

# **Northcentral Arkansas Education Service Cooperative**

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

**June 30, 2019**



NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
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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

Northcentral Arkansas Education Service 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 of the Northcentral Arkansas Education Service 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 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 13, 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 13, 2020  
EDSC00319

# 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

Northcentral Arkansas Education Service 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 of the Northcentral Arkansas Education Service 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 13, 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 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 consider 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 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 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*.

**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

A handwritten signature in black ink that reads "Patrick Nutt". The signature is written in a cursive style with a long horizontal flourish extending to the right.

Patrick Nutt, CPA  
Deputy Legislative Auditor

Little Rock, Arkansas  
April 13, 2020

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2019

Exhibit A

	Governmental Funds	
	Major	
	General	Special Revenue
ASSETS		
Cash	\$ 562,910	\$ 109,308
Investments	103,649	
Accounts receivable	56,442	70,803
 TOTAL ASSETS	 \$ 723,001	 \$ 180,111
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	\$ 4,811	
 Fund Balances:		
Restricted	57,155	\$ 180,111
Assigned	37,506	
Unassigned	623,529	
Total Fund Balances	718,190	180,111
 TOTAL LIABILITIES AND FUND BALANCES	 \$ 723,001	 \$ 180,111

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

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

Exhibit B

	Major	
	General	Special Revenue
REVENUES		
State assistance	\$ 2,188,862	
Federal assistance		\$ 730,795
Investment income	3,570	
Other revenues	1,281,400	
 TOTAL REVENUES	3,473,832	730,795
 EXPENDITURES		
Regular programs	54,082	
Special education	398,294	137,654
Career education programs	196,868	118,637
Student support services	786,721	176,803
Instructional staff support services	1,361,252	29,855
General administration support services	131,498	
Central services support services	293,920	94
Operation and maintenance of plant services	74,597	3,000
Other support services		3,756
Community services operations		161,725
Facilities acquisition and construction services	12,260	
Non-programmed costs	77,009	21,722
Debt Service:		
Principal retirement	9,803	
Interest and fiscal charges	1,602	
 TOTAL EXPENDITURES	3,397,906	653,246
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	75,926	77,549
 FUND BALANCES - JULY 1	642,264	102,562
 FUND BALANCES - JUNE 30	\$ 718,190	\$ 180,111

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

NORTHCENTRAL ARKANSAS EDUCATION SERVICE 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	\$ 2,153,885	\$ 2,188,862	\$ 34,977			
Federal assistance				\$ 753,676	\$ 730,795	\$ (22,881)
Investment income	3,300	3,570	270			
Other revenues	1,234,620	1,281,400	46,780			
<b>TOTAL REVENUES</b>	<b>3,391,805</b>	<b>3,473,832</b>	<b>82,027</b>	<b>753,676</b>	<b>730,795</b>	<b>(22,881)</b>
EXPENDITURES						
Regular programs	52,851	54,082	(1,231)			
Special education	404,637	398,294	6,343	181,493	137,654	43,839
Career education programs	217,757	196,868	20,889	118,643	118,637	6
Student support services	788,252	786,721	1,531	284,506	176,803	107,703
Instructional staff support services	1,354,216	1,361,252	(7,036)	54,400	29,855	24,545
General administration support services	130,742	131,498	(756)			
Central services support services	396,579	293,920	102,659		94	(94)
Operation and maintenance of plant services	115,616	74,597	41,019	3,000	3,000	
Student transportation services				500		500
Other support services				4,500	3,756	744
Community services operations				164,000	161,725	2,275
Facilities acquisition and construction services		12,260	(12,260)			
Non-programmed costs	77,337	77,009	328	28,467	21,722	6,745
Debt Service:						
Principal retirement	9,543	9,803	(260)			
Interest and fiscal charges	1,862	1,602	260			
<b>TOTAL EXPENDITURES</b>	<b>3,549,392</b>	<b>3,397,906</b>	<b>151,486</b>	<b>839,509</b>	<b>653,246</b>	<b>186,263</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<b>(157,587)</b>	<b>75,926</b>	<b>233,513</b>	<b>(85,833)</b>	<b>77,549</b>	<b>163,382</b>

NORTHCENTRAL ARKANSAS EDUCATION SERVICE 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)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 105,804		\$ (105,804)			
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	(51,783)	\$ 75,926	127,709	\$ (85,833)	\$ 77,549	\$ 163,382
FUND BALANCES - JULY 1	631,480	642,264	10,784	85,833	102,562	16,729
FUND BALANCES - JUNE 30	<u>\$ 579,697</u>	<u>\$ 718,190</u>	<u>\$ 138,493</u>	<u>\$ 0</u>	<u>\$ 180,111</u>	<u>\$ 180,111</u>

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

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

A. Reporting Entity

The Board of Education, a 16 member group, is the level of government, which has responsibilities over all activities within the jurisdiction of the Northcentral Arkansas Education Service 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.

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.

D. Revenue Recognition Policies

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

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

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

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
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.

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.

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2019

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

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.

**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)	\$ 250,000	\$ 250,000
Collateralized:		
Collateral held by the Cooperative's agent, pledging bank or pledging bank's trust department or agent in the Cooperative's name	525,867	611,427
Total Deposits	\$ 775,867	\$ 861,427

The above total deposits include certificates of deposit of \$103,649 reported as investments and classified as nonparticipating contracts.

NORTHCENTRAL ARKANSAS EDUCATION SERVICE 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	\$ 23,451	
Federal assistance		\$ 70,803
Other	32,991	
Totals	<u>\$ 56,442</u>	<u>\$ 70,803</u>

**4: COMMITMENTS**

The Cooperative was contractually obligated for the following at June 30, 2019:

Long-term Debt Issued and Outstanding

The Cooperative is presently paying on the following long-term debt:

Date of Issue	Date of Final Maturity	Rate of Interest	Amount Authorized and Issued	Debt Outstanding June 30, 2019	Maturities To June 30, 2019
<u>Direct Borrowings</u>					
7/24/14	5/15/24	2.65%	<u>\$ 100,100</u>	<u>\$ 53,072</u>	<u>\$ 47,028</u>

Changes in Long-term Debt

	Balance July 1, 2018	Issued	Retired	Balance June 30, 2019
<u>Direct Borrowings</u>				
Installment contract	<u>\$ 62,875</u>	<u>\$ 0</u>	<u>\$ 9,803</u>	<u>\$ 53,072</u>

Future Principal and Interest Payments

Year Ended June 30,	Direct Borrowings		
	Principal	Interest	Total
2020	\$ 10,060	\$ 1,344	\$ 11,404
2021	10,332	1,072	11,404
2022	10,608	797	11,405
2023	10,891	514	11,405
2024	11,181	224	11,405
Totals	<u>\$ 53,072</u>	<u>\$ 3,951</u>	<u>\$ 57,023</u>

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**5: ACCOUNTS PAYABLE**

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

	Governmental Funds
	Major
Description	General
Vendor payables	\$ 4,811

**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% 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 \$352,346, equal to the required contributions. The Cooperative's contributions to ATRS for the year ended June 30, 2019 were \$35,411, 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 accidental death and dismemberment, board liability, and general liability coverages.

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**7: RISK MANAGEMENT (Continued)**

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.

Additionally, the Cooperative participates in the Arkansas School Boards Association – Risk Management Program (the Association), a self-insurance program voluntarily established on February 1, 1984 pursuant to state law. The Association is responsible for obtaining and administering insurance coverage for property and vehicles for its members, as well as obtaining and reinsurance coverage for those claims that exceed the standard policy limits. In its administrative capacity, the Association is responsible for monitoring, negotiating, and settling claims that have been filed against member entities. The Cooperative pays an annual premium for its buildings, contents, and vehicles.

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.

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 \$67,598 for the year ended June 30, 2019.

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

Description	Governmental Funds	
	Major	
	General	Special Revenue
Fund Balances:		
Restricted for:		
Medical services		\$ 143,129
Special education programs	\$ 2,648	36,982
Other purposes	54,507	
Total Restricted	<u>57,155</u>	<u>180,111</u>
Assigned to:		
Other purposes	<u>37,506</u>	
Unassigned	<u>623,529</u>	
Totals	<u>\$ 718,190</u>	<u>\$ 180,111</u>

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019

**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.

NORTHCENTRAL ARKANSAS EDUCATION SERVICE COOPERATIVE  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2019  
 (Unaudited)

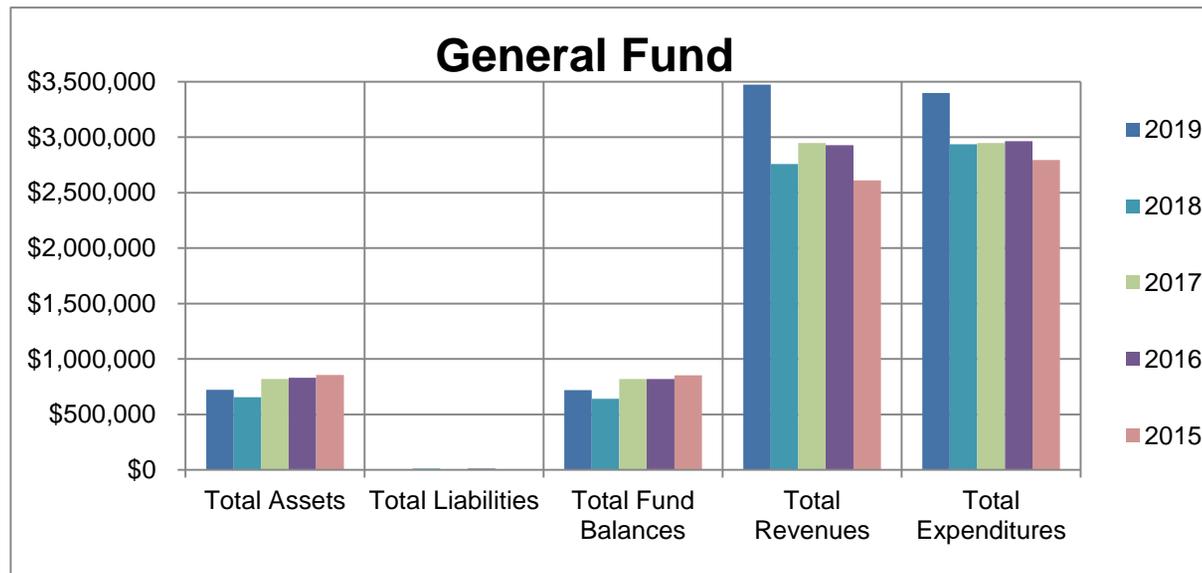
Schedule 1

	Balance June 30, 2019
<i>Nondepreciable capital assets:</i>	
Land	\$ 5,000
<i>Depreciable capital assets:</i>	
Buildings	1,198,066
Equipment	235,615
Total depreciable capital assets	1,433,681
Less accumulated depreciation for:	
Buildings	381,129
Equipment	170,630
Total accumulated depreciation	551,759
Total depreciable capital assets, net	881,922
Capital assets, net	\$ 886,922

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

Schedule 2

<b>General Fund</b>	Year Ended June 30,				
	2019	2018	2017	2016	2015
Total Assets	\$ 723,001	\$ 654,070	\$ 819,346	\$ 830,885	\$ 855,030
Total Liabilities	4,811	11,806		11,982	2,112
Total Fund Balances	718,190	642,264	819,346	818,903	852,918
Total Revenues	3,473,832	2,759,104	2,946,637	2,928,728	2,611,549
Total Expenditures	3,397,906	2,936,186	2,946,194	2,962,743	2,793,031
Total Other Financing Sources (Uses)					7,331



NORTHCENTRAL ARKANSAS EDUCATION SERVICE 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	\$ 180,111	\$ 102,970	\$ 91,742	\$ 73,961	\$ 272,546
Total Liabilities		408		261	
Total Fund Balances	180,111	102,562	91,742	73,700	272,546
Total Revenues	730,795	584,236	715,878	718,720	715,593
Total Expenditures	653,246	565,889	697,836	917,566	741,836
Total Other Financing Sources (Uses)		(7,527)			

