

ARKANSAS DEPARTMENT OF HEALTH

Annual Financial Report

June 30, 2015

LEGISLATIVE JOINT AUDITING COMMITTEE



ARKANSAS DEPARTMENT OF HEALTH
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Arkansas

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

LEGISLATIVE JOINT AUDITING COMMITTEE ARKANSAS LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Arkansas Department of Health
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of the major fund and the aggregate remaining fund information of the Arkansas Department of Health, a department of Arkansas state government, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Arkansas Department of Health's departmental financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the 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 Arkansas Department of Health as of June 30, 2015, the changes in financial position, and the budgetary comparison for the general fund for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As indicated above, the financial statements of the Arkansas Department of Health are intended to present the financial position, 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 Arkansas Department of Health. They do not purport to, and do not, present fairly the financial position of the State as of June 30, 2015, the changes in its financial position, and budgetary comparisons for the year then ended, in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

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 Arkansas Department of Health 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 Arkansas Department of Health individually. Our opinions on the departmental financial statements are not affected by the omission of this information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Arkansas Department of Health's departmental financial statements. The Schedule of Selected Information, Arkansas Trauma Education and Research Foundation – Schedule of Training Courses and Expenses, and Other General Information are presented for purposes of additional analysis and are not a required part of the departmental financial statements.

The Schedule of Selected Information, Arkansas Trauma Education and Research Foundation – Schedule of Training Courses and Expenses, and Other General Information have not been subjected to the auditing procedures applied in the audit of the departmental financial statements, and accordingly, we do not express an opinion or provide any assurance on this information.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated August 30, 2016, on our consideration of the Arkansas Department of Health's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 Arkansas Department of Health's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
August 30, 2016
SA1764515

Arkansas

Sen. Jimmy Hickey, Jr.
Senate Chair
Sen. Linda Chesterfield
Senate Vice Chair



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

Arkansas Department of Health
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 Arkansas Department of Health (the "Agency"), a department of Arkansas state government, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the Arkansas Department of Health's departmental financial statements, and have issued our report thereon dated August 30, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Agency's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies; therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying Schedule of Findings and Responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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. We consider deficiencies 2015-2 through 2015-5, described in the accompanying Schedule of Findings and Responses, to be material weaknesses.

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. We consider deficiencies 2015-1 and 2015-6, described in the accompanying Schedule of Findings and Responses, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Agency's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

SCHEDULE OF FINDINGS AND RESPONSES

2015-1 Agency management reported \$308,641 in services obtained from three vendors in violation of state procurement law and, in March 2016, requested approval from the Department of Finance and Administration (DFA) – Office of State Procurement (OSP) to pay \$261,141 in unpaid obligations to these vendors. In April 2016, OSP approved payment of the obligations, noting that supporting documentation indicated the vendors provided services in good faith and that it was in the best interest of the State that they be compensated.

The Agency properly procured software maintenance services from a vendor in fiscal year 2014. However, the purchase order closed after fiscal year-end, and the vendor continued to perform work in fiscal year 2015 without a new purchase order due to a breakdown in communication with the Agency. Agency management did not become aware of the situation until February 2016, when the vendor contacted them about payment for services totaling \$76,000.

Two other vendors provided services totaling \$242,536 from October 2014 to February 2016 based on assurances and/or instructions from the Agency's Injury and Violence Prevention Section Chief. The vendors received payments for services totaling \$57,395 from approved contracts and/or purchase orders. However, \$47,500 of those services were provided before a contract or purchase order had been executed because the Section Chief failed to disclose to Agency management or procurement staff that the services were delivered prior to authorization of the contract/purchase order. Agency management became aware of the situation when the Chief Financial Officer and Director of the Center for Health Protection received a letter from one of the vendors requesting payment for services provided. An internal investigation resulted in the discovery of an additional \$185,141 in unpaid obligations, as well as the \$47,500 in retroactive payments.

The persons responsible for the state procurement law violations are no longer employed by the Agency. Also, the Agency has indicated that additional procurement training has been provided to existing staff.

We recommend the Agency continue to provide procurement training to employees and hold them accountable for compliance with state procurement law.

Management Response: *The Agency agrees with the finding and has conducted additional training and will provide ongoing oversight of the procurement process.*

2015-2 Two issues were identified in the Greenway application related to master and transaction data:

1. The system incorrectly populated the total cost of the service, instead of the unit price, into the "units" field for some transactions.
2. The system does not maintain some established master data during the vendor patching and upgrading process and does not create an audit trail to identify the master data changed.

Sound information system controls require that appropriate fields be correctly populated during transaction processing and accurate and complete master data be maintained in the system. Failure to comply increases the risk of over or under billing of claims and inaccurate financial information.

We recommend the Agency continue to work with the vendor to resolve these issues.

Management Response: *The Agency agrees with the Legislative finding regarding the importance of system controls and data that impacts billing. Data is not impacted when upgrades are installed, as it applies from that point forward. Both of these issues were related to "NDC Quantity". The first issue had to do with adding the quantity on a screen that is normally not populated at the end of a visit and the other had to do with each line item needing a quantity of 1 for Commercial billing purposes but not being required for Medicaid. Both issues have been addressed by the vendor and should be resolved with the next Greenway release.*

2015-3 In the Greenway application, 299 users (24% of the total users) were granted with "override" access rights, which allowed them to make direct changes to transactions without creating a sufficient audit trail of the changes. Additionally, these types of changes can be made to records after claims have been submitted to the claims processor.

Sound information system controls require that an adequate audit trail be created when changes are made to a transaction that has been accepted by the system. Noncompliance increases the risk of errors and fraud.

We recommend the Agency restrict "override" access rights to supervisory personnel and closely monitor the use of this transaction.

Management Response: *The Agency agrees with the Legislative finding and is in the process of evaluating all Greenway access rights. This override capability allows some users (primarily nurses, clerks and billing personnel) to override some data fields in Greenway. However, Greenway records if any data is overridden in an audit log which cannot be accessed or modified by a standard user. This override capability was allowed initially during the Greenway implementation for "super users" to address some issues that were discovered but those issues were corrected shortly thereafter by the vendor. This sort of access is being restricted even more heavily now working in conjunction with IT and the Center for Local Public Health. All Greenway access is being reviewed to ensure that these types of rights are only available to an upper level management when appropriate. Greenway has an "Audit Log Report" which identifies actions each user takes and is monitored frequently to ensure that users are not performing activities that they should not be performing.*

2015-4 Numerous "test" transactions were identified in the Greenway production system. The production system is used by local health units to check patients in and out, document procedures performed, bill for services, receipt money collected for services, and maintain detailed accounts receivable records.

Sound information system controls require that testing be performed in a replica of the production system. Entering "test" transactions in the production system increases the risk for errors and over/under billing.

We recommend the Agency only perform testing in systems other than production.

Management Response: *The Agency agrees with Legislative Audit regarding test patients and have advised our vendor of that requirement. Currently, the only "test" patient in use in the Greenway "live" environment is "zzzTigerr, zzzTony" (#1763). We were advised by the Greenway vendor that this test patient was a mandatory system requirement so Greenway could ensure that upgrades were performed successfully (or if issues were presented, there was a patient that a "fix" or a "patch" could truly be tested on without adversely affecting all accounts in that "production" environment). Any others were created by users in the field or are duplicates, which are constantly being checked and marked as such. As reports are designed, etc., every effort is being made to remove the Test Patient, although if not advised, they may remain in existing Greenway reports.*

2015-5 The Greenway clearinghouse vendor routinely makes changes to the claims submitted for processing. There is no established process for Agency personnel to approve and record the changes in the Greenway application.

Sound information system controls require that an adequate audit trail be created when changes are made to a transaction that has been accepted by the system. Noncompliance could cause over/under payment of claims and inaccurate accounting.

We recommend the Agency implement processes to ensure changed claims are approved and properly recorded in the Greenway application.

Management Response: *The Agency agrees with Legislative Audit on this issue. This issue is referencing changes made to an account outside of Greenway for billing purposes. Currently, edits are performed in Greenway at several levels then again at the Clearinghouse, Medicaid or other insurance companies. Any changes that are made outside of Greenway are also supposed to be made in the Greenway system to make sure the "master" record is always the most current and up to date. While these changes may be minimal, it does produce a potential disconnect in the process. Since all claims (Commercial and Medicaid) are now processed by the ADH Claims Group, the process is under review so that the workflow can be addressed when making corrections.*

2015-6A The Arkansas Trauma Education and Research Foundation (ATERF) was created in June 2011 to provide trauma training courses for hospitals, nurses, and physicians in an effort to improve delivery of care to trauma patients. ATERF contracted with the Agency to provide professional services and training courses. The State was ATERF's largest client and its primary source of revenue.

While the Agency contract amounts were established based on ATERF's estimated cost for each individual training course, the contracts provided that the Agency would only reimburse ATERF for actual documented expenses, up to the estimated cost of each training course. According to ATERF, vendor booth rental and registration fees were used for costs of training courses when the actual cost exceeded the estimated amounts in the contracts.

For 157 of the 181 training courses ATERF conducted, the actual costs were less than the contract amounts; however, in conflict with the contracts, ATERF invoiced, and the Agency paid, the estimated rather than actual course costs, resulting in the Agency overpaying ATERF \$655,886 during the period February 2012 through June 30, 2015.

The amounts the Agency paid, actual allowable training costs ATERF incurred, and the amount the Agency overpaid are summarized below by time period and are provided in detail by training course in Schedule 2 on pages 20 through 24 of the report.

Time Period	Invoiced to/ Paid by ADH a	Actual Allowable Training Costs b	Amounts Overpaid a-b
February - June 2012	\$ 371,767	\$ 223,511	\$ 148,256
Fiscal Year Ended June 30:			
2013	589,425	407,389	182,036
2014	725,600	527,298	198,302
2015	799,550	672,258	127,292
Totals	<u>\$2,486,342</u>	<u>\$1,830,456</u>	<u>\$655,886</u>

On May 26, 2016, the Agency notified ATERF that the contract would not be extended into fiscal year 2017 and instructed ATERF to suspend all vendor-related activities. ATERF ceased operations in the summer of 2016 due to its inability to generate sufficient income to pay outstanding obligations.

Additionally, the contract provided that equipment acquired by ATERF and reimbursed through the contract was Agency property. In fiscal year 2015, ATERF sold a particular piece of equipment for \$45,000. This item was purchased in fiscal year 2012 for \$74,350. ATERF stated that proceeds were used for new course development and supplies. The Agency did not authorize the disposal of the equipment and was not aware of its disposal until after the contract was terminated. In August 2016, Agency employees took possession of the remaining equipment ATERF had purchased with Agency funds.

In summary, the Agency did not adequately ensure that only actual costs of training courses were reimbursed to ATERF because submission or review of financial documentation from vendors was not required by previous management. It appears that both ATERF and the Agency treated the training portion of the contract as fees for services and not reimbursement of expenses. Furthermore, the Agency did not adequately maintain records of equipment purchases by ATERF.

We recommend that the Agency ensure disbursements are made according to contract terms and that contracted activities are reasonable and aligned with Agency goals and missions. Also, we recommend the Agency develop procedures to identify and record all of its equipment, including equipment held by third parties. Finally, we recommend the Agency determine if any funds should be recouped.

Management Response: *The Agency agrees with the finding and has implemented changes to address these concerns. The Agency is exploring options of recouping the overpayment.*

2015-6B In addition to ATERF overbilling the Agency \$655,886 and disposing of Agency equipment costing \$74,350, we noted the following items, which also led to the Agency terminating the contract with ATERF:

- ATERF conducted two Trauma Leadership Conferences on August 23 and 24, 2013, and August 15 and 16, 2014, at an out-of-state, high-end resort, even though the majority of attendees and their families were from Arkansas.
- ATERF held a Trauma Update Conference in Little Rock on May 8 and 9, 2015, that was not part of the original training course list contained in the contract. Ten days later, on May 18, ATERF requested that this conference be added to the course list. So that total estimated costs of the contract would not be affected, ATERF also requested that other training courses be eliminated. The Agency approved the modification on the same date.
- Following a change in financial section leadership in the Agency's Trauma Section beginning in February 2016, the Agency requested additional information and documentation from ATERF and indicated on April 25 that it would make no further contract payments until information was provided; however, ATERF did not comply with the request. On April 26, ATERF requested a contract change that would eliminate 19 approved training courses, add 4 new courses, increase the contract amount for the upcoming Trauma Update Conference, and authorize additional expenses. Although the Agency denied the change request, ATERF still held the Trauma Update Conference on May 6 and 7, 2016, and requested reimbursement from the Agency, which was not approved or paid. Vendors are still owed \$115,380 for this conference.

As previously noted, the Agency notified ATERF in May 2016 that the contract would not be renewed for fiscal year 2017. ATERF ceased operations in the summer of 2016 due to its inability to generate sufficient income to pay outstanding obligations, which totaled approximately \$174,322.

2015-7 The Trauma Advisory Council (TAC) was established by Ark. Code Ann. § 20-13-807 for making recommendations, advising, and assisting the Agency concerning development and operation of a statewide trauma system. TAC consists of 20 voting members appointed by the Governor and two nonvoting ex-officio members. TAC created seven subcommittees, including a Finance Subcommittee, and allowed individuals not appointed to TAC to actively serve as members of the subcommittees.

According to Ark. Code Ann. § 21-8-304, no public servant shall use or attempt to use his or her official position to secure special privileges or exemptions, accept employment or engage in any public or professional activity that might require disclosure of confidential information, or disclose any such information for personal gain or benefit. In conflict with Ark. Code Ann. § 21-8-304,

- Two individuals on TAC received payments totaling \$141,975 from ATERF during fiscal years 2012-2015 for teaching and/or planning courses through the ATERF contract.
- A third individual, the Chair of the ATERF Board of Directors, was not a member of TAC or the TAC – Finance Subcommittee but attended meetings, made motions, and acted as a member. As Board Chair, he signed the fiscal year 2012 contract with the Agency as ATERF's representative. ATERF paid him \$50,375 for services that were reimbursed by the Agency during fiscal years 2012 through 2015.

The table below provides the amounts these individuals received from ATERF, as well as their service capacity on TAC and the TAC Finance Subcommittee:

	Trauma Advisory Council (TAC)	TAC Finance Subcommittee	Amounts Received from ATERF February 2012 - June 30, 2015
Individual #1	Yes	Yes	\$ 60,475
Individual #2	Yes	Yes	\$ 81,500
Individual #3	No	No	\$ 50,375

We recommend the Agency establish internal controls to ensure conflicts of interest are identified and procedures are developed to promptly inform the Governor of any conflicts.

Management Response: *The Agency agrees with the finding and will provide additional guidance and oversight to the advisory boards on conflict of interest issues.*

Agency's Response to Findings

The Agency's response to the findings identified in our audit is described above. The Agency's response was not subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we express no opinion on it.

Purpose of this Report

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

ARKANSAS LEGISLATIVE AUDIT



Jon Moore, CPA, CFE, CFF
Deputy Legislative Auditor

Little Rock, Arkansas
August 30, 2016

ARKANSAS DEPARTMENT OF HEALTH
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2015

Exhibit A

	General Fund
ASSETS	
Cash and cash equivalents	\$ 49,593,462
Investments	164,190
Accounts receivable (net):	
Health care services	25,216,487
Infant formula rebates	4,253,989
Miscellaneous fees and services	555,073
Accrued interest	195
Due from other state agencies	956,843
Prepaid items	2,297,903
Inventories	16,596,096
TOTAL ASSETS	\$ 99,634,238
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
Liabilities:	
Accounts payable - vendors	\$ 4,819,658
Accrued payroll	3,673,668
Unearned income	540,721
Due to other governments	308,308
Due to other state agencies	1,014,834
Total Liabilities	10,357,189
Deferred inflows of resources:	
Related to revenues	21,799,798
Fund balance:	
Nonspendable for:	
Prepaid items	2,297,903
Inventories	16,596,096
Restricted for:	
Debt service	151,205
Program requirements	11,906,213
Committed for:	
Tobacco settlement	5,191,798
Program requirements	30,246,621
Assigned for capital projects	60,000
Unassigned	1,027,415
Total Fund Balance	67,477,251
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	\$ 99,634,238

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

ARKANSAS DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

	General Fund
REVENUES	
Cigarette tax	\$ 3,146,324
Federal grants and reimbursements	177,263,212
Health care services	95,905,535
Licenses and fees	17,979,385
In-kind donations	9,269,844
Infant formula rebates	21,216,356
Other sales, refunds, and reimbursements	6,409,266
 TOTAL REVENUES	 331,189,922
 Less: State Treasury service charge	 344,313
 NET REVENUES	 330,845,609
 EXPENDITURES	
Personal services - payroll	115,286,798
Employee benefits - matching	40,518,581
Communication and transportation of commodities	5,942,710
Printing and advertising	1,005,610
Repairing and servicing	4,567,394
Utilities and rent	12,238,684
Travel and subsistence	4,365,713
Professional services	51,555,850
Insurance and bonds	294,718
Other expenses and services	7,370,031
Commodities, materials, and supplies	98,233,457
Assistance, grants, and aid	95,928,090
Refunds, taxes, and claims	180,887
Debt service:	
Principal	1,061,468
Interest	182,252
Debt issuance costs	138,654
Low-value asset purchases	1,026,577
Capital outlay	1,476,568
 TOTAL EXPENDITURES	 441,374,042
 EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	 (110,528,433)

ARKANSAS DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit B

	General Fund
OTHER FINANCING SOURCES (USES)	
Issuance of refunding debt	\$ 9,275,000
Debt premiums	252,871
Payment to refunding escrow agent	(11,262,217)
Interagency transfers:	
General revenue allocation	85,301,946
General improvement funding	1,000,000
Tobacco settlement distribution	14,114,404
Federal funding	7,284,783
Excess general revenue subsequently transferred to the General Revenue Allotment Reserve Fund (GAD)	(205,297)
Other	(850,173)
Prior-year warrants outlawed and cancelled	31,975
Prior-year refunds to expenditures	34,235
	104,977,527
 TOTAL OTHER FINANCING SOURCES (USES)	 104,977,527
 NET CHANGE IN FUND BALANCE	 (5,550,906)
 FUND BALANCE - JULY 1	 73,028,157
 FUND BALANCE - JUNE 30	 \$ 67,477,251

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

ARKANSAS DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
REVENUES				
Federal grants and reimbursements	\$157,225,654	\$157,225,654	\$177,263,212	\$ 20,037,558
Special revenue	19,597,142	19,597,142	16,653,084	(2,944,058)
Third-party	83,257,813	83,257,813	95,905,535	12,647,722
Program support	21,151,661	21,151,661	20,151,735	(999,926)
Manufacturer rebates	24,875,112	24,875,112	21,216,356	(3,658,756)
TOTAL REVENUES	306,107,382	306,107,382	331,189,922	25,082,540
Less: State Treasury service charge			344,313	(344,313)
NET REVENUES	306,107,382	306,107,382	330,845,609	24,738,227
EXPENDITURES				
Regular salaries	131,360,182	121,865,428	114,321,800	7,543,628
Extra help	1,711,737	1,669,663	927,593	742,070
Personal services matching	45,898,908	42,306,089	40,518,581	1,787,508
Overtime	120,559	92,340	37,405	54,935
Operating expenses	123,592,520	80,772,805	74,307,579	6,465,226
Conference fees and travel	1,318,565	1,401,178	559,726	841,452
Professional fees and services	41,735,660	52,402,775	43,221,124	9,181,651
Grants and aid	100,194,971	117,762,346	95,227,993	22,534,353
Claims	11,613	11,613	3,691	7,922
Capital outlay	1,750,000	1,714,689	1,476,568	238,121
Write-off of uncollectable accounts receivable			9,084,134	(9,084,134)
Donated local health unit facility cost			9,269,844	(9,269,844)
Vaccines donated by the Centers for Disease Control and Prevention			52,418,004	(52,418,004)
TOTAL EXPENDITURES	447,694,715	419,998,926	441,374,042	(21,375,116)
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(141,587,333)	(113,891,544)	(110,528,433)	3,363,111

ARKANSAS DEPARTMENT OF HEALTH
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL - GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit C

	General Fund			Variance With Final Budget Positive (Negative)
	Budgeted Amount		Actual	
	Original	Final		
OTHER FINANCING SOURCES (USES)				
Issuance of refunding debt			\$ 9,275,000	\$ 9,275,000
Debt premiums			252,871	252,871
Payment to refunding escrow agent			(11,262,217)	(11,262,217)
Interagency transfers:				
General revenue allocation	\$ 85,301,946	\$ 85,301,946	85,301,946	
General improvement funding			1,000,000	1,000,000
Tobacco settlement distribution	14,257,275	14,257,275	14,114,404	(142,871)
Federal funding			7,284,783	7,284,783
Excess general revenue subsequently transferred to the General Revenue Allotment Reserve Fund (GAD)			(205,297)	(205,297)
Other	(1,624,925)	(1,624,925)	(850,173)	774,752
Prior-year warrants outlawed and cancelled			31,975	31,975
Prior-year refunds to expenditures			34,235	34,235
TOTAL OTHER FINANCING SOURCES (USES)	<u>97,934,296</u>	<u>97,934,296</u>	<u>104,977,527</u>	<u>7,043,231</u>
NET CHANGE IN FUND BALANCES	<u>(43,653,037)</u>	<u>(15,957,248)</u>	<u>(5,550,906)</u>	<u>10,406,342</u>
FUND BALANCES - JULY 1	<u>73,028,157</u>	<u>73,028,157</u>	<u>73,028,157</u>	
FUND BALANCES - JUNE 30	<u><u>\$ 29,375,120</u></u>	<u><u>\$ 57,070,909</u></u>	<u><u>\$ 67,477,251</u></u>	<u><u>\$ 10,406,342</u></u>

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

ARKANSAS DEPARTMENT OF HEALTH
STATEMENT OF FIDUCIARY NET POSITION – FIDUCIARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2015

Exhibit D

	<u>Agency Funds</u>
ASSETS	
Cash and cash equivalents	<u>\$ 10,000</u>
LIABILITIES	
Due to third parties	<u>\$ 10,000</u>

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

ARKANSAS DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies

A. Reporting Entity/History

The Arkansas Department of Health is a department of Arkansas state government, and its mission is to protect and improve the health and well-being of all Arkansans. To achieve this mission, the Agency delivers a broad range of preventive and regulatory public health services statewide. Funding is primarily comprised of state general revenue; federal revenue; health care services revenue collected from Medicaid, Medicare, and commercial insurance; and manufacturer rebates from contracted formula companies. Additional funding sources include special revenues from taxes and licensing fees, tobacco settlement funding, and various program support fees.

Act 85 of 1881, as amended, endowed the Agency with general supervision and control of all matters pertaining to public health and safety. Act 38 of 1971 created the Department of Health as a cabinet-level agency. Act 1954 of 2005 merged the Agency with the Department of Human Services and renamed the new agency the Department of Health and Human Services. Act 384 of 2007 gave the Governor the authority to separate the Division of Health from the Department of Health and Human Services and reestablish a Department of Health. The Governor executed the final separation in Executive Order 07-05 on May 2, 2007.

The Arkansas State Board of Health (the Board) was created by Act 96 of 1913 and currently consists of 23 members appointed by the Governor, as authorized by Ark. Code Ann. § 20-7-102. The Board serves as a policy advisory body to the Agency and has specific statutory authority in issues related to public health. The Director serves at the pleasure of the Governor and acts as the Secretary of the Board and State Health Officer. With the approval of the Board, the Governor may appoint a Surgeon General who shall serve as a cabinet-level advisor to the Governor.

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 are recognized in the accompanying financial statements.

Governmental Funds

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

Fiduciary Funds

Trust and Agency Funds – Funds 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 may include Pension Trust Funds, Employee Health Trust Funds, Investment Trust Funds, Private-Purpose Trust Funds, and Agency Funds. The specific activity accounted for at this Agency includes the following:

Agency Funds – Funds that are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations. At June 30, 2015, these funds include a certified cashier's check held to ensure full performance from the contractor developing an off-line electronic benefits transfer (EBT) system, which will allow participants in the Woman, Infants, and Children (WIC) program to use an EBT smart card to purchase approved foods (eWIC).

ARKANSAS DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

C. Basis of Accounting

Basis of accounting refers to when revenues and expenditures 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. Agency funds represent the only fiduciary fund type, and financial statements are presented using the full accrual basis of accounting. No measurement focus is used since they are custodial in nature (assets equal liabilities) and do not involve the measurement of results of operations.

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 investment policies and procedures, effective July 14, 2012, as referenced in the Financial Management Guide issued by DFA for use by all state agencies.

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

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

State Board of Finance policy states that cash funds may only be invested in accounts and investments authorized under Ark. Code Ann. §§ 19-3-510, -518. All noncash investments must be held in safekeeping by a bank or financial institution. In addition, all cash funds on deposit with a bank or financial institution that exceed FDIC deposit insurance coverage must be collateralized. Collateral pledged must be held by an unaffiliated third-party custodian in an amount at least equal to 105% of the cash funds on deposit.

Deposits

Deposits are carried at cost and consist of cash in bank, cash in State Treasury, and certificates of deposit totaling \$2 million, \$47.5 million, and \$164,190, 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.

ARKANSAS DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

E. Deposits and Investments (Continued)

Deposits (Continued)

Custodial Credit Risk – 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, 2015, none of the Agency's bank balance of \$2.16 million was exposed to custodial credit risk.

F. Interfund Balances and Transfers

Interfund receivables and payables arise from interfund transactions and are recorded by all funds affected in the period in which transactions are executed. Details of interfund transfers are disclosed in the financial statements, as applicable.

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. Thus, these items will not be recognized as an inflow of resources (revenue) until a future period.

J. Fund Equity

Fund Balance

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

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

ARKANSAS DEPARTMENT OF HEALTH
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2015

NOTE 1: Summary of Significant Accounting Policies (Continued)

J. Fund Equity (Continued)

Fund Balance (Continued)

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: Subsequent Events

On June 20, 2016, the Agency announced the signing of an agreement with Kindred Healthcare, Inc. (Kindred), to sell the In-Home Services program for \$39 million. The closing date for the sale was August 1, 2016, and included licenses to provide home health and personal care services in 69 counties and hospice services in 42 counties. As part of the contract, Kindred agreed to retain all current employees for one year and to serve all current patients upon consent. Agency employees who stay throughout the transition may receive a bonus in accordance with Act 246 of 2016, severance in accordance with Ark. Code Ann. § 21-5-223, and compensation for any unused annual and sick leave balances to which they are entitled.

ARKANSAS DEPARTMENT OF HEALTH
 SCHEDULE OF SELECTED INFORMATION
 FOR THE FIVE-YEAR PERIOD ENDED JUNE 30, 2015
 (UNAUDITED)

Schedule 1

	For the Year Ended June 30,				
	2015	2014	2013	2012	2011
GENERAL FUND					
Total Assets	\$ 99,634,238	\$ 95,275,023	\$ 90,664,166	\$ 91,633,692	\$ 90,986,880
Total Liabilities	10,357,189	11,991,389	17,314,348	15,341,189	22,200,544
Total Deferred Inflow s of Resources	21,799,798	10,255,477			
Total Fund Equity	67,477,251	73,028,157	73,349,818	76,292,503	68,786,336
Net Revenues	330,845,609	313,747,153	317,198,208	328,632,355	316,684,846
Total Expenditures	441,374,042	421,590,039	427,792,986	427,608,659	416,839,968
Total Other Financing Sources (Uses)	104,977,527	107,521,225	107,652,093	106,482,471	103,581,105
AGENCY FUNDS					
Total Assets	10,000	12,000			
Total Liabilities	10,000	12,000			

ARKANSAS DEPARTMENT OF HEALTH (ADH)
 ARKANSAS TRAUMA EDUCATION AND RESEARCH FOUNDATION (ATERF)
 SCHEDULE OF TRAINING COURSES AND EXPENSES
 FROM FEBRUARY 2012 THROUGH JUNE 2015
 (UNAUDITED)

Schedule 2

Fiscal Year	Course Date	Course Name	Invoiced to/Paid by ADH	ATERF's Actual Training Expenses	Less Amount Not Invoiced	Actual Allowable Training Costs	Amounts Overpaid
			a	b	c	b-c=d	a-d
2012	02/16/12	MCI	\$ 38,750	\$ 30,235		\$ 30,235	\$ 8,515
2012	02/18/12 02/19/12	ATLS	28,000	14,703		14,703	13,297
2012	02/22/12	RTDDC	8,217	7,572		7,572	645
2012	02/24/12	ASSET	22,600	8,527		8,527	14,073
2012	02/24/12 02/26/12	TNCC	9,200	5,083		5,083	4,117
2012	02/28/12	FAST	8,600	5,044		5,044	3,556
2012	03/16/12 03/17/12	TNCC	9,200	7,301		7,301	1,899
2012	03/28/12 03/29/12	BTCC	6,800	4,237		4,237	2,563
2012	03/30/12	RTTDC	7,250	4,002		4,002	3,248
2012	03/30/12 03/31/12	TNCC	9,200	4,991		4,991	4,209
2012	04/05/12	TPIC	6,800	1,643		1,643	5,157
2012	04/14/12	FAST	8,600	3,579		3,579	5,021
2012	04/20/12 04/21/12	TNCC	9,200	5,665		5,665	3,535
2012	04/24/12	RTTDC	7,250	4,663		4,663	2,587
2012	04/27/12 04/28/12	ATLS Instructor	17,100	9,488		9,488	7,612
2012	04/28/12 04/29/12	ATLS	22,400	15,870		15,870	6,530
2012	05/04/12 05/06/12	TNCC	9,200	4,887		4,887	4,313
2012	05/05/12	MCI	38,750	30,044		30,044	8,706
2012	05/19/12 05/20/12	ATLS	22,400	13,923		13,923	8,477
2012	05/22/12	FAST	8,600	3,729		3,729	4,871
2012	05/23/12	RTTDC	7,250	5,845		5,845	1,405
2012	05/24/12	TPIC	6,800	1,697		1,697	5,103
2012	05/29/12	RTTDC	7,250	4,982		4,982	2,268
2012	05/31/12	TPIC	6,800	1,497		1,497	5,303
2012	06/05/12 06/06/12	BTCC	8,600	4,030		4,030	4,570
2012	06/08/12	RTTDC	7,250	5,545		5,545	1,705
2012	06/10/12	FAST	8,600	4,267		4,267	4,333
2012	06/18/12	FAST	8,600	4,093		4,093	4,507
2012	06/21/12	TNCC Instructor	5,700	2,594		2,594	3,106
2012	06/22/12 06/23/12	BTCC	6,800	3,774		3,774	3,026
FY2012 Total			\$ 371,767	\$ 223,511	\$ 0	\$ 223,511	\$ 148,256

ARKANSAS DEPARTMENT OF HEALTH (ADH)
 ARKANSAS TRAUMA EDUCATION AND RESEARCH FOUNDATION (ATERF)
 SCHEDULE OF TRAINING COURSES AND EXPENSES
 FROM FEBRUARY 2012 THROUGH JUNE 2015
 (UNAUDITED)

Schedule 2

Fiscal Year	Course Date	Course Name	Invoiced to/Paid by ADH	ATERF's Actual Training Expenses	Less Amount Not Invoiced	Actual Allowable Training Costs	Amounts Overpaid
			a	b	c	b-c=d	a-d
2013	07/11/12	FAST	\$ 8,600	\$ 4,681		\$ 4,681	\$ 3,919
2013	07/12/12	BTCC	6,800	3,803		3,803	2,997
2013	07/20/12	TNCC	9,200	5,339		5,339	3,861
2013	08/14/12	RTTDC	7,250	6,706		6,706	544
2013	08/17/12	ASSET	22,600	20,226		20,226	2,374
2013	08/18/12 08/19/12	ATLS	22,400	18,576		18,576	3,824
2013	08/24/12 08/25/12	TNCC	9,200	4,233		4,233	4,967
2013	08/29/12	FAST	8,600	3,504		3,504	5,096
2013	09/15/12 09/16/12	PHTLS	4,625	4,051		4,051	574
2013	09/19/12	RTTDC	7,250	6,289		6,289	961
2013	09/21/12 09/23/12	TNCC	9,200	6,601		6,601	2,599
2013	10/03/12	MCI	38,750	30,044		30,044	8,706
2013	10/12/12 10/14/12	TNCC	9,200	5,761		5,761	3,439
2013	10/13/12	PHTLS	4,625	4,354		4,354	271
2013	10/17/12	RTTDC	7,250	6,370		6,370	880
2013	10/20/12	ATLS	22,400	16,231		16,231	6,169
2013	11/07/12	RTTDC	7,250	5,621		5,621	1,629
2013	11/08/12	FAST	17,200	8,169		8,169	9,031
2013	11/08/12	PHTLS	4,625	5,958	\$ 1,333	4,625	
2013	11/09/12	TNCC	9,200	6,209		6,209	2,991
2013	11/28/12	BTCC	6,800	4,688		4,688	2,112
2013	11/30/12	PHTLS	4,625	1,461		1,461	3,164
2013	12/01/12	PHTLS	4,625	3,473		3,473	1,152
2013	12/07/12	ATLS	17,100	13,305		13,305	3,795
2013	12/08/12	ATLS	22,400	15,404		15,404	6,996
2013	12/12/12	FAST	8,600	3,317		3,317	5,283
2013	01/12/13	PHTLS	4,625	5,472	847	4,625	
2013	01/12/13	ATLS	22,400	16,288		16,288	6,112
2013	01/18/13	TNCC Instructor	5,700	2,402		2,402	3,298
2013	01/25/13	TNCC	9,200	5,252		5,252	3,948
2013	01/30/13	RTTDC	7,250	5,769		5,769	1,481
2013	02/08/13	TNCC	9,200	7,295		7,295	1,905
2013	02/09/13	PHTLS	4,625	5,017	392	4,625	
2013	02/09/13	FAST	8,600	3,212		3,212	5,388
2013	02/26/13	RTTDC	7,250	3,818		3,818	3,432
2013	03/23/13	MCI	38,750	36,030		36,030	2,720
2013	04/03/13	FAST	8,600	3,337		3,337	5,263
2013	04/05/13	TNCC	9,200	5,933		5,933	3,267
2013	04/20/13	ATLS	22,400	15,711		15,711	6,689
2013	04/26/13	TNCC	9,200	7,014		7,014	2,186
2013	04/30/13	RTTDC	7,250	5,379		5,379	1,871
2013	05/01/13	RTTDC	7,250	5,148		5,148	2,102
2013	05/03/13	TNCC	9,200	5,207		5,207	3,993
2013	05/08/13	FAST	8,600	3,298		3,298	5,302
2013	05/18/13	ATLS	22,400	17,562		17,562	4,838
2013	05/22/13	BTCC	6,800	3,543		3,543	3,257
2013	05/29/13	TPIC	13,600	2,250		2,250	11,350
2013	05/31/13	RTTDC	7,250	6,995		6,995	255
2013	06/21/13	ATLS	17,100	8,031		8,031	9,069
2013	06/24/13	ASSET	22,600	15,625		15,625	6,975
FY2013 Total			\$ 589,425	\$ 409,961	\$ 2,573	\$ 407,389	\$ 182,036

ARKANSAS DEPARTMENT OF HEALTH (ADH)
 ARKANSAS TRAUMA EDUCATION AND RESEARCH FOUNDATION (ATERF)
 SCHEDULE OF TRAINING COURSES AND EXPENSES
 FROM FEBRUARY 2012 THROUGH JUNE 2015
 (UNAUDITED)

Schedule 2

Fiscal Year	Course Date	Course Name	Invoiced to/Paid by ADH	ATERF's Actual Training Expenses	Less Amount Not Invoiced	Actual Allowable Training Costs	Amounts Overpaid
			a	b	c	b-c=d	a-d
2014	07/09/13	PHTLS	\$ 8,000	\$ 6,099		\$ 6,099	\$ 1,901
2014	07/19/13	ITLS	8,000	2,311		2,311	5,689
2014	07/26/13	TNCC Instructor	6,400	1,967		1,967	4,433
2014	07/30/13	RTTDC	8,500	5,931		5,931	2,569
2014	08/07/13	RTTDC	8,500	6,834		6,834	1,666
2014	08/16/13	PHTLS	8,000	4,687		4,687	3,313
2014	08/23/13	PHTLS	8,000	3,886		3,886	4,114
2014	08/23/13	TNCC	9,200	6,451		6,451	2,749
2014	08/23/13 08/24/13	Trauma Leadership	55,000	69,996	\$ 14,996	55,000	
2014	09/05/13	TNCC	9,200	7,741		7,741	1,459
2014	09/06/13	ITLS	8,000	1,918		1,918	6,082
2014	09/10/13	PHTLS	8,000	6,032		6,032	1,968
2014	09/13/13	PHTLS	8,000	5,401		5,401	2,599
2014	09/16/13	PHTLS	8,000	4,191		4,191	3,809
2014	09/20/13	TNCC	9,200	7,241		7,241	1,959
2014	09/24/13	RTTDC	8,500	6,365		6,365	2,135
2014	10/11/13	TNCC	9,200	6,570		6,570	2,630
2014	10/22/13	RTTDC	8,500	5,112		5,112	3,388
2014	10/26/13	ATLS	22,400	21,400		21,400	1,000
2014	11/06/13	RTTDC	8,500	6,597		6,597	1,903
2014	11/07/13	TNCC	13,800	7,594		7,594	6,206
2014	11/07/13	MCI	38,750	30,822		30,822	7,928
2014	11/08/13	MCI	38,750	30,941		30,941	7,809
2014	11/12/13	PHTLS Instructor	8,000	810		810	7,190
2014	11/15/13	ASSET	24,000	11,691		11,691	12,309
2014	11/16/13	ATLS	22,400	25,267	2,867	22,400	
2014	12/10/13	RTTDC	8,500	6,322		6,322	2,178
2014	12/12/13	BTCC	13,600	4,678		4,678	8,922
2014	01/10/14	TNCC	9,200	6,889		6,889	2,311
2014	01/10/14	Integrating Disaster	20,000	8,943		8,943	11,057
2014	02/08/14	ATLS	22,400	21,025		21,025	1,375
2014	03/07/14	TNCC Instructor	6,400	3,061		3,061	3,339
2014	03/08/14	ATLS	22,400	19,541		19,541	2,859
2014	03/12/14	RTTDC	8,500	5,946		5,946	2,554
2014	04/02/14	TPIC	6,800	1,496		1,496	5,304
2014	04/04/14	TNCC	9,200	9,106		9,106	94
2014	04/09/14	RTTDC	17,000	11,740		11,740	5,260
2014	04/11/14	Integrating Disaster	20,000	11,162		11,162	8,838
2014	04/11/14	TNCC	9,200	7,884		7,884	1,316
2014	04/18/14	TNCC	9,200	8,869		8,869	331
2014	04/24/14	PHTLS	8,000	4,036		4,036	3,964
2014	04/25/14	FAST	9,000	7,134		7,134	1,866
2014	04/26/14 04/27/14	ATLS	44,800	25,975		25,975	18,825
2014	05/07/14	RTTDC	8,500	5,916		5,916	2,584
2014	05/09/14	TNCC	9,200	9,672	472	9,200	
2014	05/16/14 05/17/14	TNCC	9,200	8,978		8,978	222
2014	05/30/14 06/01/14	ATLS	22,400	18,998		18,998	3,402
2014	06/13/14 06/14/14	TNCC	9,200	8,111		8,111	1,089
2014	06/23/14 06/24/14	TCCC	8,000	9,478	1,478	8,000	
2014	06/24/14	RTTDC	8,500	7,113		7,113	1,387
2014	06/25/14	RTTDC	8,500	8,618	118	8,500	
2014	06/26/14	Farmedic	8,000	5,488		5,488	2,512
2014	06/27/14	ATLS Instructor	17,100	7,194		7,194	9,906
FY2014 Total			\$ 725,600	\$ 547,227	\$ 19,930	\$ 527,298	\$ 198,302

ARKANSAS DEPARTMENT OF HEALTH (ADH)
 ARKANSAS TRAUMA EDUCATION AND RESEARCH FOUNDATION (ATERF)
 SCHEDULE OF TRAINING COURSES AND EXPENSES
 FROM FEBRUARY 2012 THROUGH JUNE 2015
 (UNAUDITED)

Schedule 2

Fiscal Year	Course Date	Course Name	Invoiced to/Paid by ADH	ATERF's Actual Training Expenses	Less Amount Not Invoiced	Actual Allowable Training Costs	Amounts Overpaid
			a	b	c	b-c=d	a-d
2015	07/11/14	Integrating Disaster	\$ 10,000	\$ 6,641		\$ 6,641	\$ 3,359
2015	07/18/14	TNCC	9,000	8,603		8,603	397
2015	07/25/14	ASSET	24,000	19,084		19,084	4,916
2015	08/14/14	RTTDC	8,500	5,728		5,728	2,772
2015	08/15/14 08/16/14	Trauma Leadership	55,000	67,147	\$ 12,147	55,000	
2015	09/05/14	TNCC	9,000	8,321		8,321	679
2015	09/09/14	PHTLS	8,000	5,165		5,165	2,835
2015	09/19/14	TNCC	9,000	8,281		8,281	719
2015	09/20/14	Farmedic	8,000	5,464		5,464	2,536
2015	09/27/14 09/28/14	ATLS	22,000	12,693		12,693	9,307
2015	10/03/14 10/04/14	TNCC	9,000	8,210		8,210	790
2015	10/10/14	TNCC	9,000	9,788	788	9,000	
2015	10/17/14 10/18/14	TNCC	9,000	9,262	262	9,000	
2015	10/20/14	RTTDC	8,500	5,383		5,383	3,117
2015	10/24/14	TNCC	9,000	6,755		6,755	2,245
2015	10/29/14	MCI	38,550	30,879		30,879	7,671
2015	10/30/14	MCI	38,550	31,299		31,299	7,251
2015	11/08/14 11/09/14	ATLS	22,000	19,023		19,023	2,977
2015	11/10/14	PHTLS	8,000	6,740		6,740	1,260
2015	11/14/14	TNCC	9,000	9,672	672	9,000	
2015	11/19/14	RTTDC	8,500	7,253		7,253	1,247
2015	12/06/14 12/07/14	ATLS	22,000	24,968	2,968	22,000	
2015	01/12/15	Integrating Disaster	10,000	5,109		5,109	4,891
2015	01/30/15	TCCC	8,000	7,260		7,260	740
2015	02/07/15	ATLS	22,000	21,983		21,983	17
2015	02/11/15	RTTDC	8,500	6,525		6,525	1,975
2015	03/14/15	Trauma Coordinator	6,500	3,512		3,512	2,988
2015	03/15/15	Trauma Registry	6,500	3,029		3,029	3,471
2015	03/16/15	TPIC	6,550	3,449		3,449	3,101
2015	03/27/15	TNCC	9,000	7,011		7,011	1,989
2015	04/07/15	TNCC Instructor	6,500	2,162		2,162	4,338
2015	04/08/15	RTTDC	8,500	7,498		7,498	1,002
2015	04/10/15	TNCC	9,000	9,338	338	9,000	
2015	04/16/15	TNCC	9,000	8,321		8,321	679
2015	04/24/15	TNCC	9,000	8,014		8,014	986
2015	05/02/15	ATLS	44,000	26,354		26,354	17,646
2015	05/08/15	Trauma Update	139,400	164,328	24,928	139,400	
2015	05/15/15	Farmedic	8,000	5,411		5,411	2,589
2015	05/16/15	ATLS	22,000	19,635		19,635	2,365
2015	05/20/15	RTTDC	8,500	5,889		5,889	2,611
2015	05/29/15	TNCC	9,000	8,072		8,072	928
2015	06/03/15	RTTDC	8,500	6,024		6,024	2,476
2015	06/05/15	TNCC	9,000	7,399		7,399	1,601
2015	6/6/2015 6/7/2015	ATLS	22,000	20,697		20,697	1,303
2015	06/13/15 06/14/15	ATLS	22,000	16,614		16,614	5,386
2015	06/17/15	RTTDC	8,500	6,754		6,754	1,746
2015	06/19/15	TNCC	9,000	9,374	374	9,000	
2015	06/26/15	ATLS Instructor	17,000	8,614		8,614	8,386
FY2015 Total			\$ 799,550	\$ 714,736	\$ 42,477	\$ 672,258	\$ 127,292
Grand Total			\$ 2,486,342	\$ 1,895,436	\$ 64,980	\$ 1,830,456	\$ 655,886

ARKANSAS DEPARTMENT OF HEALTH (ADH)
ARKANSAS TRAUMA EDUCATION AND RESEARCH FOUNDATION (ATERF)
SCHEDULE OF TRAINING COURSES AND EXPENSES
FROM FEBRUARY 2012 THROUGH JUNE 2015
(UNAUDITED)

Schedule 2

ASSET – Advanced Surgical Skills for Exposure in Trauma
ATCN – Advance Trauma Care for Nurses
ATLS – Advance Trauma Life Support
BTCC – Basic Trauma Coordinator Course
FAST – Focused Assessment with Sonography in Trauma
ITLS – International Trauma Life Support
MCI – Mass Casualty Incident
PHTLS – Pre-hospital Trauma Life Support
RTTDC – Rural Trauma Team Development Course
TNCC – Trauma Nurse Core Course
TOPIC – Trauma Outcomes and Performance Improvement Course

ARKANSAS DEPARTMENT OF HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2015
(UNAUDITED)

A. Capital Assets

Capital assets purchased and in the custody of this Agency were recorded as expenditures at the time of purchase. Assets with costs exceeding \$5,000 and an estimated useful life exceeding one year are reported at historical cost, including ancillary costs (such as professional fees and costs, freight costs, preparation or setup costs, and installation costs). Infrastructure or public domain fixed assets (such as roads, bridges, tunnels, curbs and gutters, streets and sidewalks, drainage systems, and lighting systems) are also capitalized. Gifts or contributions are generally recorded in the accounts at fair market value at the time received. 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. Estimated useful lives generally assigned are as follows:

<u>Assets:</u>	<u>Years</u>
Equipment	5-20
Buildings and building improvements	20-50
Infrastructure	10-30
Land improvements	10-40
Intangibles	4-99
Other capital assets	4-20

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>
Governmental activities:				
Land	\$ 358,040			\$ 358,040
Improvements	134,681			134,681
Buildings	44,353,039	\$ 2,133		44,355,172
Equipment	22,239,476	941,523	\$ 1,271,038	21,909,961
Intangibles	2,983,692	552,678	96	3,536,274
Total governmental activities	<u>\$ 70,068,928</u>	<u>\$ 1,496,334</u>	<u>\$ 1,271,134</u>	<u>\$ 70,294,128</u>

B. Pension Plan

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

Funding Policy – Contributory plan members are required to contribute 5% of their annual covered salary. The Agency is required to contribute for all covered state employees at the rate of 14.76% 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, 2015, 2014, and 2013, were \$16.8 million, \$17.6 million, and \$16.9 million, respectively, equal to the required contributions for each year.

ARKANSAS DEPARTMENT OF HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2015
(UNAUDITED)

C. 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, 2015 and 2014, amounted to \$10.66 million and \$10.94 million, respectively. The net changes to compensated absences payable during the year ended June 30, 2015, amounted to \$279,335.

D. Long-Term Liabilities – Notes Payable

Principal, interest, and fees are recorded as debt service expenditures when due. The face amount of new debt is recorded as an other financing source, and any premium, discount, and/or issuance cost is recognized. Premiums and discounts are recorded as other financing sources and uses, respectively. Issuance costs are recorded as debt service expenditures. In accordance with current accounting principles generally accepted in the United States of America, the liability, deferred premiums and/or discounts, and amortization of deferred premiums and/or discounts are reported in the State’s “Government-Wide” financial statements but are not reported in the governmental fund financial statements.

Changes in long-term liabilities for notes payable for the year ended June 30, 2015, are summarized as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due within one year
Governmental activities:					
Arkansas Development Finance Authority	\$ 11,135,000	\$ 9,275,000	\$ 11,915,000	\$ 8,495,000	\$ 1,215,000
University of Arkansas for Medical Sciences	930,648		281,468	649,180	292,757
Total governmental activities	<u>\$ 12,065,648</u>	<u>\$ 9,275,000</u>	<u>\$ 12,196,468</u>	<u>\$ 9,144,180</u>	<u>\$ 1,507,757</u>

Details regarding notes payable at June 30, 2015, are as follows:

Arkansas Development Finance Authority

On September 1, 2014, the Agency entered into a new loan agreement with the Arkansas Development Finance Authority (ADFA) to finance \$9.3 million in Series 2014 Revenue Refunding Bonds. The bonds bear interest at rates ranging from 1% to 3%, are financed using certain vital records fees collected by the Agency in accordance with Ark. Code Ann. § 20-7-407, and are scheduled to mature December 1, 2021. However, fees collected in addition to the debt service requirements must be used to redeem bonds prior to their maturity, and ADFA expects to retire the bonds earlier than scheduled. Series 2003 Construction Revenue Bonds were refunded using proceeds from the Series 2014 bonds and monies that had been deposited in the Series 2003 debt service bond fund. The Series 2003 bonds had been issued by ADFA on December 1, 2003, for the construction of the Agency’s public health laboratory building, were also financed through a loan agreement with the Agency, and had an outstanding balance totaling \$11.1 million at June 30, 2014.

The minimum future amounts required to pay principal and interest on the loan at June 30, 2015, are summarized as follows:

ARKANSAS DEPARTMENT OF HEALTH
OTHER GENERAL INFORMATION
JUNE 30, 2015
(UNAUDITED)

D. Long-Term Liabilities – Notes Payable (Continued)

Arkansas Development Finance Authority

Year Ended June 30,	Principal	Interest	Total
2016	\$1,215,000	\$ 183,360	\$1,398,360
2017	1,240,000	152,610	1,392,610
2018	1,275,000	114,885	1,389,885
2019	1,315,000	76,035	1,391,035
2020	1,350,000	43,485	1,393,485
2021 - 2025	<u>2,100,000</u>	<u>22,530</u>	<u>2,122,530</u>
Totals	<u>\$8,495,000</u>	<u>\$ 592,905</u>	<u>\$9,087,905</u>

University of Arkansas for Medical Sciences

Effective July 1, 2008, the Agency entered into a joint operating agreement with the Board of Trustees of the University of Arkansas for Medical Sciences (UAMS) and the Arkansas State Hospital, which is under the direction of the Department of Human Services – Division of Behavioral Health Services, concerning the construction, operation, and maintenance of the West Central Energy Plant. The agreement replaced an earlier-dated Memorandum of Understanding and obligated the Agency to make principal and interest payments to UAMS for a period of 120 months. The original principal amount and interest rate were \$2.6 million and 3.94%, respectively. Payments are due on the first of each month and began in September 2007. The Agency maintains 8% ownership of the Plant, and receives utility services at a reduced rate.

The minimum future amounts required to pay principal and interest on the loan at June 30, 2015, are summarized as follows:

Year Ended June 30,	Principal	Interest	Total
2016	\$ 292,757	\$ 20,323	\$ 313,080
2017	304,499	8,581	313,080
2018	<u>51,924</u>	<u>300</u>	<u>52,224</u>
Totals	<u>\$ 649,180</u>	<u>\$ 29,204</u>	<u>\$ 678,384</u>