

# **Ozarks Unlimited Resources Educational Cooperative**

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

**June 30, 2018**



OZARKS UNLIMITED RESOURCES EDUCATIONAL 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

Ozarks Unlimited Resources 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 Ozarks Unlimited Resources Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2018, 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, 2018, 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, 2018, 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 22, 2019 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 22, 2019  
EDSC00218

# 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

Ozarks Unlimited Resources 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 Ozarks Unlimited Resources Educational Cooperative (the "Cooperative"), as of and for the year ended June 30, 2018, 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 22, 2019. 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, 2018, 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.

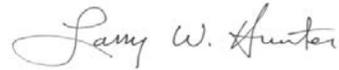
#### Compliance and Other Matters

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 and federal 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



Larry W. Hunter, CPA, CFE  
Deputy Legislative Auditor

Little Rock, Arkansas  
April 22, 2019

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
BALANCE SHEET - REGULATORY BASIS  
JUNE 30, 2018

Exhibit A

	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
<b>ASSETS</b>			
Cash	\$ 726,340		\$ 1,408,646
Investments	406,277		
Accounts receivable	8,660	\$ 82,369	
Due from other funds	28,475		
<b>TOTAL ASSETS</b>	<b>\$ 1,169,752</b>	<b>\$ 82,369</b>	<b>\$ 1,408,646</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities:</b>			
Accounts payable	\$ 14,429	\$ 431	
Due to other funds		28,475	
<b>Total Liabilities</b>	<b>14,429</b>	<b>28,906</b>	
<b>Fund Balances:</b>			
Restricted	292,579	53,463	
Committed			\$ 530,834
Assigned	171,663		877,812
Unassigned	691,081		
<b>Total Fund Balances</b>	<b>1,155,323</b>	<b>53,463</b>	<b>1,408,646</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,169,752</b>	<b>\$ 82,369</b>	<b>\$ 1,408,646</b>

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, 2018

Exhibit B

	Major		Other Aggregate
	General	Special Revenue	
REVENUES			
State assistance	\$ 3,855,895		
Federal assistance		\$ 712,020	
Investment income	44,037		
Other revenues	1,284,208		
<b>TOTAL REVENUES</b>	<b>5,184,140</b>	<b>712,020</b>	
EXPENDITURES			
Regular programs	1,801,451	54,754	
Special education	532,856	308,886	
Career education programs	1,534	137,093	
Compensatory education programs	462,200		
Other instructional programs	13,709		
Student support services	135,686	165,140	
Instructional staff support services	1,363,557	99,515	
General administration support services	116,228		
Central services support services	279,577		
Operation and maintenance of plant services	207,349	3,000	
Student transportation services	272		
Community services operations		51	
Facilities acquisition and construction services	55,282		
Non-programmed costs		35,163	
<b>TOTAL EXPENDITURES</b>	<b>4,969,701</b>	<b>803,602</b>	
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>214,439</b>	<b>(91,582)</b>	
OTHER FINANCING SOURCES (USES)			
Transfers in	31,275		\$ 525,677
Transfers out	(525,677)	(31,275)	
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(494,402)</b>	<b>(31,275)</b>	<b>525,677</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(279,963)</b>	<b>(122,857)</b>	<b>525,677</b>
FUND BALANCES - JULY 1	1,435,286	176,320	882,969
FUND BALANCES - JUNE 30	\$ 1,155,323	\$ 53,463	\$ 1,408,646

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, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
REVENUES						
State assistance	\$ 3,705,389	\$ 3,855,895	\$ 150,506			
Federal assistance				\$ 726,849	\$ 712,020	\$ (14,829)
Investment income	39,000	44,037	5,037			
Other revenues	1,296,778	1,284,208	(12,570)			
<b>TOTAL REVENUES</b>	<b>5,041,167</b>	<b>5,184,140</b>	<b>142,973</b>	<b>726,849</b>	<b>712,020</b>	<b>(14,829)</b>
EXPENDITURES						
Regular programs	1,664,953	1,801,451	(136,498)	52,808	54,754	(1,946)
Special education	796,760	532,856	263,904	355,840	308,886	46,954
Career education programs	5,026	1,534	3,492	137,048	137,093	(45)
Compensatory education programs	420,206	462,200	(41,994)			
Other instructional programs	18,084	13,709	4,375			
Student support services	145,220	135,686	9,534	170,753	165,140	5,613
Instructional staff support services	1,526,932	1,363,557	163,375	105,235	99,515	5,720
General administration support services	126,374	116,228	10,146			
Central services support services	345,884	279,577	66,307			
Operation and maintenance of plant services	342,554	207,349	135,205	3,000	3,000	
Student transportation services		272	(272)			
Community services operations				2,192	51	2,141
Facilities acquisition and construction services	108,200	55,282	52,918			
Non-programmed costs	43,899		43,899	33,694	35,163	(1,469)
<b>TOTAL EXPENDITURES</b>	<b>5,544,092</b>	<b>4,969,701</b>	<b>574,391</b>	<b>860,570</b>	<b>803,602</b>	<b>56,968</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(502,925)</b>	<b>214,439</b>	<b>717,364</b>	<b>(133,721)</b>	<b>(91,582)</b>	<b>42,139</b>

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, 2018

Exhibit C

	General			Special Revenue		
	Budget	Actual	Variance Favorable (Unfavorable)	Budget	Actual	Variance Favorable (Unfavorable)
OTHER FINANCING SOURCES (USES)						
Transfers in	\$ 184,446	\$ 31,275	\$ (153,171)			
Transfers out	(216,446)	(525,677)	(309,231)	\$ (36,000)	\$ (31,275)	\$ 4,725
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(32,000)</b>	<b>(494,402)</b>	<b>(462,402)</b>	<b>(36,000)</b>	<b>(31,275)</b>	<b>4,725</b>
<b>EXCESS OF REVENUES AND OTHER SOURCES OVER (UNDER) EXPENDITURES AND OTHER USES</b>	<b>(534,925)</b>	<b>(279,963)</b>	<b>254,962</b>	<b>(169,721)</b>	<b>(122,857)</b>	<b>46,864</b>
FUND BALANCES - JULY 1	1,391,572	1,435,286	43,714	169,721	176,320	6,599
FUND BALANCES - JUNE 30	<u>\$ 856,647</u>	<u>\$ 1,155,323</u>	<u>\$ 298,676</u>	<u>\$ 0</u>	<u>\$ 53,463</u>	<u>\$ 53,463</u>

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

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**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 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 used to account for and report all financial resources not accounted for and reported in another fund.

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

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

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

C. Measurement Focus and Basis of Accounting

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

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

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

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
 NOTES TO FINANCIAL STATEMENTS  
 JUNE 30, 2018

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

D. Revenue Recognition Policies

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

E. Capital Assets

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

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

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

F. Interfund Receivables and Payables

Interfund receivables and payables result from services rendered from one fund to another or from interfund loans.

G. 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. Committed fund balance – represents amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Cooperative’s Board of Education.
3. 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.
4. 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.

H. 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.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

H. Budget and Budgetary Accounting (Continued)

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

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

I. 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

J. Minimum Fund Balance Policies

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

K. Fund Balance Classification Policies and Procedures

The Cooperative's highest level of decision-making authority is its Board of Education. The establishment of amounts classified as committed fund balances and subsequent modifications to such balances are the result of formal action taken by the Cooperative's Board of Education through a resolution or adoption of board policy.

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.

L. Encumbrances

The Cooperative does not utilize encumbrance accounting.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**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	2,291,263	2,631,072
Total Deposits	\$ 2,541,263	\$ 2,881,072

The above total deposits include certificates of deposit of \$406,277 reported as investments and classified as nonparticipating contracts.

**3: ACCOUNTS RECEIVABLE**

Accounts receivable at June 30, 2018 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Federal assistance		\$ 82,369
Other	\$ 8,660	
Totals	\$ 8,660	\$ 82,369

**4: COMMITMENT**

The Cooperative was contractually obligated for the following at June 30, 2018:

Construction Contract

Project Name	Estimated Completion Date	Contract Balance
Building Additions	June 30, 2019	\$ 798,442

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**5: ACCOUNTS PAYABLE**

Accounts payable at June 30, 2018 were comprised of the following:

Description	Governmental Funds	
	Major	
	General	Special Revenue
Vendor payables	\$ 14,429	\$ 431

**6: INTERFUND TRANSFERS**

The Cooperative transferred \$525,677 from the general fund to the other aggregate funds for future capital expenditures and transferred meal reimbursements of \$31,275 from the special revenue fund to the general fund for costs incurred for the child care programs.

**7: 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, 2018 were \$455,691, equal to the required contributions. The Cooperative's contributions to ATRS for the year ended June 30, 2018 were \$63,015, 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, 2017 (actuarial valuation date and measurement date) was \$5,044,315.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

**8: 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 and board liability.

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

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

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

**9: 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 \$141,828 for the year ended June 30, 2018.

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2018

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

Description	Governmental Funds		
	Major		
	General	Special Revenue	Other Aggregate
Fund Balances:			
Restricted for:			
Medical services		\$ 53,463	
Special education programs	\$ 253,509		
Other purposes	39,070		
Total Restricted	292,579	53,463	
Committed to:			
Capital projects			\$ 530,834
Assigned to:			
Capital projects			877,812
Preschool programs	72,739		
Special education programs	70,908		
Other purposes	28,016		
Total Assigned	171,663		877,812
Unassigned	691,081		
Totals	\$1,155,323	\$ 53,463	\$1,408,646

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
 SCHEDULE OF CAPITAL ASSETS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

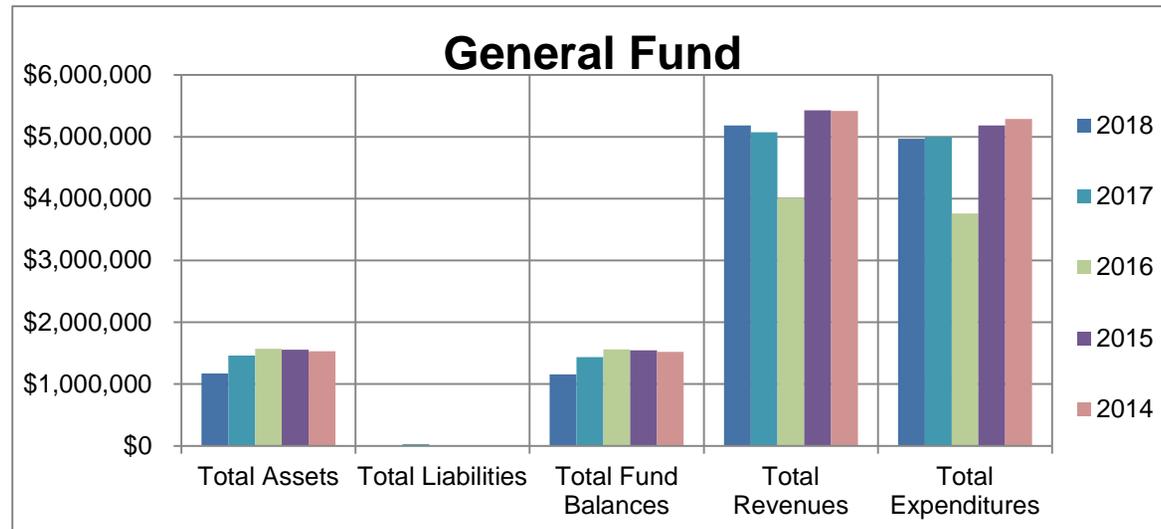
Schedule 1

	Balance June 30, 2018
<i>Nondepreciable capital assets:</i>	
Land	\$ 115,705
<i>Depreciable capital assets:</i>	
Buildings	2,202,717
Improvements/infrastructure	122,229
Equipment	605,800
Total depreciable capital assets	2,930,746
Less accumulated depreciation for:	
Buildings	381,429
Improvements/infrastructure	47,575
Equipment	389,548
Total accumulated depreciation	818,552
Total depreciable capital assets, net	2,112,194
Capital assets, net	\$ 2,227,899

OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

Schedule 2

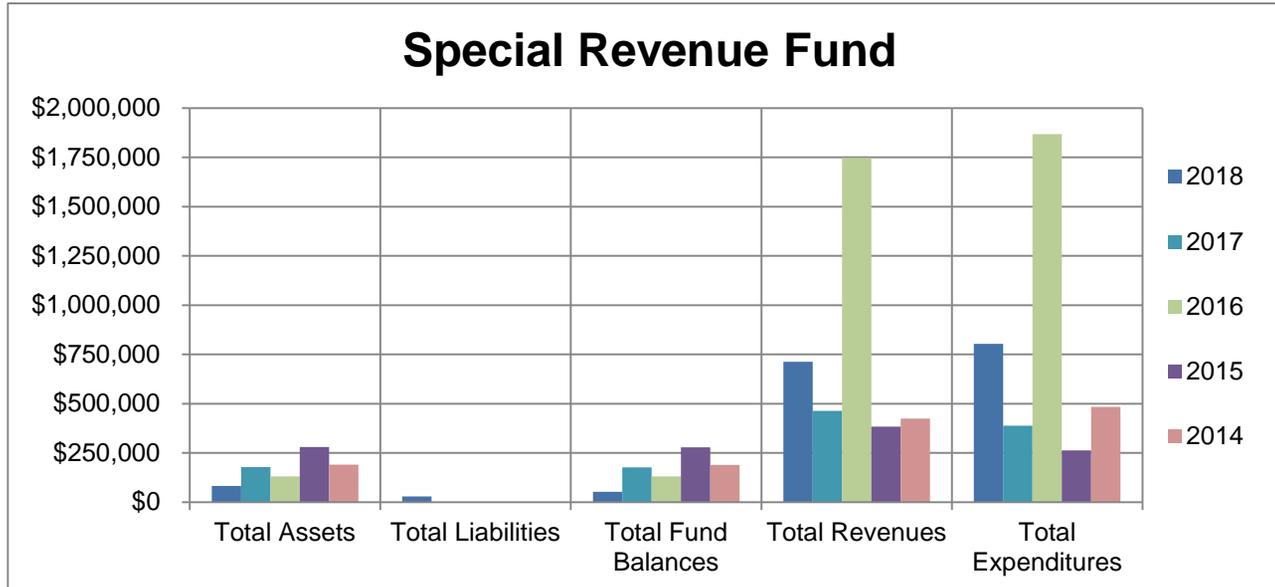
<u>General Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 1,169,752	\$ 1,461,012	\$ 1,572,224	\$ 1,558,237	\$ 1,534,001
Total Liabilities	14,429	25,726	11,946	12,327	13,446
Total Fund Balances	1,155,323	1,435,286	1,560,278	1,545,910	1,520,555
Total Revenues	5,184,140	5,074,608	4,008,342	5,426,788	5,418,145
Total Expenditures	4,969,701	4,998,538	3,760,961	5,183,056	5,288,621
Total Other Financing Sources (Uses)	(494,402)	(201,062)	(233,013)	(218,377)	(50,000)



OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

Schedule 2

<u>Special Revenue Fund</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 82,369	\$ 178,147	\$ 131,064	\$ 279,887	\$ 190,674
Total Liabilities	28,906	1,827	376	687	1,192
Total Fund Balances	53,463	176,320	130,688	279,200	189,482
Total Revenues	712,020	463,599	1,746,741	383,084	423,855
Total Expenditures	803,602	388,872	1,867,355	263,501	483,208
Total Other Financing Sources (Uses)	(31,275)	(29,095)	(27,898)	(29,865)	



OZARKS UNLIMITED RESOURCES EDUCATIONAL COOPERATIVE  
 SCHEDULE OF SELECTED INFORMATION FOR THE LAST FIVE YEARS - REGULATORY BASIS  
 FOR THE YEAR ENDED JUNE 30, 2018  
 (Unaudited)

Schedule 2

<u>Other Aggregate Funds</u>	Year Ended June 30,				
	2018	2017	2016	2015	2014
Total Assets	\$ 1,408,646	\$ 882,969	\$ 652,812	\$ 391,901	\$ 146,901
Total Liabilities					
Total Fund Balances	1,408,646	882,969	652,812	391,901	146,901
Total Revenues					
Total Expenditures					
Total Other Financing Sources (Uses)	525,677	230,157	260,911	245,000	50,000

