

**DEPARTMENT OF PARKS, HERITAGE, AND TOURISM**

**Annual Financial Report**

**June 30, 2021**

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LEGISLATIVE JOINT AUDITING COMMITTEE



DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
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# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
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 Parks, Heritage, and Tourism  
Legislative Joint Auditing Committee

#### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the major fund of the Department of Parks, Heritage, and Tourism, a department of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department of Parks, Heritage, and Tourism's departmental financial statements as listed in the table of contents.

#### ***Management's Responsibility 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Department of Parks, Heritage, and Tourism as of June 30, 2021; the changes in financial position thereof; and the budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

***Emphasis of Matter***

As indicated above, the financial statements of the Department of Parks, Heritage, and Tourism are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund of the State that is attributable to the transactions of the Department of Parks, Heritage, and Tourism. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2021, 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.

***Other Matters******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 Parks, Heritage, and Tourism 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 Parks, Heritage, and Tourism individually. Our opinion on the departmental financial statements is not affected by the omission of this information.

***Other Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Department of Parks, Heritage, and Tourism's departmental financial statements. The Schedule of Selected Information, Financial Information by Business Area, and Other General Information are presented for purposes of additional analysis and are not a required part of the departmental financial statements.

The Schedule of Selected Information, Financial Information by Business Area, and Other General Information have not been subjected to the auditing procedures applied in the audit of the departmental financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 21, 2022, on our consideration of the Department of Parks, Heritage, and Tourism'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 that testing and not to provide an opinion on the effectiveness of the Department of Parks, Heritage, and Tourism'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 of Parks, Heritage, and Tourism's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas  
November 21, 2022  
SAC991221

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
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 Parks, Heritage, and Tourism  
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 Parks, Heritage, and Tourism (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Department of Parks, Heritage, and Tourism's departmental financial statements, and have issued our report thereon dated November 21, 2022.

#### ***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 may exist that have not been identified.

#### ***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 item 2021-1.

## SCHEDULE OF FINDINGS AND RESPONSES

2021-1

R1-19-4-1503 of the Department of Finance and Administration (DFA) Financial Management Guide requires the agency to maintain a record of all property. Accession logs are maintained in separate databases for the Arkansas State Archives (ASA) and for museums located at the Delta Cultural Center (DCC), Mosaic Templars Cultural Center (MTCC), Old State House Museum (OSH), and Historic Arkansas Museum (HAM). The databases are used to track and account for assets in museum collections and are considered the system of record. We requested accession logs as of fiscal year-end June 30, 2021, and compared the asset values recorded in the accession logs to the values recorded in AASIS at year-end to determine accuracy and completeness. Our review revealed that variances still remain between the accession logs and AASIS Arts & Historical Treasures, with assets overstated in AASIS by \$800,712.

We recommend the Agency continue to reconcile art and historical treasures assets per AASIS to the museum accession logs in the databases and establish appropriate procedures to maintain record of and to safeguard assets.

**Management response:** *We acknowledge that the reconciliation of Division of Arkansas Heritage (DAH) historical treasure assets per AASIS and the museum accession logs is a repeat finding from previous reviews by Arkansas Legislative Audit. The ADPHT Fixed Assets manager has conducted a review of the causes for the differences, the past practices that led to the differences and developed a plan for proper handling and valuation of historical treasures. The result of this review and the department's corrective plan are summarized below:*

- Museum curators do not account for asset values in the same way that assets are accounted for in AASIS. The American Alliance of Museums believes no value can exist on a priceless historical treasure or artwork. There are professional opinions/debates with articles that discuss both methods, with value/without value. Both sides of the debate are valid and make very good points.*
- Prior to FY2016, GASB 34 states that donation of works of art, historical treasures, and similar assets should be recognized in accordance with GASB 33 at their fair value as of the date of donation (estimated if necessary) whether they are held as individual items or in a collection; however, there is an exception to this method. In FY 2016 and after, these assets should be reported at their historical cost or acquisition value as of the date of acquisition (for donated items). Acquisition value is defined as the price that would be paid to acquire an asset with equivalent service potential in an orderly market transaction at the acquisition date (GASB 72, para 79).*
- Per state guidelines, our practice for the valuation of historical treasures is to record donated items at \$1.00; however, donated guns are recorded at FMV. Purchased items are recorded at purchase price including taxes and shipping.*
- It is against the American Alliance of Museum rules to establish values for historical treasures. For this reason, most of our park locations have no values on historical treasures in Past Perfect. Our limited examination of the Past Perfect records for DAH indicates an inconsistent and unsupported practice of adding values. It appears this may have been an attempt to satisfy previous accounting requirements and/or audit findings. The DAH locations created special accession log spreadsheets to submit annually in July for fiscal year-end reporting to the DFA accounting staff. The objective was an attempt to match asset values; however, a proper evaluation and review did not occur for these spreadsheets. Asset value adjustments were directly processed in the accounting system by DFA as reported. A year over year comparison of these spreadsheets disclosed variances existed with the actual accession systems.*
- Based on the previous statements of valuation issued between accepted museum practices and state accounting recording requirements, we believe that the practice of attempting to match historical treasure asset values in AASIS to the accession system should be eliminated for DAH and that the reconciliation of these systems should follow the current, accepted practice used for the Division of State Parks museums in which the matching of accession information and quantities of objects/artifacts are the basis for reconciliation to AASIS quantities.*

### **Management response (Continued)**

- The accession log spreadsheets have been discontinued. Accession logs will now consist of data directly downloaded from the accession system for annual reconciliation to the AASIS data. Asset values will no longer be used to confirm collection inventory.
- In FY 2021, Fixed Assets developed and implemented a Create Master Record/Tag Form for DAH. This control form ensures that historical treasures/library holdings are approved, ensures communication of purchases between the locations and accounting, secures the accession number(s), secures quantity of artifacts/objects, and creates data standards for both the accession system and the information maintained in AASIS for all historical treasures/artifact objects. This control will focus on accountability, security and verification of the assets as opposed to matching dollar values.
- Correction of prior year data in AASIS and the accession systems will require a phased approach. Phase I, which has begun, involves implementation of standardized inventory collection controls and procedures that will allow for consistent purchasing, recording, valuation, and reconciliation procedures for all DAH sections. Phase I processes should allow for more accurate recording of all acquisitions on a go forward basis.
- Phase II is a much more complex process that will require resources from both the Fixed Assets Section and each impacted DAH location to dedicate time and effort to conduct an inventory of historical treasures/artifacts on hand and a subsequent reconciliation to asset information in AASIS. A corrective action plan for this phase will require a joint effort by both groups to ensure accurate and complete information is posted in both systems. This process will continue until all DAH Historical Treasures/Artifacts are identified and properly accounted for in both AASIS and the existing accession system.

*Implementation of the reconciliation of the Division of Arkansas Heritage historical records was interrupted due to the loss of several key Fixed Asset personnel. Plans are underway to coordinate with the Division of Arkansas Heritage Director and staff to outline the specific process needed to accomplish the reconciliation.*

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

The Agency's response to the finding identified in our audit is described above. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

### **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  
November 21, 2022

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 131,018,409
Investments	1,150,000
Receivable, net:	
Customer	91,305
Interest	2,143
Other	108,087
Due from other state agencies	422,955
Prepaid items	542,646
Inventories	<u>1,478,217</u>
 TOTAL ASSETS	 <u>\$ 134,813,762</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	
Liabilities:	
Accounts payable:	
Vendors	\$ 849,111
Contracts	1,059,236
Contracts retainage	269,788
Other	174,284
Accrued and other current liabilities	2,786,297
Grants payable	194,758
Due to other governments	93,534
Due to other state agencies	3,590,187
Unearned income	<u>1,417,548</u>
Total Liabilities	<u>10,434,743</u>
 Deferred inflows of resources:	
Related to revenues	<u>76,008</u>



DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2021

Exhibit A

	<u>General Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE (continued)	
Fund balance:	
Nonspendable for:	
Prepaid items	\$ 542,646
Inventories	1,478,217
Restricted for:	
Program requirements	35,579,117
Other	88,836
Committed for:	
Program requirements	67,561,444
Other	7,037,229
Assigned for capital projects	2,770,625
Unassigned	9,244,897
Total Fund Balance	<u>124,303,011</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	 <u><u>\$ 134,813,762</u></u>

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	<u>General Fund</u>
REVENUES	
Tourism development tax	\$ 16,776,573
Real estate transfer tax	45,322,117
Oil and brine severance tax	179,340
Federal grants and reimbursements	2,881,496
Concessions and usage fees	29,391,403
Investment earnings	116,289
Grocery store wine permit fees	1,072,300
Miscellaneous	<u>786,296</u>
 TOTAL REVENUES	 96,525,814
 Less: State Treasury service charge	 <u>1,964,641</u>
 NET REVENUES	 <u>94,561,173</u>
 EXPENDITURES	
Salary and benefits	51,844,749
Communication and transportation of commodities	2,990,037
Printing and advertising	126,197
Repairing and servicing	5,126,263
Utilities and rent	7,025,517
Travel and subsistence	281,995
Professional services	17,679,628
Insurance and bonds	1,035,377
Other expenses and services	2,223,654
Commodities, materials, and supplies	7,342,932
Assistance, grants, and aid	12,561,238
Refunds, taxes, and claims	337,394
Debt service:	
Principal	2,601,250
Interest	387,011
Bond issuance	136,960
Capital outlay	<u>26,210,220</u>
 TOTAL EXPENDITURES	 <u>137,910,422</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(43,349,249)</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit B

	<u>General Fund</u>
OTHER FINANCING SOURCES (USES)	
Issuance of refunding bonds	\$ 6,350,000
Payment to refunding escrow agent	(6,190,122)
Interagency transfers in:	
Conservation tax	48,200,438
General revenue distribution	28,873,858
General improvement funding	4,750,000
Other, net	1,895,344
Interagency transfers out:	
Grocery store wine tax	(1,039,059)
Natural and Cultural Resources Grants, net	(8,492,012)
Excess general revenue subsequently transferred to General Revenue	
Allotment Reserve Fund (GAD)	(3,247,725)
Prior-year refunds to expenditures	38,267
Prior-year warrants outlawed and cancelled	20,606
Insurance proceeds	25,000
Other, net	<u>24,306</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>71,208,901</u>
 SPECIAL ITEM	
Donation of mountain biking monument trail construction	<u>5,533,364</u>
 NET CHANGE IN FUND BALANCE	 33,393,016
 FUND BALANCE - JULY 1	 <u>90,909,995</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 124,303,011</u></u>

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
REVENUES				
Tourism development tax	\$ 16,264,767	\$ 16,264,767	\$ 16,776,573	\$ 511,806
Real estate transfer tax	35,580,927	35,580,927	45,322,117	9,741,190
Oil and brine severance tax	75,752	75,752	179,340	103,588
Federal grants and reimbursements	9,791,694	9,791,694	2,881,496	(6,910,198)
Concessions and usage fees	32,238,282	32,238,282	29,391,403	(2,846,879)
Investment earnings			116,289	116,289
Grocery store wine permit fees			1,072,300	1,072,300
Miscellaneous	10,000	10,000	786,296	776,296
TOTAL REVENUES	93,961,422	93,961,422	96,525,814	2,564,392
Less: State Treasury service charge			1,964,641	(1,964,641)
NET REVENUES	93,961,422	93,961,422	94,561,173	599,751
EXPENDITURES				
Regular salaries	36,021,869	35,157,038	32,412,039	2,744,999
Extra help	7,677,052	7,630,449	5,209,191	2,421,258
Operating expenses	30,652,067	54,685,793	42,369,155	12,316,638
Personal services matching	14,159,194	14,249,031	13,859,679	389,352
Grants and aids	49,295,373	35,354,642	13,340,026	22,014,616
Construction	27,974,272	28,087,733		28,087,733
Conference fees and travel	192,192	198,744	5,702	193,042
Professional fees and services	4,440,160	22,239,659	18,476,685	3,762,974
Capital outlay	2,598,000	8,790,761	6,327,322	2,463,439
Refunds and reimbursements	200,000			
Claims		279,450	279,450	
Purchases for resale	5,458,489	4,806,400	3,049,543	1,756,857
Marketing and redistribution proceeds		107,135		107,135
Special maintenance	3,976,696	635,399		635,399
Black history commission	13,930			
Contract services	486,177			
Natural heritage commission	1,200,000			
Natural and cultural history grants		22,350,000		22,350,000
Natural area management	255,076	62,376		62,376
Mosaic templar cultural center		488,629		488,629
Natural and cultural resources grants		2,427,932		2,427,932
Tourism promotion	1,922,000			
Gas royalty expenses	800,000			
Advertising	15,291,107			
Debt service	3,050,999	2,582,130	2,581,630	500
Conference - DAC	100			
TOTAL EXPENDITURES	205,664,753	240,133,301	137,910,422	102,222,879
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(111,703,331)	(146,171,879)	(43,349,249)	102,822,630

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
BUDGET AND ACTUAL – GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2021

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Interagency transfers in:				
Conservation tax	\$ 42,444,468	\$ 42,444,468	\$ 48,200,438	\$ 5,755,970
General revenue distribution	29,974,481	29,974,481	28,873,858	(1,100,623)
General improvement funding			4,750,000	4,750,000
Arkansas Game and Fish Commission	1,006,614	1,006,614		(1,006,614)
Other	370,000	370,000	1,895,344	1,525,344
Interagency transfers out:				
Grocery store wine tax to Department of Finance and Administration			(1,039,059)	(1,039,059)
Natural and Cultural Resources Grants, net			(8,492,012)	(8,492,012)
Excess general revenue subsequently transferred to General Revenue Allotment Reserve Fund (GAD)			(3,247,725)	(3,247,725)
Prior-year refunds to expenditures			38,267	38,267
Prior-year warrants outlawed and cancelled			20,606	20,606
Payments to refunding escrow agent			(6,190,122)	(6,190,122)
Issuance of refunding bonds			6,350,000	6,350,000
Insurance proceeds			25,000	25,000
Other, net			24,306	24,306
TOTAL OTHER FINANCING SOURCES (USES)	73,795,563	73,795,563	71,208,901	(2,586,662)
SPECIAL ITEM				
Donation of mountain biking monument trail construction			5,533,364	5,533,364
NET CHANGE IN FUND BALANCE	(37,907,768)	(72,376,316)	33,393,016	100,235,968
FUND BALANCE - JULY 1	90,909,995	90,909,995	90,909,995	
FUND BALANCE - JUNE 30	\$ 53,002,227	\$ 18,533,679	\$ 124,303,011	\$ 100,235,968

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 910 of 2019 created the Department of Parks, Heritage, and Tourism by combining the administrative functions of the following state entities:

- The Advisory Council of the Arkansas Arts Council.
- The Arkansas Arts Council.
- The Arkansas Historic Preservation Program.
- The Arkansas History Commission.
- The Arkansas Natural and Cultural Heritage Advisory Committee.
- The Arkansas Natural and Cultural Resources Council.
- The Arkansas Natural Heritage Commission.
- The Arkansas Post Museum.
- The Arkansas State Archives.
- The Black History Commission of Arkansas.
- The Capitol Zoning District Commission.
- The Delta Cultural Center Policy Advisory Board.
- The Department of Arkansas Heritage.
- The Department of Parks and Tourism.
- The Great River Road Division.
- The Historic Arkansas Museum Commission.
- The Keep Arkansas Beautiful Commission.
- The Mosaic Templars of America Center for African-American Cultural and Business Enterprise Advisory Board.
- The Mosaic Templars of America Center for African-American Cultural and Business Enterprise.
- The Old State House Commission.
- The State Parks, Recreation, and Travel Commission.

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. 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 PARKS, HERITAGE, AND TOURISM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

E. Deposits and Investments

State Board of Finance Policies

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

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

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

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

Deposits

Deposits are carried at cost and consist of cash in bank, cash in State Treasury, and certificates of deposit totaling \$1,309,205, \$129,606,031, and \$1,150,000, 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, 2021, none of the Agency's bank balance of \$2,324,758 was exposed to custodial credit risk

F. Interfund Balances and Transfers

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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, 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 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 PARKS, HERITAGE, AND TOURISM  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

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.

L. Construction and Other Commitments

At June 30, 2021, the Agency had commitments of approximately \$6,176,515 for construction and \$31,246,286 for professional services/other contracts.

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
SCHEDULE OF SELECTED INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2021	2020	2019	2018	2017
<b>General Fund</b>					
Total Assets	\$ 134,813,762	\$ 99,874,802	\$ 39,179,979	\$ 47,354,438	\$ 48,692,178
Total Liabilities	10,434,743	8,812,668	7,087,519	7,800,909	5,575,432
Total Deferred Inflows of Resources	76,008	152,139	75,082	122,526	69,704
Total Fund Equity	124,303,011	90,909,995	32,017,378	39,431,003	43,047,042
Net Revenues	94,561,173	78,897,678	52,619,454	51,216,023	48,069,075
Total Expenditures	137,910,422	142,135,890	121,642,219	116,011,331	108,444,440
Total Other Financing Sources (Uses) and Special Items	76,742,265	122,130,829	61,609,140	61,179,269	62,567,914

Department of Parks and Tourism information was used for the first three years of the general fund schedule.

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
FINANCIAL INFORMATION BY BUSINESS AREA –  
FOR THE YEAR ENDED JUNE 30, 2021  
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Fund Balance	Revenues	Expenditures	Other Financing Sources/(Uses) and Special Items
Capitol Zoning Commission	0315	\$ 1,803	\$ 7,997	\$ (6,194)	\$ 539	\$ 207,618	\$ 208,995
Division of Arkansas Heritage	0865	17,973,662	1,599,607	16,374,055	6,583,365	30,695,317	26,381,039
Division of Arkansas Heritage	0867		18	(18)			
Division of Arkansas Heritage	0870	252,668	4,359	248,309	1,078,060	1,107,170	(8,882)
Division of Arkansas Heritage	0873	1,589	94	1,495			
Division of Arkansas Heritage	0875		29	(29)			
Division of Arkansas Heritage	0877						
Division of Arkansas Heritage	0880						
Division of Arkansas Heritage	0885		142	(142)			
Division of Arkansas Heritage	0887	53,209,310	3,477	53,205,833	35,163,846	1,119	(27,063,818)
Divisions of Parks and Tourism	0900	63,373,037	8,642,042	54,730,995	51,735,363	100,574,640	71,922,293
Arkansas History Commission	0915		1,963	(1,963)			
Department of Parks, Heritage, and Tourism	9912	1,693	251,023	(249,330)		5,324,558	5,302,638
Totals		<u>\$ 134,813,762</u>	<u>\$ 10,510,751</u>	<u>\$ 124,303,011</u>	<u>\$ 94,561,173</u>	<u>\$ 137,910,422</u>	<u>\$ 76,742,265</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(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, 2021, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 87,184,890	\$ 6,840,669		\$ 94,025,559
Improvements	57,399,582	5,768,938		63,168,520
Buildings	293,395,680	18,231,268	\$ 505,243	311,121,705
Equipment	31,600,793	503,773	1,334,855	30,769,711
Infrastructure	105,806,911	6,346,899		112,153,810
Construction in progress	17,837,873	5,262,751	15,448,528	7,652,096
Other capital assets	31,822,895	438,650	132	32,261,413
Total governmental activities	<u>\$ 625,048,623</u>	<u>\$ 43,392,948</u>	<u>\$ 17,288,758</u>	<u>\$ 651,152,813</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 PARKS, HERITAGE, AND TOURISM  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(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, 2021 and 2020, were \$5,612,198 and \$ 5,964,040, respectively, equal to the required contributions for each year.

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State 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 \$450 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, 2021 and 2020, amounted to \$4,648,816 and \$4,691,595, respectively. The net changes to compensated absences payable during the year ended June 30, 2021, amounted to (\$42,779).

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

E. Capital Lease

The Agency has leased property which under the GASB Statement No. 62 is treated as a capital lease. The lease by category is as follows:

Class of Property - Description	Asset Balance June 30, 2021
Land - Division of Arkansas Heritage Headquarters	\$ 2,485,586
Building - Division of Arkansas Heritage Headquarters	5,047,793
Total	<u>\$ 7,533,379</u>

The following is a schedule of future minimum lease payments with the present value of the minimum lease payments as of June 30, 2021:

Year Ended June 30,	Principal	Interest	Total
2022	\$ 305,000	\$ 126,136	\$ 431,136
2023	306,250	124,306	430,556
2024	310,000	121,854	431,854
2025	311,250	118,405	429,655
2026	316,250	113,425	429,675
2027-2031	1,662,500	489,217	2,151,717
2032-2036	1,830,000	311,060	2,141,060
2037-2039	1,117,500	63,610	1,181,110
	<u>\$ 6,158,750</u>	<u>\$ 1,468,013</u>	<u>\$ 7,626,763</u>

F. Loans Payable to Arkansas Development Finance Authority

1. Mount Magazine State Park

On January 1, 2004, the Agency entered into an agreement with the Arkansas Development Finance Authority (ADFA) whereby ADFA issued bonds totaling \$36 million to be used for constructing a lodge, cabins, and other facilities at Mt. Magazine State Park. On December 31, 2011, the Agency had a principal balance remaining on these bonds totaling \$24.6 million, which was refunded with the issuance of \$25.3 million in 2012 bonds to garner a lower interest rate. The refund of the 2004 bonds cost the Agency \$2,154,588 in prepayment penalty (\$1,128,513 net of deposits already on hand with ADFA). The net present value of the bond refund, including the prepayment penalty, was a benefit of \$1,262,106. The life of the loan has not changed, and the agreement obligates the Agency to make principal and interest payments to ADFA until the year 2024. The interest rates for remaining life of the 2004 issue ranged from 3.00% to 5.00% over the remaining life of the agreement and were replaced with interest rates ranging from 2.00% to 3.00% on the 2012 issue. A total of \$37,845,464 has been expended on construction, which was complete at June 30, 2007. The long-term obligation for this loan is reported as a liability on the State's "government-wide" financial statements but is not reported as a liability in the governmental fund of the departmental financial statements.

The following is a schedule of future minimum loan payments required to maturity as of June 30, 2021:

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM  
OTHER GENERAL INFORMATION  
JUNE 30, 2021  
(UNAUDITED)

F. Loans Payable to Arkansas Development Finance Authority (Continued)

1. Mount Magazine State Park (Continued)

Year Ended June 30,	Principal	Interest	Total
2022	\$ 2,405,000	\$ 176,580	\$ 2,581,580
2023	2,472,500	108,090	2,580,590
2024	1,252,500	37,575	1,290,075
	<u>\$ 6,130,000</u>	<u>\$ 322,245</u>	<u>\$ 6,452,245</u>

2. Pledged Revenues – Mt. Magazine Bonds

The Department of Parks and Tourism has committed to appropriate each year, from various revenues collected at state parks, amounts sufficient to cover principal and interest requirements on bonds issued by ADFA for the design and construction of facilities at Mt. Magazine State Park. The following is a summary of the pledged gross revenues collected and principal and interest paid during the fiscal year ended June 30, 2021, and the remaining principal and interest as of June 30, 2021.

Revenues Pledged	Purchase of Debt	Term of Commitment	Remaining Principal and Interest	FY21 Pledged Revenue	FY21 Principal and Interest
Gross revenues at state parks	Design, construction, and equipping of lodge, cabins, and related facilities of Mt. Magazine State Park	2024	\$ 6,452,245	\$ 2,581,630	\$ 2,581,630