

DEPARTMENT OF EDUCATION

Annual Financial Report

June 30, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE



DEPARTMENT OF EDUCATION
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Arkansas

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



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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

Independent Auditor's Report

Department of Education
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the major fund and the aggregate remaining fund information of the Department of Education, a department of Arkansas state government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department of Education's departmental financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the major fund and the aggregate remaining fund information of the Department of Education as of June 30, 2024, and the respective changes in financial position, 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 Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the department, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

As indicated above, the financial statements of the Department of Education are intended to present the financial position, the changes in financial position, and budgetary comparisons of only that portion of the major fund and the aggregate remaining fund information of the State that is attributable to the transactions of the Department of Education. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2024, the changes in its financial position, or budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. Our opinions are 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 opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional 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 Education are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis is not required to be presented for the Department of Education individually. Our opinions on the departmental financial statements are not affected by the omission of this information.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2025, on our consideration of the department's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of the testing, and not to provide an opinion on the effectiveness of the department's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the department's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT

A handwritten signature in dark ink, appearing to read "Kevin White", with a stylized flourish at the end.

Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
July 23, 2025
SAC990424

Arkansas

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



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

Kevin William White, CPA, JD
Legislative Auditor

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

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

INDEPENDENT AUDITOR'S REPORT

Department of Education
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund and the aggregate remaining fund information of the Department of Education (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the Department of Education's departmental financial statements, and have issued our report thereon dated July 23, 2025.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies 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 item 2024-1, that we consider to be a significant deficiency.

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 2024-2, 2024-3, and 2024-4.

SCHEDULE OF FINDINGS AND RESPONSES

2024-1 According to Act 237 of the Regular Session of 2023 (the LEARNS Act), the Division of Elementary and Secondary Education shall administer the Arkansas Children's Educational Freedom Account Program. Educational Freedom Accounts (EFA) are state-funded accounts used to cover approved educational expenses, including private school tuition, curriculum, tutoring, etc.

During our review, we discovered that the Agency did not have controls in place to review students with EFA for duplicate enrollment in a public school. Based on analysis of EFAs that disbursed funds to EFA providers in state fiscal year 2024, we identified 239 students with potential duplicate enrollment in a public school during the 2023-2024 school year, which could result in duplicate funding to either the public school in the 2024-2025 school year or to the EFA provider in the 2023-2024 school year, depending on where the student attended. A test of 34 of the 239 EFA students revealed 28 instances of duplicate enrollment.

We recommend the Agency implement internal controls to ensure EFA students are included in a duplicate enrollment review process.

Management Response: *The Arkansas Department of Education (ADE) concurs with the finding. ADE is committed to ensuring the integrity of the Educational Freedom Accounts (EFA) program by preventing duplicate funding for students simultaneously enrolled in public schools. The agency has implemented internal controls and an enhanced verification process to mitigate related future occurrences. The process includes, but is not limited to, additional controls that allow more precise cross-referencing between EFA recipients and public-school enrollment records, the continuance of quarterly enrollment verification checks prior to funding distribution cycles, and enhanced communication between public-school districts and EFA providers thus reducing risk of duplicate funding. In addition, ADE aims to establish an automated data-matching system to streamline the enrollment verification process and improve efficiencies moving forward.*

Anticipated Completion Date: August 1, 2025

2024-2 Ark. Const. art. 16, § 12, states, "Except as provided in Arkansas Constitution, Article 19, § 31, no money shall be paid out of the treasury until the same shall have been appropriated by law; and then only in accordance with said appropriation." Act 572 of the 2023 Regular Session authorized a \$10,000,000 appropriation in fund center BG2 for the Merit Teacher Incentive grants to Local Education Agencies (LEAs).

In addition to the \$9,999,654 disbursed from the Merit Teacher Incentive appropriation, the Agency used \$1,908,434 in unexpended funds appropriated for the National Board of Professional Teaching Standards financial incentives (fund center 438) to pay the remaining Merit Teacher Incentives on June 21, 2024. The initial appropriation of \$10,000,000 was an estimated amount and did not include fringe benefits.

Appropriations are established so that funds can be used for authorized purposes. These funds were appropriated for one purpose but used for another purpose, in violation of Ark. Const. art. 16, § 12.

We recommend the Agency ensure compliance with laws and regulations related to budgeting.

Management Response: *The Arkansas Department of Education (ADE) concurs with the finding. The LEARNS Act (Act 237 of 2023) created a Merit Teacher Incentive Program to be paid from the Public School Fund. The National Board for Professional Teacher Standards line item is another teacher incentive program within the Public School Fund. ADE fully paid its obligation under the National Board Teaching Incentive Program and used the remaining appropriation for the new Learns Teacher Incentive Program.*

The agency has federal appropriation earmarked in FY25 to pay additional Merit Teacher Incentives, if needed. Additionally, Act 146 of 2024 contains special language allowing two (2) appropriation transfer requests with the approval of the Chief Fiscal Officer of the State and either the Arkansas Legislative Council or Joint Budget Committee. ADE may request a transfer of appropriation from the National Board Incentive Program to the new Merit Incentive Program in subsequent years, as needed.

2024-3 ADE Rules govern National Board for Professional Teaching Standards (NBPTS) incentive payments based on teacher certification dates and school/school district poverty levels. Annual incentive payments may be \$2,500, \$5,000, or \$10,000. Specifically, ADE Rule 5.2.1 allows for a teacher who is working full-time in a public school, that is not a high-poverty school or a high-poverty charter school, to receive a yearly incentive payment of \$2,500 for no more than five school years.

A review of 48 NBPTS incentive payments for eligible NBCTs identified 1 instance where an eligible NBCT that was not in a high poverty school or district was paid \$5,000 rather than \$2,500 which resulted in an overpayment of \$2,500 due to agency error.

We recommend the Agency comply with program rules, recoup the overpayment, and determine if other overpayments have occurred.

Management Response: *The Arkansas Department of Education (ADE) concurs with the finding. Act 937 of the 2017 Regular Session indicates that all candidates who registered for the National Board certification prior to January 1, 2018, are qualified to receive a \$5,000 bonus, regardless of whether or not the school is located within a high poverty district. There was an error made pertaining to the certification registration date for this individual.*

Additional safeguards have now been put into place, including a Statement of Assurances by the Superintendent pertaining to certification data for all candidates.

2024 Certification data was matched against Child Nutrition data to verify high poverty schools or districts for all candidates receiving the \$5,000 bonus. No other errors were noted. Other candidates receiving the \$5,000 bonus were the result of certification registration dates prior to January 1, 2018. 2024 Certification registration dates for all candidates are being reviewed for accuracy and will be reviewed for all future payments.

ADE is in the process of contacting the individual to recoup the repayment of the overage.

Anticipated Completion Date: December 2025

2024-4 Section P1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide requires the bonded disbursing officer of an agency to report any losses of state funds to the State Chief Fiscal Officer and to the Arkansas Legislative Audit (ALA). Losses include apparent unauthorized disbursements of state funds or the apparent theft or misappropriation of state funds or property. A report shall be made within 5 business days of the date the employee learns of the loss.

The Board of Trustees for the Arkansas School for the Blind and Visually Impaired and the Arkansas School for the Deaf was informed on July 18, 2023, that one Gator utility vehicle valued at \$9,947 was stolen. The Agency notified law enforcement of the incident but did not report the theft to the State Chief Fiscal Officer or Arkansas Legislative Audit as required.

We recommend the Agency continue to monitor and safeguard assets to prevent further occurrences of theft and comply with P1-19-4-2004.

Management Response: *The Arkansas School for the Deaf and Blind (ASDB) concurs with the finding. Guidelines within P1-19-4-2004 have been reviewed with relevant staff pertaining to the timely filing of reporting requirements and recovery attempts of any potential losses discovered. Monthly meetings have been implemented to ensure compliance. Additionally, ASDB has instituted twenty-four hour security detail, with over one hundred and fifty cameras installed on campus.*

Anticipated Completion Date: Completed

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
July 23, 2025

DEPARTMENT OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2024

Exhibit A

	<u>General Fund</u>
ASSETS	
Cash and cash equivalents	\$ 902,365,487
Investments	14,235,889
Receivable, net:	
Federal grants and reimbursements	104,964,809
School districts:	
Medicaid matching payments	4,374,854
Refunds	177,495
Teachers	13,100
Accrued interest	190,291
Northwest Technical Institute student accounts	238,674
Lease	21,816
Other	2,270,828
Notes and loans receivable, net:	
Title I repayment loan to school district	81,737
Dental program loans	6,548,528
Optometry program loans	515,596
Due from other state agencies	329,183,948
Prepaid items	2,709,227
Inventories	<u>2,407,135</u>
 TOTAL ASSETS	 <u><u>\$ 1,370,299,414</u></u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable:	
Vendors	\$ 6,330,627
Contracts	677,505
Other	103,473
Accrued payroll	1,384,736
Due to other state agencies	30,315,382
Due to other education agencies	138,627,832
Unearned income	<u>2,012,373</u>
Total Liabilities	<u>179,451,928</u>
 Deferred inflows of resources:	
Related to revenues	<u>64,457,820</u>

DEPARTMENT OF EDUCATION
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2024

Exhibit A

	<u>General Fund</u>
Fund balance:	
Nonspendable for:	
Prepaid items	\$ 2,709,227
Inventories	2,407,135
Restricted for:	
Program requirements	57,923,035
Debt Service	25,072
Lottery	317,420,433
Other	2,492,162
Committed for:	
Program requirements	39,742,175
Capital projects	31,201,786
Other	374,776,634
Assigned for other	1,096,277
Unassigned	296,595,730
Total Fund Balance	<u>1,126,389,666</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u><u>\$ 1,370,299,414</u></u>

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

DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit B

	<u>General Fund</u>
REVENUES	
Federal grants and reimbursements	\$ 1,291,279,676
Rental vehicle tax	2,399,027
Non-federal grant awards	16,534,624
Fee income	3,356,874
Rental income	43,873
Investment earnings	1,814,676
Sales of goods and services	180,939
Miscellaneous	<u>388,786</u>
 TOTAL REVENUES	 1,315,998,475
 Less: State Treasury service charge	 <u>79,500</u>
 NET REVENUES	 <u>1,315,918,975</u>
 EXPENDITURES	
Salary and benefits	73,671,494
Communication and transportation of commodities	22,854,548
Printing and advertising	410,579
Repairing and servicing	2,780,701
Utilities and rent	4,959,454
Travel and subsistence	2,221,394
Professional services	14,982,039
Insurance and bonds	377,631
Other expenses and services	57,220,625
Commodities, materials, and supplies	7,276,497
Assistance, grants, and aid	4,708,822,247
Refunds, taxes, and claims	2,569,088
Debt service interest	157,796
Low value asset purchases	684,036
Capital outlay	<u>14,776,912</u>
 TOTAL EXPENDITURES	 <u>4,913,765,041</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(3,597,846,066)</u>

DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit B

	<u>General Fund</u>
OTHER FINANCING SOURCES (USES)	
Interagency transfers in:	
General revenue distribution	\$ 2,588,851,448
Education adequacy distribution	598,765,144
Education excellence general revenue	345,962,475
Arkansas Lottery Commission	129,404,053
Medicaid claims administration for pass-through to school districts	32,149,017
Federal grants and reimbursements from other state agencies	76,116,428
Non-federal grant awards from other state agencies	1,741,098
Restricted Reserve Fund:	
DESE - Academic Facilities Partnership Fund	148,800,000
DESE - Educational Freedom Account	15,000,000
DESE - Easter Seals	6,560,000
Workforce 2000 Development Fund	883,206
Development and Enhancement Fund	94,785
Interagency transfers out:	
General revenue transfer to other state agencies	(8,489,176)
Real property reappraisal program costs	(10,830,000)
Medicaid matching	(14,231,110)
Surety bond premium	(175,410)
Assistance, grants, and aids to other state entities:	
Federal grants transferred to state entities	(60,892,153)
Better chance grants	(8,084,183)
Vocational center grants	(13,206,985)
Workforce initiative grants	(1,123,014)
Career coach grants	(1,045,226)
Professional development grants	(2,744,350)
Serious offender grants	(1,716,859)
English language learners	(214,997)
Education renewal zone grants	(968,131)
Assessment and advanced placement grants	(2,405,859)
Distance learning grants	(742,509)
Gifted and talented	(735,066)
Other grants	(2,793,068)
Excess general revenue subsequently transferred to the	
General Revenue Allotment Reserve Fund (GAD)	(699,869)
Issuance of SBITAs	11,979,193
Prior-year warrants outlawed and cancelled	257,225
Prior-year refunds to expenditures	4,581,648
Other, net	(3,697)
	<u>3,830,044,058</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>3,830,044,058</u>
NET CHANGE IN FUND BALANCE	232,197,992
FUND BALANCE - JULY 1	<u>894,191,674</u>
FUND BALANCE - JUNE 30	<u><u>\$ 1,126,389,666</u></u>

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

DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount			
	Original	Final	Actual	
REVENUES				
Federal grants and reimbursements	\$ 1,738,778,349	\$ 1,738,778,349	\$ 1,291,279,676	\$ (447,498,673)
Rental vehicle tax, net	1,200,000	1,200,000	2,319,527	1,119,527
Non-federal grant awards	30,266,159	30,266,159	16,534,624	(13,731,535)
Fee income	7,807,749	7,807,749	3,356,874	(4,450,875)
Rental income	500,000	500,000	43,873	(456,127)
Sales of goods and services			180,939	180,939
Investment earnings			1,814,676	1,814,676
Miscellaneous			388,786	388,786
TOTAL REVENUES	1,778,552,257	1,778,552,257	1,315,918,975	(462,633,282)
EXPENDITURES				
Regular salaries	54,706,622	61,033,361	52,460,504	8,572,857
Extra help	1,891,446	1,629,639	1,147,369	482,270
Operating expenses	139,221,709	255,325,794	109,436,937	145,888,857
Personal services matching	19,440,558	22,567,064	20,063,621	2,503,443
Grants and aids	5,607,600,603	6,242,889,761	4,623,951,229	1,618,938,532
Lottery scholarships			80,285,168	(80,285,168)
Conference fees and travel	1,952,070	2,196,480	454,028	1,742,452
Professional fees and services	15,274,699	24,992,215	2,937,774	22,054,441
Capital outlay	7,230,000	44,895,540	14,768,830	30,126,710
Purchases for resale	325,000	325,000	145,057	179,943
Promotional items		27,000	9,942	17,058
Marketing and redistribution proceeds		10,729		10,729
Special maintenance	2,754,114			
Refunds and reimbursements	15,569,017	18,632,103	2,476,249	16,155,854
Claims		389,900	42,235	347,665
Loans	14,377,370	14,377,370	1,123,655	13,253,715
Scholarships	4,425,000	6,725,000	4,462,443	2,262,557
TOTAL EXPENDITURES	5,884,768,208	6,696,016,956	4,913,765,041	1,782,251,915
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,106,215,951)	(4,917,464,699)	(3,597,846,066)	1,319,618,633

DEPARTMENT OF EDUCATION
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Interagency transfers in:				
General revenue distribution	\$ 2,502,396,253	\$ 2,502,396,253	\$ 2,588,851,448	\$ 86,455,195
Education adequacy distribution	533,765,144	533,765,144	598,765,144	65,000,000
Education excellence general revenue	335,639,340	335,639,340	345,962,475	10,323,135
Arkansas Lottery Commission	1,171,674	1,171,674	129,404,053	128,232,379
Medicaid claims administration for pass-through to school districts	40,000,000	40,000,000	32,149,017	(7,850,983)
Federal grants and reimbursements from other state agencies	18,231,761	18,231,761	76,116,428	57,884,667
Non-federal grant awards from other state agencies	954,293	954,293	1,741,098	786,805
Restricted Reserve Fund:				
DESE - Academic Facilities Partnership Fund			148,800,000	148,800,000
DESE - Educational Freedom Account			15,000,000	15,000,000
DESE - Easter Seals			6,560,000	6,560,000
Workforce 2000 Development Fund	883,206	883,206	883,206	
Development and Enhancement Fund			94,785	94,785
Interagency transfers out:				
Division of Career and Technical Education budget transfer to Department of Commerce	(23,128,566)	(23,128,566)		23,128,566
General revenue transfer to other state agencies			(8,489,176)	(8,489,176)
Real property reappraisal program costs			(10,830,000)	(10,830,000)
Medicaid matching			(14,231,110)	(14,231,110)
Surety bond premium			(175,410)	(175,410)
Assistance, grants, and aids to other state entities:				
Federal grants transferred to state entities			(60,892,153)	(60,892,153)
Better chance grants			(8,084,183)	(8,084,183)
Vocational center grants			(13,206,985)	(13,206,985)
Workforce initiative grants			(1,123,014)	(1,123,014)
Career coach grants			(1,045,226)	(1,045,226)
Professional development grants			(2,744,350)	(2,744,350)
Serious offender grants			(1,716,859)	(1,716,859)
English language learners			(214,997)	(214,997)
Education renewal zone grants			(968,131)	(968,131)
Assessment and advanced placement grants			(2,405,859)	(2,405,859)
Distance learning grants			(742,509)	(742,509)
Gifted and talented			(735,066)	(735,066)
Other grants			(2,793,068)	(2,793,068)
Excess general revenue subsequently transferred to the General Revenue Allotment Reserve Fund (GAD)			(699,869)	(699,869)
Issuance of SBITAs			11,979,193	11,979,193
Prior-year warrants outlawed and cancelled			257,225	257,225
Prior-year refunds to expenditures			4,581,648	4,581,648
Other, net	1,013,635	1,013,635	(3,697)	(1,017,332)
TOTAL OTHER FINANCING SOURCES (USES)	3,410,926,740	3,410,926,740	3,830,044,058	419,117,318
NET CHANGE IN FUND BALANCE	(695,289,211)	(1,506,537,959)	232,197,992	1,738,735,951
FUND BALANCE - JULY 1	894,191,674	894,191,674	894,191,674	
FUND BALANCE - JUNE 30	\$ 198,902,463	\$ (612,346,285)	\$ 1,126,389,666	\$ 1,738,735,951

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

DEPARTMENT OF EDUCATION
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit D

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	\$ 74,104
Investments	<u>1,007</u>
 TOTAL ASSETS	 <u><u>\$ 75,111</u></u>
 NET POSITION	
Amounts held for students and student and school organizations	<u><u>\$ 75,111</u></u>

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

DEPARTMENT OF EDUCATION
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2024

Exhibit E

	<u>Custodial Funds</u>
Additions:	
Student deposits and donations	\$ 92,129
Interest income	<u>47</u>
Total Additions	92,176
 Deductions:	
Student payments and withdrawals	<u>81,494</u>
 Change in net position	10,682
 Net position - beginning	<u>64,429</u>
 Net position - ending	<u><u>\$ 75,111</u></u>

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

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

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

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

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

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

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

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

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

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

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation – Fund Accounting

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

Governmental Funds

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

Fiduciary Funds

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

D. 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.

E. 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.

F. 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.

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

State Board of Finance Policies (Continued)

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 \$10,178,180, \$903,569,558, and \$12,837,064, 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, 2024, none of the Agency's bank balance of \$23,066,956 was exposed to custodial credit risk.

Investments

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

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

The Agency has the following recurring fair value measurements as of June 30, 2024:

Investment Type	Valuation Method	Amount
General Fund		
State Treasury money management trust fund	Level 1	\$ 532,832
Bonds	Level 1	441,178
Domestic securities	Level 1	558,226
Domestic securities	Level 3	10,059
Mutual funds	Level 1	149,849
Federated treasury obligations money market fund	Level 1	240,521
Total		<u>\$ 1,932,665</u>

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

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

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

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

As of June 30, 2024, the Agency has the following investment balances and segmented maturities:

Investment Type	Fair Value	Investment Maturities (In Years)			
		Less than 1	1-5	6-10	More than 10
General Fund					
State Treasury money management trust fund	\$ 532,832	\$ 532,832			
Bonds	441,178		\$ 337,061	\$ 104,117	
Federated treasury obligations money market fund	240,521	240,521			
Total	\$ 1,214,531	\$ 773,353	\$ 337,061	\$ 104,117	\$ 0

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The Agency does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The summary shown above indicates that 36% of the Agency’s investment maturities are one year or longer.

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Agency has adopted the State Board of Finance Policy that limits investment choices to certificates of deposit, repurchase agreements, treasury bills, treasury notes, and securities issued by the State of Arkansas and its political subdivisions. The Agency’s exposure to credit risk as of June 30, 2024, is as follows:

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments (Continued)

Investments (Continued)

Rating	Fair Value
AAA	\$ 240,521
AA	179,305
A	78,518
BBB	183,355
Unrated	532,832
Total	<u>\$ 1,214,531</u>

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of the Agency's investment in a single issuer. The Agency places no limit on the amount it may invest in any one issuer. As of June 30, 2024, the Agency has the following investments that represent more than 5% of net investments, excluding the State Treasury Money Management Trust Fund and investments that are fully insured or collateralized such as certificates of deposit:

New Jersey Economic Development	5%
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G. 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.

H. 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.

I. 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."

J. Deferred Inflows of Resources

Deferred inflows of resources represent an increase of net position that applies to future periods. These items will not be recognized as an inflow of resources (revenue) until a future period.

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

K. Fund Equity

Fund Balance

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

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

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

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

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

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

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

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

L. Budgetary Data

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

DEPARTMENT OF EDUCATION
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

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. 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, 2024, total lease-related inflows recognized by the general fund were \$27,077. The Agency had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2024.

Lease and Subscription-Based Information Technology Arrangement (SBITA) Obligations

The Agency leases nonfinancial assets including buildings and another party's IT software, alone or in combination with tangible capital assets. Since the financial statements of the Agency are presented using the modified accrual basis of accounting, no liability or leased asset is reflected on the balance sheet. Additional details regarding leased assets and related obligations are presented in Other General Information.

NOTE 3: Related Party Transactions

The Agency has contracted with the Arkansas Public School Resource Center (APSRC), a nonprofit membership organization that offers technical support, resources, and training, to provide professional development training for the Arkansas Leadership Academy per Ark. Code Ann. § 6-15-1007. Dr. Sarah Moore is a member of the Arkansas State Board of Education and a member of the APSRC Policy Board. In fiscal year 2024, the Agency made grant payments to APSRC totaling \$4.3 million that consisted of the following:

- Two payments, totaling \$1.4 million, for invoices submitted for the Arkansas Leadership Academy.
- Four payments, totaling \$2 million, for invoices submitted to provide access to the Comprehensive Financial Analysis Model (CFAM) for all public and charter schools.
- Four payments, totaling \$455,000, for invoices submitted to provide Learning Blade to all public and charter schools.
- Other state and federal grant payments, totaling \$469,000, associated with the novice teacher program and special education consultants.

In addition, the Agency also provided \$23,287 of Childcare Development Block Grant funds to Conway Cradle Care, a nonprofit childcare organization to assist teen parents. Dr. Sarah Moore volunteers as a member of this organization's board.

DEPARTMENT OF EDUCATION
SCHEDULE OF SELECTED INFORMATION
JUNE 30, 2024
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2024	2023	2022	2021	2020
General Fund					
Total Assets	\$ 1,370,299,414	\$ 1,151,918,979	\$ 960,093,975	\$ 857,217,977	\$ 623,069,983
Total Liabilities	179,451,928	182,380,148	204,289,910	187,711,444	97,441,252
Total Deferred Inflows of Resources	64,457,820	75,347,157	68,383,905	44,086,184	23,200,772
Total Fund Equity	1,126,389,666	894,191,674	687,420,160	625,420,349	502,427,959
Net Revenues	1,315,918,975	1,298,970,686	1,312,608,584	958,381,993	583,153,755
Total Expenditures	4,913,765,041	4,607,200,781	4,626,961,106	4,170,620,237	3,726,959,450
Total Other Financing Sources (Uses)	3,830,044,058	3,515,001,609	3,376,352,333	3,335,230,634	3,256,521,900
Aggregate Remaining Fund Information					
Total Assets	75,111	64,429	81,422	101,065	441,089
Total Liabilities					441,089
Total Net Position	75,111	64,429	81,422	101,065	
Additions	92,176	49,659	32,631	52,585	223,127
Deductions	81,494	66,652	52,274	34,397	152,869

DEPARTMENT OF EDUCATION
FINANCIAL INFORMATION BY BUSINESS AREA
JUNE 30, 2024
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Revenues	Expenditures	Other Financing Sources/(Uses)
Martin Luther King, Jr., Commission	318	\$ 138,476	\$ 75	\$ 256,301	\$ 550,659	\$ 397,562
Division of Elementary and Secondary Education	500	939,195,756	228,537,250	1,290,338,258	4,710,462,559	3,572,871,663
Arkansas School for the Blind	510	19,045,793	51,448	423,351	8,287,916	8,355,222
Arkansas School for the Deaf	513	17,812,019	138,167	297,495	11,133,244	11,614,336
Arkansas State Library	519	1,491,733	266,421	1,785,213	10,723,946	8,990,225
Northwest Technical Institute	552	5,290,400	374,252	3,381,368	9,598,329	6,703,004
Division of Career and Technical Education	590	15,455,182	3,106,212	15,048,615	24,954,430	10,158,454
Division of Higher Education	700	369,215,780	10,051,187	4,388,374	129,696,624	202,214,628
Department of Education (cabinet-level)	9904	2,654,275	1,384,736		8,357,334	8,738,964
Totals		<u>\$ 1,370,299,414</u>	<u>\$ 243,909,748</u>	<u>\$ 1,315,918,975</u>	<u>\$ 4,913,765,041</u>	<u>\$ 3,830,044,058</u>

DEPARTMENT OF EDUCATION
OTHER GENERAL INFORMATION
JUNE 30, 2024
(UNAUDITED)

A. Capital Assets

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

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

Capital assets activity for the year ended June 30, 2024, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	\$ 516,348			\$ 516,348
Improvements	1,156,808	\$ 580		1,157,388
Buildings	41,611,303	949,018		42,560,321
Equipment	12,064,171	1,039,998	\$ 307,663	12,796,506
Infrastructure	777,898	1,167,510		1,945,408
Library holdings	689,854	725	3,926	686,653
Construction in progress	1,559,401	4,032,179	1,457,752	4,133,828
Software	2,183,375	2,265,266	146,219	4,302,422
Other capital assets	72,891	1,697		74,588
Right-to-Use assets:				
RtU buildings	264,706		133,457	131,249
RtU SBITAs	12,488,376	12,030,227		24,518,603
Total governmental activities	<u>\$ 73,385,131</u>	<u>\$ 21,487,200</u>	<u>\$ 2,049,017</u>	<u>\$ 92,823,314</u>

B. Pension Plan

Arkansas Public Employees Retirement System (APERS)

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

DEPARTMENT OF EDUCATION
OTHER GENERAL INFORMATION
JUNE 30, 2024
(UNAUDITED)

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

Funding Policy – Contributory plan members are required to contribute 5.5% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 15.32% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the APERS Board of Trustees. The Agency's contributions to APERS for the years ended June 30, 2024, 2023, and 2022, were \$2,079,344, \$856,461, and \$760,704, respectively, equal to the required contributions for each year.

Arkansas Teacher Retirement System (ATRS)

Plan Description – The Agency contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing, multiple-employer defined benefit pension plan administered by the ATRS Board of Trustees. ATRS provides retirement and disability benefits, annual redetermination of benefit adjustments, and survivor benefits to plan members and beneficiaries. The Constitution of Arkansas, Article 5, vests with the General Assembly the legislative power to enact and amend benefit provisions of ATRS as published in Chapter 7 of Title 24 of the Arkansas Code Annotated. ATRS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas, 72201 or by calling 1-501-682-1517.

Funding Policy – Contributory plan members are required to contribute 7.00% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 15.00% of annual covered payroll. The contribution requirements of plan members are established and may be amended by the Arkansas General Assembly. The contribution requirements of the Agency are established and may be amended by the ATRS Board of Trustees. The Agency's contributions to ATRS for the years ended June 30, 2024, 2023, and 2022, were \$5,667,256, \$6,229,097, and \$5,533,882, respectively, equal to the required contributions for each year.

Teachers Insurance and Annuity Association/College Retirement Equities Fund

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

Funding Policy – TIAA/CREF has contributory and non-contributory plans. Contributory members are required to contribute at least 7% of earnings to the plan. The Agency contributes 15% of earnings for members. The Agency's contributions for the years ended June 30, 2024, 2023, and 2022, were \$65,372, \$64,198, and \$81,376, respectively, equal to the required contributions for each year.

Variable Annuity Life Insurance Company (VALIC)

Plan Description – The Agency participates in VALIC, a defined contribution plan. The plan is a 403(b) program as defined by the Internal Revenue Service Code of 1986, as amended, and is administered by VALIC. VALIC is a subsidiary of American International Group, Inc., an insurance corporation that specializes in tax-qualified retirement plans and supplemental tax-deferred, after tax-deferred, and after-tax investments. Arkansas law authorizes participating in the plan.

Funding Policy – VALIC has contributory and non-contributory plans. Contributory members are required to contribute at least 7% of earnings to the plan. The Agency contributes 15% of earnings for members. The Agency's contributions for the years ended June 30, 2024, 2023, and 2022, were \$89,829, \$109,299, and \$116,566, respectively, equal to the required contributions for each year.

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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. 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, 2024 and 2023, amounted to \$5,124,934 and \$4,189,959, respectively. The net changes to compensated absences payable during the year ended June 30, 2024, amounted to \$934,975.

E. Leases and Subscription Based Information Technology Arrangements (SBITAs)

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 (GASB 87). The Agency has also acquired the right-to-use another party's IT software, alone or in combination with tangible capital assets, as specified in the contract for a period of time in exchange or exchange-like transaction under the Governmental Accounting Standards Board Statement No. 96 (GASB 96). 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 and SBITA obligations as of June 30, 2024, were as follows:

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F. Leases and Subscription Based Information Technology Arrangements (SBITAs) (Continued)

Lease Obligations			
Year Ending			
June 30,	Principal	Interest	Total
2025	\$ 33,566	\$ 294	\$ 33,860
SBITA Obligations			
Years Ending			
June 30,	Principal	Interest	Total
2025	\$ 2,229,988	\$ 236,192	\$ 2,466,180
2026	2,380,547	163,685	2,544,232
2027	2,158,959	86,399	2,245,358
2028	257,966	26,920	284,886
2029	266,644	18,242	284,886
2030-2034	275,614	9,272	284,886
Totals	\$ 7,569,718	\$ 540,710	\$ 8,110,428

G. School Worker Defense Program

As provided by Ark. Code Ann. § 6-17-1113, the Department of Education established a self-insured professional liability insurance program for school workers effective August 1, 1998. The program provides up to \$150,000 per incident for certain civil liability exposures not otherwise excluded by governmental immunity. Employees, certain volunteers, and board members of education service cooperative, public school districts, Arkansas School for the Blind, Arkansas School for the Deaf, and Arkansas School for Mathematics, Sciences, and the Arts are insured under the program. The funding of this program is provided by a specific appropriation from the Public School Fund. For the year ended June 30, 2024, \$390,000 was appropriated for the school worker defense program, \$42,235 of funds were disbursed as legal fees, and no funds were disbursed for a settlement amount.

H. Notes Receivable – Revolving Loan Certificates of Indebtedness

The Department of Education has no executed certificates of indebtedness with school districts through its Revolving Loan Program. These loans have been made to provide low-interest financing to the districts for purchase of buses, construction of facilities, or other purposes as allowed by Ark. Code Ann. § 6-20-802. The certificates of indebtedness are amortized over a maximum of 10 years. The State Board of Education adjusts the interest rates as necessary to stay competitive with commercial lenders. As of June 30, 2024, the annual interest rate on certificates of indebtedness was 4.95%.

I. General Obligation Bonds Long-Term Debt

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

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

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

General obligation bonds outstanding as of June 30, 2024, were as follows:

	Final Maturity Date June 1,	Interest Rates %	Balance
Higher Education Bonds:			
2015 Series, G.O. Bonds	2029	4.00 - 4.25	\$ 93,875,000

Future amounts required to pay principal and interest on general obligation bonds at June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 19,550,000	\$ 3,755,000	\$ 23,305,000
2026	20,335,000	2,973,000	23,308,000
2027	21,145,000	2,159,600	23,304,600
2028	21,990,000	1,313,800	23,303,800
2029	10,855,000	434,200	11,289,200
Totals	\$ 93,875,000	\$ 10,635,600	\$ 104,510,600

Higher Education General Obligation Bond – Act 1282 of 2005 authorized the State to issue Higher Education General Obligation Bonds. All bonds issued under the authority of this Act are direct general obligations of the State and are secured by an irrevocable pledge of the full faith, credit, and resources of the State. The Act limited the total principal amount to approximately \$250 million. However, the total outstanding principal amount of Higher Education General Obligation Bonds issued under Act 1282 of 2005, and College Savings Bond Act of 1989 shall not have scheduled debt service payment on a combined basis in excess of \$24 million in any one fiscal year. The Higher Education General Obligation Bonds were issued to provide funds to finance technology and facility improvements for state institutions of higher education and to refund certain outstanding bonds. The bonds are payable from the net general revenues of the State and investment earnings on the proceeds of the bonds. No bonds were issued under this Act in the 2024 fiscal year.