

Internal Control and Compliance Assessment

Arkansas Legislative Audit

Arkansas Department of Agriculture

For the Fiscal Year Ended June 30, 2025



INTRODUCTION

This report is issued to inform the Legislative Joint Auditing Committee of compliance with state fiscal laws and regulations as well as deficiencies in internal controls for the Arkansas Department of Agriculture. Assessment procedures disclosed no reportable items of noncompliance.

SCOPE AND METHODOLOGY

We performed an internal control and compliance assessment of the Arkansas Department of Agriculture, a department of Arkansas state government, as of and for the year ended June 30, 2025, and have issued our report dated August 19, 2026. Management of the Department is responsible for establishing and maintaining internal controls and complying with applicable laws and regulations.

The assessment included cash on deposit, cash receipts, accounts receivable, investments, expenditures, liabilities, capital assets, and data entry to the Arkansas Administrative Statewide Information System (AASIS). The assessment consisted principally of inquiries, observations, analytical procedures, and selected tests of internal control policies and procedures, accounting records, and other relevant documents. We relied on financial data in AASIS recorded by the Department and audit work conducted in the fiscal year 2025 State Annual Comprehensive Financial Report (ACFR) and Single Audit Report.

RESULTS OF ASSESSMENT

Assessment procedures did not disclose instances of noncompliance considered reportable.

ENABLING LEGISLATION AND ORGANIZATIONAL STRUCTURE

The Arkansas Agriculture Department was created by Act 1978 of 2005 to enhance marketing of the State's agricultural products in state, national, and international markets. The creation of the Department also combined the administrative functions of three existing state agencies (i.e., Arkansas Forestry Commission, Arkansas Livestock and Poultry Commission, and Arkansas State Plant Board) with the Agriculture Department. The Arkansas Natural Resources Commission was established to provide adequate, acceptable water for all users; to plan and coordinate water resource development; to protect individual water rights; to inspect and approve all dam construction; and to perform research to improve water and soil conservation. In accordance with Act 910 of 2019, effective July 1, 2019, these agencies, along with the Arkansas State Board of Registration for Professional Soil Classifiers, the Arkansas State Board of Registration for Foresters, and the Arkansas Veterinary Medical Examining Board, were combined to create the cabinet-level Department of Agriculture. As shown in **Exhibit I on page 2**, the Department has five divisions:

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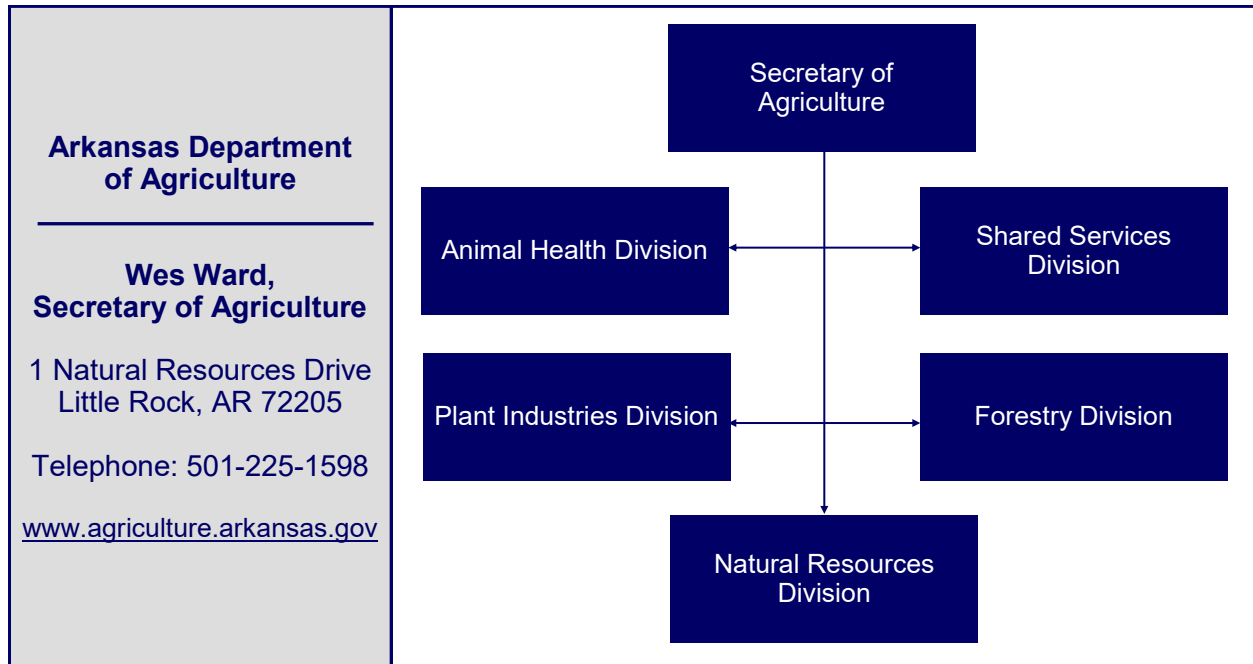
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Exhibit I

Arkansas Department of Agriculture
Organizational Chart



Source: Arkansas Department of Agriculture

1. **Animal Health Division** was established to control and eradicate diseases and pests in livestock and poultry and to supervise enforcement actions related to livestock and poultry.
2. **Shared Services Division** administers shared services that are available to and used by all divisions in the Department of Agriculture.
3. **Plant Industries Division** protects the citizens of Arkansas and the agriculture industry by enforcing laws and regulations related to insect and disease control.
4. **Forestry Division**, led by the State Forester, protects Arkansas's forests from wildfires and other natural hazards and promotes forest health, stewardship, development, and conservation.
5. **Natural Resources Division** establishes policy and makes funding and regulatory decisions related to the conservation, development, and management of Arkansas's waters.

As a result of Act 712 of 2023, effective July 1, 2023, the following entities and their administrative functions were transferred to the Department of Agriculture: the Arkansas Catfish Promotion Board, Arkansas Soybean Promotion Board, Arkansas Rice Research and Promotion Board, Arkansas Wheat Promotion Board, Arkansas Corn and Grain Sorghum Promotion Board, and Arkansas Beef Council. Arkansas Farm Bureau, which had performed administrative duties for these agencies, continued to assist with the administration of the agencies until July 31, 2023.

FISCAL ANALYSIS

Summary financial information for each business area is presented in **Exhibit II**.

Exhibit II

Arkansas Department of Agriculture Summary of Financial Information by Business Area For the Year Ended June 30, 2025

Board/Commission/Division	Assets	Deferred Outflows of Resources	Liabilities	Revenues	Expenditures	Net Transfers In (Out)
Arkansas Agriculture Department	\$ 130,733,475		\$ 3,479,668	\$ 42,091,161	\$ 57,351,295	\$ 13,972,376
Arkansas Natural Resources Commission	219,636,217	\$ 4,755,538	222,108,730	21,660,478	37,378,753	(24,539,586)
Department of Agriculture (cabinet level)	23,974,959		1,710,122	15,610,223	122,840,294	101,404,655
Totals	\$ 374,344,651	\$ 4,755,538	\$ 227,298,520	\$ 79,361,862	\$ 217,570,342	\$ 90,837,445

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Revenues, Expenditures, and Transfers

The Department reported \$79.4 million in total revenue for fiscal year 2025. The primary source of these funds was special revenues. Expenditures totaled \$217.6 million for fiscal year 2025, with salaries comprising 20.3%. The Department reported net transfers in of \$90.8 million for fiscal year 2025. Total general revenue transfers in were \$27.7 million. Revenues, expenditures, and transfers for fiscal years 2021 through 2025 are presented in **Exhibit III**.

Exhibit III

Arkansas Department of Agriculture Revenues, Expenditures, and Transfers For the Years Ended June 30, 2021 through 2025

	Fiscal Year				
	2025	2024	2023	2022	2021
Revenues					
Special revenues	\$ 40,826,498	\$ 41,194,625	\$ 23,600,236	\$ 23,294,416	\$ 20,375,491
Fees	2,967,190	2,167,201	614,440	2,339,621	4,636,290
Other revenues	5,249,671	7,449,757	6,022,418	5,630,236	6,053,670
Federal grants and reimbursements	30,318,503	20,742,989	17,882,152	16,175,129	15,717,176
Total Revenues	\$ 79,361,862	\$ 71,554,572	\$ 48,119,246	\$ 47,439,402	\$ 46,782,627
Expenditures					
Salaries	\$ 44,062,613	\$ 41,194,631	\$ 41,061,074	\$ 39,376,966	\$ 36,885,756
Commodities, materials, and supplies	5,799,661	5,418,637	4,938,002	4,844,134	4,301,637
Assistance, grants, and aids	116,789,028	103,567,140	25,385,747	13,477,819	19,249,211
Other expenses	50,919,040	19,198,863	34,055,452	25,835,040	8,502,036
Total Expenditures	\$ 217,570,342	\$ 169,379,271	\$ 105,440,275	\$ 83,533,959	\$ 68,938,640
Net Transfers In (Out)	\$ 90,837,445	\$ 87,499,930	\$ 23,389,052	\$ 16,400,642	\$ 18,704,927

Note: Amounts prior to fiscal year 2024 do not include promotion boards transferred into the cabinet-level Department of Agriculture.

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Assets, Deferred Outflow of Resources, and Liabilities

As of June 30, 2025, the Department's assets totaled \$374.3 million, and liabilities totaled \$227.3 million. A significant portion of assets is related to loan receivables, and a significant portion of liabilities is related to bonds payable, both of which are discussed separately below. Asset and liability balances at year-end for fiscal years 2021 through 2025 are presented in **Exhibit IV**.

Exhibit IV

**Arkansas Department of Agriculture
Assets, Deferred Outflows of Resources, and Liabilities
For the Years Ended June 30, 2021 through 2025**

	Fiscal Year				
	2025	2024	2023	2022	2021
Assets					
Cash and cash equivalents	\$ 160,305,672	\$ 165,842,116	\$ 132,826,704	\$ 123,399,773	\$ 86,689,130
Receivables	117,050,365	133,187,483	133,163,752	133,202,148	147,087,498
Fixed assets	83,335,705	81,153,735	78,016,568	72,053,628	70,824,692
Other assets	13,652,909	13,074,959	2,930,781	5,931,283	5,871,138
Total Assets	\$ 374,344,651	\$ 393,258,293	\$ 346,937,805	\$ 334,586,832	\$ 310,472,458
Deferred Outflows of Resources					
Related to bond amortization	\$ 4,755,538	\$ 5,203,627	\$ 5,651,717	\$ 6,099,806	\$ 6,547,896
Liabilities					
Bonds payable	\$ 216,245,000	\$ 206,365,000	\$ 199,770,000	\$ 174,669,236	\$ 149,695,000
Payroll liability	983,334	722,288	724,960	2,057,889	1,755,290
Due to other state agencies	1,299,712	3,791,810	1,358,422	2,459,999	1,805,826
Unearned income	2,643,693	3,141,888	3,138,484	2,700,810	3,112,441
Other liabilities	6,126,781	7,727,018	7,218,323	7,132,368	6,263,247
Total Liabilities	\$ 227,298,520	\$ 221,748,004	\$ 212,210,189	\$ 189,020,302	\$ 162,631,804

Note: Amounts prior to fiscal year 2024 do not include promotion boards transferred into the cabinet-level Department of Agriculture.

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Loans Receivable

One major Department activity is administering loans for various water, sewer, and wastewater projects of the State. Related to these activities, the Department reported net loans receivable of \$110.9 million: total loans receivable of \$244.5 million less allowance for doubtful accounts and deferred loans of \$133.6 million. Allowance for doubtful accounts refers to loans that meet criteria determined by the Department in the normal course of business. Deferred loans are for irrigation projects with project completion not expected until additional funding from federal sources is available. Payments are not due until project completion. A schedule of loan activity by type for the year ended June 30, 2025, is provided in **Exhibit V on page 5**.

Bonds Payable and Debt Service

Funding for loans is from general obligation and other bond proceeds. Debt service is from collections on loans, other Department funds, and general revenue. The Department reported \$216.2 million in bonds payable for the fiscal year ended June 30, 2025, as shown in **Exhibit VI on page 6**. In fiscal year 2025, the Department issued \$25.0 million in new bond debt.

Exhibit V

**Arkansas Natural Resources Commission
Loans Receivable Rollforward
For the Year Ended June 30, 2025**

	WDF	WSSW	CGO	Totals
Beginning Loan Receivable Balance	\$ 11,111,789	\$ 12,893,128	\$ 214,302,052	\$ 238,306,969
Prior-year adjustment	(12,594)	(765)	5,806	(7,553)
Loan disbursements	1,419,071	1,236,848	13,639,857	16,295,776
Principal payments	(1,501,721)	(1,916,859)	(6,707,110)	(10,125,690)
Ending Loan Receivable Balance	<u>\$ 11,016,545</u>	<u>\$ 12,212,352</u>	<u>\$ 221,240,605</u>	<u>\$ 244,469,502</u>

WDF = Water Development Fund

WSSW = Water, Sewer, and Solid Waste Management Systems Program

CGO = Water, Waste, Disposal, and Pollution Abatement Facilities General Obligation Bond Program

Source: Arkansas Natural Resources Commission and Arkansas Administrative Statewide Information System Trial Balance (unaudited by the Arkansas Legislative Audit)

Exhibit VI

**Arkansas Department of Agriculture
Bonds Payable Roll Forward Summary
For the Years Ended June 30, 2025 and 2024**

	Fiscal Year	
	2025	2024
Bonds Payable at Beginning of Year	\$ 206,365,000	\$ 199,770,000
Additions		
Bond issues	25,000,000	30,000,000
Deletions		
Scheduled principal payments	(15,120,000)	(23,405,000)
Bonds Payable at Year-End	<u>\$ 216,245,000</u>	<u>\$ 206,365,000</u>

Source: Arkansas Administrative Statewide Information System Trial Balance (unaudited by Arkansas Legislative Audit)

Tariff-Rate Quota (TRQ) Activity by Year

The Tariff-Rate Quota (TRQ) proceeds generated through the export of rice to certain European Union countries have existed since 1999. TRQ proceeds associated with exports to Columbia began in fiscal year 2013. TRQ proceeds are deposited periodically into the investment account maintained by The Rice Foundation. Investment income is also deposited into the account, and disbursements from the account have only been for Board-approved projects. The Colombia TRQ agreement spans 20 years. In years 1-10, proceeds can only be used for direct research projects. In years 11-20, proceeds can be used for direct projects. At no time can proceeds be used for general administrative purposes. A summary of TRQ activities and balances from their inception until June 30, 2025, is included in **Exhibit VII on page 6**.

AARQ = Association for the Allocation of Rice Quotas, Inc.
COL-RICE = Colombia Rice Export Quota, Inc.

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