

DEPARTMENT OF HEALTH

Annual Financial Report

June 30, 2025



DEPARTMENT OF HEALTH
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2025

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
Notes to Financial Statements	

OTHER INFORMATION (Unaudited)

	<u>Schedule</u>
Schedule of Selected Information	1
Financial Information by Business Area	2
Schedule of Budget and Actual Expenditures	3
Other General Information	

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Department of Health
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the major fund of the Department of Health, a department of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department of Health'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 financial position of the major fund of the Department of Health as of June 30, 2025, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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 opinion.

Emphasis of Matter

As indicated above, the financial statements of the Department of Health are intended to present the financial position, and the changes in financial position, of only that portion of the major fund of the State that is attributable to the transactions of the Department of Health. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025, or the changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 opinion. 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 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 and budgetary comparison information 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 Health 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 and the budgetary comparison information are not required to be presented for the Department of Health individually. However, the Department of Health's portion of the budgetary comparison information is presented as other information in the Schedule of Budget and Actual Expenditures. Our opinion on the departmental financial statements is not affected by these omissions.

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, Schedule of Budget and Actual Expenditures, 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 July 27, 2026, 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 dark ink, appearing to read 'Kevin White', with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 27, 2026
SAC990725

Arkansas

Sen. Jim Petty
Senate Chair
Sen. Jim Dotson
Senate Vice Chair



Rep. Robin Lundstrum
House Chair
Rep. RJ Hawk
House Vice Chair

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Department of Health
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the Department of Health (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department of Health's departmental financial statements, and have issued our report thereon dated July 27, 2026.

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 opinion on the financial statements but not for the purpose of expressing an opinion on the effectiveness of the Agency's internal control. Accordingly, we do not express an opinion on the effectiveness of the Agency's internal control.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and are described below in the Schedule of Findings and Responses as item 2025-1.

SCHEDULE OF FINDINGS AND RESPONSES

2025-1

According to Ark. Code Ann. § 19-61-512(a)-(b), "Unless otherwise provided by law, contract for commodities or services may be entered into for periods of not more than seven (7) years if funds for the first fiscal year of the contemplated contract are available at the time of contracting.... A multi-year contract will serve the best interest of the state by encouraging effective competition or otherwise promoting economies in state procurement."

The Agency awarded a contract to a vendor via competitive, sealed bidding for Cancer Registry services that were already covered under the scope of two existing contracts with the same vendor. The contract was amended in its second year to include costs from the prior two contracts that were not included in the original bid price. The value of the contract was materially modified in a manner that resulted in a significant value of the contract not being competitively procured.

We recommend the Agency award contracts based exclusively on scope and amount listed in the original solicitation.

Management response: *Current contracts for Cancer Registry services ended. A new RFP has been submitted to the Office of State Procurement for review and processing.*

Agency's Response to Findings

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
July 27, 2026

DEPARTMENT OF HEALTH
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2025

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 214,436,491
Investments	2,187,889
Receivable, net:	
Health care services	3,747,114
Infant formula rebate	2,491,337
Interest	167,648
Due from other state agencies	821,843
Prepaid items	2,873,561
Inventories	15,230,852
TOTAL ASSETS	\$ 241,956,735
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable-vendors	\$ 3,613,348
Accrued payroll	3,577,903
Due to other governments	241,812
Unearned revenue	5,652,180
Due to other state agencies	1,776,409
Total Liabilities	14,861,652
Deferred inflows of resources:	
Related to revenues	1,686,247
Fund balance:	
Nonspendable for:	
Prepaid items	2,873,561
Inventories	15,230,852
Restricted for program requirements	17,974,609
Committed for:	
Program requirements	117,369,463
Tobacco settlement	47,310,617
Unassigned	24,649,734
Total Fund Balance	225,408,836
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 241,956,735

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

DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B

	<u>General Fund</u>
REVENUES	
Cigarette tax	\$ 2,756,286
Federal grants and reimbursements	239,903,559
Healthcare services	21,388,611
Licenses and fees	36,602,441
In-kind donations from local governments	11,469,392
Infant formula rebates	13,504,530
Other sales, refunds, and reimbursements	<u>12,565,222</u>
 TOTAL REVENUES	 338,190,041
 Less: State Treasury service charge	 <u>456,283</u>
 NET REVENUES	 <u>337,733,758</u>
 EXPENDITURES	
Salary and benefits	168,355,678
Communication and transportation of commodities	6,583,007
Printing and advertising	2,558,011
Repairing and servicing	10,822,881
Utilities and rent	15,527,699
Travel and subsistence	3,006,284
Professional services	31,687,140
Insurance and bonds	489,779
Other expenses and services	6,537,933
Commodities, materials, and supplies	106,674,368
Assistance, grants, and aid	83,325,342
Refunds, taxes, and claims	499,445
Debt service interest	62,279
Capital outlay	2,464,495
Low value assets purchases	<u>573,383</u>
 TOTAL EXPENDITURES	 <u>439,167,724</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(101,433,966)</u>

DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

Exhibit B

OTHER FINANCING SOURCES (USES)	
Capitalized leases	\$ 482,851
Interagency transfers in:	
General revenue distribution	84,818,072
Tobacco settlement distribution	18,382,088
General improvement funding	<u>65,531</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>103,748,542</u>
NET CHANGE IN FUND BALANCE	2,314,576
FUND BALANCE - JULY 1	<u>223,094,260</u>
FUND BALANCE - JUNE 30	<u><u>\$ 225,408,836</u></u>

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

DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Department of Health is a department of Arkansas state government, and its mission is to protect and improve the health and well-being of all Arkansans. To achieve this mission, the Agency delivers a broad range of preventive and regulatory public health services statewide. Funding is primarily comprised of state general revenue; federal revenue; health care services revenue collected from Medicaid, Medicare, and commercial insurance; and manufacturer rebates from contracted formula companies. Additional funding sources include special revenues from taxes and licensing fees, tobacco settlement funding, and various program support fees.

Act 85 of 1881, as amended, endowed the Agency with general supervision and control of all matters pertaining to public health and safety. Act 38 of 1971 created the Department of Health as a cabinet-level agency. Act 1954 of 2005 merged the Agency with the Department of Human Services and renamed the new agency the Department of Health and Human Services. Act 384 of 2007 gave the Governor the authority to separate the Division of Health from the Department of Health and Human Services and reestablish the Arkansas Department of Health. The Governor executed the final separation in Executive Order 07-05 on May 2, 2007.

The Arkansas State Board of Health (Board) was created by Act 96 of 1913 and currently consists of 23 members appointed by the Governor, as authorized by Ark. Code Ann. § 20-7-102. The Board serves as a policy advisory body to the Agency and has specific statutory authority over issues related to public health. The Director serves at the pleasure of the Governor and acts as the Secretary of the Board and State Health Officer. With the approval of the Board, the Governor may appoint a Surgeon General who shall serve as a cabinet-level advisor to the Governor.

The Transformation and Efficiencies Act (Act 910 of 2019) led to the onboarding of 23 related boards and commissions to help further the mission of the cabinet-level Department of Health.

B. Basis of Presentation – Fund Accounting

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

Governmental Funds

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

C. Basis of Accounting

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

DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

E. Deposits and Investments

State Board of Finance Policies

Ark. Code Ann. § 19-4-804 requires that non-exempt 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, except for those specifically exempted by Ark. Code Ann. § 19-4-801.

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. §§ 19-3-310, -318. 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 \$577,078, \$213,701,731, and \$2,187,889, 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, 2025, none of the Agency's bank balance of \$759,617 was exposed to custodial credit risk, as all deposits are fully insured by the FDIC.

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.

DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

NOTE 1: Summary of Significant Accounting Policies (Continued)

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.

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 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.

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.

DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2025

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 Agency's annual operation plan.

NOTE 2: 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 Obligations

The Agency leases nonfinancial assets including buildings and infrastructure. 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: Subsequent Event

The Agency has had various federal grants discontinued, and additional federal grant revenue may decrease going forward.

DEPARTMENT OF HEALTH
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2025
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2025	2024	2023	2022	2021
General Fund					
Total Assets	\$241,956,735	\$257,540,740	\$255,014,532	\$267,986,129	\$238,323,263
Total Liabilities	14,861,652	31,538,733	24,284,823	27,824,683	40,081,162
Total Deferred Inflows of Resources	1,686,247	2,907,747	3,067,844	1,721,199	2,003,124
Total Fund Equity	225,408,836	223,094,260	227,661,865	238,440,247	196,238,977
Net Revenues	337,733,758	332,583,746	357,142,369	426,806,623	355,424,063
Total Expenditures	439,167,724	442,158,590	471,387,590	612,465,575	522,766,888
Total Other Financing Sources (Uses)	103,748,542	105,007,239	103,466,839	227,860,222	211,168,727

DEPARTMENT OF HEALTH
FINANCIAL INFORMATION BY BUSINESS AREA
JUNE 30, 2025
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Revenues	Expenditures	Other Financing Sources/(Uses)
Alcoholism And Drug Abuse, State Board of Examiners	0204	\$ 62,382	\$ 15,213	\$ 25,046	\$ 8,418	
Arkansas State Board of Athletic Training	0208	255,628	835	12,223	14,667	\$ (1,250)
Counseling, Ark State Board of Examiners in	0228	1,242,839	455,864	350,897	429,724	873
Physical Therapy, Arkansas State Board of	0246	1,170,707	13,908	107,188	369,417	235
Social Work Licensing Board, Arkansas	0254	562,523	7,181	49,964	171,987	723
Chiropractic Examiners, Arkansas State Board of	0265	673,311	2,475	34,333	168,767	125
Dental Examiners, Arkansas State Board of	0268	4,235,971	365,958	131,726	259,835	
Dietetics Licensing Board	0270	265,230	4,683	17,078	68,708	
Hearing Instrument Dispensers, Arkansas Board of	0271	63,364	309	3,892	12,978	145
Medical Board, Arkansas State	0274	16,489,958	172,981	2,760,975	2,856,832	4,894
Nursing, Arkansas State Board of	0277	9,690,829	3,780,287	3,940,216	4,006,469	362,049
Dispensing Opticians, Arkansas Board of	0279	238,585	6,210	17,195	46,712	250
Optometry, Arkansas State Board of	0280	298,458	4,081	86,882	154,877	
Pharmacy, Arkansas State Board of	0283	2,358,583	1,629,860	2,026,238	2,289,164	1,841
Board of Podiatric Medicine, Arkansas State	0286	282,375	362	10,085	3,950	
Psychology Board, Arkansas	0289	844,047	7,260	46,651	188,900	404
Acupuncture And Related Techniques, Ark State Board of	0290	52,188	392	3,797	140	(2,430)
Speech - Language Pathology & Audiology, Examiners in	0292	2,471,968	9,589	104,334	150,309	34
Spinal Cord Commission, Arkansas	0295	203,106	7,503	18,383	2,358,226	2,313,110
Minority Health Commission, Arkansas	0319	8,502,109	90,552	12,944	1,505,569	1,785,767
Arkansas Tobacco Settlement Commission	0334	16,478,227			258,186	5,325,071
Health, Arkansas Department of	0645	175,405,716	6,358,830	327,919,708	422,395,028	93,263,070
Health Services Permit Agency	0665	99,994	27,026	54,003	483,095	438,281
Health, Department of (cabinet)	9907	8,637	3,586,540		965,766	255,350
Totals		<u>\$ 241,956,735</u>	<u>\$ 16,547,899</u>	<u>\$ 337,733,758</u>	<u>\$ 439,167,724</u>	<u>\$ 103,748,542</u>

DEPARTMENT OF HEALTH
SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
JUNE 30, 2025
(UNAUDITED)

Schedule 3

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount			
	Original	Final	Actual	
AASIS DISBURSEMENTS				
Regular Salaries	\$ 126,556,566	\$ 154,014,425	\$ 120,278,999	\$ 33,735,426
Extra Help	2,249,437	4,327,602	1,336,235	2,991,367
Personal Services - matching	47,053,984	56,412,295	45,996,514	10,415,781
Overtime	123,500	94,500	34,869	59,631
Operating Expenses	388,588,957	231,696,905	37,354,965	194,341,940
Conferences fees and travel	996,938	1,695,053	553,305	1,141,748
Professional fees and services	16,519,680	27,357,722	22,558,432	4,799,290
Assistance, Grants and aids	24,390,097	126,149,766	91,374,339	34,775,427
Refunds & Reimbursements	24,813	24,813	11,198	13,615
Capital Outlay	1,500,000	3,909,162	2,109,576	1,799,586
Donated local health unit facility cost			11,469,392	(11,469,392)
Vaccines donated by the Centers for Disease Control and Prevention			59,638,728	(59,638,728)
 TOTAL AASIS DISBURSEMENTS	 \$ 608,003,972	 \$ 605,682,243	 392,716,552	 \$ 212,965,691
Reconciliation to total expenditures:				
Net accruals			64,091,681	
Capital outlay / fixed asset items			(3,452,531)	
Increase (decrease) in open purchase orders at year-end			(4,229,139)	
Expenditures eliminated or reclassified as transfers for reporting purposes			(10,043,631)	
Miscellaneous items			84,792	
 TOTAL EXPENDITURES			 \$ 439,167,724	

DEPARTMENT OF HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2025
(UNAUDITED)

A. Capital Assets

Capital assets purchased (or leased) and in the custody of this Agency were recorded as expenditures at the time of purchase (lease inception). Assets with costs exceeding \$5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Infrastructure or public domain fixed assets (such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are also capitalized. Only leases in excess of \$25,000 (and SBITAs in excess of \$1,000,000) with non-State entities were recorded in the statewide accounting system. Gifts or contributions are generally recorded in the accounts at acquisition value at the time received. Acquisition value is the market value if the Agency would have purchased the item. In accordance with current accounting principles generally accepted in the United States of America, general capital assets and depreciation are reported in the State's "Government-Wide" financial statements but are not reported in the governmental fund financial statements. Depreciation is reported for proprietary fund capital assets based on a straight-line method, with no salvage value. Estimated useful lives generally assigned are as follows:

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

Capital assets activity for the year ended June 30, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 358,040			\$ 358,040
Improvements	134,681			134,681
Buildings	44,983,330			44,983,330
Equipment	29,599,274	\$ 1,888,705	\$ 1,259,646	30,228,333
Intangibles	10,419,093	92,939	6,136,237	4,375,795
Right-to-Use assets:				
RtU buildings	4,119,189	482,851	24,983	4,577,057
RtU infrastructure	25,242	24,983		50,225
Total Governmental activities	\$ 89,638,849	\$ 2,489,478	\$ 7,420,866	\$ 84,707,461

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 HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2025
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

Funding Policy – Contributory plan members are required to contribute 5.75% 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, 2025, 2024, and 2023, were \$18.5 million, \$17.9 million, and \$19.0 million, respectively, equal to the required contributions for each year.

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Shared and Administrative Services – Employee Benefits Division (DSAS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DSAS-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 DSAS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DSAS-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 Shared and Administrative 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 DSAS-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. 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, 2025 and 2024, amounted to \$24.8 million and \$11.9 million, respectively. The net changes to compensated absences payable during the year ended June 30, 2025, amounted to \$12.9 million.

DEPARTMENT OF HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2025
(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 GASB Statement No. 87. For more information on the Agency's right-to-use assets, refer to Note A above. Future amounts required to pay principal and interest on lease obligations as of June 30, 2025, were as follows:

Years Ending June 30,	Principal	Interest	Total
2026	\$ 732,618	\$ 43,100	\$ 775,718
2027	459,309	22,244	481,553
2028	274,488	10,858	285,346
2029	157,635	1,979	159,614
2030-34			
Totals	<u>\$ 1,624,050</u>	<u>\$ 78,181</u>	<u>\$ 1,702,231</u>