

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM

Annual Financial Report

June 30, 2023



DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
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Arkansas

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



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

Kevin William White, CPA, JD
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 Audit of the Financial Statements

Opinion

We have audited the 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, 2023, 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.

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 Parks, Heritage, and Tourism as of June 30, 2023, and 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.

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 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, 2023, 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.

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 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

Management is responsible for the other information included in the report. The other information comprises the Schedule of Selected Information, Financial Information by Business Area, and Other General Information but does not include the departmental financial statements, required supplementary information, supplementary information, 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 November 4, 2024, 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
November 4, 2024
SAC991223

Arkansas

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



Rep. Jimmy Gazaway
House Chair
Rep. Richard Womack
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 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, 2023, 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 4, 2024.

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 and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the Schedule of Findings and Responses below as items 2023-1 and 2023-2, that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below in the Schedule of Findings and Responses as items 2023-1 and 2023-2.

SCHEDULE OF FINDINGS AND RESPONSES

2023-1

Department of Transformation and Shared Services – Office of Personnel Management (DTSS-OPM) Policy #54, which is based on Ark. Code Ann. § 21-4-501, allows for the payment of accumulated, unused sick leave, at retirement. As noted in fiscal year 2022, there was a deficiency in the Agency's calculation of sick leave payouts. A review of all 28 employees' sick leave payouts made in the fiscal year revealed one instance of an employee who did not receive the correct payment amount. The employee was paid \$1,121 but was only entitled to \$641, resulting in an overpayment of \$481.

Lack of appropriate training and a failure in the review process allowed for the miscalculation in sick leave payout.

We recommend the Agency strengthen internal controls around the processing of sick leave payouts.

Management Response: *Upon review of the second-year audit finding related to the incorrect calculation of the retirement sick leave payout, management acknowledges the discrepancy and recognizes the need to address the underlying causes to prevent future occurrences.*

All relevant staff involved in the calculation and review of retirement payouts have received updated training on the approved process. Standardized documentation has been prepared to support consistent application of calculation guidelines and policies for each payout.

While additional staff were included in the calculation review last year, management now will introduce regular internal audits of the retirement payout calculations, including spot checks on sick leave payout amounts, to ensure compliance and identify any discrepancies early.

Management is committed to implementing these measures and believes these steps will effectively resolve the identified issue.

2023-2

R1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that "the bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters for each state agency, board, commission, or institution is responsible for...reporting any losses of state funds to the Chief Fiscal Officer of the State and to the Arkansas Legislative Audit(ALA). Losses include...the apparent theft or misappropriation of state funds or property theft." The Arkansas Department of Parks, Heritage, and Tourism (ADPHT) notified ALA in April 2024 of the loss of receipts totaling at least \$700 from a museum under its purview. An employee was terminated, and ADPHT law enforcement officers are currently investigating this matter.

We recommend the Agency strengthen internal controls related to the receipt of payments.

Management Response: *In response to the recent theft incident at the Department of Heritage Museum, we have taken swift corrective action, including the termination of the involved employee. Management remains committed to ensuring robust internal controls and preventing financial misconduct within our operations.*

The investigation remains active, as we await approval of a subpoena from CashApp to secure further details related to the case. We are working closely with law enforcement agencies to expedite this process.

We have recently implemented an upgraded POS system designed to restrict unauthorized transactions and prevent similar incidents in the future. The new system incorporates enhanced security features, transaction monitoring, and an improved authorization protocol.

Management will conduct regular audits to ensure adherence to corrective actions and evaluate the effectiveness of the new POS system. We will also continue to monitor employee compliance with strengthened policies and procedures.

Our actions underscore our dedication to safeguarding the museum's assets and implementing proactive measures to prevent unauthorized transactions resulting in thefts.

Agency's Response to Findings

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

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Tom Bullington", with a stylized flourish at the end.

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
November 4, 2024

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 252,656,542
Investments	1,166,065
Receivable, net:	
Customer	156,934
Interest	8,627
Leases	48,353
Other	758,944
Due from other state agencies	2,747,946
Due from other governments	7,083
Prepaid items	677,985
Inventories	<u>1,760,597</u>
 TOTAL ASSETS	 <u><u>\$ 259,989,076</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable:	
Vendors	\$ 1,947,806
Contracts	1,449,590
Contracts retainage	754,582
Other	3,250,978
Accrued and other current liabilities	991,577
Grants payable	27,636
Due to other governments	415,649
Due to other state agencies	2,516,681
Unearned income	<u>1,399,476</u>
Total Liabilities	<u>12,753,975</u>
 Deferred inflows of resources:	
Related to revenues	<u>130,794</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2023

Exhibit A

	<u>General Fund</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
(continued)	
Fund balance:	
Nonspendable for:	
Prepaid items	\$ 677,985
Inventories	1,760,597
Restricted for:	
Program requirements	67,978,405
Other	339,397
Committed for:	
Program requirements	109,611,908
Capital projects	2,248,883
Tobacco settlement	250,000
Other	59,792,383
Unassigned	<u>4,444,749</u>
Total Fund Balance	<u>247,104,307</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 \$ <u>259,989,076</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, 2023

Exhibit B

	<u>General Fund</u>
REVENUES	
Tourism development tax	\$ 25,217,027
Real estate transfer tax	49,143,495
Oil and brine severance tax	177,469
Federal grants and reimbursements	2,696,007
Concessions and usage fees	34,677,589
Investment earnings	2,436,372
Grocery store wine permit fees	1,049,250
Miscellaneous	<u>1,294,866</u>
 TOTAL REVENUES	 116,692,075
 Less: State Treasury service charge	 <u>2,350,598</u>
 NET REVENUES	 <u>114,341,477</u>
 EXPENDITURES	
Salary and benefits	60,133,674
Communication and transportation of commodities	3,148,367
Printing and advertising	136,523
Repairing and servicing	7,468,838
Utilities and rent	7,952,253
Travel and subsistence	1,052,237
Professional services	20,585,131
Insurance and bonds	1,341,010
Other expenses and services	3,498,410
Commodities, materials, and supplies	11,052,585
Assistance, grants, and aid	22,332,194
Refunds, taxes, and claims	111,676
Debt service:	
Principal	2,778,750
Interest	246,256
Capital outlay	<u>36,828,101</u>
 TOTAL EXPENDITURES	 <u>178,666,005</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(64,324,528)</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2023

Exhibit B

	<u>General Fund</u>
OTHER FINANCING SOURCES (USES)	
Capitalized leases	\$ 126,317
Interagency transfers in:	
Conservation tax	57,403,812
General revenue distribution	28,520,949
Restricted reserve funding	41,900,000
Other, net	3,673,706
Interagency transfers out:	
Grocery store wine tax to Department of Finance and Administration	(1,016,723)
Natural and Cultural Resources Grants, net	(10,588,960)
Excess general revenue subsequently transferred to General Revenue	
Allotment Reserve Fund (GAD)	(1,321,638)
Prior-year refunds to expenditures	98,812
Prior-year warrants outlawed and cancelled	30,387
Other, net	<u>(5,897)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>118,820,765</u>
 SPECIAL ITEM	
Philanthropic support for the development of the Delta Heritage Trail - rails-to-trails project	 <u>10,000,000</u>
 NET CHANGE IN FUND BALANCE	 64,496,237
 FUND BALANCE - JULY 1	 <u>182,608,070</u>
 FUND BALANCE - JUNE 30	 <u><u>\$ 247,104,307</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, 2023

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount			
	Original	Final	Actual	
REVENUES				
Tourism development tax	\$ 17,832,597	\$ 17,832,597	\$ 25,217,027	\$ 7,384,430
Real estate transfer tax	32,273,359	32,273,359	49,143,495	16,870,136
Oil and brine severance tax	70,196	70,196	177,469	107,273
Federal grants and reimbursements	11,014,895	11,014,895	2,696,007	(8,318,888)
Concessions and usage fees	32,949,957	32,949,957	34,677,589	1,727,632
Investment earnings			2,436,372	2,436,372
Grocery store wine permit fees			1,049,250	1,049,250
Miscellaneous	4,198,615	4,198,615	1,294,866	(2,903,749)
TOTAL REVENUES	98,339,619	98,339,619	116,692,075	18,352,456
Less: State Treasury service charge			2,350,598	(2,350,598)
NET REVENUES	98,339,619	98,339,619	114,341,477	16,001,858
EXPENDITURES				
Regular salaries	37,422,808	39,186,149	38,063,952	1,122,197
Extra help	7,675,774	8,988,701	7,380,528	1,608,173
Operating expenses	30,039,763	98,783,142	59,921,285	38,861,857
Personal services matching	14,987,053	17,490,097	16,878,239	611,858
Grants and aids	71,684,235	36,157,980	17,196,162	18,961,818
Construction	47,974,272	11,466,323		11,466,323
Conference fees and travel	237,009	240,005	136,603	103,402
Professional fees and services	4,463,909	34,248,408	23,338,631	10,909,777
Capital outlay	2,399,967	15,772,430	8,199,057	7,573,373
Refunds and reimbursements	100,000	100,000	10,958	89,042
Claims		30,000	30,000	
Purchases for resale	5,486,961	5,535,606	4,958,850	576,756
Marketing and redistribution proceeds		111,145		111,145
Special maintenance	3,887,086	1,077,471		1,077,471
Black history commission	13,930			
Contract services	486,177			
Natural heritage commission	1,700,000			
Natural area management	255,076	300,000		300,000
Mosaic templar cultural center	248,000	50,000		50,000
Natural and cultural resources grants		2,120,578		2,120,578
Quachita river commission	20,000			
Tourism promotion	1,922,000			
Gas royalty expenses	175,000	300,000		300,000
Advertising	15,040,400			
Debt service	3,050,999	3,050,999	2,551,740	499,259
Conference - DAC	100			
TOTAL EXPENDITURES	249,270,519	275,009,034	178,666,005	96,343,029
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(150,930,900)	(176,669,415)	(64,324,528)	112,344,887

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, 2023

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Capitalized leases			\$ 126,317	\$ 126,317
Interagency transfers in:				
Conservation tax	\$ 42,900,887	\$ 42,900,887	57,403,812	14,502,925
General revenue distribution	29,606,504	29,606,504	28,520,949	(1,085,555)
Arkansas Game and Fish Commission	1,006,614	1,006,614		(1,006,614)
Restricted reserve funding			41,900,000	41,900,000
Other, net	125,750	125,750	3,673,706	3,547,956
Interagency transfers out:				
Grocery store wine tax to Department of Finance and Administration			(1,016,723)	(1,016,723)
Natural and Cultural Resources Grants, net			(10,588,960)	(10,588,960)
Excess general revenue subsequently transferred to General Revenue Allotment Reserve Fund (GAD)			(1,321,638)	(1,321,638)
Prior-year refunds to expenditures			98,812	98,812
Prior-year warrants outlawed and cancelled			30,387	30,387
Other, net			(5,897)	(5,897)
TOTAL OTHER FINANCING SOURCES (USES)	73,639,755	73,639,755	118,820,765	45,181,010
SPECIAL ITEM				
Philanthropic support for the development of the Delta Heritage Trail - rails-to-trails project	20,000,000	20,000,000	10,000,000	(10,000,000)
NET CHANGE IN FUND BALANCE	(57,291,145)	(83,029,660)	64,496,237	147,525,897
FUND BALANCE - JULY 1	182,608,070	182,608,070	182,608,070	
FUND BALANCE - JUNE 30	\$ 125,316,925	\$ 99,578,410	\$ 247,104,307	\$ 147,525,897

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

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, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

E. 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 \$1,378,033, \$251,174,182, and \$1,166,065, 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, 2023, none of the Agency's bank balance of \$2,300,475 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, 2023

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.

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2023

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

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

K. Budgetary Data

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

L. Construction and Other Commitments

At June 30, 2023, the Agency had commitments of approximately \$14,470,032 for construction and \$40,685,375 for professional services/other contracts.

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 Receivables

As the lessor, the Agency leases out various types of assets, such as buildings and land. The related receivables are presented in the Balance Sheet for the amounts equal to the present value of lease payments expected to be received during the lease term. For the year ended June 30, 2023, total lease related inflows recognized by the general fund were \$42,463. The Agency had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2023.

Lease Obligations

The Agency leases nonfinancial assets including land, buildings, and equipment. 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.

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2023
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2023	2022	2021	2020	2019
General Fund					
Total Assets	\$ 259,989,076	\$ 193,504,568	\$ 134,813,762	\$ 99,874,802	\$ 39,179,979
Total Liabilities	12,753,975	10,594,516	10,434,743	8,812,668	7,087,519
Total Deferred Inflows of Resources	130,794	301,982	76,008	152,139	75,082
Total Fund Equity	247,104,307	182,608,070	124,303,011	90,909,995	32,017,378
Net Revenues	114,341,477	119,900,375	94,561,173	78,897,678	52,619,454
Total Expenditures	178,666,005	138,374,666	137,910,422	142,135,890	121,642,219
Total Other Financing Sources (Uses) and Special Items	128,820,765	76,779,350	76,742,265	122,130,829	61,609,140

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
FINANCIAL INFORMATION BY BUSINESS AREA
AS OF AND FOR THE YEAR ENDED JUNE 30, 2023
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Fund Balance	Revenues	Expenditures	Other Financing Sources/(Uses)
Capitol Zoning Commission	0315	\$ 21,546	\$ 22,260	\$ (714)	\$ 30	\$ 126,039	\$ 117,895
Division of Arkansas Heritage	0865	67,596,468	2,003,584	65,592,884	7,501,671	32,713,310	64,893,067
Division of Arkansas Heritage	0867		18	(18)			
Division of Arkansas Heritage	0870	400,533	16,995	383,538	596,102	881,929	(21,029)
Division of Arkansas Heritage	0873		94	(94)			
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	86,807,851	33,338	86,774,513	39,571,585	39	(31,823,450)
Divisions of Parks and Tourism	0900	104,736,590	10,453,422	94,283,168	66,672,076	134,815,146	84,867,160
Arkansas History Commission	0915		1,963	(1,963)			
Department of Parks, Heritage, and Tourism	9912	426,088	352,924	73,164	13	10,129,542	10,787,122
Totals		<u>\$ 259,989,076</u>	<u>\$ 12,884,769</u>	<u>\$ 247,104,307</u>	<u>\$ 114,341,477</u>	<u>\$ 178,666,005</u>	<u>\$ 128,820,765</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
OTHER GENERAL INFORMATION
JUNE 30, 2023
(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 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, 2023, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 96,333,878	\$ 6,333,314		\$ 102,667,192
Improvements	63,168,520	2,053,111		65,221,631
Buildings	308,835,495	9,469,745	\$ 123,536	318,181,704
Equipment	31,556,605	2,161,013	751,494	32,966,124
Infrastructure	112,167,897	5,304,887		117,472,784
Construction in progress	17,830,531	22,991,298	13,819,918	27,001,911
Other capital assets	33,808,831	265,250	1	34,074,080
Right-to-Use assets:				
RtU land	557,899			557,899
RtU buildings	77,983	126,317		204,300
RtU equipment	687,700		197,383	490,317
Total governmental activities	<u>\$ 665,025,339</u>	<u>\$ 48,704,935</u>	<u>\$ 14,892,332</u>	<u>\$ 698,837,942</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, 2023
(UNAUDITED)

B. Pension Plan (Continued)

Funding Policy – Contributory plan members are required to contribute 5.25% 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, 2023, 2022, and 2021, were \$6,791,926, \$5,871,913, and \$5,612,198, 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 Board of Finance (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

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

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

D. Compensated Absences – Employee Leave

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

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

Compensated absences are reported in the State's "Government-Wide" financial statements but are not reported as liabilities or expenditures in the governmental funds. However, the compensated absences payable attributable to this Agency's employee annual and sick leave as of June 30, 2023 and 2022, amounted to \$4,951,031 and \$4,890,838, respectively. The net changes to compensated absences payable during the year ended June 30, 2023, amounted to \$60,193.

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
OTHER GENERAL INFORMATION
JUNE 30, 2023
(UNAUDITED)

E. Leases

The Agency has acquired property by entering into a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a lease under the Governmental Accounting Standards Board 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, 2023, were as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 310,000	\$ 121,854	\$ 431,854
2025	311,250	118,405	429,655
2026	316,250	113,425	429,675
2027	321,250	108,365	429,615
2028	326,250	103,225	429,475
2029-2033	1,723,750	428,222	2,151,972
2034-2038	1,923,750	214,782	2,138,532
2039	315,000	9,293	324,293
Totals	<u>\$ 5,547,500</u>	<u>\$ 1,217,571</u>	<u>\$ 6,765,071</u>

F. Installment Purchases with Arkansas Development Finance Authority

The Agency has entered into an installment purchase agreement with the Arkansas Development Finance Authority (ADFA) for the purpose of purchasing property. The property by asset category is as follows:

Class of Property - Description	Asset Balance June 30, 2023
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 payments with the present value of the minimum payments as of June 30, 2023:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 310,000	\$ 121,854	\$ 431,854
2025	311,250	118,405	429,655
2026	316,250	113,425	429,675
2027	321,250	108,365	429,615
2028	326,250	103,225	429,475
2029-2033	1,723,750	428,222	2,151,972
2034-2038	1,923,750	214,782	2,138,532
2039	315,000	9,293	324,293
Totals	<u>\$ 5,547,500</u>	<u>\$ 1,217,571</u>	<u>\$ 6,765,071</u>

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
OTHER GENERAL INFORMATION
JUNE 30, 2023
(UNAUDITED)

G. Loans Payable to the 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, 2023:

Year Ended June 30,	Principal	Interest	Total
<u>2024</u>	<u>\$ 1,252,500</u>	<u>\$ 37,575</u>	<u>\$ 1,290,075</u>

2. Pledged Revenue – 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, 2023, and the remaining principal and interest as of June 30, 2023.

Revenues Pledged	Purchase of Debt	Term of Commitment	Remaining Principal and Interest	FY23 Pledged Revenue	FY23 Principal and Interest
Gross revenues at state parks	Design, construction, and equipping of lodge, cabins, and related facilities of Mt. Magazine State Park	2024	\$ 1,290,075	\$ 2,580,590	\$ 2,580,590