

Northeast Arkansas Educational Cooperative

Regulatory Basis Financial Statements And Other Reports

June 30, 2019



NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
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JUNE 30, 2019

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Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

LEGISLATIVE JOINT AUDITING COMMITTEE **ARKANSAS LEGISLATIVE AUDIT**

INDEPENDENT AUDITOR'S REPORT

Northeast Arkansas Educational Cooperative and Cooperative Board Members
Legislative Joint Auditing Committee

Report on the Financial Statements

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Northeast Arkansas Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Cooperative's regulatory basis 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 the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, as described in Note 1, to meet the requirements of the State of Arkansas. This includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for 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 Cooperative'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 Cooperative'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.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 to the financial statements, to meet the financial reporting requirements of the State of Arkansas, the financial statements are prepared by the Cooperative on the basis of the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statements of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraphs, the financial statements referred to above do not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of June 30, 2019, or the changes in financial position for the year then ended.

Unmodified Opinions on Regulatory Basis of Accounting

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Cooperative as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended in accordance with the financial reporting provisions of Ark. Code Ann. § 10-4-413(c) as provided in Act 2201 of 2005 described in Note 1.

Other Matters

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Cooperative's regulatory basis financial statements. The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis are presented for the purpose of additional analysis and are not a required part of the regulatory basis financial statements.

The Schedule of Capital Assets and the Schedule of Selected Information for the Last Five Years – Regulatory Basis have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 29, 2020 on our consideration of the Cooperative'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 that scope or our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative'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 Cooperative's internal control over financial reporting and compliance.

ARKANSAS LEGISLATIVE AUDIT



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

Little Rock, Arkansas
April 29, 2020
EDSC00419

Arkansas

Sen. Jason Rapert
Senate Chair
Sen. Eddie Cheatham
Senate Vice Chair



Rep. Richard Womack
House Chair
Rep. DeAnn Vaught
House Vice Chair

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

Northeast Arkansas Educational Cooperative and Cooperative Board Members
Legislative Joint Auditing Committee

We have audited, in accordance with the 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 each major governmental fund and the aggregate remaining fund information of the Northeast Arkansas Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2019, and the related notes to financial statements, which collectively comprise the Cooperative's regulatory basis financial statements, and have issued our report thereon dated April 29, 2020. We have issued an adverse opinion because the Cooperative prepared the financial statements on the basis of the financial reporting provisions of Arkansas Code, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statements of the variances between the regulatory basis of accounting and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material. However, the financial statements present fairly, in all material respects, the respective regulatory basis financial position of each major governmental fund and the aggregate remaining fund information of the Cooperative as of June 30, 2019, and the respective regulatory basis changes in financial position thereof and the respective regulatory basis budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

Internal Control Over Financial Reporting

In planning and performing our audit of the regulatory basis financial statements, we considered the Cooperative'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 regulatory basis financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control. Accordingly, we do not express an opinion on the effectiveness of the Cooperative'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 Cooperative'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. We did identify a certain deficiency in internal control, described below in the Audit Findings section of this report that we consider to be a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's regulatory basis financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of the state constitution, state laws and 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*.

AUDIT FINDINGS

Material Weakness

Financial accounting records should be accurate to ensure the preparation of reliable financial statements that are fairly presented in conformity with the regulatory basis of accounting. The Cooperative's internal control system did not prevent or detect material errors in the financial accounting records. Such records are utilized in the preparation of the Cooperative's financial statements. The Cooperative incorrectly recorded non-capital expenditures of \$55,833 as facilities acquisition and construction services in the other aggregate funds. The financial statements were subsequently corrected by an adjusting entry during audit fieldwork.

In order to achieve accurate financial statements, Cooperative management should implement procedures to ensure all financial activity is properly reported in the financial accounting records.

Management Response: Northeast AR Education Cooperative staff will review all coding of expenditures against those in the APSCN manual. In addition, staff will collaborate with each other as well as other entities, i.e. DESE, etc. if they have questions regarding the proper coding of any new or seldom occurring expenditure item.

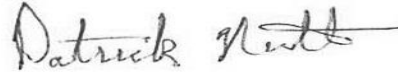
Cooperative's Response to Findings

The Cooperative's response to the finding identified in our audit is described previously. The Cooperative's response was not subjected to the auditing procedures applied in the audit of the regulatory basis 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 Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* in considering the Cooperative's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

ARKANSAS LEGISLATIVE AUDIT



Patrick Nutt, CPA
Deputy Legislative Auditor

Little Rock, Arkansas
April 29, 2020

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2019

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 1,378,098	\$ 144,843	\$ 882,822
Investments	1,313,655		
Accounts receivable	14,009	83,869	
TOTAL ASSETS	\$ 2,705,762	\$ 228,712	\$ 882,822
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable and accrued liabilities	\$ 14,272	\$ 19,212	
Fund Balances:			
Restricted	516,647	209,500	
Assigned	1,067,417		\$ 882,822
Unassigned	1,107,426		
Total Fund Balances	2,691,490	209,500	882,822
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,705,762	\$ 228,712	\$ 882,822

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

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 3,459,179		
Federal assistance		\$ 575,449	
Investment income	35,649		
Other revenues	648,890	1,370	
TOTAL REVENUES	4,143,718	576,819	
EXPENDITURES			
Regular programs	1,586,373		
Special education	219,328	177,142	
Career education programs	719	222,356	
Student support services	394,493	119,114	
Instructional staff support services	1,209,478	56,962	
General administration support services	166,922		
Central services support services	155,213		
Operation and maintenance of plant services	127,881		\$ 55,833
Food services operations	16,008		
Non-programmed costs		20,465	
TOTAL EXPENDITURES	3,876,415	596,039	55,833
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	267,303	(19,220)	(55,833)
OTHER FINANCING SOURCES (USES)			
Transfers in			100,000
Transfers out	(100,000)		
TOTAL OTHER FINANCING SOURCES (USES)	(100,000)		100,000
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	167,303	(19,220)	44,167
FUND BALANCES - JULY 1	2,524,187	228,720	838,655
FUND BALANCES - JUNE 30	<u>\$ 2,691,490</u>	<u>\$ 209,500</u>	<u>\$ 882,822</u>

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

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL - GENERAL AND SPECIAL REVENUE FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2019

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 3,363,948	\$ 3,459,179	\$ 95,231			
Federal assistance				\$ 641,867	\$ 575,449	\$ (66,418)
Investment income	30,000	35,649	5,649			
Other revenues	1,059,408	648,890	(410,518)		1,370	1,370
TOTAL REVENUES	4,453,356	4,143,718	(309,638)	641,867	576,819	(65,048)
EXPENDITURES						
Regular programs	1,524,800	1,586,373	(61,573)			
Special education	479,982	219,328	260,654	334,827	177,142	157,685
Career education programs	200	719	(519)	222,335	222,356	(21)
Student support services	491,259	394,493	96,766	183,000	119,114	63,886
Instructional staff support services	1,203,366	1,209,478	(6,112)	20,000	56,962	(36,962)
General administration support services	160,200	166,922	(6,722)			
Central services support services	155,710	155,213	497			
Operation and maintenance of plant services	232,760	127,881	104,879	13,000		13,000
Food services operations		16,008	(16,008)			
Non-programmed costs	8,000		8,000	23,090	20,465	2,625
TOTAL EXPENDITURES	4,256,277	3,876,415	379,862	796,252	596,039	200,213
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	197,079	267,303	70,224	(154,385)	(19,220)	135,165
OTHER FINANCING SOURCES (USES)						
Transfers in	31,090		(31,090)			
Transfers out		(100,000)	(100,000)			
TOTAL OTHER FINANCING SOURCES (USES)	31,090	(100,000)	(131,090)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	228,169	167,303	(60,866)	(154,385)	(19,220)	135,165
FUND BALANCES - JULY 1	2,548,671	2,524,187	(24,484)	215,777	228,720	12,943
FUND BALANCES - JUNE 30	<u>\$ 2,776,840</u>	<u>\$ 2,691,490</u>	<u>\$ (85,350)</u>	<u>\$ 61,392</u>	<u>\$ 209,500</u>	<u>\$ 148,108</u>

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

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a fourteen member group, is the level of government, which has responsibilities over all activities within the jurisdiction of the Northeast Arkansas Educational Cooperative (Cooperative). There are no component units.

B. Description of Funds

Major governmental funds (per the regulatory basis of accounting) are defined as General and Special Revenue.

General Fund – The General Fund is used to account for and report all financial resources not accounted for and reported in another fund.

Special Revenue Fund – The Special Revenue Fund is used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditure for specified purposes other than debt service or capital projects. The Special Revenue Fund includes federal revenues and related expenditures, restricted for specific educational programs or projects. If applicable, the Special Revenue Fund also includes required matching for those federal programs, program income required to be used to further the objectives of those programs, and transfers from the general fund to supplement such programs.

Other governmental funds, presented in the aggregate, consist of the following:

Capital Projects Fund – The Capital Projects Fund is used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays including the acquisition or construction of capital facilities and other capital assets. The Capital Projects Fund excludes those types of capital-related outflows financed by proprietary funds or for assets that will be held in trust for individual, private organizations, or other governments.

C. Measurement Focus and Basis of Accounting

The financial statements are prepared in accordance with a regulatory basis of accounting (RBA). This basis of accounting is prescribed by Ark. Code Ann. § 10-4-413(c), as provided in Act 2201 of 2005, and requires that financial statements be presented on a fund basis with, as a minimum, the general fund and special revenue fund presented separately and all other funds included in the audit presented in the aggregate. The law also stipulates that the financial statements consist of a balance sheet; a statement of revenues, expenditures, and changes in fund balances; a comparison of the final adopted budget to the actual expenditures for the general fund and special revenue funds of the entity; notes to financial statements; and a supplemental schedule of capital assets, including land, buildings, and equipment. The law further stipulates that the State Board of Education shall promulgate the rules necessary to administer the regulatory basis of presentation.

The RBA is not in accordance with generally accepted accounting principles (GAAP). GAAP require that basic financial statements present government-wide financial statements. Additionally, GAAP require the following major concepts: Management's Discussion and Analysis, accrual basis of accounting for government-wide financial statements, including depreciation expense, modified accrual basis of accounting for fund financial statements, separate financial statements for fiduciary fund types, separate identification of special and extraordinary items, inclusion of capital assets and debt in the financial statements, inclusion of the net pension liability in the financial statements, specific procedures for the identification of major governmental funds, and applicable note disclosures. The RBA does not require government-wide financial statements or the previously identified concepts.

The accompanying financial statements are presented on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for purposes of recording specific activities or attaining certain objectives. Revenues are reported by major sources and expenditures are reported by major function. Other transactions, which are not reported as revenues or expenditures, are reported as other financing sources and uses. Transactions related to the recording of installment contracts and capital leases are reported as other financing sources. Changes in private-purpose trust funds will be reflected in the notes to the financial statements.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2019

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Revenue Recognition Policies

Revenues are recognized when they become susceptible to accrual in accordance with the RBA.

E. Capital Assets

Information on capital assets and related depreciation is reported at Schedule 1. Capital assets are capitalized at historical cost or estimated historical cost, if actual data is not available. Capital assets purchased are recorded as expenditures in the applicable fund at the time of purchase. Donated capital assets are reported at fair value when received. The Cooperative maintains a threshold level of \$1,000 for capitalizing equipment. Library holdings are not capitalized.

No salvage value is taken into consideration for depreciation purposes. All capital assets, other than land and construction in progress, are depreciated using the straight-line method over the following useful lives:

Asset Class	Estimated Useful Life in Years
Improvements/infrastructure	10-20
Buildings	25-50
Equipment	5-20

F. Fund Balance Classifications

1. Restricted fund balance – represents amounts that are restricted to specific purposes when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through bond covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.
2. Assigned fund balances – represents amounts that are constrained by the Cooperative's *intent* to be used for specific purposes, but are neither restricted nor committed.
3. Unassigned fund balance – represents amounts that have not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. This classification can also include negative amounts in other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes.

G. Budget and Budgetary Accounting

The Cooperative is required by state law to prepare an annual budget. The annual budget is prepared on a fiscal year basis. The Cooperative does not prepare and submit amended budgets during the fiscal year. The State Department of Education's regulations allow for the cash basis or the modified accrual basis. However, the majority of the cooperatives employ the cash basis method.

The Cooperative budgets intra-fund transfers. Significant variances may result in the comparison of transfers at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis because only interfund transfers are reported at the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds – Regulatory Basis. Additionally, the Cooperative routinely budgets restricted federal programs as part of the special revenue fund. Significant variances may result in the budgetary comparison of the revenues and expenditures of the special revenue fund because of the reclassification of those federal programs primarily utilized for capital projects to the other aggregate funds for reporting purposes.

Budgetary perspective differences are not considered to be significant, because the structure of the information utilized in preparing the budget and the applicable fund financial statements is essentially the same.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

H. Stabilization Arrangements

The Cooperative's Board of Education has not formally set aside amounts for use in emergency situations or when revenue shortages or budgetary imbalances arise.

I. Minimum Fund Balance Policies

The Cooperative's Board of Education has not formally adopted a minimum fund balance policy.

J. Fund Balance Classification Policies and Procedures

The Director, in conjunction with other management and accounting personnel, is authorized to assign amounts to a specific purpose. The Cooperative's Board of Education has not adopted a formal policy addressing this authorization.

The Cooperative revenues, expenditures, and fund balances are tracked in the accounting system by numerous sources of funds. The fund balances of these sources of funds are combined to derive the Cooperative's total fund balances by fund. It is uncommon for an individual source of funds to contain restricted and unrestricted (assigned or unassigned) funds. The Cooperative does not have a policy addressing whether it considers restricted or unrestricted amounts to have been spent when expenditures are incurred for purposes for which both restricted and unrestricted amounts are available. Cooperative personnel decide which resources (source of funds) to use at the time expenditures are incurred. For classification of fund balance amounts, restricted resources are considered spent before unrestricted. The Cooperative does not have a policy addressing which resources to use within the unrestricted fund balance when committed, assigned, or unassigned fund balances are available. When expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used, committed amounts are reduced first, followed by assigned amounts, and then unassigned amounts.

K. Encumbrances

The Cooperative does not utilize encumbrance accounting.

2: CASH DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash deposits are carried at cost (carrying value). A comparison of the bank balance and carrying value is as follows:

	Carrying Amount	Bank Balance
Insured (FDIC)	\$ 500,000	\$ 500,000
Collateralized:		
Collateral held by the Cooperative's agent, pledging bank or pledging bank's trust department or agent in the Cooperative's name	3,219,418	3,500,520
Total Deposits	\$ 3,719,418	\$ 4,000,520

The above total deposits include certificates of deposit of \$1,313,655 reported as investments and classified as nonparticipating contracts.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

3: ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2019 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 7,290	
Federal assistance		\$ 83,869
Other	6,719	
Totals	\$ 14,009	\$ 83,869

4: ACCOUNTS PAYABLE AND ACCRUED LIABILITIES

Accounts payable and accrued liabilities at June 30, 2019 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 13,912	\$ 19,212
Payroll withholdings and matching	360	
Totals	\$ 14,272	\$ 19,212

5: INTERFUND TRANSFERS

The Cooperative transferred \$100,000 from the general fund to the other aggregate funds to supplement future capital projects.

6: RETIREMENT PLAN

Arkansas Teacher Retirement System

Plan Description

The Cooperative contributes to the Arkansas Teacher Retirement System (ATRS), a cost-sharing multiple-employer defined benefit pension plan that covers all Arkansas public school employees and education-related agencies, except certain non-teaching school employees. ATRS, administered by a Board of Trustees, provides retirement and disability benefits, annual cost-of-living adjustments, and death benefits to plan members and beneficiaries. Benefit provisions are established by State law and can be amended only by the Arkansas General Assembly. The Arkansas Teacher Retirement System issues a publicly available financial report that includes financial statements and required supplementary information for ATRS. That report may be obtained by writing to Arkansas Teacher Retirement System, 1400 West Third Street, Little Rock, Arkansas 72201, by calling 1-800-666-2877, or by visiting the ATRS website at www.artrs.gov.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

6: RETIREMENT PLAN (Continued)

Arkansas Teacher Retirement System (Continued)

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6% of their salaries. Each participating employer is required by State law to contribute at a rate determined by the Board of Trustees, based on the annual actuarial valuation. The current employer rate is 14% of covered salaries. The employer contribution was paid by the Arkansas Department of Education from the Public School Fund, except for those employees paid from federal funding. Employer contributions for those employees were paid by the Cooperative. The Arkansas Department of Education's contributions to ATRS for the Cooperative during the year ended June 30, 2019 were \$408,520, equal to the required contributions. The Cooperative's contributions to ATRS for the year ended June 30, 2019 were \$23,459, equal to the required contributions.

Net Pension Liability

The Arkansas Department of Education has stipulated that, under the regulatory basis of accounting, the requirements of Governmental Accounting Standards Board Statement no. 68 would be limited to disclosure of the Cooperative's proportionate share of the collective net pension liability. The Cooperative's proportionate share of the collective net pension liability at June 30, 2018 (actuarial valuation date and measurement date) was \$3,036,475.

7: RISK MANAGEMENT

The Cooperative is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Cooperative carries commercial insurance for board liability and business trip accidental death and dismemberment coverage.

The Cooperative participates in the Arkansas School Boards Association – Worker's Compensation Trust (the Trust), a self-insurance trust voluntarily established on July 1, 1994 pursuant to state law. The Trust is responsible for obtaining and administering workers' compensation insurance coverage for its members, as well as obtaining reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Trust is responsible for monitoring, negotiating, and settling claims that have been filed on behalf of and against member entities. The Cooperative contributes annually to this program.

The Cooperative participates in the Arkansas Fidelity Bond Trust Fund administered by the Governmental Bonding Board. This program provides coverage for actual losses sustained by its members through fraudulent or dishonest acts committed by officials or employees. Each loss is limited to \$300,000 with a \$2,500 deductible. Premiums for coverage are paid by the Chief Fiscal Officer of the State of Arkansas from funds withheld from the Public School Fund.

The Cooperative participates in the Arkansas Public School Insurance Trust Fund Program administered by the Risk Management Division of the Arkansas Insurance Department. The program's general objectives are to formulate, develop, and administer, on behalf of member entities, a program of insurance to obtain lower costs for property and vehicles coverage, and to develop a comprehensive loss control program. The fund uses a reinsurance policy to reduce exposure to large losses on insured events. The Cooperative pays an annual premium for its buildings, contents, vehicles.

Settled claims have not exceeded coverage in any of the past three fiscal years. There were no significant reductions in insurance coverage from the prior year in the major categories of risk.

8: ON-BEHALF PAYMENTS

The allocation of the health insurance premiums paid by the Arkansas Department of Education to the Employee Benefits Division, on-behalf of the Cooperative's employees, totaled \$112,396 for the year ended June 30, 2019.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2019

9: DETAILS OF GOVERNMENTAL FUND BALANCE CLASSIFICATIONS DISPLAYED IN THE AGGREGATE

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Smart Start literacy programs	\$ 324,232		
Medical services		\$ 190,315	
Special education programs	126,515	18,712	
Gifted and talented programs	50,053		
Other purposes	15,847	473	
Total Restricted	<u>516,647</u>	<u>209,500</u>	
Assigned to:			
Preschool programs	281,023		
Professional development	728,141		
Capital projects			\$ 882,822
Other purposes	58,253		
Total Assigned	<u>1,067,417</u>		<u>882,822</u>
Unassigned	<u>1,107,426</u>		
Totals	<u>\$ 2,691,490</u>	<u>\$ 209,500</u>	<u>\$ 882,822</u>

10: SUBSEQUENT EVENT

On March 11, 2020, the Governor of Arkansas issued Executive Order 20-03 declaring an emergency and ordered the Arkansas Department of Health to take action to prevent the spread of coronavirus disease 2019 (COVID-19). The extent of the impact of COVID-19 on our financial statements for future reporting periods will depend on certain developments, including the duration and speed of the outbreak and revenue collections – all of which are uncertain and cannot be predicted. The financial impact of COVID-19 to the Cooperative is uncertain as of the audit report date.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

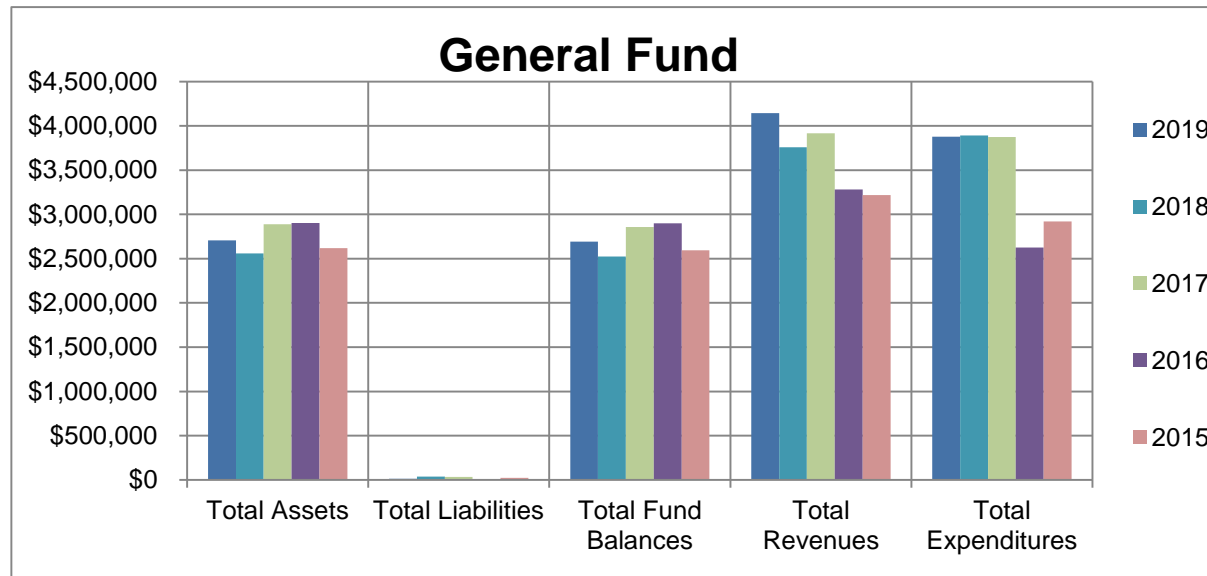
Schedule 1

	Balance June 30, 2019
<i>Nondepreciable capital assets:</i>	
Land	\$ 20,000
<i>Depreciable capital assets:</i>	
Buildings	754,545
Improvements/infrastructure	493,412
Equipment	798,796
Total depreciable capital assets	2,046,753
Less accumulated depreciation for:	
Buildings	222,326
Improvements/infrastructure	163,466
Equipment	673,205
Total accumulated depreciation	1,058,997
Total depreciable capital assets, net	987,756
Capital assets, net	\$ 1,007,756

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 2

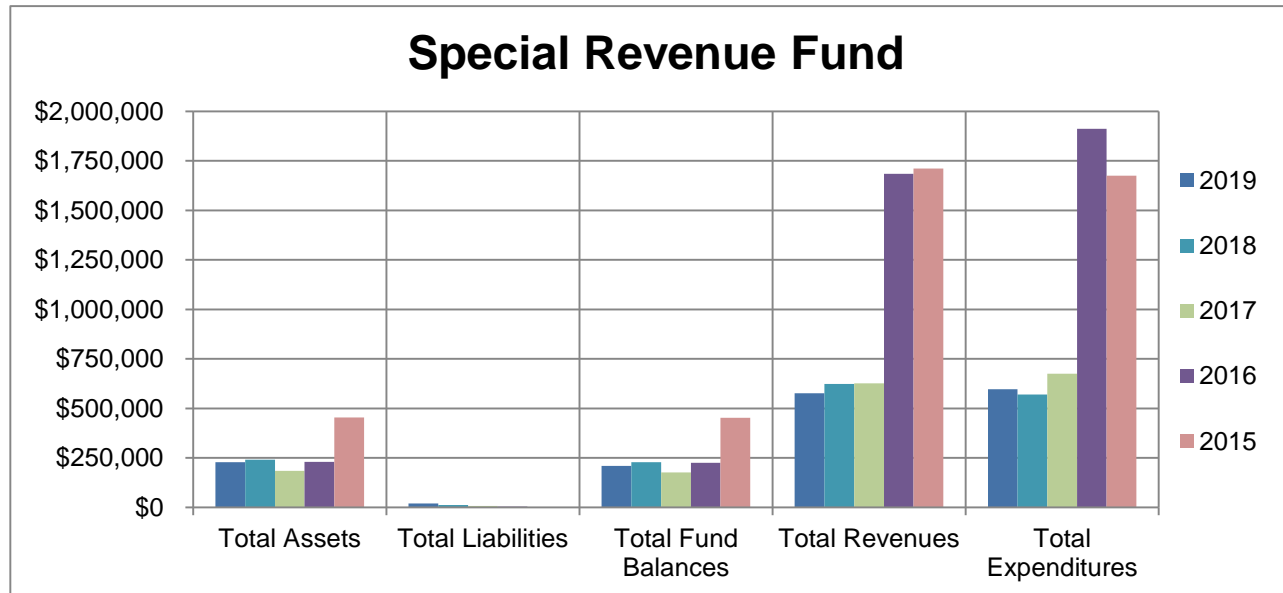
General Fund	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 2,705,762	\$ 2,560,701	\$ 2,889,759	\$ 2,901,179	\$ 2,618,708
Total Liabilities	14,272	36,514	33,354	1,102	24,915
Total Fund Balances	2,691,490	2,524,187	2,856,405	2,900,077	2,593,793
Total Revenues	4,143,718	3,759,471	3,916,699	3,283,111	3,219,755
Total Expenditures	3,876,415	3,891,689	3,873,209	2,626,827	2,919,905
Total Other Financing Sources (Uses)	(100,000)	(200,000)	(87,162)	(350,000)	(300,000)



NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 2

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 228,712	\$ 240,722	\$ 183,756	\$ 229,504	\$ 453,385
Total Liabilities	19,212	12,002	7,616	3,929	116
Total Fund Balances	209,500	228,720	176,140	225,575	453,269
Total Revenues	576,819	623,394	626,158	1,684,932	1,711,405
Total Expenditures	596,039	570,814	675,593	1,912,626	1,675,427
Total Other Financing Sources (Uses)					



NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2019
 (Unaudited)

Schedule 2

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 882,822	\$ 838,655	\$ 789,027	\$ 722,865	\$ 372,865
Total Liabilities					
Total Fund Balances	882,822	838,655	789,027	722,865	372,865
Total Revenues					
Total Expenditures	55,833	150,372	21,000		
Total Other Financing Sources (Uses)	100,000	200,000	87,162	350,000	300,000

