DEPARTMENT OF PARKS AND TOURISM

Annual Financial Report

June 30, 2018

LEGISLATIVE JOINT AUDITING COMMITTEE

DEPARTMENT OF PARKS AND TOURISM
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Roger A. Norman, JD, CPA, CFE, CFF
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE
ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Department of Parks 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 and Tourism, a department of Arkansas state government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department of Parks 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 and Tourism as of June 30, 2018, 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 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 and Tourism. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2018, 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.

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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 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 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 and Tourism's departmental financial statements. The Schedule of Selected Information 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 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 June 21, 2019, on our consideration of the Department of Parks 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 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 and Tourism's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

Roger A. Norman

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

Little Rock, Arkansas
June 21, 2019
SA2490018

Arkansas

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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 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 and Tourism (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Department of Parks and Tourism's departmental financial statements, and have issued our report thereon dated June 21, 2019.

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) to determine the 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; 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 did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as item *2018-1* that we consider to be significant deficiencies.

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 determination of financial statement amounts. 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 2018-1.

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SCHEDULE OF FINDINGS AND RESPONSES

2018-1 During our review of resale inventory, we noted the following discrepancies regarding purchases and handling of 1,102 custom bicycle jerseys, totaling $38,610:

- The Marketing & Revenue Manager ordered, was invoiced, and received the jerseys before creating AASIS purchase orders, in violation of Agency policy.
- The Marketing & Revenue Manager retained 60 jerseys, with a cost of $2,100, in his office, effectively creating a new inventory location without notifying the Agency Controller, who is responsible for recording resale inventory balances in AASIS.
- Of these 60 jerseys, 12 jerseys, with a cost of $420, could not be located, and documentation to support their transfer to another inventory location could not be provided.

Failure to order goods using a detailed and approved purchase order does not appropriately commit the budget prior to purchase, as required by state law, and does not formally establish a contractual agreement with the vendor. Additionally, failure to properly record the 60 jerseys caused resale inventories in AASIS to be understated by $1,400 at June 30, and the loss of $420 in assets was undetected.

We recommend the Agency train appropriate personnel regarding policies and procedures for purchasing, handling, and recording resale inventory.

Management Response: *We acknowledge that during the FY2018 audit period, the Marketing and Revenue Section failed to follow State and Agency guidelines when purchasing for resale, custom bicycle jerseys. The purchase and mishandling of these jerseys were brought to management's attention during the audit. At the time of the audit, 12 jerseys were unaccounted for and included as missing in the audit finding.*

A subsequent investigation by our Chief Ranger resulted in accounting for the 12 jerseys. The jerseys were used for promotional purposes for various events. A complete copy of the investigation report and supporting documentation is included with this response.

Management acknowledges its responsibility for oversight in adherence to established policies and procedures and establishment of proper internal controls processes in all areas of operation. We have addressed the causes that created the error, and appropriate control procedures are in place to prevent a recurrence of this issue.

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

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 21, 2019

DEPARTMENT OF PARKS AND TOURISM
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2018

Exhibit A

	General Fund
ASSETS	
Cash and cash equivalents	$ 43,085,096
Investments	1,355,150
Receivable, net:	
Accounts	189,276
Interest	5,212
Other	55,677
Due from other state agencies	606,527
Due from other governments	55,098
Prepaid items	328,268
Inventories	1,674,134
TOTAL ASSETS	$ 47,354,438
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable:	
Vendors	$ 1,549,156
Contracts	845,147
Contracts retainage	618,483
Other	117,472
Accrued and other current liabilities	1,733,960
Grants payable	479,262
Due to other governments	61,017
Due to other state agencies	307,253
Unearned income	2,089,159
Total Liabilities	7,800,909
Deferred inflows of resources:	
Related to revenues	122,526
Fund balance:	
Nonspendable for:	
Prepaid items	328,268
Inventories	1,674,134
Restricted for program requirements	16,967,119
Committed for:	
Program requirements	9,316,819
Other	9,185,629
Assigned for capital projects	2,114,067
Unassigned	(155,033)
Total Fund Balance	39,431,003
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 47,354,438

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

DEPARTMENT OF PARKS AND TOURISM

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
REVENUES	
Tourism development tax	$ 16,301,406
Real estate transfer tax	2,992,783
Oil and brine severance tax	204,501
Federal grants and reimbursements	1,125,676
Parks concessions and usage fees	29,546,535
Investment earnings	286,206
Grocery store wine permit fees	1,338,500
Miscellaneous	62,662
TOTAL REVENUES	51,858,269
Less: State Treasury service charge	642,246
NET REVENUES	51,216,023
EXPENDITURES	
Salary and benefits	44,181,146
Communication and transportation of commodities	2,361,064
Printing and advertising	279,608
Repairing and servicing	6,269,964
Utilities and rent	6,084,305
Travel and subsistence	918,171
Professional services	15,916,092
Insurance and bonds	642,010
Other expenses and services	3,403,544
Commodities, materials, and supplies	9,505,253
Assistance, grants, and aid	4,118,926
Debt service:	
Principal	2,137,500
Interest	444,855
Capital outlay	19,748,893
TOTAL EXPENDITURES	116,011,331
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(64,795,308)

DEPARTMENT OF PARKS AND TOURISM

Exhibit B

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND

FOR THE YEAR ENDED JUNE 30, 2018

	General Fund
OTHER FINANCING SOURCES (USES)	
Interagency transfers in:	
Conservation tax	$ 32,881,775
General revenue distribution	21,265,579
Capital projects funding	7,850,000
Merit salary adjustment funding	200,000
Interagency transfers out:	
Federal grants to Department of Arkansas Heritage	(500,000)
Grocery store wine permit fees to Department of Finance and Administration	(648,503)
Other, net	(48,705)
Insurance proceeds	179,123
TOTAL OTHER FINANCING SOURCES (USES)	61,179,269
NET CHANGE IN FUND BALANCE	(3,616,039)
FUND BALANCE - JULY 1	43,047,042
FUND BALANCE - JUNE 30	$ 39,431,003

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

DEPARTMENT OF PARKS AND TOURISM

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
REVENUES				
Tourism development tax	$ 16,114,858	$ 16,114,858	$ 16,301,406	$ 186,548
Real estate transfer tax	2,650,955	2,650,955	2,992,783	341,828
Oil and brine severance tax	86,928	86,928	204,501	117,573
Federal grants and reimbursements	3,224,086	3,224,086	1,125,676	(2,098,410)
Parks concessions and usage fees	29,571,884	29,571,884	29,546,535	(25,349)
Investment earnings	2,500	2,500	286,206	283,706
Grocery store wine permit fees			1,338,500	1,338,500
Miscellaneous			62,662	62,662
TOTAL REVENUES	51,651,211	51,651,211	51,858,269	207,058
Less: State Treasury service charge			642,246	(642,246)
NET REVENUES	51,651,211	51,651,211	51,216,023	(435,188)
EXPENDITURES				
Regular salaries	26,773,219	28,067,117	26,482,123	1,584,994
Extra help	6,784,256	6,530,548	5,782,705	747,843
Operating expenses	25,508,970	56,752,898	41,257,190	15,495,708
Personal services matching	11,100,960	12,530,676	11,776,925	753,751
Overtime	8,500	8,500		8,500
Grants and aids	11,840,567	12,945,591	3,978,706	8,966,885
Construction	38,870,051	11,911,809		11,911,809
Conference fees and travel	61,910	64,410	9,609	54,801
Professional fees and services	2,590,532	21,119,419	17,158,412	3,961,007
Capital outlay	2,468,000	8,273,464	2,103,466	6,169,998
Refunds and reimbursements	230,000	230,000	154,158	75,842
Purchases for resale	6,323,961	5,683,076	4,725,682	957,394
Marketing and redistribution proceeds		104,651		104,651
Special maintenance	3,168,615	435,000		435,000
Contract services	486,177			
Tourism promotion	1,459,460			
Advertising	14,156,288			
Debt Service	3,650,999	3,086,172	2,582,355	503,817
Conference - DAC	100			
TOTAL EXPENDITURES	155,482,565	167,743,331	116,011,331	51,732,000
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,831,354)	(116,092,120)	(64,795,308)	51,296,812

DEPARTMENT OF PARKS AND TOURISM

Exhibit C

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	General Fund			
	Budgeted Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
OTHER FINANCING SOURCES (USES)				
Interagency transfers in:				
Conservation tax	$ 32,838,510	$ 32,838,510	$ 32,881,775	$ 43,265
General revenue distribution	21,835,586	21,835,586	21,265,579	(570,007)
Capital projects funding			7,850,000	7,850,000
Merit salary adjustment funding			200,000	200,000
Arkansas Game and Fish Commission	1,006,614	1,006,614		(1,006,614)
Interagency transfers out:				
Federal grants to Department of Arkansas Heritage			(500,000)	(500,000)
Grocery store wine permit fees to Department of Finance and Administration			(648,503)	(648,503)
Other, net			(48,705)	(48,705)
Insurance proceeds			179,123	179,123
TOTAL OTHER FINANCING SOURCES (USES)	55,680,710	55,680,710	61,179,269	5,498,559
NET CHANGE IN FUND BALANCE	(48,150,644)	(60,411,410)	(3,616,039)	56,795,371
FUND BALANCE - JULY 1	43,047,042	43,047,042	43,047,042	
FUND BALANCE - JUNE 30	$ (5,103,602)	$ (17,364,368)	$ 39,431,003	$ 56,795,371

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 172 of 1927, as amended, established the State Parks, Recreation, and Travel Commission as a department of Arkansas state government to aid in the establishment of new industrial enterprises and expansion of the tourist industry; to publicize the State's natural resources, agricultural and industrial possibilities, historic background and cultural attainments, and educational, religious, and recreational facilities; to publicize the State's climate, water resources, and transportation facilities; and to promote the health and pleasure of the people of Arkansas and other states through the management, improvement, and extension of the state parks system.

The Director of the Department of Parks and Tourism is appointed by the Governor, subject to approval of the Commission. The Commission consists of a minimum of 15 members appointed by the Governor for terms of six years. Each of the four congressional districts of the State is represented. Four members are active in media, including, without limitation, newspaper, television, radio, Internet, or the video service provider industry; seven have primary occupations in tourism, including, without limitation, persons having occupations in the recreational or travel field of endeavor and owners or operators of food service, lodging, or travel-oriented businesses; one is a historian with knowledge of Arkansas's historic background; one is a representative of either employment or avocation in recreation and conservation; one is a representative of either employment or avocation in arts and culture; and one member age 60 or older represents the elderly. Also, any person who has served on the Commission 24 years and was known and designated as a "commissioner emeritus" on or before July 22, 2015, is designated as a commissioner emeritus. Commission members are not entitled to compensation for attending Commission meetings but are entitled to reimbursement for actual expenses incurred in performing official duties at rates not to exceed those established for state employees by state travel regulations in accordance with Ark. Code Ann. §§ 25-16-901 — 25-16-908.

Act 269 of 2017 restructured the Agency by adding the War Memorial Stadium Commission under the direction of the Department of Parks and Tourism effective February 22, 2017.

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.

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 $1,052,557, $41,868,615, and $1,355,150, 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, 2018, $10,797 of the Agency's bank balance of $1,967,372 was uninsured and uncollateralized.

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.

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

<u>Fund Balance</u>

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.

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (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, 2018, the Agency had commitments of approximately $6,364,882 for construction, $23,017,073 for professional services contracts, and $3,917,813 for other contracts.

DEPARTMENT OF PARKS AND TOURISM
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE YEAR PERIOD ENDED JUNE 30, 2018
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2018	2017	2016	2015	2014
General Fund					
Total Assets	$ 47,354,438	$ 48,692,178	$ 46,337,547	$ 44,898,290	$ 44,716,443
Total Liabilities	7,800,909	5,575,432	5,457,128	4,532,584	3,226,863
Total Deferred Inflows of Resources	122,526	69,704	25,926	5,402	9,761
Total Fund Equity	39,431,003	43,047,042	40,854,493	40,360,304	41,479,819
Net Revenues	51,216,023	48,069,075	47,272,626	41,804,188	39,907,220
Total Expenditures	116,011,331	108,444,440	106,102,877	101,571,776	96,216,638
Total Other Financing Sources (Uses)	61,179,269	62,567,914	59,324,440	58,648,073	56,667,963

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, 2018, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	$ 29,336,620	$ 225,446		$ 29,562,066
Improvements	49,388,475	1,777,762		51,166,237
Buildings	215,864,595	4,180,944	$ 312,166	219,733,373
Equipment	23,699,971	2,754,260	1,666,975	24,787,256
Infrastructure	94,099,970	4,967,451	7,201	99,060,220
Construction in progress	8,653,944	10,866,243	4,719,257	14,800,930
Other capital assets	6,429,852	20,790		6,450,642
Total governmental activities	$ 427,473,427	$ 24,792,896	$ 6,705,599	$ 445,560,724

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.

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 14.75% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2018, 2017, and 2016, were $4,682,561, $4,473,557, and $4,517,393, 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 Finance and Administration – Employee Benefits Division (DFA-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DFA-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 DFA-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DFA-EBD is included in the State of Arkansas's Comprehensive Annual Financial Report (CAFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Finance and Administration, 1509 West Seventh Street, Suite 403, Little Rock, Arkansas 72201 or by calling 501-682-1675.

The Agency contributes to the Plan, a single employer defined benefit OPEB plan administered by DFA-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 retires 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, 2018 and 2017, amounted to $3,974,191 and $3,910,165, respectively. The net changes to compensated absences payable during the year ended June 30, 2018, amounted to $64,026.

E. 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.

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

1. Mount Magazine State Park (Continued)

The long-term obligation for this loan is reported as a liability in 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, 2018:

Year Ended June 30,	Principal	Interest	Total
2019	$ 2,202,500	$ 380,730	$ 2,583,230
2020	2,267,500	314,655	2,582,155
2021	2,335,000	246,630	2,581,630
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
	$12,935,000	$ 1,264,260	$14,199,260

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, 2018, and the remaining principal and interest as of June 30, 2018:

Revenues Pledged	Purchase of Debt	Term of Commitment	Remaining Principal and Interest	FY18 Pledged Revenue	FY18 Principal and Interest
Gross revenues at state parks	Design, construction, and equipping of lodge, cabins, and related facilities of Mt. Magazine State Park	2024	$14,199,260	$ 2,582,355	$ 2,582,355