production services. Each prospective vendor was permitted to bid on up to ten (10) of 36 digital field trip segments to be filmed throughout the state.

After bids were received, the agency hired the 6 qualified bidders and the collective cost for the 6 contracts totaled \$145,000 for 55 segments. Since the cost of the video production work was substantially higher than \$75,000, it should have been bid as a formal contract through the Office of State Procurement but was not. Awarding a formal bid to multiple vendors would have required pre-approval from the OSP Director, but approval was not obtained by the agency.

During this period of extreme workload when the agency was transitioning to a new procurement coordinator, the proper steps to manage this procurement were not taken.

The agency solicited bids via email, received 7 bids, and issued a multi-award to 6 bidders. Bids ranged from \$1,850 per segment to \$5,500 per segment.

The agency accepted four (4) bids as-is:

| # Segments | Per Segment | Total | Contractor |
|--|-------------|-----------|------------------------|
| 10 | \$ 1,850 | \$ 18,500 | DENNIS MATTHEW JORDAN* |
| 10 | \$ 2,000 | \$ 20,000 | DUNN MEDIA GROUP LLC |
| 10 | \$ 2,500 | \$ 25,000 | MADE BY MATTHEWS |
| 10 | \$ 3,000 | \$ 30,000 | SDS FILMS LLC |
| 40 | \$ 2,338 | \$ 93,500 | |
| *later increased from \$18,500 to \$23,500 | | | |

The agency negotiated with two vendors to reduce their bids from \$3,500 x 10 segments to \$3,200 x 10 segments, and from \$5,000 per segment x 3 segments to \$3,000 per segment x 5 segments.

In the instance of the \$5,000 increase to the \$18,500 original PO (\$23,500 amended total), the vendor's original bid was 32% lower than the average of the other bids awarded. Due to the logistics of creative preproduction, the agency was unable to provide precise topics and locations to vendors for the 55 segments in advance. Once creative directions for each field trip segment were decided and field trip logistics were finalized, there was additional work required that this particular vendor was unable to budget in the original \$18,500 bid submitted.

The agency deemed it in the state's best interest to renegotiate the contract amount with the existing vendor. All other bids received for this solicitation exceeded this vendor's original bid. It was deemed unlikely the agency would find a qualified vendor to perform the work for the same or less money within the designated timeframe. Purchase orders totaling \$145,500 were issued for 55 video segments.

| # Segments | Per Segment | Total | Contractor |
|------------|-------------|------------|-----------------------|
| 10 | \$ 2,000 | \$ 20,000 | DUNN MEDIA GROUP LLC |
| 10 | \$ 2,350 | \$ 23,500 | DENNIS MATTHEW JORDAN |
| 10 | \$ 2,500 | \$ 25,000 | MADE BY MATTHEWS |
| 5 | \$ 3,000 | \$ 15,000 | TITAN CONCEPTS LLC |
| 10 | \$ 3,000 | \$ 30,000 | SDS FILMS LLC |
| 10 | \$ 3,200 | \$ 32,000 | ONELIGHT FILM LLC |
| 55 | \$ 2,645 | \$ 145,500 | |

Item 1.2.

Management acknowledges the oversight. The contract was electronically signed by the vendor on March 27, 2023, and sent to the agency via email, but the digital signature was not certified.

The agency has clarified signature requirements with staff and has specified that a certificate-based digital ID such as Adobe Sign is required for digital signatures.

Item 1.3

Both missing contracts were for the K2 project. Both POs (issued without a contract) were issued on April 13, 2023, during the period when the agency was transitioning to a new procurement coordinator, resulting in the oversight.

Item 1.4

The accounting errors were for K2 project expenses, including a FEDEX p-card transaction incorrectly coded to freight that was for printing services; an equipment rental transaction coded to audio/visual equipment rather than to other rent and leases; and a mileage reimbursement that was accidentally coded to special purpose supplies.

Item 1.5

It is industry-standard practice in the film industry for all production expenses to be borne by the production company. Cast and crew as a standard practice do not pay their own expenses up-front, to be reimbursed later. For the K2 project, Arkansas PBS served as the production company, and in expanding its service in education to Arkansas, it was the first time the agency had managed a project of this type and magnitude. Given the size and scope of the K2 project, the project had a very limited planning period.

The agency should have requested guidance from OSP on the unique project requirements that were new to the agency.

Over 112 primary cast and crew (contractors) worked on this project, several of whom required airfare, hotel, and rental car accommodation and/or mileage reimbursement for use of personal vehicles for project work.

In the instance of the agency travel card use for contractor travel, the agency failed to closely review the travel card regulations and was therefore unaware that it was violating state procurement law in this instance.

A contracted crew member in a key production role informed the agency late in the day that he was being ousted from his Airbnb accommodation due to a declined agency credit card (no available credit). To secure the contractor's room and avoid possible disruption to the K2 project, the CFO consulted with Arkansas PBS fiscal staff about expense reimbursement regulations but did not review the DFA Financial Management Guide for allowability before giving her personal credit card to cover the bill. The agency failed to remove the CFO's personal credit card from the Airbnb account and the card was subsequently charged for two additional reservations before the error was discovered. The above was self-disclosed to both DFA and Arkansas Legislative Audit by the CFO. In addition, the CFO received cash back on her credit card related to the three lodging transactions, which she self-disclosed to both DFA and Legislative Audit and paid in full to the agency.

Item 1.6

A contractor on the K2 project reserved a rental car in his own name prior to the establishment of an agency corporate account with Hertz. He then submitted a reimbursement request to the agency for the rental car charge, which the agency paid (\$2,762). Subsequently, Hertz approved the agency's account application and the contractor's reservation was switched to the agency account. Hertz made the decision without the agency's authorization to retroactively credit the contractor's personal credit card and charge the agency travel card for the earlier rental car costs.

With the volume of project transactions, the agency failed to catch this error and the contractor did not notify the agency that he had been reimbursed twice for the same transaction, by both Hertz and the agency. The contractor has since reimbursed the agency in full for the overpayment.

A second contractor on the K2 project received a reimbursement (credit) from Hertz to her personal credit card that was due to the agency. This was a Hertz administrative error. The agency has since received the full \$271 reimbursement from the contractor.

Item 1.7

A contracted actor on the K2 project was originally scheduled to work one production day but was then extended to work 3 days due to needed production schedule changes. Hotel availability was limited in Central Arkansas due to high occupancy rates after the tornado that occurred in the spring of 2023. The agency moved the actor (a minor) and parent to a hotel that had multi-day availability but failed to cancel the original one-day reservation.

2023-2

In drafting and executing the agreement with the agency's affiliated foundation, the agency CFO was unaware of applicable sections of Arkansas Code. In the future, only an appropriate state employee will supervise state employees of the agency.

Corrective Action Plan

Arkansas PBS will strengthen its internal controls to ensure compliance with all applicable laws, rules, and regulations in the future.

The agency is creating new internal resources to ensure that agency employees are knowledgeable and fully prepared to comply with state laws, rules, and regulations. In December of 2023, the agency issued a detailed procurement guide to all agency employees and in January of 2024 began the initial phase of conducting agency-wide procurement trainings.

Agency's Response to Findings

Government Auditing Standards require the auditors to perform limited procedures on the Agency's response to the findings 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, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
January 25, 2024

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The following is a discussion and analysis of the financial performance of the Division of Elementary and Secondary Education - Arkansas Educational Television Commission, referenced throughout as the Commission. This discussion provides an overview of the activities for the fiscal year ended June 30, 2023, and compares them to the fiscal year ended June 30, 2022. The report also serves as an introduction to the Commission's basic financial statements. It is important that the discussion and analysis be read in conjunction with the financial statements and notes that follow this section.

OVERVIEW OF THE FINANCIAL STATEMENTS

The Commission's financial statements have three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report contains supplementary information to the basic financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide a broad overview of the Commission's finances in a manner similar to private-sector business reports. The statement of net position and statement of activities report governmental activities, which are primarily supported by taxes, intergovernmental revenues, and other grants. All services provided by the Commission are governmental activities.

The *Statement of Net Position* presents financial information on all the Commission assets, liabilities, and deferred inflows/outflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Commission is improving or deteriorating. The *Statement of Activities* presents information showing how the Commission's net position has changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash inflows or outflows. The revenues and expenses reported in this statement for some items will result in cash flows in future fiscal periods (e.g., earned but unused compensated absences or vacation leave).

The government-wide financial statements of the Commission only include the operations of the Arkansas Educational Television Commission, a commission of the State of Arkansas. The Commission is required to report its activities separately from the State as a whole to the Corporation for Public Broadcasting each year in order to acquire grant funding. The Corporation for Public Broadcasting also requires the Commission to report the activities of its related fundraising organization, the AETN Foundation (doing business as the Arkansas PBS Foundation), a legally separate 501c(3) nonprofit. The AETN Foundation does not meet the Governmental Accounting Standards Board requirements for presentation in these financial statements as a component unit, but a summary of financial information of the Foundation is included in the notes following the basic financial statements.

Fund Financial Statements

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year.

The fund financial statements have four sections: the balance sheet; the reconciliation of the governmental funds balance sheet to the statement of net position; the statement of revenues, expenditures, and changes in fund balance-governmental funds; and the reconciliation of the statement of revenues, expenditures, and changes in fund balance-governmental funds to the statement of activities. The reconciliation statements are provided to facilitate a comparison between governmental funds and governmental activities.

The General Fund

The Commission maintains one governmental fund, the General Fund, to account for all activities. This is the primary operating fund and consists of state appropriations, grants, project and production underwriting, and charges for services. The General fund had a 2% increase in fund balance from \$3,989,429 on June 30, 2022, to \$4,078,109 on June 30, 2023. The overall increase in fund balance was primarily due to the combination of a decrease in non-spendable fund balance resulting from prepaid expenses, decreases in restricted fund balances resulting from federal and Corporation for Public Broadcasting grants, and an increase in unassigned fund balance. The fund balance on June 30, 2023, includes non-spendable amounts for: prepaid expenses of \$571,250; restricted for Corporation for Public Broadcasting Community Service Grants of \$1,712,466; and unassigned fund balance of \$1,794,393.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 JUNE 30, 2023

Notes to the Financial Statements

Notes to financial statements provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found in the Basic Financial Statements section of this report.

Budget

In addition to the basic financial statements and accompanying notes, this report presents a statement of revenues, expenditures, and changes in fund balances-budget and actual-general fund. The budgeted amounts shown are based on appropriations approved by the Arkansas State Legislature. The appropriated amounts do not represent actual funding; therefore, if funding is not received for a requested project appropriation, or right to spend, there will be a significant variance between budget and actual. In fiscal year 2023, the Commission had unfunded projects and vacant positions accounting for most of the variance between budget and actual.

Capital Assets

The Commission's net investment in capital assets on June 30, 2023, was \$14,207,761. This is less than the June 30, 2022, net investment in capital assets of \$14,522,119. The 2023 decrease in net value of capital assets is primarily due to an additional year of accumulated amortization charged against the agency's right-to-use lease assets.

Commission Condensed Financial Information and Analysis

Condensed Statement of Net Position-Governmental Activities

| | Governmental Activities | |
|--|-------------------------|---------------|
| | 2023 | 2022 |
| Current assets | \$ 5,775,687 | \$ 5,475,067 |
| Non-current assets | | 53,725 |
| Capital assets (net) | 14,207,761 | 14,522,119 |
| Total assets | 19,983,448 | 20,050,911 |
| | | |
| Deferred outflows related to pensions & OPEB | 3,526,346 | 3,144,410 |
| Total assets and deferred outflows of resources | \$ 23,509,794 | \$ 23,195,321 |
| | | |
| Current liabilities | \$ 1,991,823 | \$ 2,014,796 |
| Long-term liabilities | 12,107,283 | 8,896,031 |
| Total liabilities | 14,099,106 | 10,910,827 |
| | | |
| Deferred inflows related to pensions, OPEB, and leases | 2,210,679 | 6,210,877 |
| Total liabilities and deferred inflows of resources | 16,309,785 | 17,121,704 |
| | | |
| Net investment in capital assets | 14,207,761 | 14,522,119 |
| Restricted - Federal grants | 142,407 | 489,323 |
| Restricted - CPB grants | 1,812,868 | 2,248,388 |
| Unrestricted | (8,963,027) | (11,186,213) |
| Total net position | 7,200,009 | 6,073,617 |
| | | |
| Total liabilities, deferred inflows of resources and net position | \$ 23,509,794 | \$ 23,195,321 |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2023

The Commission's net position increased \$1,126,392 due to a decrease in deferred inflows related to pensions, other post-employment benefits (OPEB) and leases, an increase in long-term liabilities related to pensions, OPEB and leases, and an increase in deferred outflows related to pensions, OPEB, and leases.

| | Governmental Activities | |
|--|-------------------------|--------------------|
| | 2023 | 2022 |
| Charges for services | \$ 286,783 | \$ 249,908 |
| Operating grants | 4,494,586 | 3,873,874 |
| Total program revenues | <u>4,781,369</u> | <u>4,123,782</u> |
| Indirect administrative services | 367,118 | 367,481 |
| In-kind revenues | 6,802 | 25,690 |
| Investment earnings | 103,846 | 35,578 |
| General revenue distribution | 5,472,881 | 5,459,958 |
| CARES Act funding from other agencies | 1,923,267 | 3,206,046 |
| Division of Elementary and Secondary Education | 2,635,407 | 2,784,838 |
| ARP Act Funding from Other Agencies | 397,744 | 763,008 |
| Miscellaneous revenue | 10,874 | 7,530 |
| Other transfers | 83,105 | (114,697) |
| Total general revenue and transfers | <u>11,001,044</u> | <u>12,535,432</u> |
| Programming and production | 3,529,680 | 3,432,809 |
| Education | 5,010,997 | 3,672,722 |
| Broadcasting | 3,848,354 | 4,794,383 |
| Promotion | 782,779 | 469,086 |
| Management and general | 1,484,211 | 1,090,261 |
| Total expenses | <u>14,656,021</u> | <u>13,459,261</u> |
| Change in net position | 1,126,392 | 3,199,953 |
| Net position, beginning of year | 6,073,617 | 2,873,664 |
| Net position, end of year | <u>\$ 7,200,009</u> | <u>\$6,073,617</u> |

The Commission's smaller change in 2023 net position of \$1,126,392 versus \$3,199,953 in 2022 is primarily due to a 2023 decrease in CARES Act funding and a 2023 increase in education expenses for special projects.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF NET POSITION
 JUNE 30, 2023

Exhibit A

| | Governmental Activities | |
|---|-------------------------|---------------|
| | 2023 | 2022 |
| ASSETS | | |
| Current assets: | | |
| Cash and cash equivalents | \$ 4,716,714 | \$ 4,666,441 |
| Customer receivables | 37,493 | 20,000 |
| Federal receivables | 286,508 | 120,571 |
| Lease receivables | 53,725 | 52,871 |
| Accrued interest receivable | 868 | 1,721 |
| Due from other agencies | 109,129 | 19,910 |
| Prepaid expenses | 571,250 | 593,553 |
| Total current assets | 5,775,687 | 5,475,067 |
| Non-current assets: | | |
| Lease receivables | | 53,725 |
| Capital assets: | | |
| Capital assets not being depreciated/amortized | 75,648 | 2,428,732 |
| Capital assets being depreciated/amortized, net | 14,132,113 | 12,093,387 |
| Capital assets, net | 14,207,761 | 14,522,119 |
| Total non-current assets | 14,207,761 | 14,575,844 |
| TOTAL ASSETS | 19,983,448 | 20,050,911 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to pensions | 3,018,595 | 2,281,651 |
| Related to other post-employment benefits | 507,751 | 862,759 |
| Total deferred outflows of resources | 3,526,346 | 3,144,410 |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | \$ 23,509,794 | \$ 23,195,321 |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF NET POSITION
 JUNE 30, 2023

Exhibit A

| | Governmental Activities | |
|--|-------------------------|----------------------|
| | 2023 | 2022 |
| LIABILITIES | | |
| Current liabilities: | | |
| Accounts payable - vendors | \$ 329,548 | \$ 797,387 |
| Accrued payroll | 117,983 | 371,687 |
| Due to other governments | | 167 |
| Due to other agencies | 16,267 | 152,120 |
| Due to federal government | 188,238 | |
| Unearned revenue | 705,304 | 10,591 |
| Accrued interest payable | 1,226 | 1,799 |
| Lease liability | 395,931 | 425,634 |
| Claims, judgments, and compensated absences | 86,554 | 88,453 |
| Other post-employment benefits obligation | 150,772 | 166,958 |
| Total current liabilities | 1,991,823 | 2,014,796 |
| Long-term liabilities: | | |
| Lease liability | 515,271 | 911,202 |
| Claims, judgments, and compensated absences | 532,127 | 516,557 |
| Post-employment benefits | 3,583,244 | 3,633,486 |
| Net pension liability | 7,476,641 | 3,834,786 |
| Total long-term liabilities | 12,107,283 | 8,896,031 |
| TOTAL LIABILITIES | 14,099,106 | 10,910,827 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to pensions | 293,016 | 3,774,555 |
| Related to other post-employment benefits | 1,863,933 | 2,328,862 |
| Related to leases | 53,730 | 107,460 |
| Total deferred inflows of resources | 2,210,679 | 6,210,877 |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | 16,309,785 | 17,121,704 |
| NET POSITION | | |
| Net position: | | |
| Net investment in capital assets | 14,207,761 | 14,522,119 |
| Restricted - Federal grants | 142,407 | 489,323 |
| Restricted - Corp. for Public Broadcasting community service grants | 1,812,868 | 2,248,388 |
| Unrestricted | (8,963,027) | (11,186,213) |
| Total Net Position | 7,200,009 | 6,073,617 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | \$ 23,509,794 | \$ 23,195,321 |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

| Functions/Programs | Program Revenues | | | Net Revenue (Expense) | |
|--|------------------|-------------------------|--|-------------------------|----------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Governmental Activities | |
| | | | | 2023 | 2022 |
| Governmental activities: | | | | | |
| Education | \$ 14,656,021 | \$ 286,783 | \$ 4,494,586 | \$ (9,874,652) | \$ (9,335,479) |
| Total governmental activities | \$ 14,656,021 | \$ 286,783 | \$ 4,494,586 | (9,874,652) | (9,335,479) |
| Indirect administrative services | | | | 367,118 | 367,481 |
| In-kind revenue | | | | 6,802 | 25,690 |
| Investment earnings | | | | 103,846 | 35,578 |
| Miscellaneous revenues | | | | 10,874 | 7,530 |
| Transfers: | | | | | |
| General revenue distribution | | | | 5,472,881 | 5,459,958 |
| CARES Act funding from other agencies | | | | 1,923,267 | 3,206,046 |
| ARP Act funding from other agencies | | | | 397,744 | 763,008 |
| Division of Elementary and Secondary Education | | | | 2,635,407 | 2,784,838 |
| Other transfers | | | | 83,105 | (114,697) |
| Total revenue and transfers | | | | 11,001,044 | 12,535,432 |
| Change in net position | | | | 1,126,392 | 3,199,953 |
| Net position - beginning | | | | 6,073,617 | 2,873,664 |
| Net position - ending | | | | \$ 7,200,009 | \$ 6,073,617 |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 BALANCE SHEET – GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit C

| | General Fund | |
|--|---------------------|---------------------|
| | 2023 | 2022 |
| ASSETS | | |
| Cash and cash equivalents | \$ 4,716,714 | \$ 4,666,441 |
| Customer receivables | 37,493 | 20,000 |
| Federal receivables | 286,508 | 120,571 |
| Lease receivables | 53,725 | 106,596 |
| Accrued interest receivable | 868 | 1,721 |
| Due from other agencies | 109,129 | 19,910 |
| Prepaid expenses | 571,250 | 593,553 |
| TOTAL ASSETS | \$ 5,775,687 | \$ 5,528,792 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | |
| Liabilities: | | |
| Accounts payable - vendors | \$ 329,548 | \$ 797,387 |
| Accrued payroll | 117,983 | 371,687 |
| Due to other governments | | 167 |
| Due to other agencies | 16,267 | 152,120 |
| Due to federal government | 188,238 | |
| Unearned revenue | 705,304 | 10,591 |
| Total Liabilities | 1,357,340 | 1,331,952 |
| Deferred inflows of resources: | | |
| Related to revenues | 286,508 | 99,951 |
| Related to leases | 53,730 | 107,460 |
| Total deferred inflows of resources | 340,238 | 207,411 |
| Fund balances: | | |
| Nonspendable - prepaid expenses | 571,250 | 593,553 |
| Restricted - Federal grants | | 137,261 |
| Restricted - Corp. for Public Broadcasting community service grants | 1,712,466 | 2,130,980 |
| Unassigned | 1,794,393 | 1,127,635 |
| Total Fund Balances | 4,078,109 | 3,989,429 |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | \$ 5,775,687 | \$ 5,528,792 |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit D

| | | |
|---|--------------------|----------------------------|
| Total fund balance: | | |
| Governmental fund | | \$ 4,078,109 |
| Amounts reported for governmental activities in the Statement of Net Position are different because: | | |
| Capital outlays, including leases, used in governmental activities are not financial resources and, therefore, are not reported in the funds. | | 14,207,761 |
| Deferred outflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds: | | |
| Related to pensions | \$ 3,018,595 | |
| Related to other post-employment benefits | <u>507,751</u> | |
| Total deferred outflows of resources | | 3,526,346 |
| Accrued interest payable for long-term lease liabilities | | (1,226) |
| Some liabilities are not due and payable in the current period and, therefore, are not reported in the funds. Those liabilities consist of: | | |
| Claims, judgments, and compensated absences | (618,681) | |
| Other post-employment benefits obligation | (3,734,016) | |
| Net pension liability | (7,476,641) | |
| GASB 87 lease liability | <u>(911,202)</u> | |
| Total long-term liabilities | | (12,740,540) |
| Some deferred inflows of resources are applicable to future reporting periods and, therefore, are not reported in the funds: | | |
| Related to pensions | (293,016) | |
| Related to other post-employment benefits | <u>(1,863,933)</u> | |
| Total deferred inflows of resources | | (2,156,949) |
| Deferred inflows of resources related to revenues are reported in the funds but not in the government-wide financial statements. | | <u>286,508</u> |
| Net position of governmental activities | | <u><u>\$ 7,200,009</u></u> |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit E

| | General Fund | |
|--|--------------|--------------|
| | 2023 | 2022 |
| REVENUES | | |
| Corporation for Public Broadcasting grants | \$ 2,285,737 | \$ 2,224,935 |
| Federal grants and reimbursements | (20,620) | 20,620 |
| Other grants | 21,985 | 8,934 |
| Production income | 244,446 | 243,772 |
| Foundation: | | |
| Programming income | 1,847,822 | 1,340,383 |
| Production grant revenue | 172,605 | 179,052 |
| Interest income | 103,846 | 37,299 |
| Rents, royalties, and leases | 42,390 | 6,174 |
| Other sales, refunds, and reimbursements | 11,374 | 5,809 |
| Indirect administrative services: | | |
| Services and tower and property rent appraised value | 360,768 | 361,131 |
| In-kind contributions: | | |
| Tower and property rent appraised value | 6,350 | 6,350 |
| | | |
| TOTAL REVENUES | 5,076,703 | 4,434,459 |
| | | |
| Less: State Treasury service charge | 53 | 38 |
| | | |
| NET REVENUES | 5,076,650 | 4,434,421 |
| | | |
| EXPENDITURES | | |
| Personal services - payroll | 5,104,728 | 4,876,612 |
| Employee benefits - matching | 1,790,473 | 1,719,643 |
| Communication and transportation of commodities | 164,096 | 160,360 |
| Printing and advertising | 127,236 | 156,765 |
| Repairing and servicing | 520,922 | 608,445 |
| Utilities and rent | 1,225,952 | 1,143,320 |
| Travel and subsistence | 229,640 | 35,240 |
| Professional services | 311,568 | 375,972 |
| Insurance and bonds | 181,370 | 152,726 |
| Other expenses and services | 1,463,087 | 1,202,201 |
| Commodities, materials, and supplies | 3,536,587 | 3,646,717 |
| Assistance, grants, and aids | 631 | 1,832 |
| Refunds, taxes, and claims | 24,825 | 31,409 |
| Low value asset purchases | 229,561 | 315,312 |
| Debt service | 18,464 | 21,253 |
| Capital outlay | 571,234 | 4,948,605 |
| | | |
| TOTAL EXPENDITURES | 15,500,374 | 19,396,412 |
| | | |
| EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES | (10,423,724) | (14,961,991) |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 GOVERNMENTAL FUNDS
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit E

| | General Fund | |
|---|--------------|--------------|
| | 2023 | 2022 |
| OTHER FINANCING SOURCES (USES) | | |
| Capitalized leases | | \$ 1,729,468 |
| Interagency transfers: | | |
| General revenue distribution | \$ 5,472,881 | 5,459,958 |
| CARES Act funding from other agencies | 1,923,267 | 3,206,046 |
| ARP Act funding from other agencies | 397,744 | 763,008 |
| Division of Elementary and Secondary Education grants | 2,635,407 | 2,784,838 |
| Marketing and redistribution sale proceeds | | 792 |
| Other transfers | 83,262 | (92,588) |
| Prior-year warrants outlawed and cancelled | 6,840 | 30 |
| Prior-year refund to expenditures | 4,431 | 1,511 |
| Other prior-year adjustments | (11,428) | (24,442) |
| | 10,512,404 | 13,828,621 |
| TOTAL OTHER FINANCING SOURCES (USES) | | |
| | 88,680 | (1,133,370) |
| NET CHANGE IN FUND BALANCES | | |
| | 3,989,429 | 5,122,799 |
| FUND BALANCES - JULY 1 | 3,989,429 | 5,122,799 |
| | | |
| FUND BALANCES - JUNE 30 | \$ 4,078,109 | \$ 3,989,429 |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION – Exhibit F
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
 OF THE GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
 FOR THE YEAR ENDED JUNE 30, 2023

Net change in fund balance-governmental fund \$ 88,680

Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays are reported as expenditures in governmental funds. However, in the Statement of Activities, the cost of capital assets is allocated over their estimated useful lives as depreciation expense. In the current period, these amounts are:

| | | |
|--|-------------|-----------|
| Capital outlay | \$ 571,234 | |
| Depreciation expense | (1,461,517) | |
| | | |
| Excess of capital outlay over depreciation expense | | (890,283) |

The net effect of donations involving capital assets not reflected on the Statement of Revenues, Expenditures, and Changes in Fund Balances is to increase net position. 5,391

The net effect of various miscellaneous transactions involving capital assets is to decrease net position. 570,534

Governmental funds report agency pension contributions as expenditures. Some items reported in the Statement of Activities represent a change in net position that applies to future periods and includes the difference between expected and actual experience, changes in assumptions, expected earnings on plan investment, and employer contributions that are not recognized as an outflow or inflow until a future period and, therefore, are not reported as expenditures in governmental funds.

These activities consist of:

| | | |
|--|-----------|-----------|
| Decrease in deferred inflows related to pensions and other post-employment benefits | 3,946,468 | |
| Increase in deferred outflows related to pensions and other post-employment benefits | 381,936 | |
| | | |
| | | 4,328,404 |

Increase in deferred inflows related to revenues reported in the funds but not in the government-wide financial statements 186,557

Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. These activities consist of:

| | | |
|--|-------------|-------------|
| Decrease in other post-employment benefits obligations | 66,429 | |
| Decrease in GASB 87 lease liability | 425,634 | |
| Decrease in accrued interest payable for long-term lease liabilities | 572 | |
| Increase in claims, judgments, and compensated absences | (13,671) | |
| Increase in net pension liability | (3,641,855) | |
| | | |
| | | (3,162,891) |

Change in net position of governmental activities \$ 1,126,392

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit G

| | General Fund | | | Variance With Final Budget Positive (Negative) |
|--|--------------------|---------------------|---------------------|---|
| | Budgeted Amount | | Actual | |
| | Original | Final | | |
| REVENUES | | | | |
| Grants and reimbursements | | | \$ 2,307,722 | \$ 2,307,722 |
| Federal grants and reimbursements | | | (20,620) | (20,620) |
| Production income | | | 244,446 | 244,446 |
| Foundation: | | | | |
| Programming income | | | 1,847,822 | 1,847,822 |
| Production grant revenue | | | 172,605 | 172,605 |
| Interest income | | | 103,846 | 103,846 |
| Rents, royalties, and leases | | | 42,390 | 42,390 |
| Other sales, refunds, and reimbursements | | | 11,374 | 11,374 |
| Indirect administrative services: | | | | |
| Services and tower and property rent appraised value | | | 360,768 | 360,768 |
| In-kind contributions: | | | | |
| Tower and property rent appraised value | | | 6,350 | 6,350 |
| Cash funds | \$ 6,700,000 | \$ 6,700,000 | (53) | (6,700,053) |
| TOTAL REVENUES | <u>6,700,000</u> | <u>6,700,000</u> | <u>5,076,650</u> | <u>(1,623,350)</u> |
| EXPENDITURES | | | | |
| Regular salaries | 5,227,604 | 5,407,683 | 4,690,414 | 717,269 |
| Extra help | 375,730 | 637,578 | 414,314 | 223,264 |
| Personal services matching | 1,763,527 | 1,947,567 | 1,790,473 | 157,094 |
| Operating expenses | 6,162,952 | 10,042,188 | 7,650,548 | 2,391,640 |
| Conference fees and travel | 56,450 | 56,450 | 29,183 | 27,267 |
| Professional fees and services | 350,093 | 456,908 | 320,374 | 136,534 |
| Resale (cost of goods sold) | 5,000 | 5,000 | | 5,000 |
| Promotional items | 60,000 | 60,000 | 33,834 | 26,166 |
| Grants and aid | 40,000 | 40,000 | | 40,000 |
| Capital outlay | 500,000 | 977,500 | 571,234 | 406,266 |
| Maintenance of infrastructure and network | | 1,789,122 | | 1,789,122 |
| TOTAL EXPENDITURES | <u>14,541,356</u> | <u>21,419,996</u> | <u>15,500,374</u> | <u>5,919,622</u> |
| EXCESS (DEFICIENCY) OF | | | | |
| OF REVENUES OVER EXPENDITURES | <u>(7,841,356)</u> | <u>(14,719,996)</u> | <u>(10,423,724)</u> | <u>4,296,272</u> |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
 BUDGET AND ACTUAL – GENERAL FUND
 FOR THE YEAR ENDED JUNE 30, 2023

Exhibit G

| | General Fund | | | Variance With Final Budget Positive (Negative) |
|---|---------------------|-----------------------|---------------------|---|
| | Budgeted Amount | | Actual | |
| | Original | Final | | |
| OTHER FINANCING SOURCES (USES) | | | | |
| Interagency transfers: | | | | |
| General revenue distribution | \$ 5,393,951 | \$ 5,393,951 | \$ 5,472,881 | \$ 78,930 |
| CARES Act funding from other agencies | | | 1,923,267 | 1,923,267 |
| ARP Act funding from other agencies | | | 397,744 | 397,744 |
| Division of Elementary and Secondary Education grants | | | 2,635,407 | 2,635,407 |
| Other transfers | | | 83,262 | 83,262 |
| Prior-year warrants outlawed and cancelled | | | 6,840 | 6,840 |
| Prior-year refund to expenditures | | | 4,431 | 4,431 |
| Other prior-year adjustments | | | (11,428) | (11,428) |
| | <u>5,393,951</u> | <u>5,393,951</u> | <u>10,512,404</u> | <u>5,118,453</u> |
| TOTAL OTHER FINANCING SOURCES (USES) | | | | |
| NET CHANGE IN FUND BALANCES | (2,447,405) | (9,326,045) | 88,680 | 9,414,725 |
| FUND BALANCES - JULY 1 | <u>3,989,429</u> | <u>3,989,429</u> | <u>3,989,429</u> | |
| FUND BALANCES - JUNE 30 | <u>\$ 1,542,024</u> | <u>\$ (5,336,616)</u> | <u>\$ 4,078,109</u> | <u>\$ 9,414,725</u> |

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

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Arkansas Educational Television Commission, a commission of Arkansas state government, was created by Act 198 of 1961 for the purpose of making educational television available to Arkansas citizens and promoting its fullest use. The Commission is specifically charged with controlling and supervising the use of channels reserved by the Federal Communications Commission for Arkansas for non-commercial educational use. Act 38 of 1971 transferred the Commission into the Department of Education.

The Commission consists of eight members appointed by the Governor, with at least one member from each of the State's congressional districts. At least one member is to be actively engaged in the field of education in the Arkansas public school system, and one member is to be actively engaged in education in an Arkansas institution of higher learning. Each member is entitled to receive a stipend not to exceed \$60 for each meeting attended, plus reimbursement for expenses at the rate established for state employees by state travel regulations, in accordance with Ark. Code Ann. §§ 25-16-901 – 25-16-903.

The implementation of Act 910 of 2019 resulted in the re-naming of the Arkansas Department of Education – Arkansas Educational Television Commission to the Division of Elementary and Secondary Education – Arkansas Educational Television Commission.

Effective February 28, 2020, the Arkansas Educational Television Network changed its name to Arkansas PBS. The new name was adopted across all of the network's channels.

B. Basis of Presentation

The accompanying financial statements have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for governmental accounting and financial reporting in the United States of America.

The basic financial statements have been prepared from accounts maintained by the Department of Finance and Administration and the Commission.

Government-Wide Financial Statements

The statement of net position and the statement of activities report information on all governmental activities of the Commission. Governmental activities generally are financed through taxes, inter-governmental revenues, and other non-exchange revenues.

The statement of net position presents the Commission's assets and deferred outflows of resources, as well as liabilities and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by any outstanding balances of related debt.
- Restricted net position results when constraints placed on asset use are either externally imposed by grantors, contributors, or the like or imposed by law through constitutional provision or enabling legislation.
- Unrestricted net position does not meet the definition of the two preceding categories and is generally available for Commission purposes.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation (Continued)

Government-Wide Financial Statements (Continued)

In the government-wide statement of activities, revenues and expenses are segregated by function. Direct expenses are those that are clearly identifiable with a specific function. Revenues are classified as program revenues. Program revenues include (1) charges to customers for goods, services, or privileges provided and (2) operating grants and contributions. Certain indirect costs are included in the program expenses reported for individual function and activities.

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 Commission, are recognized in the accompanying financial statements.

Fund Financial Statements

Separate financial statements are provided for the governmental fund (i.e., the general fund). The following describes the major funds and categories used in the accompanying financial statements.

Governmental Funds

General Fund – General Fund is the major governmental fund of the Commission. As the general operating fund of the Commission, it is used to account for all financial resources obtained and spent for those services normally provided by the Commission.

The focus of the Governmental Fund measurement (in the fund financial statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources), rather than upon net income.

Fiduciary Funds

Trust and Custodial Funds – The Commission does not have fiduciary activities; therefore, no fiduciary activities are included in the government-wide financial statements.

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements.

The accrual basis of accounting, with a “flow of economic resources” measurement focus, is utilized in the government-wide financial statements. Under this accounting basis, revenues are recognized when earned, and expenses are recognized when incurred, regardless of the timing of the related cash flows. Significant revenues susceptible to accrual include federal reimbursements, federal grants, and other reimbursements for use of materials and services.

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.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

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. Capital Assets

Capital assets, which include equipment, buildings and building improvements, infrastructure, land and land improvements, intangible assets, and other capital assets, are reported in the governmental activity columns of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at fair value at the date of donation.

Capital assets purchased (or leased) and in the custody of this Commission 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 Commission 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 |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Capital Assets (Continued)

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

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|----------------------|---------------------|-----------------------|---------------------|
| Governmental activities: | | | | |
| Capital assets, not being depreciated/amortized: | | | | |
| Land | \$ 75,648 | | | \$ 75,648 |
| Assets under construction | 2,353,084 | | \$(2,353,084) | |
| Total capital assets, not being depreciated/amortized | <u>2,428,732</u> | | <u>(2,353,084)</u> | <u>75,648</u> |
| Capital assets, being depreciated/amortized: | | | | |
| Improvements | 54,280 | \$ 74,386 | | 128,666 |
| Infrastructure | 6,066,577 | 2,484,496 | | 8,551,073 |
| Buildings | 11,933,727 | 179,556 | | 12,113,283 |
| Equipment | 15,541,592 | 1,076,941 | (1,336,832) | 15,281,701 |
| Other depreciable/amortizable assets | 707,890 | 37,748 | | 745,638 |
| Right-to-Use assets: | | | | |
| RtU land | 415,796 | 2,996 | (2,996) | 415,796 |
| Rtu buildings | 33,400 | | | 33,400 |
| RtU infrastructure | 1,277,276 | | | 1,277,276 |
| Total capital assets, being depreciated/amortized | <u>36,030,538</u> | <u>3,856,123</u> | <u>(1,339,828)</u> | <u>38,546,833</u> |
| Subtotal | <u>38,459,270</u> | <u>3,856,123</u> | <u>(3,692,912)</u> | <u>38,622,481</u> |
| Less accumulated depreciation/amortization for: | | | | |
| Improvements | (30,474) | (5,221) | | (35,695) |
| Infrastructure | (3,486,552) | (327,711) | | (3,814,263) |
| Buildings | (6,637,130) | (200,015) | | (6,837,145) |
| Equipment | (12,779,789) | (915,308) | 1,336,832 | (12,358,265) |
| Other depreciable/amortizable assets | (669,595) | (17,991) | | (687,586) |
| Right-to-Use assets: | | | | |
| RtU land | (44,633) | (51,266) | | (95,899) |
| RtU buildings | (2,637) | (10,547) | | (13,184) |
| RtU infrastructure | (286,341) | (286,342) | | (572,683) |
| Total accumulated depreciation/ amortization | <u>(23,937,151)</u> | <u>(1,814,401)</u> | <u>1,336,832</u> | <u>(24,414,720)</u> |
| Governmental activities capital assets, net | <u>\$14,522,119</u> | <u>\$ 2,041,722</u> | <u>\$ (2,356,080)</u> | <u>\$14,207,761</u> |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. 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 State Treasury totaling \$4.7 million. 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.

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.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

I. Pension Plan

In June 2012, GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions – An Amendment of GASB Statement No. 27*, which became effective with the fiscal year ending June 30, 2015. The Statement establishes standards for public pension plan obligations for participating employers. Under the statement, a cost-sharing employer whose employees receive pensions through a trust will report in the government-wide statements a net pension liability, deferred outflows or inflows of resources related to pensions, and a pension expense based on its proportionate share of the collective net pension liability of all employers in the plan. A net pension liability can be volatile due to changes in actuarial estimates and actual investment return.

The Commission's net pension liability at June 30, 2023 and 2022, amounted to \$7.5 million and \$3.8 million, respectively. Net pension liability is based on the Commission's contributions as a pro rata share of the total contributions of all participating employers in the plan. The net change to the net pension liability during the year ended June 30, 2023, amounted to \$3.7 million. The State of Arkansas 2023 Annual Comprehensive Financial Report (ACFR) will contain the complete pension footnote required by GASB Statement No. 68.

Arkansas Public Employees Retirement System

Plan Description – The Commission contributes to the Arkansas Public Employees Retirement System (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 Commission 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 Commission are established and may be amended by the APERS Board of Trustees. The Commission's contributions to APERS for the years ended June 30, 2023, 2022, and 2021, were \$25,246, \$23,392, and \$22,894, respectively, equal to the required contributions for each year.

Arkansas Teacher Retirement System

Plan Description – The Commission contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the ATRS Board of Trustees. ATRS 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 the General Assembly with legislative power, which includes the enactment and amendment of ATRS benefit provisions as published in Chapter 7 of Title 24 of the Arkansas Code Annotated. ATRS issues a publicly-available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to the Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-800-666-2877.

Funding Policy – Contributory plan members are required to contribute 7.00% of their annual covered salary. The Commission is required to contribute for all covered state employees at the rate of 15.00% of annual covered payroll. The contribution requirements of plan members and the Commission are established and may be amended by the Arkansas General Assembly. The Commission's contributions to ATRS were \$772,082, \$691,310, and \$644,287 for the years ended June 30, 2023, 2022, and 2021, respectively, which is equal to the required contributions for each year.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity

Net Position and Fund Balance

The difference between total assets, total deferred outflows of resources, total liabilities, and total deferred inflows of resources is presented as “Net Position” on the government-wide financial statements and as “Fund Balance” on the governmental fund financial statements.

Net Position

In the government-wide financial statements, net position represents assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Net position is reported in three categories:

- Net investment in capital assets, net of accumulated depreciation, reduced by any outstanding balances of related debt.
- Restricted net position, which results when constraints placed on asset use are either externally imposed by creditors, grants, contributors, or the like imposed by law through constitutional provision or enabling legislation. The amount of restricted assets is reduced by liabilities and deferred inflows of resources related to those assets.
- Unrestricted net position does not meet the definition of the two preceding categories and is generally available for government purposes.

Fund Balance

In the fund 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.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Budgetary Data

The State utilizes an annual budgeting process with budget amounts initially derived from the previous fiscal year's funded allocation. In accordance with the appropriations and funding provided by the Legislature, individual state agencies have been charged with the responsibility of administering and managing their programs as authorized by the Legislature. Agencies are also charged with the responsibility of preparing an annual operations plan as a part of the budgetary process for the operation of each of their assigned programs. State law provides for the establishment of a comprehensive financial management system that includes adequate controls over receipts, expenditures, and balances of Agency funds. It is mandated that this system include a modified accrual system, conform with generally accepted governmental accounting principles, and provide a reporting system whereby actual expenditures are compared to expenditures projected in the Commission's annual operation plan.

L. 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 the Commission's employee annual and sick leave as of June 30, 2023 and 2022, amounted to \$618,681 and \$605,010, respectively. The net changes to compensated absences payable during the year ended June 30, 2023, amounted to \$13,671.

M. Postemployee 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 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.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2: Arkansas Educational Telecommunications Network Foundation, d/b/a Arkansas PBS Foundation

The Arkansas Educational Telecommunications Network Foundation (AETNF) is a nonprofit Arkansas corporation formed in 1984 to obtain, hold, invest, reinvest, and administer funds and other property for the benefit of the Arkansas Educational Television Commission (AETC) of the State of Arkansas. In 2020, AETNF applied to the Arkansas Secretary of State for the fictitious name Arkansas PBS Foundation. AETNF is not considered a component unit of AETC, and accordingly, AETNF financial data are not included in the government-wide or the governmental funds financial statements presented in this report. AETNF financial statements that were audited by an independent certified public accounting firm for the year ended June 30, 2023, are presented below in summary form.

ARKANSAS EDUCATIONAL TELEVISION NETWORK FOUNDATION
STATEMENT OF NET POSITION
JUNE 30, 2023

| | |
|--|---------------|
| ASSETS | |
| Cash | \$ 2,328,270 |
| Investments | 8,127,579 |
| Accounts receivable | 157,411 |
| Prepaid expenses | 2,403 |
| Equipment (net) | 12,651 |
| RtU asset | 89,394 |
| TOTAL ASSETS | \$ 10,717,708 |
| LIABILITIES AND NET ASSETS | |
| Liabilities: | |
| Accounts payable | \$ 56,715 |
| Accrued expenses | 104,784 |
| Current portion of operating lease liabilities | 62,113 |
| Deferred revenues - unexpended grant funds and deferred revenues for programs not broadcast | 57,890 |
| Operating lease liabilities | 27,281 |
| TOTAL LIABILITIES | 308,783 |
| Net Assets | |
| Without donor restrictions | 1,469,515 |
| With donor restrictions | 8,939,410 |
| TOTAL NET ASSETS | 10,408,925 |
| TOTAL LIABILITIES AND NET ASSETS | \$ 10,717,708 |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 2: Arkansas Educational Telecommunications Network Foundation, d/b/a Arkansas PBS Foundation
(Continued)

| ARKANSAS EDUCATIONAL TELEVISION NETWORK FOUNDATION | |
|--|---------------|
| STATEMENT OF ACTIVITIES | |
| FOR THE YEAR ENDED JUNE 30, 2023 | |
| REVENUES | |
| Contributions | \$ 3,207,934 |
| Underwriting | 767,679 |
| Realized gain on investments | 168,748 |
| Other revenue and gains | 543,455 |
| TOTAL REVENUES | 4,687,816 |
| EXPENSES AND LOSSES | |
| Programming | 1,984,728 |
| Development and fundraising | 1,277,972 |
| Other expenses and losses | 1,044,892 |
| TOTAL EXPENSES AND LOSSES | 4,307,592 |
| CHANGE IN NET ASSETS | 380,224 |
| NET ASSETS, BEGINNING OF YEAR | 10,028,701 |
| NET ASSETS, END OF YEAR | \$ 10,408,925 |

NOTE 3: Leases

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

Lease Receivables

As the lessor, the Commission leases out part of its office space. The related receivables are presented in the Statement of Net Position and the Balance Sheet for the amounts equal to the present value of lease payments expected to be received during the lease term. For the year ended June 30, 2023, total lease related inflows recognized by the general fund were \$53,739. The Commission had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2023.

Lease Obligations

The Commission leases nonfinancial assets including land and infrastructure. The leased assets and related liabilities are presented in the Statement of Net Position. Since the Governmental Fund financial statements of the Commission are presented using the modified accrual basis of accounting, no leased asset or liability is reflected on the Balance Sheet. For more information on the Commission's right-to-use assets, refer to Note 1.E above. Future amounts required to pay principal and interest on lease obligations as of June 30, 2023, were as follows:

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2023

NOTE 3: Leases (Continued)

| Years ending June 30, | Governmental Activities | | |
|-----------------------|-------------------------|------------------|-------------------|
| | Principal | Interest | Total |
| 2024 | \$ 395,931 | \$ 11,506 | \$ 407,437 |
| 2025 | 188,239 | 6,956 | 195,195 |
| 2026 | 136,000 | 4,044 | 140,044 |
| 2027 | 63,532 | 2,613 | 66,145 |
| 2028 | 30,274 | 1,826 | 32,100 |
| 2029-2033 | 97,226 | 2,674 | 99,900 |
| Totals | <u>\$ 911,202</u> | <u>\$ 29,619</u> | <u>\$ 940,821</u> |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 SCHEDULE OF SELECTED INFORMATION
 JUNE 30, 2023
 (UNAUDITED)

Schedule 1

| | For the Year Ended June 30, | | | | |
|--------------------------------------|-----------------------------|--------------|--------------|--------------|--------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 |
| GENERAL FUND | | | | | |
| Total Assets | \$ 5,775,687 | \$ 5,528,792 | \$ 6,036,384 | \$ 3,554,835 | \$ 2,949,498 |
| Total Liabilities | 1,357,340 | 1,331,952 | 913,585 | 601,718 | 766,797 |
| Total Deferred Inflows of Resources | 340,238 | 207,411 | | | |
| Total Fund Equity | 4,078,109 | 3,989,429 | 5,122,799 | 2,953,117 | 2,182,701 |
| Net Revenues | 5,076,650 | 4,434,421 | 4,762,428 | 4,089,754 | 3,808,620 |
| Total Expenditures | 15,500,374 | 19,396,412 | 15,652,712 | 11,713,091 | 12,105,929 |
| Total Other Financing Sources (Uses) | 10,512,404 | 13,828,621 | 13,059,966 | 8,393,753 | 7,695,007 |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION
 ARKANSAS EDUCATIONAL TELECOMMUNICATIONS NETWORK FOUNDATION
 SCHEDULE OF COMBINED STATEMENT OF NET POSITION
 JUNE 30, 2023
 (UNAUDITED)

Schedule 2

| | Commission Gov'tl Activities 2023 | AETN Foundation 2023 | Eliminations | Combined Total |
|--|---|----------------------------|---------------------|----------------------|
| ASSETS | | | | |
| Current assets: | | | | |
| Cash and cash equivalents | \$ 4,716,714 | \$ 1,673,318 | | \$ 6,390,032 |
| Customer receivables | 37,493 | 156,879 | \$ (1,793) | 192,579 |
| Federal receivables | 286,508 | | | 286,508 |
| Lease receivables | 53,725 | | (53,150) | 575 |
| Accrued interest receivable | 868 | | | 868 |
| Due from other agencies | 109,129 | | | 109,129 |
| Other receivables | | 532 | | 532 |
| Prepaid expenses | 571,250 | 2,403 | | 573,653 |
| Total current assets | <u>5,775,687</u> | <u>1,833,132</u> | <u>(54,943)</u> | <u>7,553,876</u> |
| Restricted assets: | | | | |
| Cash | | 654,952 | | 654,952 |
| Investments | | 8,127,579 | | 8,127,579 |
| Total restricted assets | | <u>8,782,531</u> | | <u>8,782,531</u> |
| Other assets: | | | | |
| Operating lease right of use assets | | 89,394 | (53,150) | 36,244 |
| Capital assets: | | | | |
| Capital assets not being depreciated/amortized | 75,648 | | | 75,648 |
| Capital assets being depreciated/amortized, net | 14,132,113 | 12,651 | | 14,144,764 |
| Capital assets, net | <u>14,207,761</u> | <u>12,651</u> | | <u>14,220,412</u> |
| TOTAL ASSETS | <u>19,983,448</u> | <u>10,717,708</u> | <u>(108,093)</u> | <u>30,593,063</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Related to pensions | 3,018,595 | | | 3,018,595 |
| Related to other post-employment benefits | 507,751 | | | 507,751 |
| Total deferred outflows of resources | <u>3,526,346</u> | | | <u>3,526,346</u> |
| TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES | <u>\$ 23,509,794</u> | <u>\$ 10,717,708</u> | <u>\$ (108,093)</u> | <u>\$ 34,119,409</u> |

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
ARKANSAS EDUCATIONAL TELEVISION COMMISSION
ARKANSAS EDUCATIONAL TELECOMMUNICATIONS NETWORK FOUNDATION
SCHEDULE OF COMBINED STATEMENT OF NET POSITION
JUNE 30, 2023
(UNAUDITED)

Schedule 2

| | Commission Gov'tl Activities 2023 | AETN Foundation 2023 | Eliminations | Combined Total |
|--|---|----------------------------|---------------------|----------------------|
| LIABILITIES | | | | |
| Current liabilities: | | | | |
| Accounts payable - vendors | \$ 329,548 | \$ 56,715 | | \$ 386,263 |
| Accrued payroll | 117,983 | 104,784 | \$ (1,793) | 220,974 |
| Due to federal government | 188,238 | | | 188,238 |
| Due to other agencies | 16,267 | | | 16,267 |
| Unearned revenue | 705,304 | | | 705,304 |
| Accrued interest payable | 1,226 | | | 1,226 |
| Lease liability | 395,931 | 62,113 | (53,150) | 404,894 |
| Claims, judgments, and compensated absences | 86,554 | | | 86,554 |
| Deferred revenues | | 57,890 | | 57,890 |
| Current other post-employment benefits | 150,772 | | | 150,772 |
| Total current liabilities | <u>1,991,823</u> | <u>281,502</u> | <u>(54,943)</u> | <u>2,218,382</u> |
| Long-term liabilities: | | | | |
| Lease liability | 515,271 | 27,281 | | 542,552 |
| Claims, judgments, and compensated absences | 532,127 | | | 532,127 |
| Post-employment benefits | 3,583,244 | | | 3,583,244 |
| Net pension liability | 7,476,641 | | | 7,476,641 |
| Total long-term liabilities | <u>12,107,283</u> | <u>27,281</u> | | <u>12,134,564</u> |
| TOTAL LIABILITIES | <u>14,099,106</u> | <u>308,783</u> | <u>(54,943)</u> | <u>14,352,946</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Related to pensions | 293,016 | | | 293,016 |
| Related to other post-employment benefits | 1,863,933 | | | 1,863,933 |
| Related to leases | 53,730 | | (53,150) | 580 |
| Total deferred inflows of resources | <u>2,210,679</u> | | <u>(53,150)</u> | <u>2,157,529</u> |
| TOTAL LIABILITIES AND DEFERRED INFLOWS OF RESOURCES | <u>16,309,785</u> | <u>308,783</u> | <u>(108,093)</u> | <u>16,510,475</u> |
| NET POSITION | | | | |
| Net position: | | | | |
| Net investment in capital assets | 14,207,761 | | | 14,207,761 |
| Restricted - grants | 1,955,275 | | | 1,955,275 |
| Restricted - investments with donor restrictions | | 8,939,410 | | 8,939,410 |
| Unrestricted | (8,963,027) | 1,469,515 | | (7,493,512) |
| Total Net Position | <u>7,200,009</u> | <u>10,408,925</u> | | <u>17,608,934</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION | <u>\$ 23,509,794</u> | <u>\$ 10,717,708</u> | <u>\$ (108,093)</u> | <u>\$ 34,119,409</u> |

Note: Schedules 2 and 3 are provided to meet the request for information by the Corporation for Public Broadcasting.

DIVISION OF ELEMENTARY AND SECONDARY EDUCATION –
 ARKANSAS EDUCATIONAL TELEVISION COMMISSION AND
 ARKANSAS EDUCATIONAL TELECOMMUNICATIONS NETWORK FOUNDATION
 SCHEDULE OF COMBINED STATEMENT OF ACTIVITIES
 JUNE 30, 2023
 (UNAUDITED)

Schedule 3

| Functions/Programs | Program Revenues | | | Net Revenue (Expense) Governmental | Net Revenue (Expense) AETN Foundation | Eliminations | Combined Total |
|--|----------------------|-------------------------|--|--|---|--------------------|----------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | | | | |
| Governmental activities: | | | | | | | |
| Education | \$ 14,656,021 | \$ 286,783 | \$ 4,494,586 | \$ (9,874,652) | | | \$ (9,874,652) |
| (Revenue elimination) | | | | | | \$ (2,022,220) | (2,022,220) |
| Total governmental activities | <u>\$ 14,656,021</u> | <u>\$ 286,783</u> | <u>\$ 4,494,586</u> | <u>(9,874,652)</u> | | <u>(2,022,220)</u> | <u>(11,896,872)</u> |
| AETN Foundation: | | | | | | | |
| Development | \$ 4,307,592 | \$ 3,064 | \$ 4,236,098 | | \$ (68,430) | | (68,430) |
| (Expense elimination) | | | | | | 2,022,220 | 2,022,220 |
| Total AETN Foundation | <u>\$ 4,307,592</u> | <u>\$ 3,064</u> | <u>\$ 4,236,098</u> | | <u>(68,430)</u> | <u>2,022,220</u> | <u>1,953,790</u> |
| Indirect administrative services | | | | 367,118 | | | 367,118 |
| In-kind revenue | | | | 6,802 | 77,942 | | 84,744 |
| Investment earnings | | | | 103,846 | 370,712 | | 474,558 |
| Miscellaneous revenues | | | | 10,874 | | | 10,874 |
| Transfers: | | | | | | | |
| General revenue distribution | | | | 5,472,881 | | | 5,472,881 |
| CARES Act funding from other agencies | | | | 1,923,267 | | | 1,923,267 |
| ARP Act funding from other agencies | | | | 397,744 | | | 397,744 |
| Division of Elementary and Secondary Education | | | | 2,635,407 | | | 2,635,407 |
| Other transfers | | | | 83,105 | | | 83,105 |
| Total revenue and transfers | | | | <u>11,001,044</u> | <u>448,654</u> | | <u>11,449,698</u> |
| Change in net position | | | | 1,126,392 | 380,224 | | 1,506,616 |
| Net position - beginning | | | | 6,073,617 | 10,028,701 | | 16,102,318 |
| Net position - ending | | | | <u>\$ 7,200,009</u> | <u>\$ 10,408,925</u> | | <u>\$ 17,608,934</u> |

Note: Schedules 2 and 3 are provided to meet the request for information by the Corporation for Public Broadcasting.