

**DEPARTMENT OF EDUCATION**

**Annual Financial Report**

**June 30, 2022**



DEPARTMENT OF EDUCATION  
TABLE OF CONTENTS  
FOR THE YEAR ENDED JUNE 30, 2022

Independent Auditor's Report  
Report on Internal Control Over Financial Reporting and on Compliance and  
Other Matters Based on an Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

FINANCIAL STATEMENTS

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

OTHER INFORMATION (Unaudited)

	<u>Schedule</u>
Schedule of Selected Information	1
Financial Information by Business Area	2
Other General Information	

# 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

Department of Education  
Legislative Joint Auditing Committee

#### Report on the Audit of the Financial Statements

##### **Opinions**

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Department of Education, a department of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department of Education's departmental financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund, the aggregate remaining fund information of the Department of Education as of June 30, 2022, the respective changes in financial position, and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

##### **Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the department, 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 Department of Education are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Department of Education. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2022, the changes in its financial position, and budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

As discussed in Note 2 to the financial statements, in 2022 the department adopted new accounting guidance, Governmental Accounting Standards Board Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

##### **Other Matters**

##### **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 department'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 judgement 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 department'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 department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Department of Education are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Department of Education individually. Our opinion on the departmental financial statements is not affected by the omission of this information.

### ***Other Information***

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information, Financial Information by Business Area, and Other General Information but does not include the departmental financial statements and our auditor's reports thereon. Our opinion on the departmental financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the departmental financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated June 6, 2023, on our consideration of the department'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 department'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 department's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in cursive script, appearing to read "Roger A. Norman".

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

Little Rock, Arkansas  
June 6, 2023  
SAC990422

# 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

### 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

Department of Education  
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund and the aggregate remaining fund information of the Department of Education (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Department of Education's departmental financial statements, and have issued our report thereon dated June 6, 2023.

#### ***Report on Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

#### ***Report on Compliance and Other Matters***

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below in the Schedule of Findings and Responses as items 2022-1, 2022-2, 2022-3, and 2022-4.

## SCHEDULE OF FINDINGS AND RESPONSES

2022-1

R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that “the bonded disbursing officer for each state agency, board, commission, or institution is responsible for...reporting any losses of state funds to the chief Fiscal Officer of the State and to the Division of Legislative Audit. Losses include...the apparent theft or misappropriation of state funds or property theft.” The Arkansas Department of Education notified us of the following theft of state property:

- On September 7, 2022, an employee’s laptop computer with a cost of \$2,720 was stolen from the employee’s personal vehicle while located at Two Rivers Bridge between approximately 4:30 and 7:30 p.m. Incident and police reports were filed.

We recommend the Agency continue to monitor and strengthen controls related to the safeguarding of assets to prevent future occurrences of theft.

**Management Response:** *Management agrees with the audit finding, as stated. As required, ADE notified ALA of a theft of state property in a letter dated September 15, 2022. ADE will continue to monitor and strengthen internal controls and procedures for safeguarding assets to prevent future occurrences of theft, and to comply with reporting requirements.*

2022-2

The Agency is required to record amounts due for student loans, in accordance with Ark. Code Ann. §§ 19-2-304 and 6-81-1103.

The Arkansas Division of Higher Education (ADHE) oversees two state-funded student loan programs. Students who receive the loans may be eligible to have the loans forgiven if they meet certain criteria; students not meeting the criteria are placed in repayment status. The Agency maintains student loan subsidiary ledgers to track changes to total loan balances throughout the year. The subsidiary ledgers are then used to adjust loans receivables in AASIS during the fiscal year-end closing process.

Review of 44 individual student loan files revealed unauthorized and undocumented forgiveness of dental loans receivable, resulting in a loss to the State totaling \$82,007, due to lack of management oversight as follows:

- Two instances of unauthorized forgiveness of dental loans resulted in a loss to the State totaling \$44,958. Forgiveness was not warranted due to requirements not being met; specifically, recipients did not practice in the field of dentistry in Arkansas for one calendar year of uninterrupted service for each year a loan was received.
- One instance of undocumented forgiveness of dental loans resulted in a loss to the State totaling \$37,049. Forgiveness was not warranted due to inadequate documentation of service requirement.

In addition, in one instance totaling \$12,475, forgiveness of an outstanding student loan balance should have been granted in the preceding fiscal year due to documentation received on September 29, 2020, but the loan balance was not discharged as of June 30, 2022.

We recommend the Agency continue to review the subsidiary ledgers to ensure receivables are accurately reported and strengthen procedures to ensure student loan files are maintained, regularly monitored, and updated. In addition, we recommend the Agency pursue recoupment of funds.

**Management Response:** *Management agrees with the audit finding, as stated. In response, a written checklist has been developed for the loan forgiveness program to ensure the employee receives all necessary documentation before awarding funds, and an additional level of review of the documentation by a supervisor has been implemented. A more comprehensive review of outstanding approved awards has also been implemented to ensure that there are no instances of students being awarded a grant with the funding for that award months later. In addition, a revised paper document retention policy has been implemented to ensure records are available when scanned documents are illegible.*

*With the implementation of the new scholarship management system which will be active in Fiscal Year 2024, the loan forgiveness processes will become more automated and eliminate the likelihood of recurrence of this error.*

*Regarding recoupment of funds, the Division is following up with individuals regarding the unauthorized and undocumented loan forgiveness. If proper documentation is not provided by the individuals to meet the forgiveness criteria, notice of the amount due to the Division will be issued; if the balance is not paid the account will be placed with the Division's collection partner to attempt collection on the accounts.*

2022-3

In accordance with Ark. Code Ann. § 6-81-605, the Teacher Opportunity Program (TOP) may provide reimbursements to employed teachers up to, but not in excess of, the cost of their student fees, books, and instructional supplies for additional education in science, technology, engineering, or mathematics fields; computer science; literacy or reading; prekindergarten education; or special education.

In addition, Ark. Code Ann. § 6-81-1606 states the State Teacher Education Program (STEP) shall be used to provide a federal student loan repayment for licensed teachers who graduated from a teacher education program after April 2004 and teachers in (1) a public school located in a critical geographical shortage area of the state or (2) a critical subject area. The amount of the loan repayment is \$3,000 and an additional \$1,000 for a minority teacher.

ALA staff reviewed 32 TOP and 32 STEP expenditures at the Division of Higher Education to determine if adequate documentation was maintained and payments were correctly calculated based on supporting documentation. The review revealed unauthorized and undocumented disbursements, resulting in a loss to the State totaling \$4,994, due to lack of management oversight as follows:

- Eight TOP transactions resulted in an unauthorized net overpayment of \$4,034 due to incorrectly calculated disbursements based on the supporting documentation located in the Division's electronic database.
- One STEP awardee's federal student loan balance was paid in full by the Division, resulting in an undocumented overpayment of \$960, without ensuring that all requirements were met prior to processing the scholarship payment.

In addition, one STEP transaction resulted in an underpayment of \$1,000 due to the Division's failure to review the award recipient's application for minority status prior to processing the scholarship payment.

We recommend the Agency review each scholarship program's rules and regulations prior to the disbursement of funds, strengthen internal controls, and ensure adequate supporting documentation is on file for all transactions. In addition, we recommend the Agency pursue recoupment of these funds.

***Management Response:*** *Management agrees with the audit finding, as stated. Additional training has been implemented for employees overseeing the TOP and STEP programs; a checklist for each program has been developed to ensure all requirements are satisfied for applicants before an award is issued.*

*The new scholarship management system will require submission of the supporting documentation by the applicant when they initially apply; the process will also become more automated and eliminate the likelihood of these types of errors.*

*Regarding recoupment of funds, the Division is following up with individuals regarding the overpayments. Notice of the amount due to the Division will be issued; if the balance is not repaid, the account will be placed with the Division's collection partner to attempt collection on the accounts.*



2022-4

Regulation R4-19-4-501 of the Department of Finance and Administration (DFA) Financial Management Guide states that good internal controls dictate daily deposits to the Treasury and/or a commercial bank account, and weekly deposits are allowable if minimal amounts of cash and/or checks are received. A receipt must be issued for each payment received in person. Testing of Treasury receipts and commercial bank deposits revealed the following deficiencies at the Division of Higher Education:

- Three checks, totaling \$663,103, received by the Division were deposited ranging from 12 to 46 days after the receipt date.
- A receipt was not issued for one check, totaling \$109, received in-house from management.

We recommend the Agency strengthen internal controls by adhering to DFA's Financial Management Guide to ensure all revenues are receipted properly and deposited timely to reduce the risk of loss or theft of funds.

**Management Response:** *Management agrees with the audit finding, as stated. Additional tracking protocols have been implemented by the Division for all checks received within each office. The Finance staff will review the logs weekly to track and inform management if there are any checks that have not been submitted for deposit. New receipt books have been purchased for the Division to ensure any checks received have appropriate receipt documentation.*

### **Agency's Response to Findings**

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

### **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  
June 6, 2023

DEPARTMENT OF EDUCATION  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022

Exhibit A

	General Fund
<b>ASSETS</b>	
Cash and cash equivalents	\$ 588,534,839
Investments	1,642,499
Receivable, net:	
Federal grants and reimbursements	138,464,339
School districts:	
Student growth/declining enrollment year-end formula adjustments	5,638
Medicaid matching payments	3,644,784
Refunds	899,108
Teachers	18,700
Accrued interest	1,203
Northwest Technical Institute student accounts	176,458
Lease	48,760
Other	33,078
Notes and loans receivable, net:	
Revolving loan certificates of indebtedness	82,009
Title I repayment loan to school district	321,737
Dental Program loans	6,780,409
Optometry Program loans	591,460
Due from other state agencies	212,261,032
Prepaid items	6,467,137
Inventories	120,785
 TOTAL ASSETS	 \$ 960,093,975
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
Liabilities:	
Accounts payable:	
Vendors	\$ 10,886,670
Contracts	132,297
Other	22,376
Accrued payroll	3,708,252
Due to other state agencies	30,619,166
Due to other education agencies	157,136,097
Due to federal government - grant refunds	72,636
Unearned income	1,712,416
Total Liabilities	204,289,910
 Deferred inflows of resources:	
Related to revenues	68,383,905

DEPARTMENT OF EDUCATION  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2022

Exhibit A

	General Fund
Fund balance:	
Nonspendable for:	
Prepaid items	\$ 6,467,137
Noncurrent receivables or loans	7,479,011
Inventories	120,785
Lease	22,444
Restricted for:	
Debt service	15,295
Lottery	185,575,632
Other	2,269,185
Committed for:	
Program requirements	35,737,684
Other	182,591,778
Assigned for:	
Capital projects	5,995,064
Other	222,742
Unassigned	260,923,403
Total Fund Balance	687,420,160
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ 960,093,975

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

DEPARTMENT OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	General Fund
<b>REVENUES</b>	
Federal grants and reimbursements	\$ 1,292,714,463
Rental vehicle tax	1,837,706
Non-federal grant awards	13,906,346
Fee income	3,542,567
Rental income	38,681
Investment earnings	129,518
Sales of goods and services	127,757
Miscellaneous	371,932
<b>TOTAL REVENUES</b>	<b>1,312,668,970</b>
 Less: State Treasury service charge	 60,386
 <b>NET REVENUES</b>	 <b>1,312,608,584</b>
 <b>EXPENDITURES</b>	
Salary and benefits	61,035,179
Communication and transportation of commodities	19,280,354
Printing and advertising	468,357
Repairing and servicing	4,456,699
Utilities and rent	4,169,860
Travel and subsistence	1,702,573
Professional services	5,959,222
Insurance and bonds	343,489
Other expenses and services	43,225,085
Commodities, materials, and supplies	14,248,574
Assistance, grants, and aid	4,469,226,983
Refunds, taxes, and claims	210,163
Low value asset purchases	806,850
Capital outlay	1,827,718
 <b>TOTAL EXPENDITURES</b>	 <b>4,626,961,106</b>
 <b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	 <b>(3,314,352,522)</b>

DEPARTMENT OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit B

	General Fund
OTHER FINANCING SOURCES (USES)	
Interagency transfers in:	
General revenue distribution	\$ 2,400,932,897
Education adequacy distribution	533,765,144
Education excellence general revenue	292,177,204
Arkansas Lottery Commission	99,386,657
Medicaid claims administration for pass-through to school districts	32,692,680
Federal grants and reimbursements from other state agencies	16,215,574
E-rate credit	1,742,011
Non-federal grant awards from other state agencies	1,190,784
Restricted Reserve Fund	
Elementary & Secondary Education - Employee Benefits Division	35,000,000
Elementary & Secondary Education - Academic Facilities Partnership	28,500,000
Higher Education - Graduate Medical Residency Program	12,490,000
Higher Education - Historically Black College Scholarships	4,000,000
Career & Technical Education - Arkansas Works	1,598,229
Other	640,891
Rainy Day Fund	
Higher Education - Governor's Higher Education Transition Scholarship	1,000,000
Workforce 2000 Development Fund	883,406
Issuance of leases	215,593
Marketing and redistribution sale proceeds	10,950
Interagency transfers out:	
General revenue transfer to other state agencies	(8,137,976)
Rental property reappraisal program costs	(10,830,000)
Medicaid matching	(10,102,669)
Surety bond premium	(147,690)
Assistance, grants, and aids to other state entities:	
Federal grants transferred to state entities	(16,039,865)
Better Chance grants	(8,385,319)
Vocational Center grants	(13,426,655)
Workforce Initiative grants	(4,628,603)
Career coach grants	(1,728,901)
Professional development grants	(2,744,350)
Serious offender grants	(1,716,859)
English language learners	(1,408,376)
Education renewal zone grants	(998,921)
Surplus commodity grants	(1,125,065)
Assessment and Advanced Placement grants	(2,334,993)
Historically black college scholarships	(1,000,000)
Distance learning grants	(500,000)
Gifted and talented	(640,000)
Other grants	(1,634,085)
Excess general revenue subsequently transferred to the General Revenue Allotment Reserve Fund (GAD)	(694,526)
Other, net	(442,072)
Prior-year warrants outlawed and cancelled	13,174
Prior-year refunds to expenditures	2,564,064
 TOTAL OTHER FINANCING SOURCES (USES)	 3,376,352,333
 NET CHANGE IN FUND BALANCE	 61,999,811
 FUND BALANCE - JULY 1	 625,420,349
 FUND BALANCE - JUNE 30	 \$ 687,420,160

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

DEPARTMENT OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
<b>REVENUES</b>				
Federal grants and reimbursements	\$ 777,128,879	\$ 777,128,879	\$ 1,292,714,463	\$ 515,585,584
Rental vehicle tax	1,200,000	1,200,000	1,777,319	577,319
Non-federal grant awards	28,372,413	28,372,413	13,906,347	(14,466,066)
Fee income	4,779,865	4,779,865	3,542,567	(1,237,298)
Rental income	500,000	500,000	38,681	(461,319)
Sales of goods and services			127,757	127,757
Investment earnings			129,518	129,518
Miscellaneous			371,932	371,932
<b>TOTAL REVENUES</b>	<b>811,981,157</b>	<b>811,981,157</b>	<b>1,312,608,584</b>	<b>500,627,427</b>
<b>EXPENDITURES</b>				
Regular salaries	50,822,333	49,219,899	44,435,111	4,784,788
Extra help	1,682,071	1,523,621	878,694	644,927
Operating expenses	132,726,462	195,367,752	89,363,992	106,003,760
Personal services matching	17,000,756	16,707,062	15,721,373	985,689
Grants and aids	4,952,315,513	5,589,832,209	4,387,152,248	1,202,679,961
Lottery scholarships			78,448,158	(78,448,158)
Conference fees and travel	1,665,136	1,867,411	450,811	1,416,600
Professional fees and services	15,141,083	18,379,098	3,793,433	14,585,665
Capital outlay	154,060,305	158,057,097	1,827,718	156,229,379
Purchases for resale	325,000	325,000	152,191	172,809
Promotional items		25,000	8,514	16,486
Marketing and redistribution proceeds		5,719		5,719
Special maintenance	654,114	155,608		155,608
Refunds and reimbursements	15,569,017	15,569,017	128,948	15,440,069
Claims		390,000		390,000
Loans	14,377,370	14,377,370	1,062,000	13,315,370
Scholarships	2,435,000	4,334,500	3,537,915	796,585
<b>TOTAL EXPENDITURES</b>	<b>5,358,774,160</b>	<b>6,066,136,363</b>	<b>4,626,961,106</b>	<b>1,439,175,257</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES</b>	<b>(4,546,793,003)</b>	<b>(5,254,155,206)</b>	<b>(3,314,352,522)</b>	<b>1,939,802,684</b>

DEPARTMENT OF EDUCATION  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
<b>OTHER FINANCING SOURCES (USES)</b>				
Interagency transfers in:				
General revenue distribution	\$ 2,415,785,824	\$ 2,415,785,824	\$ 2,400,932,897	\$ (14,852,927)
Education adequacy distribution	533,765,144	533,765,144	533,765,144	
Education excellence general revenue	272,363,705	272,363,705	292,177,204	19,813,499
Arkansas Lottery Commission	768,827	768,827	99,386,657	98,617,830
Medicaid claims administration for pass-through to school districts	31,250,000	31,250,000	32,692,680	1,442,680
Federal grants and reimbursements from other state agencies	15,148,003	15,148,003	16,215,574	1,067,571
E-rate credit			1,742,011	1,742,011
Non-federal grant awards from other state agencies	950,001	950,001	1,190,784	240,783
Restricted reserve fund				
Elementary & Secondary Education - Employee Benefits Division			35,000,000	35,000,000
Elementary & Secondary Education - Academic Facilities Partnership			28,500,000	28,500,000
Higher Education - Graduate Medical Residency Programs			12,490,000	12,490,000
Higher Education - Historically Black College Scholarships			4,000,000	4,000,000
Career & Technical Education - Arkansas Works			1,598,229	1,598,229
Other			640,891	640,891
Rainy day fund				
Higher Education - Governor's HE Transition Scholarship			1,000,000	1,000,000
Workforce 2000 development fund	881,140	881,140	883,406	2,266
Issuance of leases			215,593	215,593
Marketing and redistribution sale proceeds			10,950	10,950
Interagency transfers out:				
Career and Technical Education budget transfer to Department of Commerce	(21,109,663)	(21,109,663)		21,109,663
General revenue transfer to other state agencies			(8,137,976)	(8,137,976)
Rental property reappraisal program costs			(10,830,000)	(10,830,000)
Medicaid matching			(10,102,669)	(10,102,669)
Surety bond premium			(147,690)	(147,690)
Assistance, grants, and aids to other state entities			(58,311,991)	(58,311,991)
Excess general revenue subsequently transferred to the General Revenue Allotment Reserve Fund (GAD)			(694,526)	(694,526)
Refunds, taxes, and claims			(1,919)	(1,919)
Other, net	1,624,668	1,624,668	(440,154)	(2,064,822)
Prior-year warrants outlawed and cancelled			13,174	13,174
Prior-year refunds to expenditures			2,564,064	2,564,064
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>				
	<u>3,251,427,649</u>	<u>3,251,427,649</u>	<u>3,376,352,333</u>	<u>124,924,684</u>
<b>NET CHANGE IN FUND BALANCE</b>	(1,295,365,354)	(2,002,727,557)	61,999,811	2,064,727,368
<b>FUND BALANCE - JULY 1</b>	<u>625,420,349</u>	<u>625,420,349</u>	<u>625,420,349</u>	
<b>FUND BALANCE - JUNE 30</b>	<u>\$ (669,945,005)</u>	<u>\$ (1,377,307,208)</u>	<u>\$ 687,420,160</u>	<u>\$ 2,064,727,368</u>

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

DEPARTMENT OF EDUCATION  
STATEMENT OF FIDUCIARY NET POSITION-  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit D

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 80,416
Investments	<u>1,006</u>
 TOTAL ASSETS	 <u>\$ 81,422</u>
 NET POSITION	
Amounts held for students and student and school organizations	 <u>\$ 81,422</u>

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



DEPARTMENT OF EDUCATION  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

Exhibit E

	Custodial Funds
Additions:	
Student deposits	\$ 32,552
Donation	72
Interest income	7
Total Additions	32,631
Deductions:	
Other expenses and services	77
Student payments and withdrawals	52,197
Total Deductions	52,274
Change in net position amounts held for students and student and school organizations	(19,643)
Net position - beginning	101,065
Net position - ending	\$ 81,422

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

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 910 of 2019 created the cabinet-level Department of Education. The Secretary of Education is the executive head of the cabinet-level department. The cabinet-level department also consists of state entities transferred by a cabinet-level department transfer. State entities transferred to the Department of Education are described below:

Act 169 of 1931, as amended, established the Department of Education as a department of Arkansas state government, with a Commissioner of Education as the administrative head. The Department of Education, now known as the Division of Elementary and Secondary Education, under the general direction and supervision of the State Board of Education, provides general supervision of the public schools of the State; recommends courses of study for public schools and teacher training institutions; issues licenses based upon credentials presented by applicants to teach in the public schools of the State; qualifies and standardizes public schools; prescribes requirements for accrediting and grading public schools; supervises the operation of school district budgets; takes such other action as it may deem necessary to promote the physical welfare of school children, the organization and efficiency of the public schools of the State, and public education and awareness about racial profiling; and assumes control of certain school districts and removes the board of directors, with the State Board assuming all authority of a school district board of directors as may be necessary for the day-to-day governance of a school district.

Act 38 of 1971, as amended, established the Department of Higher Education as a department of Arkansas state government. Now known as the Division of Higher Education, it provides greater coordination of financing the higher education program of the State, certifying new educational programs and new institutions of higher learning, and administering certain financial aid programs. Ark. Code Ann. § 25-43-505 required that the Northwest Technical Institute (NWTI), established in 1975, become a part of the Division of Higher Education. NWTI offers training and education in nine diploma programs, while a secondary career and technology center provides training for high school credit in career and technical fields and an adult education center offers free instruction to adults who need to obtain a high school equivalency diploma or wish to improve basic academic skills.

The Division of Career and Technical Education (CTE) helps students acquire skills needed to begin the path to their occupational goals by delivering high-quality CTE programs and services to increase workplace readiness skills of Arkansas middle and high school students.

Act 97 of 1859, as amended, created the Arkansas School for the Blind to provide for the training and educational advancement of the blind. Subsequent legislation made school attendance compulsory for mentally-capable children over age eight whose sight is impaired to the extent that they cannot benefit from instruction in a public school.

Act 36 of 1868, as amended, created the Arkansas School for the Deaf to provide for the education and training of hearing-impaired children in Arkansas. This includes providing classroom instruction at the School's facility in Little Rock, as well as coordinating statewide efforts to identify and serve hearing-impaired students in public schools.

Act 489 of 1979 created the Arkansas State Library. Its mission is to serve as the information resource center for state agencies, legislators, and legislative staff; provide guidance and support for the development of local public libraries and library services; and provide the resources, services, and leadership necessary to meet the educational, informational, and cultural needs of the citizens of Arkansas.

Act 1216 of 1993 created the Martin Luther King, Jr. Commission, which is the offspring of the Martin Luther King Federal Holiday Commission established under Governor Bill Clinton by executive order.

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Fund Accounting

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

Governmental Funds

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

Fiduciary Funds

Trust and Custodial Funds – Trust and Custodial Funds are used to report resources held by the Agency in a trustee capacity or as an agent for individuals, other governmental units, and other funds. These include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Custodial Funds. These funds account for assets held by the Agency as a custodial agency for students under the supervision of the Agency.

C. Basis of Accounting

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

D. Cash and Cash Equivalents

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

E. Deposits and Investments

State Board of Finance Policies

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

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments – (Continued)

State Board of Finance Policies (Continued)

The stated goal of state cash management is the protection of principal, while maximizing investment income and minimizing non-interest earning balances. Deposits are to be made within the borders of the State of Arkansas and must qualify for Federal Deposit Insurance Corporation (FDIC) deposit insurance coverage. Policy requires a minimum of four bids to be sought on interest-bearing deposits in order to obtain the highest rate possible.

Policy states that funds are to be in transactional and non-transactional accounts as defined in the Financial Management Guide. Funds in excess of immediate expenditure requirements (excluding minimum balances) should not remain in non-interest bearing accounts.

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-510, -518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

Deposits

Deposits are carried at cost and consist of cash in bank, cash in State Treasury, and certificates of deposit totaling \$20,469,519, \$567,311,720, and \$553,225, respectively. State Treasury Management Law governs the management of funds held in the State Treasury, and the Treasurer of State is responsible for ensuring these funds are adequately insured and collateralized.

Custodial Credit Risk – Custodial credit risk for deposits is the risk that, in the event of the failure of a depository institution, the Agency will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The Agency has adopted the State Board of Finance Policy requiring the use of depository insurance and collateralization procedures to manage the risk that deposits may not be returned. As of June 30, 2022, none of the Agency's bank balance of \$21,184,262 was exposed to custodial credit risk.

Investments

Except for certain interest-earning investment contracts and money market investments, investments are reported at fair value. The Agency categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation assumptions used to measure the fair value of the asset as follows:

- Level 1 – quoted prices in active markets for identical assets
- Level 2 – significant other observable assumptions
- Level 3 – significant unobservable assumptions

The Agency has the following recurring fair value measurements as of June 30, 2022:

	Valuation Method	Amount
<b>General Fund</b>		
State Treasury money management trust fund	Level 1	\$ 515,486
Bonds	Level 1	293,604
Domestic securities	Level 1	678,369
Domestic securities	Level 3	10,059
Mutual funds	Level 1	92,953
Federated treasury obligations money market fund	Level 1	15,295
Total		\$ 1,605,766

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments – (Continued)

Investments (Continued)

Nonparticipating contracts (certificates of deposit) and participating interest-earning investment contracts that have a remaining maturity at the time of purchase of one year or less are reported at amortized cost. Changes in the fair value of investments are recognized as revenue in the operating statements.

Investment in the State Treasury Money Management Trust Fund – During the year, the Agency participated in the State Treasury Money Management Trust Fund for investment purposes. Ark. Code Ann. §§ 19-3-601 – 19-3-606 authorizes the State Treasury Money Management Trust Fund (“Fund”) to be a means by which state agencies and local governments and subdivisions may enhance their investment opportunities and earnings of idle cash funds and is defined as an external investment pool by the Governmental Accounting Standards Board (GASB) Statement No. 31. The Treasurer of State, the pool sponsor, may invest the Fund’s assets in those investments authorized by the State Treasury Management Law (Ark. Code Ann. § 19-3-518). The Treasurer of State has established procedures for participation in the Fund and its operation. Participants make deposits to and withdrawals from their accounts in the Fund using electronic banking transfers. Participants must notify the Fund managers of withdrawals no later than the close of business on the day prior to the withdrawal. Monthly earnings are distributed at the end of the following month with each participant receiving their proportionate share of earnings less any fees assessed. Monthly statements of activity are provided to each participant. Although the Treasurer of State does not provide reports to the Fund’s participants that include fair values of the proportionate share of the Fund’s investments, we have determined that there is not a significant difference for reporting purposes between the Agency’s cost plus interest earnings and the fair value of its investment in the Fund.

For purposes of the statement of cash flows, all highly liquid investments with maturity of three months or less when purchased are considered to be cash equivalents.

As of June 30, 2022, the Agency has the following investment balances and segmented maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-5	6-10	More than 10
<b>General Fund</b>					
State Treasury money management trust fund	\$ 515,486	\$ 515,486			
Bonds	293,604	5,003	\$ 238,223	\$ 50,378	
Federated treasury obligations money market fund	15,295	15,295			
<b>Total</b>	<b>\$ 824,385</b>	<b>\$ 535,784</b>	<b>\$ 238,223</b>	<b>\$ 50,378</b>	<b>\$</b>

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary shown above indicates that 35% of the Agency’s investment maturities are one year or longer.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency has adopted the State Board of Finance Policy that limits investment choices to certificates of deposit, repurchase agreements, treasury bills, treasury notes, and securities issued by the State of Arkansas and its political subdivisions. The Agency’s exposure to credit risk as of June 30, 2022, is as follows:

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments – (Continued)

Investments (Continued)

Rating	Fair Value
AAA	\$ 15,295
AA	219,342
A	24,909
BBB	49,353
Unrated	515,486
Total	\$ 824,385

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency’s investment in a single issuer. The Agency places no limit on the amount it may invest in any one issuer. As of June 30, 2022, the Agency has the following investments that represent more than 5% of net investments, excluding the State Treasury Money Management Trust Fund and investments that are fully insured or collateralized such as certificates of deposit:

New Jersey Economic Development	6%
---------------------------------	----

F. Interfund Balances and Transfers

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

G. Inventories

Inventories represent the cost of consumable supplies and goods on hand at year-end. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories, 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.” Inventories are valued for reporting purposes at actual cost.

H. 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.”

I. Deferred Inflows of Resources

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.

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity

Fund Balance

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

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

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

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

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

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

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

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

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 Agency's annual operation plan.

DEPARTMENT OF EDUCATION  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2022

NOTE 2: New Accounting Pronouncement

The Agency implemented GASB Statement No. 87, *Leases*, in the fiscal year ended June 30, 2022. 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 Agency leases out various types of assets, such as buildings. The related receivables are presented in 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, 2022, total lease related inflows recognized by the general fund were \$48,760. The Agency had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2022.

Lease Obligations

The Agency leases nonfinancial assets, including buildings. Since the financial statements of the Agency are presented using the modified accrual basis of accounting, no liability or leased asset is reflected on the balance sheet. Additional details regarding leased assets and related obligations are presented in Other General Information.

NOTE 3: Related Party Transactions

The Arkansas Public School Resource Center (APSRC) is a nonprofit membership organization that offers technical support, resources, and training with whom the Agency has contracted to provide professional development training for the Arkansas Leadership Academy per Ark. Code Ann. § 6-15-1007. Dr. Sarah Moore and Dr. Fitz Hill are members of the Arkansas State Board of Education and members of the APSRC Policy Board. In fiscal year 2022, the Agency made two payments to APSRC totaling \$1,400,000 for invoices submitted for the Arkansas Leadership Academy.



DEPARTMENT OF EDUCATION  
SCHEDULE OF SELECTED INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2022	2021	2020	2019	2018
<b>General Fund</b>					
Total Assets	\$ 960,093,975	\$ 857,217,977	\$ 623,069,983	\$ 355,596,000	\$ 396,346,095
Total Liabilities	204,289,910	187,711,444	97,441,252	87,320,850	74,314,582
Total Deferred Inflows of Resources	68,383,905	44,086,184	23,200,772	43,289,895	35,928,777
Total Fund Equity	687,420,160	625,420,349	502,427,959	224,985,255	286,102,736
Net Revenues	1,312,608,584	958,381,993	583,153,755	550,886,776	551,649,798
Total Expenditures	4,626,961,106	4,170,620,237	3,726,959,450	3,472,935,314	3,467,531,010
Total Other Financing Sources (Uses)	3,376,352,333	3,335,230,634	3,256,521,900	2,860,931,057	2,945,638,015
<b>Aggregate Remaining Fund Information</b>					
Total Assets	81,422	101,065	441,089		
Total Liabilities			441,089		
Total Net Position	81,422	101,065			
Additions	32,631	52,585	223,127		
Deductions	52,274	34,397	152,869		

Arkansas Department of Education information was used for the years 2018 and 2019. Transformation Act 910 of 2019 created the cabinet level Department of Education presented in 2020, 2021, and 2022.

DEPARTMENT OF EDUCATION  
 FINANCIAL INFORMATION BY BUSINESS AREA  
 JUNE 30, 2022  
 (UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Revenues	Expenditures	Other Financing Sources/(Uses)
Martin Luther King, Jr., Commission	0318	\$ 50,374	\$ 16,000	\$ 277,528	\$ 625,141	\$ 349,352
Division of Elementary and Secondary Education	0500	681,696,782	248,531,125	1,286,225,375	4,415,252,228	3,140,795,188
Arkansas School for the Blind	0510	3,783,184	418,792	238,996	8,114,392	7,875,893
Arkansas School for the Deaf	0513	2,020,061	571,053	286,737	11,373,710	11,206,061
Arkansas State Library	0519	1,572,630	410,973	4,555,542	13,474,063	8,978,583
Northwest Technical Institute	0552	4,964,296	610,990	3,082,594	8,750,373	6,466,740
Arkansas Division of Career and Technical Education	0590	15,479,341	3,213,306	13,181,259	23,326,285	12,900,738
Arkansas Division of Higher Education	0700	249,712,165	18,526,849	4,760,553	140,395,601	181,476,174
Department of Education (Cabinet-level)	9904	815,142	374,727		5,649,313	6,303,604
Totals		<u>\$960,093,975</u>	<u>\$ 272,673,815</u>	<u>\$ 1,312,608,584</u>	<u>\$4,626,961,106</u>	<u>\$ 3,376,352,333</u>

DEPARTMENT OF EDUCATION  
OTHER GENERAL INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

A. Capital Assets

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

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

Capital assets activity for the year ended June 30, 2022, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 516,348			\$ 516,348
Improvements	1,149,731	\$ 1,000		1,150,731
Buildings	37,907,476	606,247	\$ 154,057	38,359,666
Equipment	11,628,670	456,009	582,022	11,502,657
Infrastructure	569,127			569,127
Library holdings	696,359	3,818	8,868	691,309
Construction in progress	2,782,551	986,406	401,132	3,367,825
Software	4,599,537		2,411,063	2,188,474
Other capital assets	39,005	27,201		66,206
Right-to-Use assets - buildings		215,593		215,593
Total governmental activities	<u>\$ 59,888,804</u>	<u>\$ 2,296,274</u>	<u>\$ 3,557,142</u>	<u>\$ 58,627,936</u>

B. Pension Plan

Arkansas Public Employees Retirement System (APERS)

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

DEPARTMENT OF EDUCATION  
OTHER GENERAL INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

Funding Policy – Contributory plan members are required to contribute 5% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2022, 2021, and 2020, were \$760,704, \$698,978, and \$691,326, respectively, equal to the required contributions for each year.

Arkansas Teacher Retirement System (ATRS)

Plan Description – The Agency 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 with the General Assembly the legislative power to enact and amend benefit provisions of ATRS 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. This report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201 or by calling 1-501-682-1517.

Funding Policy – Contributory plan members are required to contribute 6.75% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 14.75% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the ATRS Board of Trustees. The Agency's contributions to ATRS for the years ended June 30, 2022, 2021, and 2020, were \$5,533,882, \$5,181,230, and \$5,121,352, respectively, equal to the required contributions for each year.

Teachers Insurance and Annuity Association/College Retirement Equities Fund Plan Description – The Agency participates in the Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF), a defined contribution plan. The plan is a 403(b) program as defined by the Internal Revenue Service Code of 1986, as amended, and is administered by TIAA/CREF. TIAA is an insurance company offering participants a traditional annuity with guaranteed principal and a specific interest rate plus the opportunity for additional growth through dividends. CREF is an investment company that offers a variable annuity. Arkansas Code Annotated authorizes participation in the plan.

Funding Policy – TIAA/CREF has contributory and non-contributory plans. Contributory members are required to contribute at least 6% of earnings to the plan. The Agency contributes 10% of earnings for members. The Agency's contributions for the years ended June 30, 2022, 2021, and 2020, were \$81,376, \$96,277, and \$121,871, respectively, equal to the required contributions for each year.

DEPARTMENT OF EDUCATION  
OTHER GENERAL INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State and Public School Life and Health Insurance Board (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

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

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

D. Compensated Absences – Employee Leave

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

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

Compensated absences are reported in the State's "Government-Wide" financial statements but are not reported as liabilities or expenditures in the governmental funds. However, the compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2022 and 2021, amounted to \$4,330,645 and \$4,436,501, respectively. The net changes to compensated absences payable during the year ended June 30, 2022, amounted to \$(105,856).

DEPARTMENT OF EDUCATION  
OTHER GENERAL INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

E. Leases

The Agency has acquired property by entering into a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a lease under the Governmental Accounting Standards Board (GASB) Statement No. 87. The following is a schedule of future minimum lease payments under leases together with the present value of the minimum lease payments as of June 30, 2022.

Years Ending June 30,	Principal	Interest	Total
2023	\$ 49,482	\$ 1,406	\$ 50,888
2024	33,028	832	33,860
2025	33,566	294	33,860
Totals	<u>\$ 116,076</u>	<u>\$ 2,532</u>	<u>\$ 118,608</u>

F. School Worker Defense Program

As provided by Ark. Code Ann. § 6-17-1113, the Department of Education established a self-insured professional liability insurance program for school workers effective August 1, 1998. The program provides up to \$150,000 per incident for certain civil liability exposures not otherwise excluded by governmental immunity. Employees, certain volunteers, and board members of education service cooperatives, public school districts, Arkansas School for the Blind, Arkansas School for the Deaf, and Arkansas School for Mathematics, Sciences, and the Arts are insured under the program. The funding of this program is provided by a specific appropriation from the Public School Fund. For the year ended June 30, 2022, \$390,000 was appropriated for the school worker defense program, no funds were disbursed as legal fees, and no funds were disbursed for a settlement amount.

G. Notes Receivable – Revolving Loan Certificates of Indebtedness

The Department of Education has executed certificates of indebtedness totaling \$82,009 with various school districts through its Revolving Loan Program. These loans have been made to provide low-interest financing to the districts for purchase of buses, construction of facilities, or other purposes as allowed by Ark. Code Ann. § 6-20-802. The certificates of indebtedness are amortized over a maximum of 10 years. The State Board of Education adjusts the interest rates as necessary to stay competitive with commercial lenders. As of June 30, 2022, the annual interest rate on certificates of indebtedness was 4.95%.

H. General Obligation Bonds Long-Term Debt

The Constitution of the State does not limit the amount of general obligation bonds that the State may issue; however, no such bonds may be issued unless approved by the voters of the State at a general election or a special election held for that purpose. Principal, interest, and paying agent fees are recorded as debt service expenditures when due. When a bond is issued, the face amount of the debt is recorded as another financing source, and the bond premium, discount, and/or issuance cost is recognized. Premiums and discounts are recorded as other financing sources and uses, respectively. Issuance costs are recorded as debt service expenditures.

DEPARTMENT OF EDUCATION  
OTHER GENERAL INFORMATION  
JUNE 30, 2022  
(UNAUDITED)

G. General Obligation Bonds Long-Term Debt (Continued)

In accordance with current accounting principles generally accepted in the United States of America, the liability; deferred premium, discounts, and/or issuance costs; and amortization of deferred premiums, discounts, and/or issuance costs are reported in the State of Arkansas's Annual Comprehensive Financial Report, the State's "government-wide" financial statements, but are not reported in the governmental fund financial statements.

General obligation bonds outstanding as of June 30, 2022, were as follows:

	Final Maturity Date June 1,	Interest Rates %	Balance
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00 - 4.25	\$ 125,880,000

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2022, were as follows:

Year Ending June 30,	Principal	Interest	Total
2023	\$ 13,205,000	\$ 5,068,212	\$ 18,273,212
2024	18,800,000	4,507,000	23,307,000
2025	19,550,000	3,755,000	23,305,000
2026	20,335,000	2,973,000	23,308,000
2027	21,145,000	2,159,600	23,304,600
2028 - 29	32,845,000	1,748,000	34,593,000
	<u>\$ 125,880,000</u>	<u>\$ 20,210,812</u>	<u>\$ 146,090,812</u>

Higher Education General Obligation Bond – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this Act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act limited the total principal amount to approximately \$250 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005 and College Savings Bond Act of 1989 shall not have scheduled debt service payment on a combined basis in excess of \$24 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for state institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this Act in the 2022 fiscal year.