

# **Northeast Arkansas Educational Cooperative**

## **Regulatory Basis Financial Statements And Other Reports**

**June 30, 2021**



NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
TABLE OF CONTENTS  
JUNE 30, 2021

Independent Auditor's Report  
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*

REGULATORY BASIS FINANCIAL STATEMENTS

	<u>Exhibit</u>
Balance Sheet – Regulatory Basis	A
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds - Regulatory Basis	B
Statement of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual – General and Special Revenue Funds – Regulatory Basis	C
Notes to Financial Statements	

SCHEDULES

	<u>Schedule</u>
Schedule of Capital Assets (Unaudited)	1
Schedule of Selected Information for the Last Five Years – Regulatory Basis (Unaudited)	2

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
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, 2021, 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. 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, 2021, 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, 2021, 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 May 23, 2022 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  
May 23, 2022  
EDSC00421

# Arkansas

**Sen. Ronald Caldwell**  
Senate Chair  
**Sen. Gary Stubblefield**  
Senate Vice Chair



**Rep. Richard Womack**  
House Chair  
**Rep. Nelda Speaks**  
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, 2021, and the related notes to financial statements, which collectively comprise the Cooperative's regulatory basis financial statements, and have issued our report thereon dated May 23, 2022. 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, 2021, 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 consider the Cooperative's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the 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 regulatory basis financial statements will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

#### **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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**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



Matt Fink, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
May 23, 2022

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2021

Exhibit A

	Governmental Funds		
	Major		Other Aggregate
	General	Special Revenue	
<b>ASSETS</b>			
Cash	\$ 1,680,225	\$ 545,871	\$ 1,037,332
Investments	1,346,119		
Accounts receivable	3,969	20,204	
<b>TOTAL ASSETS</b>	<b>\$ 3,030,313</b>	<b>\$ 566,075</b>	<b>\$ 1,037,332</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities:			
Accounts payable	\$ 12,804		
Fund Balances:			
Restricted	450,955	\$ 566,075	
Assigned	1,376,379		\$ 1,037,332
Unassigned	1,190,175		
<b>Total Fund Balances</b>	<b>3,017,509</b>	<b>566,075</b>	<b>1,037,332</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,030,313</b>	<b>\$ 566,075</b>	<b>\$ 1,037,332</b>

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, 2021

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 3,070,417		
Federal assistance		\$ 850,201	
Investment income	7,766		
Other revenues	1,044,868	166,242	
<b>TOTAL REVENUES</b>	<b>4,123,051</b>	<b>1,016,443</b>	
EXPENDITURES			
Regular programs	1,682,816	24,635	
Special education	377,054	28,269	
Career education programs		225,905	
Student support services	229,020	330,283	
Instructional staff support services	1,128,791	30,881	
General administration support services	143,457		
Central services support services	158,335	157	
Operation and maintenance of plant services	117,602	120	\$ 31,854
Other support services	17,909		
Food services operations	14,699		
Non-programmed costs		86,242	
<b>TOTAL EXPENDITURES</b>	<b>3,869,683</b>	<b>726,492</b>	<b>31,854</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>253,368</b>	<b>289,951</b>	<b>(31,854)</b>
OTHER FINANCING SOURCES (USES)			
Transfers in			90,000
Transfers out	(90,000)		
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(90,000)</b>		<b>90,000</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>163,368</b>	<b>289,951</b>	<b>58,146</b>
FUND BALANCES - JULY 1	2,854,141	276,124	979,186
FUND BALANCES - JUNE 30	<u>\$ 3,017,509</u>	<u>\$ 566,075</u>	<u>\$ 1,037,332</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, 2021

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 3,671,185	\$ 3,070,417	\$ (600,768)			
Federal assistance				\$ 749,945	\$ 850,201	\$ 100,256
Activity revenues	5,322		(5,322)			
Investment income	22,500	7,766	(14,734)			
Other revenues	551,114	1,044,868	493,754		166,242	166,242
<b>TOTAL REVENUES</b>	<b>4,250,121</b>	<b>4,123,051</b>	<b>(127,070)</b>	<b>749,945</b>	<b>1,016,443</b>	<b>266,498</b>
EXPENDITURES						
Regular programs	1,754,572	1,682,816	71,756	8,223	24,635	(16,412)
Special education	412,950	377,054	35,896	258,684	28,269	230,415
Career education programs	350		350	252,770	225,905	26,865
Student support services	256,011	229,020	26,991	371,777	330,283	41,494
Instructional staff support services	1,370,145	1,128,791	241,354	89,918	30,881	59,037
General administration support services	145,533	143,457	2,076			
Central services support services	166,152	158,335	7,817		157	(157)
Operation and maintenance of plant services	121,533	117,602	3,931		120	(120)
Other support services	6,600	17,909	(11,309)			
Food services operations	35,000	14,699	20,301			
Non-programmed costs	131,005		131,005	28,951	86,242	(57,291)
<b>TOTAL EXPENDITURES</b>	<b>4,399,851</b>	<b>3,869,683</b>	<b>530,168</b>	<b>1,010,323</b>	<b>726,492</b>	<b>283,831</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(149,730)	253,368	403,098	(260,378)	289,951	550,329
OTHER FINANCING SOURCES (USES)						
Transfers in	159,957		(159,957)			
Transfers out	(90,000)	(90,000)				
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>69,957</b>	<b>(90,000)</b>	<b>(159,957)</b>			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(79,773)	163,368	243,141	(260,378)	289,951	550,329
FUND BALANCES - JULY 1	2,871,965	2,854,141	(17,824)	263,724	276,124	12,400
FUND BALANCES - JUNE 30	\$ 2,792,192	\$ 3,017,509	\$ 225,317	\$ 3,346	\$ 566,075	\$ 562,729

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

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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) 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 and other requirements 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.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2021

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

C. Measurement Focus and Basis of Accounting (Continued)

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. Major governmental funds are defined as general and special revenue, and such funds are presented separately in the financial statements. All other governmental funds are presented in the aggregate. Fiduciary fund types are presented in a separate column in the Balance Sheet – Regulatory Basis. 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 funds will be reflected in the notes to the financial statements.

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.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

G. Budget and Budgetary Accounting (Continued)

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.

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 (committed, 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.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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	4,109,547	4,363,385
Total Deposits	\$ 4,609,547	\$ 4,863,385

The above total deposits include certificates of deposit of \$1,346,119 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2021 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
State assistance	\$ 1,810	
Federal assistance		\$ 20,204
Investment income	274	
Other	1,885	
Totals	\$ 3,969	\$ 20,204

**4: ACCOUNTS PAYABLE**

Accounts payable at June 30, 2021 were comprised of the following:

Description	Governmental Fund
	Major
Description	General
Vendor payables	\$ 12,804

**5: INTERFUND TRANSFERS**

The Cooperative transferred \$90,000 from the general fund to the other aggregate funds to supplement future capital projects.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**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](http://www.artrs.gov).

Funding Policy

ATRS has contributory and noncontributory plans. Contributory members are required by State law to contribute 6.50% 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 14.50% of covered salaries. The employer contribution was paid by the Division of Elementary and Secondary 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 Division of Elementary and Secondary Education's contributions to ATRS for the Cooperative during the year ended June 30, 2021 were \$452,830, equal to the required contributions. The Cooperative's contributions to ATRS for the year ended June 30, 2021 were \$33,313, equal to the required contributions.

Net Pension Liability

The Division of Elementary and Secondary 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, 2020 (actuarial valuation date and measurement date) was \$5,863,120.

**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.

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2021

**7: RISK MANAGEMENT (Continued)**

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, and 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 Division of Elementary and Secondary Education to the Employee Benefits Division, on-behalf of the Cooperative's employees, totaled \$115,424 for the year ended June 30, 2021.

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
English-language learners	\$ 7,031		
Learning services grant	112,745		
Medical services		\$ 227,895	
Smart start literacy programs	236,801		
Special education programs	58,456	100,505	
DHS - Child Care Assistance Grant		117,647	
DHS - Child Care Quality Approval		120,028	
Other purposes	35,922		
Total Restricted	<u>450,955</u>	<u>566,075</u>	
Assigned to:			
Capital projects			\$1,037,332
Preschool programs	480,980		
Professional development	847,842		
Other purposes	47,557		
Total Assigned	<u>1,376,379</u>		<u>1,037,332</u>
Unassigned	<u>1,190,175</u>		
Totals	<u>\$3,017,509</u>	<u>\$ 566,075</u>	<u>\$1,037,332</u>

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (Unaudited)

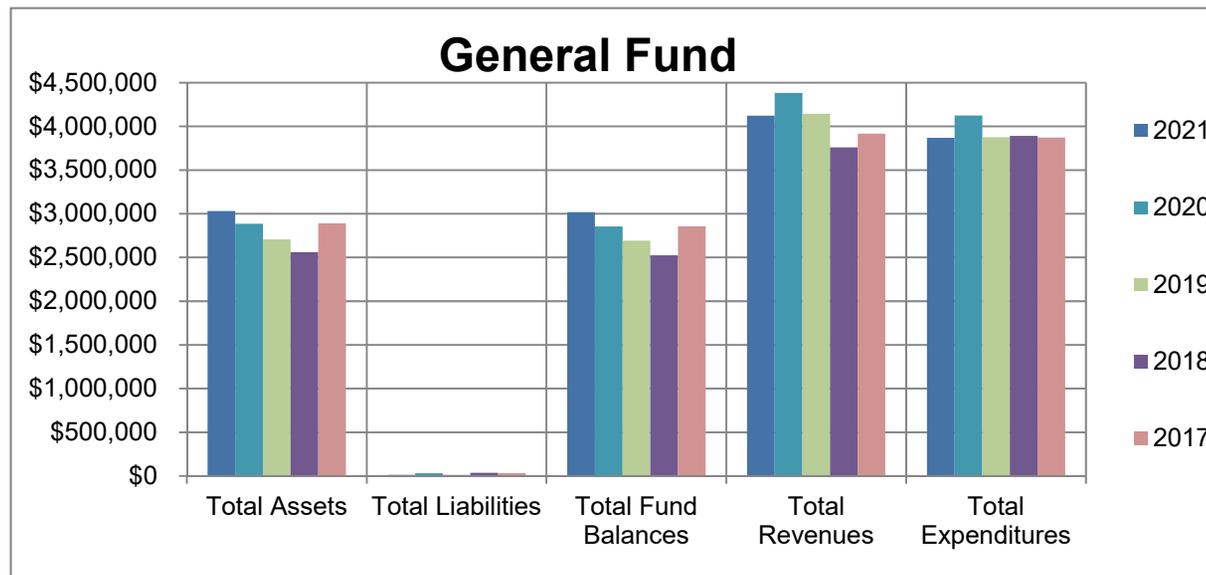
Schedule 1

	Balance June 30, 2021
Nondepreciable capital assets:	
Land	\$ 20,000
Depreciable capital assets:	
Buildings	754,545
Improvements/infrastructure	493,412
Equipment	838,553
Total depreciable capital assets	2,086,510
Less accumulated depreciation for:	
Buildings	253,338
Improvements/infrastructure	225,617
Equipment	702,104
Total accumulated depreciation	1,181,059
Total depreciable capital assets, net	905,451
Capital assets, net	\$ 925,451

NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (Unaudited)

Schedule 2

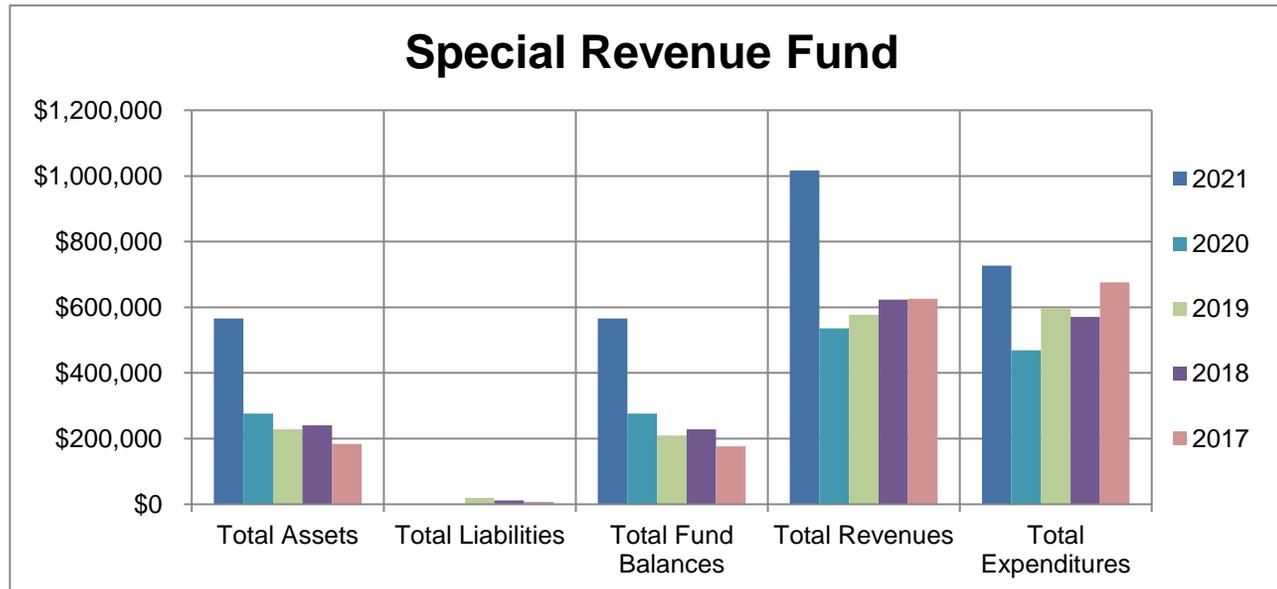
<b>General Fund</b>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 3,030,313	\$ 2,885,079	\$ 2,705,762	\$ 2,560,701	\$ 2,889,759
Total Liabilities	12,804	30,938	14,272	36,514	33,354
Total Fund Balances	3,017,509	2,854,141	2,691,490	2,524,187	2,856,405
Total Revenues	4,123,051	4,382,911	4,143,718	3,759,471	3,916,699
Total Expenditures	3,869,683	4,123,896	3,876,415	3,891,689	3,873,209
Total Other Financing Sources (Uses)	(90,000)	(96,364)	(100,000)	(200,000)	(87,162)



NORTHEAST ARKANSAS EDUCATIONAL COOPERATIVE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2021  
 (Unaudited)

Schedule 2

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 566,075	\$ 276,530	\$ 228,712	\$ 240,722	\$ 183,756
Total Liabilities		406	19,212	12,002	7,616
Total Fund Balances	566,075	276,124	209,500	228,720	176,140
Total Revenues	1,016,443	535,641	576,819	623,394	626,158
Total Expenditures	726,492	469,017	596,039	570,814	675,593
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, 2021  
 (Unaudited)

Schedule 2

<b><u>Other Aggregate Funds</u></b>	Year Ended June 30,				
	2021	2020	2019	2018	2017
Total Assets	\$ 1,037,332	\$ 979,186	\$ 882,822	\$ 838,655	\$ 789,027
Total Liabilities					
Total Fund Balances	1,037,332	979,186	882,822	838,655	789,027
Total Revenues					
Total Expenditures	31,854		55,833	150,372	21,000
Total Other Financing Sources (Uses)	90,000	96,364	100,000	200,000	87,162

