

DEPARTMENT OF HUMAN SERVICES

Annual Financial Report

June 30, 2024

LEGISLATIVE JOINT AUDITING COMMITTEE



DEPARTMENT OF HUMAN SERVICES
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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 Human Services
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 Human Services, 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 Human Services' 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 Human Services as of June 30, 2024, and the respective changes in financial position thereof, and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for 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 Human Services 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 Human Services. 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, and 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 Human Services 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 Human Services 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 September 19, 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



Kevin William White, CPA, JD
Legislative Auditor

Little Rock, Arkansas
September 19, 2025
SAC990824

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 Human Services
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 Human Services (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 Human Services' departmental financial statements, and have issued our report thereon dated September 19, 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described below in the Schedule of Findings and Responses as items 2024-1 through 2024-3.

SCHEDULE OF FINDINGS AND RESPONSES

2024-1 Ark. Code Ann. § 25-1-124(b)(1)&(2) states that a public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to Arkansas Legislative Audit (ALA) the apparent theft or misappropriation of public funds within five business days upon learning of the theft.

- The Agency notified ALA of the apparent theft of \$7,985 in public funds from the Disaster Supplemental Nutrition Assistance Program (DSNAP). By providing false or incomplete information to the Agency, 13 employees received disaster temporary food assistance benefits related to the March 31, 2023, tornadoes that impacted Pulaski County. The employment of the individuals was terminated, and the Agency referred all cases to the Pulaski County Prosecutor's Office. The improper payments have not been recovered.
- The Agency notified ALA of the apparent theft of \$5,837 in public funds from the Medicaid Program. By providing false information to the Agency, one employee received Medicaid benefits to which they were not entitled. The employment of the individual was terminated, and the Agency referred the case to the Pulaski County Prosecutor's Office. The improper payments have not been recovered.

We recommend the Agency pursue recoupment of lost funds and continue to report any possible fraudulent activity to ALA.

Management response: *DHS concurs with the finding. As of September 22, 2025, the Pulaski County Prosecutor's Office has obtained six convictions related to these cases with a total of \$3,320 in restitution awarded. Any losses not recovered through restitution may be eligible for recovery by the Agency through the Self-Insured Fidelity Bond Program. The Arkansas Governmental Bonding Board will review the findings of this audit when the prosecution of all individuals involved is resolved.*

2024-2 R1-19-4-2004 of the State Financial Management Guide states that monies lost through improper redemption of checks shall be reported to ALA, the Attorney General's Office, and local law enforcement. Ark. Code Ann. § 25-1-124(b)(1)&(2) states that a public employee with supervisory fiduciary responsibility over all fiscal matters of a public employer shall report to ALA the apparent theft or misappropriation of public funds within five business days upon learning of the theft.

On July 31, 2024, the Agency received an email notification from the Treasurer of State's Office stating that a state warrant issued on behalf of DHS, payable to the University of Arkansas at Little Rock (UALR), had been altered and cashed and that DHS would need to begin the affidavit process to get a new warrant issued to UALR. However, it was not until August 21, 2024, 15 business days later, that the Agency notified ALA of the theft of the \$609,609 warrant, in violation of Ark. Code Ann. § 25-1-124(b)(1)&(2). The payee line on the redeemed warrant was altered and replaced with the name of a private business, but the warrant amount and number remained unaltered. The Deputy Director and State Controller at the Department of Finance and Administration (DFA) became aware of the issue and notified the Federal Bureau of Investigation (FBI) on August 20, 2024. UALR completed the affidavit of forged warrant form on August 22, 2024, and the bank was notified of the altered warrant on August 23, 2024. The State's forgery claim was honored, and the funds were deposited into the Treasurer of State's account on November 13, 2024.

By not properly notifying ALA within five business days of learning of the theft, and by not diligently pursuing reimbursement of the claim timely, the Agency placed public funds at risk, which could result in a reimbursement claim not being honored by the financial institution.

We recommend the Agency report any possible fraudulent activity to ALA and other applicable authorities within the timeframe specified by law.

Management response: *DHS concurs with the finding. The Agency has developed and implemented an internal control that requires finance staff to immediately notify the DHS Chief Financial Officer of any reports of forged warrants.*

2024-3 Ark. Code Ann. § 19-4-1502 states that it is the responsibility of the executive head of each state agency to keep and maintain a record of all property of the agency belonging to the State of Arkansas. Policy P1-19-4-1503 of the State Financial Management Guide states that all items transferred, lost, stolen, destroyed, or sold must be promptly removed from the detail of capital assets. Additionally, the Agency's Capital Asset Policy 2000 states that Agency Divisions are to conduct an annual physical asset sighting.

While performing an observation of assets from a current capital asset listing dated April 16, 2025, we noted 5 of the 50 equipment items sampled, with a total purchase cost of \$58,962, could not be physically located for observation and/or properly identified for audit verification as follows:

- Three items could not be physically located; none of these items had been documented as lost, stolen, or obsolete prior to our sample testing.
- One item presented for observation had no identifying tag number maintained and/or no identifying serial number documented on the fixed asset listing of the Arkansas Administrative Statewide Information System (AASIS).
- One item was discovered as having been transferred to Marketing and Redistribution (M&R) in November 2023; however, the item remained on the fixed asset listing as a current, active item.

Additionally, 10 of the 50 items tested had documented dates in AASIS as being last inventoried two or more years ago (i.e., since the sample listing date of April 16, 2025).

During our review of asset acquisitions, deletions, and observations, we also noted the following:

- Two items were not capitalized at the correct amount.
- One item that was still on hand was removed from the AASIS fixed asset listing in error.
- One item sighted during observation did not match the description listed in the AASIS fixed asset listing.

Furthermore, we noted that the Agency paid approximately \$17,366 in error for sales tax levied on four vehicle purchases that were tax exempt under Ark. Code Ann. § 26-52-401(21)(A) and GR-37 of the Gross Receipts Tax Rules issued by DFA.

We recommend the Agency strengthen controls over capital assets by performing annual physical sightings as well as ensuring management review AASIS asset information for accuracy and completeness. We further recommend the Agency review and follow Arkansas Code as well as the rules and policies issued by DFA.

Management response: DHS concurs with the finding. Asset information has been updated in AASIS to reflect the status of the assets with noted deficiencies, and staff will be retrained on Agency asset management policies. The Agency will work with Department of Finance and Administration – Revenue Division to resolve the issues of the HDC's tax exempt status.

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



Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
September 19, 2025

DEPARTMENT OF HUMAN SERVICES
 BALANCE SHEET – GOVERNMENTAL FUND
 JUNE 30, 2024

Exhibit A

	General Fund
ASSETS	
Cash and cash equivalents	\$ 1,194,056,218
Investments	4,142,555
Receivable, net:	
Medicaid	535,799,059
Adoption subsidies	215,290,281
Customer	157,243,129
Federal	79,609,210
Interest	10,940
Other	507,560
Due from other state agencies	10,954,969
Prepaid items	2,592,846
Inventories	<u>2,706,428</u>
 TOTAL ASSETS	 <u>\$ 2,202,913,195</u>
 LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Medicaid payable	\$ 247,416,440
Accounts payable - vendors	18,480,770
Adoptions subsidies payable	45,785,631
Accrued payroll	8,327,584
Grants payable	42,210,369
Due to other governments	6,395,630
Unearned revenue	72,338,537
Due to other state agencies	<u>27,741,943</u>
Total Liabilities	<u>468,696,904</u>
 Deferred inflows of resources:	
Related to revenues	<u>753,705,500</u>
 Fund balance:	
Nonspendable for:	
Prepaid items	2,592,846
Inventories	2,706,428
Restricted for:	
Debt service	4,486,843
Capital projects	12,207,798
Program requirements	290,632,182
Committed for:	
Capital projects	10,455,009
Program requirements	95,668,144
Other	728,060,215
Unassigned	<u>(166,298,674)</u>
Total Fund Balance	<u>980,510,791</u>
 TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	 <u>\$ 2,202,913,195</u>

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

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

Exhibit B

	General Fund
REVENUES	
Federal grants and reimbursements	\$ 7,438,931,433
Grants and reimbursements	32,123,480
Medicaid drug rebates	352,389,490
Institutional reimbursements	198,800,174
Soft drink tax	42,552,711
Premium health insurance tax	73,377,135
Risk based provider premium	45,626,427
Quality assurance fees	103,687,115
Hospital assessment and intermediate care facility fees	126,145,598
Interest income	1,361,594
Other sales, refunds, and reimbursements	<u>24,148,058</u>
 TOTAL REVENUES	 8,439,143,215
 Less: State Treasury service charge	 <u>69,305</u>
 NET REVENUES	 <u>8,439,073,910</u>
 EXPENDITURES	
Personal services - payroll	334,601,225
Employee benefits - matching	125,931,153
Communication and transportation of commodities	17,255,180
Printing and advertising	1,235,064
Repairing and servicing	7,393,530
Utilities and rent	18,605,604
Travel and subsistence	5,746,113
Professional services	109,688,607
Insurance and bonds	1,253,975
Other expenses and services	21,645,537
Commodities, materials, and supplies	22,877,669
Assistance, grants, and aid	9,772,939,799
Refunds, taxes, and claims	2,377,598
Low value asset purchases	757,346
Debt service:	
Principal	2,210,000
Interest	1,629,301
Capital outlay	<u>18,592,057</u>
 TOTAL EXPENDITURES	 <u>10,464,739,758</u>
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 <u>(2,025,665,848)</u>

DEPARTMENT OF HUMAN SERVICES
 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	\$ 1,832,694,853
Restricted reserve funding	15,900,000
Tobacco settlement distribution	17,308,578
State Administration of Justice program	890,458
Federal funding	35,274,287
Capitalized leases	9,083,093
Other, net	<u>10,783,065</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>1,921,934,334</u>
NET CHANGE IN FUND BALANCE	(103,731,514)
FUND BALANCE - JULY 1	<u>1,084,242,305</u>
FUND BALANCE - JUNE 30	<u>\$ 980,510,791</u>

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

**DEPARTMENT OF HUMAN SERVICES
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
	Budgeted Amount		Actual	
	Original	Final	Positive (Negative)	
REVENUES				
Federal grants and reimbursements	\$ 7,860,679,051	\$ 7,860,679,051	\$ 6,878,232,341	\$ (982,446,710)
Supplemental Nutrition Assistance			560,699,092	560,699,092 (A)
Grants and reimbursements	15,914,729	15,914,729	32,123,480	16,208,751
Medicaid drug rebates	90,000,000	90,000,000	352,389,490	262,389,490
Various program support	526,555,569	526,555,569	198,800,174	(327,755,395)
Soft drink tax	97,591,000	97,591,000	42,552,711	(55,038,289)
Premium health insurance tax	90,740,392	90,740,392	73,377,135	(17,363,257)
Risk based provider premium	86,308,365	86,308,365	45,626,427	(40,681,938)
Quality assurance fees	83,000,000	83,000,000	103,687,115	20,687,115
Hospital assessment and intermediate care facility fees	119,884,214	119,884,214	126,145,598	6,261,384
Interest income			1,361,594	1,361,594
Other sales, refunds, and reimbursements	8,410,194	8,410,194	24,148,058	15,737,864
TOTAL REVENUES	8,979,083,514	8,979,083,514	8,439,143,215	(539,940,299)
Less: State Treasury service charge			69,305	(69,305)
NET REVENUES	8,979,083,514	8,979,083,514	8,439,073,910	(540,009,604)
EXPENDITURES				
Regular salaries	362,071,225	342,980,731	318,005,128	24,975,603
Extra help	11,229,261	9,643,965	5,642,921	4,001,044
Operating expenses	210,953,243	159,750,401	102,876,736	56,873,665
Personal services matching	148,092,216	132,921,224	125,931,153	6,990,071
Grants and aids	10,729,024,747	10,431,507,081	9,241,830,492	1,189,676,589
Construction	15,914,729	26,795,065		26,795,065
Overtime	15,235,393	11,625,014	10,953,176	671,838
Conference fees and travel	856,908	766,817	335,566	431,251
Professional fees and services	81,948,491	127,359,149	89,359,171	37,999,978
Capital outlay	1,866,635	4,496,134	9,106,323	(4,610,189)
Extra salaries	27,000			
Marketing and redistribution proceeds		26		26
Supplemental Nutrition Assistance			560,699,092	(560,699,092) (A)
TOTAL EXPENDITURES	11,577,219,848	11,247,845,607	10,464,739,758	783,105,849
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(2,598,136,334)	(2,268,762,093)	(2,025,665,848)	243,096,245

DEPARTMENT OF HUMAN SERVICES
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	\$ 1,833,415,486	\$ 1,833,415,486	\$ 1,832,694,853	\$ (720,633)	
Restricted reserve funding			15,900,000	15,900,000	
Tobacco settlement distribution	41,079,945	41,079,945	17,308,578	(23,771,367)	
State Administration of Justice Program	296,819	296,819	890,458	593,639	
Federal funding			35,274,287	35,274,287	
Capitalized leases			9,083,093	9,083,093	
Other, net			10,783,065	10,783,065	
 TOTAL OTHER FINANCING SOURCES (USES)	 1,874,792,250	 1,874,792,250	 1,921,934,334	 47,142,084	
 NET CHANGE IN FUND BALANCE	 (723,344,084)	 (393,969,843)	 (103,731,514)	 290,238,329	
 FUND BALANCE - JULY 1	 1,084,242,305	 1,084,242,305	 1,084,242,305	 0	
 FUND BALANCE - JUNE 30	 \$ 360,898,221	 \$ 690,272,462	 \$ 980,510,791	 \$ 290,238,329	

(A) The Agency is considered a pass-through entity for these funds and only recognizes revenue and expenditures equal to the amount received and receivable at year-end to third-party recipients. Therefore, there are no revenues or expenditures budgeted.

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

DEPARTMENT OF HUMAN SERVICES
 STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
 JUNE 30, 2024

Exhibit D

	<u>Custodial Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 3,910,792</u>
Receivables - Accrued interest	<u>1,062</u>
Investments at fair value:	
Certificates of deposit	461,102
Mutual funds (1)	<u>1,029,704</u>
Total investments	<u>1,490,806</u>
TOTAL ASSETS	<u>\$ 5,402,660</u>
NET POSITION	
Restricted for: individual clients	<u>\$ 5,402,660</u>

(1) Money market mutual funds are not reported at fair value.

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

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

Exhibit E

	<u>Custodial Funds</u>
Additions:	
Investment income: interest, dividends, and other	\$ 15,719
Beneficiary deposits	<u>4,545,481</u>
Total additions	<u>4,561,200</u>
Deductions:	
Beneficiary withdrawals/payments	5,089,014
Administrative expenses	<u>19,928</u>
Total deductions	<u>5,108,942</u>
Change in net position amounts held for individual clients	(547,742)
Net position - beginning	<u>5,950,402</u>
Net position - ending	<u>\$ 5,402,660</u>

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

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1:Summary of Significant Accounting Policies

A. Reporting Entity/History

Act 38 of 1971 created the Department of Social and Rehabilitative Services, as a department of Arkansas state government, to bring together in one organizational structure a variety of separate but related agencies in an effort to improve the efficiency and effectiveness in the use of state and federal funds and to better coordinate the delivery of human services. Act 383 of 1977 changed the name of the Agency to the Department of Human Services (DHS).

A reorganization effort occurred under Act 164 of 1995, and again under Act 913 of 2017, with the purpose of merging and renaming certain divisions, creating new divisions, as well as improving overall efficiency and quality within DHS.

Act 910 of 2019 created the cabinet-level DHS, in which the Secretary of Human Services is the executive head of the cabinet-level department. The provisions of Act 910 of 2019 authorized the transfer of DHS' Division of State Services for the Blind to the authority of the cabinet-level Department of Commerce. Also authorized under this Act was the transfer of the Civilian Student Training Program (CSTP) from the Military Department to the authority of DHS.

DHS operates under a shared business services model in which the shared business services consist of the following offices: Chief Counsel, Communications and Community Engagement, Finance, Information and Technology, Human Resources, Legislative and Intergovernmental Affairs, Procurement, and Security and Compliance. The administrative functions/services of these offices are shared among all divisions, sections, and units within DHS.

At fiscal year-end, DHS consisted of the following eight programmatic divisions, with responsibilities assigned to them as determined by the Secretary of Human Services:

1. Division of Aging, Adult, and Behavioral Health Services.
2. Division of Medical Services.
3. Division of Developmental Disabilities Services.
4. Division of County Operations.
5. Division of Youth Services.
6. Division of Children and Family Services.
7. Division of Child Care and Early Childhood Education.
8. Division of Provider Services and Quality Assurance.

Services provided to Arkansans by these programmatic divisions include, but are not limited to, the following: aging and adult services, adult protective services, children and family services, child abuse and neglect services, services for youth involved with the juvenile system, developmental disabilities services, Medicaid, food stamps, transitional employment assistance, long-term care, mental health services, volunteer services, and alcohol and drug abuse prevention services.

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.

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1:Summary of Significant Accounting Policies (Continued)

B. Basis of Presentation – Fund Accounting

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 clients under the care and supervision of the Agency.

C. Basis of Accounting

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

Governmental Accounting Standards Board (GASB) Statement No. 84, Fiduciary Activities, establishes specific criteria for identifying fiduciary activities. All activities meeting these criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. A liability to the beneficiaries should only be recognized when a demand for the resources has been made or when no further action, approval, or condition is required to be taken or met by the beneficiary(s) to release the assets. As explained in Note 1B, these funds are known as custodial funds.

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.

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1:Summary of Significant Accounting Policies (Continued)

E. 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 \$91,634,838, \$1,089,015,786, and \$2,833,826, 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 \$92,203,022 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 fair value amounts in the table(s) below do not reflect all investments included in the amounts presented in the financial statements. GASB Statement No. 72 provides reporting exceptions for specific investments including, but not limited to, money market mutual funds. The Agency has the following recurring fair value measurements as of June 30, 2024:

Investment Type	Valuation Method	Amount
<u>General Fund</u>		
Domestic securities	Level 1	\$ 56,894
Negotiable certificates of deposit	Level 2	<u>1,712,937</u>
Total		<u>\$ 1,769,831</u>

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. 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.

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
<u>General Fund</u>					
Domestic securities	\$ 56,894		\$ 56,894		
Negotiable certificates of deposit	1,712,937	\$ 353,367	1,359,570		
Subtotal	1,769,831	353,367	1,416,464	\$ 0	\$ 0
<u>Agency Fund</u>					
Money market mutual funds (1)	1,029,704	1,029,704			
Total	\$ 2,799,535	\$ 1,383,071	\$ 1,416,464	\$ 0	\$ 0

(1) Money market mutual funds are not reported at fair value.

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 51% 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:

Rating	Fair Value		
		General Fund	Agency Fund
<u>General Fund</u>			
AAA			
AA			
A			
BBB			
BB			
B			
Unrated	\$ 1,769,831		
Total	\$ 1,769,831		
<u>Agency Fund</u>			
AAA	\$ 227,345		
AA	368,218		
A			
BBB			
BB			
B			
Unrated	434,141		
Total	\$ 1,029,704	(1)	

(1) Money market mutual funds included in total are not reported at fair value.

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1:Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

Investments (Continued)

Custodial Credit Risk – Custodial credit risk for investments is the risk that, in the event of the failure of the counterparty to a transaction, the Agency will not be able to recover the value of its investments or 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 investments may not be returned. As of June 30, 2024, none of the Agency's investment balance of \$2,799,535 was exposed to custodial credit risk.

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 did not have any 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.

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.

G. Inventories

Inventories represent the cost of consumable supplies and goods on hand at year-end. The purchase method is used to account for inventories. Under the purchase method, inventories are recorded as expenditures when purchased; however, material amounts of inventories are reported as assets of the respective fund. Inventories, as reported in the general fund financial statements, are also recorded as a nonspendable component of fund balance indicating that they do not constitute "available, spendable financial resources." Inventories are valued for reporting purposes at actual cost.

H. Prepaid Expenses

Prepaid expenses generally represent the cost of consumable supplies on hand or unexpired services at year-end. The cost of these items is included with expenditures at the time of purchase. Prepaid expenses, as reported in the general fund financial statements, are also recorded as a nonspendable component of fund balance indicating that they do not constitute "available, spendable financial resources."

I. Deferred Outflows of Resources and Deferred Inflows of Resources

Deferred outflows of resources represent a decrease of net position that applies to future periods. Thus, these items will not be recognized as an outflow of resources (an expense or expenditure) until a future period.

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

J. Fund Equity

Fund Balance

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

DEPARTMENT OF HUMAN SERVICES
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2024

NOTE 1:Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (Continued)

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.

K. Budgetary Data

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

NOTE 2:Leases

A lease is defined as a contractual agreement that conveys control of the right to use another entity's nonfinancial asset as specified in the contract for a period of time in an exchange or exchange-like transactions.

Lease Obligations

The Agency leases nonfinancial assets including buildings. Since the financial statements of the Agency are presented using the modified accrual basis of accounting, no liability or leased asset is reflected on the balance sheet. Additional details regarding leased assets and related obligations are presented in Other General Information.

**DEPARTMENT OF HUMAN SERVICES
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	\$ 2,202,913,195	\$ 2,568,623,128	\$ 2,333,803,910	\$ 2,261,735,109	\$ 1,409,635,587
Total Liabilities	468,696,904	703,528,064	687,436,944	756,463,680	437,292,980
Total Deferred Inflows of Resources	753,705,500	780,852,759	738,156,530	624,011,279	455,345,080
Total Fund Equity	980,510,791	1,084,242,305	908,210,436	881,260,150	516,997,527
Net Revenues	8,439,073,910	10,133,757,988	9,581,893,004	8,420,337,021	7,500,210,725
Total Expenditures	10,464,739,758	11,901,054,215	11,733,994,609	10,024,184,334	9,220,084,874
Total Other Financing Sources (Uses)	1,921,934,334	1,943,328,096	2,179,051,891	1,968,109,936	1,829,994,384
Aggregate Remaining Fund Information					
Total Assets	5,402,660	5,950,402	6,367,675	7,620,826	4,953,545
Total Liabilities					4,953,545
Total Net Position	5,402,660	5,950,402	6,367,675	7,620,826	
Additions	4,561,200	5,606,339	5,552,641	9,690,573	
Deductions	5,108,942	6,023,612	6,805,792	7,023,292	

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

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities and Deferred Inflows	Revenues	Expenditures	Other Financing Sources/(Uses)
Shared Business Services and Various Divisions (1)	0710	\$ 2,202,913,195	\$ 1,222,396,813	\$ 8,439,073,910	\$ 10,464,464,324	\$ 1,921,669,224
Department of Human Services (cabinet-level)	9908	_____	5,591	_____	275,434	265,110
Totals		\$ 2,202,913,195	\$ 1,222,402,404	\$ 8,439,073,910	\$ 10,464,739,758	\$ 1,921,934,334

(1) Shared Services and Various Divisions are administered under the direction and supervision of the cabinet-level Department of Human Services.

Shared Business Services consists of the following offices: Chief Counsel, Communications and Community Engagement, Finance, Information Technology, Human Resources, Legislative and Intergovernmental Affairs, Procurement, and Security and Compliance. The Various Divisions are as follows: Division of Aging, Adult, and Behavioral Health Services; Division of Children and Family Services; Division of County Operations; Division of Developmental Disabilities Services; Division of Medical Services; Division of Provider Services and Quality Assurance; and Division of Youth Services.

DEPARTMENT OF HUMAN SERVICES
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 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	\$ 3,193,466			\$ 3,193,466
Improvements	6,391,083			6,391,083
Buildings	221,101,062	\$ 7,242,536		228,343,598
Equipment	31,678,188	2,463,528	\$ 1,285,093	32,856,623
Low value equipment	27,754,575	757,346	1,856,088	26,655,833
Infrastructure	1,134,980			1,134,980
Assets under construction	242,937,656	9,097,621	230,387,265	21,648,012
Intangible assets	245,624,991	218,463,738		464,088,729
Right to use asset - buildings	39,044,774	9,083,093	205,044	47,922,823
Total governmental activities	<u>\$ 818,860,775</u>	<u>\$ 247,107,862</u>	<u>\$ 233,733,490</u>	<u>\$ 832,235,147</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 HUMAN SERVICES
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 5.50% 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 \$49,431,192, \$51,840,370, and \$46,986,129, respectively, equal to the required contributions for each year.

C. Postemployment Benefits Other Than Pensions (OPEB)

Arkansas State Employee Health Insurance Plan (Plan)

Plan Description – The Department of Transformation and Shared Services – Employee Benefits Division (DTSS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DTSS-EBD related to medical and prescription drug plans are established by the State Board of Finance (Board) and may include ad hoc benefit changes or annual cost redeterminations. For the current year, no ad hoc or cost redetermination changes occurred. The Constitution of Arkansas, Article 5, vests the General Assembly with legislative power to enact and amend duties of and benefit provisions of the Board and DTSS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DTSS-EBD is included in the State of Arkansas's Annual Comprehensive Financial Report (ACFR), which includes all applicable financial information, notes, and required supplementary information. That report may be obtained by writing to Department of Transformation and Shared Services, 501 Woodlane, Suite 201, Little Rock, Arkansas 72201 or by calling 501-319-6565.

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

Funding Policy – Employer contributions to the Plan are established by Ark. Code Ann. § 21-5-414. 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 \$33,751,657 and \$33,301,219, respectively. The net changes to compensated absences payable during the year ended June 30, 2024, amounted to \$450,438.

**DEPARTMENT OF HUMAN SERVICES
OTHER GENERAL INFORMATION
JUNE 30, 2024
(UNAUDITED)**

E. Leases

The Agency has acquired property by entering into a contract that conveys control of the right to use another entity's nonfinancial asset which is treated as a lease under GASB Statement No. 87. For more information on the Agency's right-to-use assets, refer to Note A above. Future amounts required to pay principal and interest on lease obligations as of June 30, 2024, were as follows:

Years Ending			
June 30,	Principal	Interest	Total
2025	\$ 7,441,517	\$ 602,953	\$ 8,044,470
2026	5,169,123	381,253	5,550,376
2027	3,123,001	251,900	3,374,901
2028	1,896,591	172,329	2,068,920
2029	1,525,988	124,373	1,650,361
2030-2034	<u>3,296,694</u>	<u>153,997</u>	<u>3,450,691</u>
Totals	<u>\$ 22,452,914</u>	<u>\$ 1,686,805</u>	<u>\$ 24,139,719</u>

F. Installment Purchase

The Agency has installment purchase agreements under the provisions of Arkansas Development Finance Authority (ADFA) and Division of Building Authority (DBA) regarding construction, renovation, and sub-leasing of the Donaghey complex facility. Such agreements are treated as finance purchase agreements under the GASB Statement No. 87.

The following is a schedule of required future principal and interest payments on the installment agreements at June 30, 2024:

Years Ending			
June 30,	Principal	Interest	Total
2025	\$ 2,458,333	\$ 910,022	\$ 3,368,355
2026	2,335,000	784,210	3,119,210
2027	2,401,667	717,305	3,118,972
2028	2,475,417	647,681	3,123,098
2029	2,505,417	575,072	3,080,489
2030-2034	<u>11,594,167</u>	<u>1,585,342</u>	<u>13,179,509</u>
Totals	<u>\$ 23,770,001</u>	<u>\$ 5,219,632</u>	<u>\$ 28,989,633</u>