DEPARTMENT OF PARKS, HERITAGE, AND TOURISM

Annual Financial Report

June 30, 2025

LEGISLATIVE JOINT AUDITING COMMITTEE

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Department of Parks, Heritage, and Tourism
Legislative Joint Auditing Committee

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the major fund of the Department of Parks, Heritage, and Tourism, a department of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department of Parks, Heritage, and Tourism's departmental financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the major fund of the Department of Parks, Heritage, and Tourism as of June 30, 2025, and the changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Emphasis of Matter

As indicated above, the financial statements of the Department of Parks, Heritage, and Tourism are intended to present the financial position, and the changes in financial position, of only that portion of the major fund of the State that is attributable to the transactions of the Department of Parks, Heritage, and Tourism. They do not purport to, and do not, present fairly the financial position of the State of Arkansas as of June 30, 2025, or the changes in its financial position, for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the department's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risk of material misstatements of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the department's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the department's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

The Governmental Accounting Standards Board requires that a Management's Discussion and Analysis and budgetary comparison information be presented to supplement government-wide financial statements. However, as discussed in the "Emphasis of Matter" paragraph above, the financial statements of the Department of Parks, Heritage, and Tourism are only for the specific transactions and activity of the Agency and not for the State as a whole. Therefore, the Management's Discussion and Analysis and the budgetary comparison information need not be presented for the Department of Parks, Heritage, and Tourism individually. However, the Department of Parks, Heritage, and Tourism's portion of the budgetary comparison information is presented as other information in the Schedule of Budget and Actual Expenditures. Our opinion on the departmental financial statements is not affected by these omissions.

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, Schedule of Budget and Actual Expenditures, and Other General Information but does not include the departmental financial statements and our auditor's reports thereon. Our opinion on the departmental financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 2, 2026, 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
June 2, 2026
SAC991225

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 Parks, Heritage, and Tourism
Legislative Joint Auditing Committee

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the major fund of the Department of Parks, Heritage, and Tourism (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Department of Parks, Heritage, and Tourism's departmental financial statements, and have issued our report thereon dated June 2, 2026.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the Schedule of Findings and Responses below as item 2025-1, 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 are described below in the Schedule of Findings and Responses as item 2025-2.

SCHEDULE OF FINDINGS AND RESPONSES

2025-1 Section P1-19-4-2004 of the Department of Finance and Administration (DFA) Office of Accounting Financial Management Guide states that "the bonded disbursing officer and the public employee with supervisory fiduciary responsibility over all fiscal matters for each state agency is responsible for, and held accountable for, reporting any losses of state funds to the Chief Fiscal Officer of the State 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."

As required, the Arkansas Department of Parks, Heritage, and Tourism (ADPHT) notified ALA in February 2026 of an apparent unauthorized disbursement of state funds totaling $2,378 from a payroll direct deposit involving impersonation of an employee. A Direct Deposit Bank Change form was received by an Office of Personnel Management (OPM) Human Resources staff member from what appeared to be an ADPHT employee's personal email address, and the employee's direct deposit banking information was changed in the payroll system without verification of the request's authenticity. Before the change was identified as unauthorized, a direct deposit was issued to the new bank account. As of report date, the funds had not been recovered.

We recommend the Agency work with OPM to strengthen internal controls related to the centralized processing of payroll-related changes resulting from the absorption of human resources functions by the Department of Shared Administrative Services.

2025-2 Arkansas State Board of Finance Rule 2012-A states that all cash funds on deposit with a bank or financial institution that exceed FDIC deposit insurance coverage must be collateralized, and the 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. During our review of collateral, we noted that $100,085 of a bank account's balance of $350,085 was uninsured and uncollateralized at June 30, 2025. The amount uncollateralized by Rule 2012-A was $105,089, or 105% of the amount not covered by FDIC insurance. The deficiency was caused by an abnormally high amount of War Memorial Stadium funds on deposit at year-end in accounts where the combined balances would typically be lower than the $250,000 FDIC coverage. Failure to properly collateralize deposits prevents public funds from being protected in the event of default by the financial institution.

We recommend the Agency analyze deposits with financial institutions throughout the year to ensure compliance with Arkansas State Board of Finance Rule 2012-A to mitigate the risk of loss of uninsured deposits due to bank failure.

Management Response:
Finding 1 – Payroll Direct Deposit Fraud
The Agency concurs with this finding.

Upon discovery of the fraudulent direct deposit change and the resulting unauthorized disbursement of $2,378, the Arkansas Department of Parks, Heritage, and Tourism (ADPHT) immediately notified Arkansas Legislative Audit and the Department of Finance and Administration's Office of Accounting, in accordance with Section P-19-4-2004 of the DFA Financial Management Guide. The Agency also worked with the Office of Personnel Management (OPM) to reverse a change and secure the employee's payroll information.

Because payroll-related changes are processed through the centralized human resources structure under the Department of Shared Administrative Services, ADPHT relies on OPM's established procedures and controls for validating and approving direct deposit updates. ADPHT is working collaboratively with OPM to strengthen these controls and ensure that verification steps are consistently applied.

This includes:

- *Enhancing validation procedures for all direct deposit change requests, including confirmation through official state communication channels.*
- *Implementing additional review steps for changes submitted from non-state email accounts.*
- *Supporting OPM in providing additional training to HR personnel on fraud prevention and identity verification.*

ADPHT will continue to coordinate closely with OPM to ensure that appropriate safeguards are in place to prevent fraudulent activity and protect employee payroll information.

Finding 2 – Uncollateralized Cash Funds
The Agency concurs with this finding.

ADPHT acknowledges that $100,085 of the $350,085 balance in one bank account was uninsured and uncollateralized at June 30, 2025, resulting in a collateralization deficiency under Arkansas State Board of Finance Rule 2012-A. The unusually high year-end balance at War Memorial Stadium contributed to the deficiency. Upon recognizing that the pledged collateral was insufficient, the Agency immediately contacted the financial institution and obtained additional collateral to fully secure the uninsured portion of the deposit in accordance with the 105% requirement. The bank confirmed the collateral adjustment, and the account is now properly collateralized.

To prevent future deficiencies, the Agency has implemented the following corrective actions:

- *More frequent monitoring of cash balances at all financial institutions, with emphasis on periods when deposits historically fluctuate.*
- *Periodic review of collateral levels to ensure compliance with Rule 2012-A.*
- *Procedures requiring staff to notify the bank promptly when account balances increase significantly or unexpectedly.*

These steps will help ensure that all Agency deposits remain fully protected and compliance with state collateralization requirements.

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

Tom Bullington, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
June 2, 2026

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2025

Exhibit A

	General Fund
ASSETS	
Cash and cash equivalents	$ 282,652,055
Receivable, net:	
Customer	259,282
Interest	225,442
Leases	46,313
Other	735,802
Due from other state agencies	2,741,839
Prepaid items	332,945
Inventories	1,935,493
TOTAL ASSETS	$ 288,929,171
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable:	
Vendors	$ 3,286,772
Contracts	3,173,626
Contracts retainage	1,255,721
Other	204,477
Accrued and other current liabilities	1,464,581
Due to other governments	1,191,805
Due to other state agencies	4,013,403
Unearned income	1,493,020
Total Liabilities	16,083,405
Deferred inflows of resources:	
Related to revenues	223,004

	General Fund
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE (continued)	
Fund balance:	
Nonspendable for:	
Prepaid items	$ 332,945
Inventories	1,935,493
Restricted for:	
Program requirements	27,454,777
Other	345,821
Committed for:	
Program requirements	165,962,469
Tobacco settlement	587,465
Other	70,356,407
Assigned for capital projects	54,090
Unassigned	5,593,295
Total Fund Balance	272,622,762
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	$ 288,929,171

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM

Exhibit B

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

FOR THE YEAR ENDED JUNE 30, 2025

	General Fund
REVENUES	
Tourism development tax	$ 26,113,118
Real estate transfer tax	48,930,103
Oil and brine severance tax	165,661
Federal grants and reimbursements	4,549,808
Concessions and usage fees	36,256,180
Investment earnings	4,190,171
Grocery store wine permit fees	1,238,670
Miscellaneous	2,510,249
TOTAL REVENUES	123,953,960
Less: State Treasury service charge	2,293,433
NET REVENUES	121,660,527
EXPENDITURES	
Salary and benefits	62,865,567
Communication and transportation of commodities	4,258,656
Printing and advertising	157,837
Repairing and servicing	11,021,435
Utilities and rent	7,066,652
Travel and subsistence	944,264
Professional services	18,657,339
Insurance and bonds	1,741,271
Other expenses and services	3,952,089
Commodities, materials, and supplies	11,862,779
Assistance, grants, and aid	27,444,191
Refunds, taxes, and claims	131,037
Debt service:	
Principal	311,250
Interest	131,428
Capital outlay	68,597,171
TOTAL EXPENDITURES	219,142,966
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(97,482,439)

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2025

	General Fund
OTHER FINANCING SOURCES (USES)	
Issuance of leases	$ 450,700
Issuance of SBITAs	4,047,075
Interagency transfers in:	
Conservation tax	59,296,971
General revenue distribution	30,265,095
American Rescue Plan Act funding	11,180,844
Delta Heritage Trail Matching Grant - ARDOT	7,888,043
Other, net	2,136,486
Interagency transfers out:	
Grocery store wine tax to Department of Finance and Administration	(1,201,510)
Natural and Cultural Resources Grants, net	(13,960,294)
Excess general revenue subsequently transferred to General Revenue Allotment Reserve Fund (GAD)	(2,793,753)
Prior-year refunds to expenditures	67,859
Prior-year warrants outlawed and cancelled	45,063
Insurance proceeds	125,438
TOTAL OTHER FINANCING SOURCES (USES)	97,548,017
UNUSUAL OR INFREQUENT ITEM	
Philanthropic support for the development of the Delta Heritage Trail - rails-to-trails project	9,844,587
NET CHANGE IN FUND BALANCE	9,910,165
FUND BALANCE - JULY 1	262,712,597
FUND BALANCE - JUNE 30	$ 272,622,762

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

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

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

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

B. Basis of Presentation – Fund Accounting

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

Governmental Funds

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

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures or expenses are recognized and reported in the financial statements. Financial statements for governmental funds are presented using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. “Available” means collectible within the current period or soon enough thereafter to pay current liabilities (i.e., 45 days). Expenditures are generally recognized under the modified accrual basis when the related fund liability is incurred. Revenues from federal grants and federal reimbursements are recognized when all applicable eligibility requirements and the availability criteria of 45 days have been met.

NOTE 1: Summary of Significant Accounting Policies (Continued)

D. Cash and Cash Equivalents

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

E. Deposits and Investments

State Board of Finance Policies

Ark. Code Ann. § 19-4-804 requires that non-exempt 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, except for those specifically exempted by Ark. Code Ann. § 19-4-801.

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

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

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-310, -318. 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 and cash in State Treasury totaling $2,708,131 and $279,819,587, 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, 2025, $100,085 of the Agency's bank balance of $2,503,898 was exposed to custodial credit risk. The Agency's deposits are shown below:

	Bank Balance
Insured (FDIC)	$ 2,318,451
Collateralized:	
Collateral held by the pledging financial institution's trust department or agent in the Agency's name	85,362
Uninsured and uncollateralized	100,085
Total Deposits	$ 2,503,898

NOTE 1: Summary of Significant Accounting Policies (Continued)

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

<u>Fund Balance</u>

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

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

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

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

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

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (Continued)

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.

J. 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.

K. Construction and Other Commitments

At June 30, 2025, the Agency had commitments of approximately $20,084,945 for construction and $67,436,940 for professional services/other contracts.

NOTE 2: Leases

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

Lease Receivables

As the lessor, the Agency leases out various types of assets, such as buildings and land. The related receivables are presented in the Balance Sheet for the amounts equal to the present value of lease payments expected to be received during the lease term. For the year ended June 30, 2025, total lease related inflows recognized by the general fund were $52,024. The Agency had no significant variable payments, residual value guarantees, or lease termination penalties related to its lease agreements as of June 30, 2025.

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

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

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
SCHEDULE OF SELECTED INFORMATION
FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2025
(UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2025	2024	2023	2022	2021
General Fund					
Total Assets	$288,929,171	$279,543,831	$259,989,076	$193,504,568	$134,813,762
Total Liabilities	16,083,405	16,627,128	12,753,975	10,594,516	10,434,743
Total Deferred Inflows of Resources	223,004	204,106	130,794	301,982	76,008
Total Fund Equity	272,622,762	262,712,597	247,104,307	182,608,070	124,303,011
Net Revenues	121,660,527	117,674,997	114,341,477	119,900,375	94,561,173
Total Expenditures	219,142,966	175,182,034	178,666,005	138,374,666	137,910,422
Total Other Financing Sources (Uses) and Unusual or Infrequent Items	107,392,604	73,115,327	128,820,765	76,779,350	76,742,265

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
FINANCIAL INFORMATION BY BUSINESS AREA
AS OF AND FOR THE YEAR ENDED JUNE 30, 2025
(UNAUDITED)

Schedule 2

Board/Commission/Division	Business Area	Assets	Liabilities & Deferred Inflows	Fund Balance	Revenues	Expenditures	Other Financing Sources/(Uses)
Capitol Zoning Commission	0315	$ 25,436	$ 23,032	$ 2,404	$ 3,216	$ 121,805	$ 120,254
Division of Arkansas Heritage	0865	79,297,846	3,121,749	76,176,097	7,715,884	29,660,437	26,257,391
Division of Arkansas Heritage	0867		18	(18)			
Division of Arkansas Heritage	0870	483,683	2,137	481,546	1,080,122	1,353,544	(48,880)
Division of Arkansas Heritage	0873		94	(94)			
Division of Arkansas Heritage	0875		29	(29)			
Division of Arkansas Heritage	0877						
Division of Arkansas Heritage	0880						
Division of Arkansas Heritage	0885		142	(142)			
Division of Arkansas Heritage	0887	77,559,780	275,833	77,283,947	39,633,570	211	(48,723,850)
Divisions of Parks and Tourism	0900	131,313,235	12,671,218	118,642,017	73,227,735	178,734,508	120,014,792
Arkansas History Commission	0915		1,963	(1,963)			
Department of Parks, Heritage, and Tourism	9912	249,191	210,194	38,997		9,272,461	9,772,897
Totals		$ 288,929,171	$ 16,306,409	$ 272,622,762	$ 121,660,527	$ 219,142,966	$ 107,392,604

DEPARTMENT OF PARKS, HERITAGE, AND TOURISM
SCHEDULE OF BUDGET AND ACTUAL EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2025
(UNAUDITED)

Schedule 3

	General Fund			
	Budgeted Amount			Variance With Final Budget Positive
	Original	Final	Actual	(Negative)
AASIS DISBURSEMENTS				
Regular salaries	$ 41,239,764	$ 42,630,350	$ 37,087,185	$ 5,543,165
Extra help	8,372,569	8,661,947	7,960,559	701,388
Operating expenses	33,729,214	122,301,758	87,753,158	34,548,600
Personal services matching	17,867,863	18,859,102	17,604,976	1,254,126
Grants and aids	82,725,659	38,881,528	17,077,745	21,803,783
Construction	74,456,480	36,013,218		36,013,218
Conference fees and travel	263,471	282,471	70,782	211,689
Professional fees and services	6,181,940	45,478,312	33,829,072	11,649,240
Capital outlay	4,425,000	18,605,812	10,514,230	8,091,582
Refunds and reimbursements	100,000	50,000	17,615	32,385
Purchases for resale	5,451,961	5,412,958	5,233,970	178,988
Marketing and redistribution proceeds		119,247		119,247
Special maintenance	4,718,471	750,000		750,000
Black history commission	13,930			
Contract services	486,177			
Delta cultural center		11,972		11,972
Natural heritage commission	1,700,000			
Natural area management	195,076			
Mosaic templar cultural center	248,000			
Ouachita river commission	20,000			
NCRC grants		1,180,056		1,180,056
Tourism promotion	3,072,000	1		1
AR major historic rehabilitation program	40,000,000	40,000,000		40,000,000
Gas royalty expenses	440,000			
Advertising	20,758,669			
Conference - DAC	100			
TOTAL AASIS DISBURSEMENTS	$ 346,466,344	$ 379,238,732	217,149,292	$ 162,089,440
Reconciliation to total expenditures:				
Net accruals			(41,128,045)	
Capital outlay / fixed asset items			50,510,985	
Increase (decrease) in open purchase orders at year-end			(2,779,525)	
Expenditures eliminated or reclassified as transfers for reporting purposes			(4,609,670)	
Miscellaneous items			(71)	
TOTAL EXPENDITURES			$ 219,142,966	

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, 2025, was as follows:

	Beginning Balance	Additions	Retirements	Ending Balance
Governmental activities:				
Land	$ 104,202,174	$ 5,360,436		$ 109,562,610
Improvements	68,640,846	10,549,554		79,190,400
Buildings	334,344,807	7,640,399	$ 410,018	341,575,188
Equipment	35,931,499	5,960,966	2,403,891	39,488,574
Infrastructure	125,083,652	13,421,137		138,504,789
Construction in progress	29,197,220	36,296,079	18,137,540	47,355,759
Other capital assets	33,752,353	284,914	418,674	33,618,593
Right-to-Use assets:				
RtU land	557,899			557,899
RtU buildings	320,836	58,345	239,455	139,726
RtU SBITAs		4,988,929		4,988,929
RtU equipment	295,366	392,355	295,366	392,355
Total governmental activities	$ 732,326,652	$ 84,953,114	$ 21,904,944	$ 795,374,822

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.

B. Pension Plan (Continued)

Arkansas Public Employees Retirement System (APERS) (Continued)

Funding Policy – Contributory plan members are required to contribute 5.75% 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, 2025, 2024, and 2023, were $6,726,313, $6,581,485, and $6,791,926, 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 Shared and Administrative Services – Employee Benefits Division (DSAS-EBD) provides medical and prescription drug benefits for eligible state employees and retirees. Policies for DSAS-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 DSAS-EBD, respectively, as published in Subchapter 4, Chapter 5 of Title 21 of the Arkansas Code Annotated. DSAS-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 Shared and Administrative 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 DSAS-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, 2025 and 2024, amounted to $10,873,317 and $5,036,055, respectively. The net changes to compensated absences payable during the year ended June 30, 2025, amounted to $5,837,262.

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 GASB Statement No. 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 GASB Statement No. 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, 2025, were as follows:

Lease Obligations			
Years Ending June 30,	Principal	Interest	Total
2026	$ 127,642	$ 19,398	$ 147,040
2027	107,371	15,869	123,240
2028	110,720	12,520	123,240
2029	114,183	9,057	123,240
2030	89,053	5,607	94,660
2031-2035	171,505	15,995	187,500
2036-2040	109,746	2,754	112,500
Totals	$ 830,220	$ 81,200	$ 911,420

SBITA Obligations			
Years Ending June 30,	Principal	Interest	Total
2026	$ 645,460	$ 120,293	$ 765,753
2027	669,122	96,631	765,753
2028	693,652	72,101	765,753
2029	719,082	46,671	765,753
2030	554,005	20,310	574,315
Totals	$ 3,281,321	$ 356,006	$ 3,637,327

F. Installment Purchases with Arkansas Development Finance Authority

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

Class of Property - Description	Asset Balance June 30, 2025
Land - Division of Arkansas Heritage Headquarters	$ 2,485,586
Building - Division of Arkansas Heritage Headquarters	5,047,793
Total	$ 7,533,379

The following is a schedule of future minimum payments with the present value of the minimum payments as of June 30, 2025:

F. Installment Purchases with Arkansas Development Finance Authority (Continued)

Years Ending June 30,	Principal	Interest	Total
2026	$ 316,250	$ 113,425	$ 429,675
2027	321,250	108,365	429,615
2028	326,250	103,225	429,475
2029	331,250	98,005	429,255
2030	337,500	92,705	430,205
2031-2035	1,793,750	353,727	2,147,477
2036-2040	1,500,000	107,860	1,607,860
Totals	$ 4,926,250	$ 977,312	$ 5,903,562