

Ozarks Unlimited Resources Educational Cooperative

**Regulatory Basis Financial Statements
And Other Reports**

June 30, 2010

LEGISLATIVE JOINT AUDITING COMMITTEE



OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
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Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF LEGISLATIVE AUDIT

INDEPENDENT AUDITOR'S REPORT

Ozarks Unlimited Resources Educational Cooperative and Cooperative Board Members
Legislative Joint Auditing Committee

We have audited the accompanying financial statements of each major governmental fund and the aggregate remaining fund information of the Ozarks Unlimited Resources Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2010, which collectively comprise the Cooperative's regulatory basis financial statements as listed in the table of contents. These financial statements are the responsibility of Cooperative management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described more fully in Note 1, the Cooperative has prepared these financial statements using accounting practices prescribed or permitted by Arkansas Code, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to previously do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Cooperative as of June 30, 2010, or the changes in financial position for the year then ended. Further, the Cooperative has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each major governmental fund and the aggregate remaining fund information of the Cooperative as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 6, 2011 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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 (Schedule 1) and the Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 2) are presented for purposes of additional analysis and is not a required part of the regulatory basis financial statements. The Schedule of Capital Assets (Schedule 1) and the Schedule of Selected Information for the Last Five Years - Regulatory Basis (Schedule 2) have not been subjected to the auditing procedures applied in the audit of the regulatory basis financial statements and, accordingly, we express no opinion on them.

DIVISION OF LEGISLATIVE AUDIT

A handwritten signature in black ink, appearing to read "Roger A. Norman". The signature is fluid and cursive, with the first name "Roger" being the most prominent.

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

Little Rock, Arkansas
April 6, 2011
EDSC00210

Sen. Bill Pritchard
Senate Chair
Rep. Tim Summers
House Chair
Sen. David Wyatt
Senate Vice Chair
Rep. Toni Bradford
House Vice Chair

Arkansas



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

LEGISLATIVE JOINT AUDITING COMMITTEE DIVISION OF 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*

Ozarks Unlimited Resources Educational Cooperative and Cooperative Board Members
Legislative Joint Auditing Committee

We have audited the financial statements of each major governmental fund and the aggregate remaining fund information of the Ozarks Unlimited Resources Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2010, which collectively comprise the Cooperative's regulatory basis financial statements, and have issued our report thereon dated April 6, 2011. We issued an adverse opinion because the Cooperative prepared the financial statements using accounting practices prescribed or permitted by the Arkansas Code, which differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices 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 financial position of each major governmental fund and the aggregate remaining fund information of the Cooperative as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparison for the general and special revenue funds for the year then ended, on the basis of accounting described in Note 1. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Cooperative's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described below in the Audit Findings section of this report, we identified a certain deficiency in internal control over financial reporting that we consider to be a material weakness.

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. We consider the deficiency described below in the Audit Findings section of this report 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 of 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

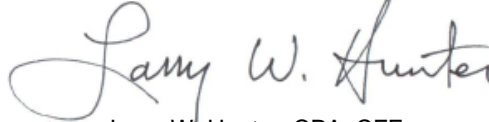
Internal control is a process consisting of five interrelated components - *control environment, risk assessment, information and communication, control activities, and monitoring*. Management is responsible for adopting sound accounting policies and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. A deficiency in the internal control component of control activities adversely affected the Cooperative's ability to initiate, authorize, record, process, and report financial data in accordance with the regulatory basis of accounting such that there was a reasonable possibility that a material misstatement of the Cooperative's financial statements would not be prevented, or detected and corrected on a timely basis. The Cooperative, because of cost/benefit implications, has not adequately segregated financial accounting duties among appropriate employees to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting. An understanding of the five components of internal control sufficient to assess the risk of material misstatement of the financial statements whether due to error or fraud, and to design the nature, timing, and extent of further audit procedures was obtained. The Cooperative's ability to initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements, as well as the ability to safeguard Cooperative assets, was adversely affected by the identified weakness. Cooperative management should adopt sound accounting policies and establish and maintain internal control that will initiate, authorize, record, process, and report transactions consistent with management's assertions embodied in the financial statements and that will safeguard Cooperative assets.

Management Response: Cooperative officials plan to comply with the recommendation to the extent possible.

The Cooperative's response to the finding identified in our audit is described above. We did not audit the Cooperative's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the Legislative Joint Auditing Committee, the local cooperative board and Cooperative management, state executive and oversight management, and other parties as required by Arkansas Code, and is not intended to be and should not be used by anyone other than these specified parties. However, pursuant to Ark. Code Ann. § 10-4-417, all reports presented to the Legislative Joint Auditing Committee are matters of public record and distribution is not limited.

DIVISION OF LEGISLATIVE AUDIT



Larry W. Hunter, CPA, CFE
Deputy Legislative Auditor

Little Rock, Arkansas
April 6, 2011

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
BALANCE SHEET - REGULATORY BASIS
JUNE 30, 2010

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
ASSETS			
Cash	\$ 1,192,520	\$ 175,066	\$ 14,935
Investments	545,959		
Accounts receivable	38,549	49,349	
TOTAL ASSETS	\$ 1,777,028	\$ 224,415	\$ 14,935
LIABILITIES AND FUND BALANCES			
Liabilities:			
Accounts payable	\$ 74,687	\$ 6,317	
Fund Balances:			
Unreserved:			
Designated:			
Capital projects			\$ 14,935
Undesignated	1,702,341	218,098	
Total Fund Balances	1,702,341	218,098	14,935
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,777,028	\$ 224,415	\$ 14,935

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

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS - REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 4,444,313		
Federal assistance		\$ 329,491	
Investment income	39,013		
Other revenues	1,989,178	41,887	\$ 855
TOTAL REVENUES	6,472,504	371,378	855
EXPENDITURES			
Regular programs	1,750,543		
Special education	626,840	314,666	
Workforce education	406	147,036	
Compensatory education	398,728		
Other instructional programs	46,638		
Student support services	322,620	10	
Instructional staff support services	1,813,331	14,888	
General administration support services	142,220		
Central services support services	153,333		
Operation and maintenance of plant services	316,456		
Food services operations		4,838	
Facilities acquisition and construction services	69,990		183,320
Debt Service:			
Principal retirement	22,701		
Interest and fiscal charges	9,556		
TOTAL EXPENDITURES	5,673,362	481,438	183,320
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	799,142	(110,060)	(182,465)
OTHER FINANCING SOURCES (USES)			
Refund to grantor	(122,059)	(2,896)	
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	677,083	(112,956)	(182,465)
FUND BALANCES - JULY 1	1,025,258	331,054	197,400
FUND BALANCES - JUNE 30	\$ 1,702,341	\$ 218,098	\$ 14,935

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

OZARKS UNLIMITED RESOURCES 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, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 3,999,198	\$ 4,444,313	\$ 445,115			
Federal assistance				\$ 435,894	\$ 329,491	\$ (106,403)
Investment income	65,000	39,013	(25,987)			
Other revenues	1,713,066	1,989,178	276,112		41,887	41,887
TOTAL REVENUES	5,777,264	6,472,504	695,240	435,894	371,378	(64,516)
EXPENDITURES						
Regular programs	1,709,260	1,750,543	(41,283)			
Special education	602,862	626,840	(23,978)	438,163	314,666	123,497
Workforce education	4,453	406	4,047	240,033	147,036	92,997
Compensatory education	405,414	398,728	6,686			
Other instructional programs	50,590	46,638	3,952			
Student support services	378,010	322,620	55,390		10	(10)
Instructional staff support services	1,841,869	1,813,331	28,538	28,133	14,888	13,245
General administration support services	144,706	142,220	2,486			
Central services support services	166,345	153,333	13,012			
Operation and maintenance of plant services	372,944	316,456	56,488			
Food services operations					4,838	(4,838)
Facilities acquisition and construction services	157,070	69,990	87,080	40,291		40,291
Debt Service:						
Principal retirement		22,701	(22,701)			
Interest and fiscal charges		9,556	(9,556)			
TOTAL EXPENDITURES	5,833,523	5,673,362	160,161	746,620	481,438	265,182
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(56,259)	799,142	855,401	(310,726)	(110,060)	200,666
OTHER FINANCING SOURCES (USES)						
Transfers out	(150,000)		150,000			
Refund to grantor		(122,059)	(122,059)		(2,896)	(2,896)
TOTAL OTHER FINANCING SOURCES (USES)	(150,000)	(122,059)	27,941		(2,896)	(2,896)

OZARKS UNLIMITED RESOURCES 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, 2010

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES	\$ (206,259)	\$ 677,083	\$ 883,342	\$ (310,726)	\$ (112,956)	\$ 197,770
FUND BALANCES - JULY 1	1,020,680	1,025,258	4,578	332,980	331,054	(1,926)
FUND BALANCES - JUNE 30	<u>\$ 814,421</u>	<u>\$ 1,702,341</u>	<u>\$ 887,920</u>	<u>\$ 22,254</u>	<u>\$ 218,098</u>	<u>\$ 195,844</u>

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

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting Entity

The Board of Education, a sixteen member group, is the level of government, which has responsibilities over all activities within the jurisdiction of the Ozarks Unlimited Resources 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 the general operating fund and is used to account for all financial resources, except those required to be reported in another fund.

Special Revenue Fund - The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than trusts for individuals, private organizations, or other governments or for major capital projects) that are legally restricted to expenditures for specified purposes.

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

Capital Projects Fund - The Capital Projects Fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary funds or in trust funds for individuals, 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, 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.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
 NOTES TO FINANCIAL STATEMENTS
 JUNE 30, 2010

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:

<u>Asset Class</u>	<u>Estimated Useful Life in Years</u>
Improvements/infrastructure	20
Buildings	50
Equipment	5-20

F. Fund Balance Designations

1. Designated fund balance - represents that portion of the fund balance which indicates tentative plans for financial resource utilization in a future period.
2. Undesignated fund balance - indicates that portion of the fund balance not reserved or designated.

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.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 pledging bank or pledging bank's trust department in the Cooperative's name	1,678,480	1,984,815
Total Deposits	\$ 1,928,480	\$ 2,234,815

The above total deposits include certificates of deposit of \$545,959 reported as investments and classified as nonparticipating contracts.

3: ACCOUNTS RECEIVABLE

The accounts receivable balance of \$87,898 at June 30, 2010 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Federal assistance		\$ 49,349	\$ 49,349
Other	\$ 38,549		38,549
Totals	\$ 38,549	\$ 49,349	\$ 87,898

4: COMMITMENTS

The Cooperative was contractually obligated for the following at June 30, 2010:

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, 2010	Maturities To June 30, 2010
8/19/08	11/1/17	4.95%	\$ 204,309	\$ 181,608	\$ 22,701

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

4: COMMITMENTS (CONTINUED)

Changes in Long-term Debt

	Balance July 1, 2009	Issued	Retired	Balance June 30, 2010
Certificates of indebtedness	\$ 204,309	\$ 0	\$ 22,701	\$ 181,608

Total long-term debt principal and interest payments are as follows:

Year Ended June 30,	Principal	Interest	Total
2011	\$ 22,701	\$ 8,432	\$ 31,133
2012	22,701	7,327	30,028
2013	22,701	6,185	28,886
2014	22,701	5,061	27,762
2015	22,701	3,938	26,639
2016-2018	68,103	5,077	73,180
Totals	\$ 181,608	\$ 36,020	\$ 217,628

5: ACCOUNTS PAYABLE

The accounts payable balance of \$81,004 at June 30, 2010 was comprised of the following:

Description	Governmental Funds		Total
	Major		
	General	Special Revenue	
Vendor payables	\$ 74,687	\$ 6,317	\$ 81,004

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, except certain nonteachers hired before July 1, 1989. 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 or by calling 1-800-666-2877.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 maximum allowed by State law. 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 years ended June 30, 2010, 2009, and 2008 were \$463,370, \$435,554, and \$421,015, respectively. The Cooperative's contributions to ATRS for the years ended June 30, 2010, 2009, and 2008 were \$13,341, \$7,032, and \$4,357, respectively, equal to the required contributions for each year.

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 accident coverage. Settled claims have not exceeded this commercial 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.

The Cooperative participates in the Arkansas School Boards Association – Workers' 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 \$250,000 with a \$1,000 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 Public School Property and Vehicle 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 coverage of buildings, contents, and vehicles.

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 \$50,390 for the year ended June 30, 2010.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
 SCHEDULE OF CAPITAL ASSETS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Unaudited)

Schedule 1

	Balance June 30, 2010
<i>Nondepreciable capital assets:</i>	
Land	\$ 103,369
<i>Depreciable capital assets:</i>	
Buildings	1,260,473
Improvements/infrastructure	84,499
Equipment	702,505
Total depreciable capital assets	2,047,477
Less accumulated depreciation for:	
Buildings	51,642
Improvements/infrastructure	5,161
Equipment	359,709
Total accumulated depreciation	416,512
Total depreciable capital assets, net	1,630,965
Capital assets, net	\$ 1,734,334

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS
 FOR THE YEAR ENDED JUNE 30, 2010
 (Unaudited)

Schedule 2

	Year Ended June 30,				
	2010	2009	2008	2007	2006
<u>General Fund</u>					
Total Assets	\$ 1,777,028	\$ 1,058,462	\$ 1,069,948	\$ 943,717	\$ 941,493
Total Liabilities	74,687	33,204	43,631	12,337	7,235
Total Fund Balances	1,702,341	1,025,258	1,026,317	931,380	934,258
Total Revenues	6,472,504	5,906,435	5,747,397	4,680,439	4,604,514
Total Expenditures	5,673,362	5,432,376	5,308,388	4,527,389	5,168,012
Total Other Financing Sources (Uses)	(122,059)	(475,118)	(344,072)	(155,928)	(25,485)
<u>Special Revenue Fund</u>					
Total Assets	224,415	338,216	348,399	277,140	168,685
Total Liabilities	6,317	7,162	1,187	83	57,937
Total Fund Balances	218,098	331,054	347,212	277,057	110,748
Total Revenues	371,378	508,536	440,673	746,814	1,044,101
Total Expenditures	481,438	516,562	370,518	580,505	1,047,618
Total Other Financing Sources (Uses)	(2,896)	(8,132)			
<u>Other Aggregate Funds</u>					
Total Assets	14,935	205,980	500,000	155,928	
Total Liabilities		8,580			
Total Fund Balances	14,935	197,400	500,000	155,928	
Total Revenues	855				
Total Expenditures	183,320	990,159			
Total Other Financing Sources (Uses)		687,559	344,072	155,928	