A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas

Independent Auditors' Report and
Regulatory Basis Financial Statement
With Supplementary Information

For the Year Ended June 30, 2022

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Regulatory Basis Financial Statement
For the Fiscal Year Ended June 30, 2022

TABLE OF CONTENTS

Item	Page Number
Independent Auditor's Report	1-4
Summary Statement of Receipts, Expenditures, and Unencumbered Cash – Regulatory Basis	5
Notes to the Financial Statement	6-13
SUPPLEMENTARY INFORMATION	
Schedule 1	
Summary of Expenditures - Actual and Budget – Regulatory Basis (Budgeted Funds Only)	15
Schedule 2	
Summary of Receipts and Expenditures - Individually Presented by Fund	
General Fund	16-18
Schedule 3	
Schedule of Receipts and Disbursements - Agency Funds	19
APPENDIX A	
Independent Auditor's 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	20-21
Independent Auditor's Report on Compliance for each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	22-24
Schedule of Findings and Questioned Costs	25
Schedule of Expenditures of Federal Awards	27

Rodney M. Burns
CPA

RODNEY M. BURNS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT
702 WEST MAIN * * * P.O.BOX 832
CHANUTE, KANSAS 66720

PHONE (620) 431-3410
FAX (620) 431-7719

INDEPENDENT AUDITORS' REPORT

Board of Directors
A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2022, and the related notes to the financial statement.

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 and Unmodified Opinions" section of our report, the accompanying financial statement referred to above does 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, 2022, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Cooperative, as of June 30, 2022, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statement" section of our report. We are required to be independent of the Cooperative, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles

As discussed in Note 1 of the financial statement, the financial statement is prepared by the Cooperative, on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement 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.

Responsibilities of Management for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the *Kansas Municipal Audit and Accounting Guide* as described in Note 1; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statement in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually, or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and expenditures-agency funds, and summary schedule of regulatory basis receipts, expenditures, and unencumbered cash-Cooperative activity funds (Schedules 1, 2, 3 and 4 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2021 (not presented herein), and have issued our report thereon dated March 24, 2022, which contained an unmodified opinion on the basic financial statement. The 2021 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2021 actual column (2021 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year June 30, 2022 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2021 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2021 basic financial statement. The 2021 comparative information was subjected to the auditing procedures applied in the audit of the 2021 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2021 basic financial statement or to the 2021 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2021 comparative information is fairly stated in all material respects in relation to the 2021 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Cooperative's basic financial statement. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 8, 2023, 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 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 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.

Rodney M. Burns, CPA, LLC

Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
March 8, 2023

A.N.W. Special Education Cooperative No. 603
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2022

		Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General		$ 1,429,452	12,250,251	11,747,706	1,931,997	30,010	1,962,007
Total Primary Government	(1)	1,429,452	12,250,251	11,747,706	1,931,997	30,010	1,962,007

Composition of Cash:		
Demand Deposits		2,473,983
Petty Cash Advance		700
Less: Agency Funds		(512,677)
Adjustment for Rounding		1
Total Primary Government	(1)	1,962,007

(1) Excluding Agency Funds

The notes to the financial statements are an integral part of this statement.

Note 1 Summary of Significant Accounting Policies

The financial statement and schedules of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies follow. Note 1 describes how the Cooperative's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The Cooperative is an interlocal agency organized pursuant to K.S.A. 72-8230 and is governed by an appointed 8-member board. The Board consists of members of participating Unified School Districts' Boards of Educations. The following Unified School Districts make up this interlocal agency:

Unified School District No. 101, Erie, Kansas
Unified School District No. 256, Moran, Kansas
Unified School District No. 257, Iola, Kansas
Unified School District No. 258, Humboldt, Kansas
Unified School District No. 366, Yates Center, Kansas
Unified School District No. 387, Altoona-Midway, Kansas
Unified School District No. 413, Chanute, Kansas
Unified School District No. 479, Colony, Kansas

This financial statement presents A.N.W. Special Education Cooperative No. 603, and includes the primary government only, with no related municipal entities.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America

The Kansas Municipal Audit and Accounting Guide regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The Kansas Municipal Audit and Accounting Guide regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The Cooperative has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Cooperative to use the regulatory basis of accounting.

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following Regulatory Basis Fund Types comprise the financial activities of the Cooperative for the year ending June 30, 2022:

General Fund -- the chief operating fund. Used to account for all unrestricted resources except those required to be accounted for in another fund.

Agency Funds -- funds used to report assets held by the municipal reporting entity in a purely custodial capacity.

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the Cooperative Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time Cooperative employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. Under Kansas State Law, the State of Kansas will fund all employer pension costs accrued; such costs to be funded are actuarially determined annually by the State.

Budgetary Information

The Cooperative is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Cooperative. Each of the eight member school districts holds the taxing authority for funds paid to the Cooperative. The Cooperative adopts an annual budget for the General Fund for managerial purposes. The budget comparisons on Schedules 1 and 2 reflect this internal managerial budget.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Cooperative has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Cooperative's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Cooperative has no investment policy that would further limit its investment choices

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The Cooperative had no investments at June 30, 2022 and held no investments throughout the year.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Cooperative has not designated any peak periods.

At June 30, 2022, the carrying amount of the Cooperative's deposits was $2,473,983 and the bank balance was $3,098,896. Of the bank balance, $263,037 was covered by federal depository insurance and the remaining $2,835,859 was collateralized with securities held by the pledging financial institutions' agents in the School's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Note 3 Long-term Debt

Changes in Long-Term Debt

At June 30, 2022, the Cooperative is obligated under a lease purchase agreement with one of its member districts (Unified School District No. 413) for the purchase of a school building.

Changes in long-term debt for the year ending June 30, 2022 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Lease Purchase Agreements:									
School Building	0.00%	8/21/2019	50,000	10/15/2024	40,000	-	10,000	30,000	-

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Lease Purchase Agreements	
	Principal	Interest
2022-23	$ 10,000	-
2023-24	10,000	-
2024-25	10,000	-
Total	30,000	-

Operating Lease Obligation

The Cooperative has entered into four operating leases for the rental of school buses. Future minimum lease payments, due subsequent to June 30, 2022, are as follows:

	Future Minimum Lease Payments
2022-23	$ 70,470
2023-24	42,970
2024-25	56,000
Total	169,440

Note 4 Risk Management

Insurance Coverage

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Cooperative manages these risks of loss through the purchase of various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5 Other Long-Term Obligations from Operations

Compensated Absences

Licensed professional staff, certified employees and administrative personnel are granted twelve days discretionary leave per year. Unused discretionary leave from the prior year is rolled over into sick leave, along with unused sick leave from the prior year, up to a maximum of 100 days. Classified personnel receive nine days sick leave and two personal days per year, up to a maximum of 420 hours.

Licensed professional staff who have completed fifteen years of service with the Cooperative and are voluntarily separating from employment with the Cooperative are eligible for reimbursement of unused sick leave. There are two options to compute the compensation to be received, based on whether or not the staff member is eligible to retire under KPERS.

Option A: If the employee is not yet eligible to retire under KPERS, they can receive $50 per day, for up to 100 days, of their unused sick leave.

Option B: If the employee is eligible to retire under KPERS, but has not done so, they can receive compensation for up to 100 days of their unused sick leave at the rate of $125 per day. The amount of days to be paid is based on a variable percentage, based on the length of time the employee continues to work past the date they are eligible to retire under KPERS and is shown on the schedule below:

Years of KPERS Eligibility	Percent of Unused Sick Leave Days Eligible for Compensation
1	20%
2	20%
3	30%
4	40%
5	50%
6	60%
7	70%
8	80%
9	90%
10+	100%

Employees who are eligible to retire under Option B will also receive a one-time payment of $1,000 if they notify the Cooperative prior to January 1, of their contract year, of their intent to retire.

Defined Benefit Pension Plan

Plan description. The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (2611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.20% and 13.33% , respectively, for the fiscal year ended June 30, 2022.

Senate Substitute for House Bill 2052 authorized the delay of $64.1 million in fiscal year 2017 contributions. These contributions were set up as a long-term receivable. Payment is scheduled to be made in a series of twenty annual payments of $6.4 million per year beginning in fiscal year 2018. Senate Substitute for House Bill 2002 authorized the delay of $194.0 million in fiscal year 2019 contributions. Payment is scheduled to be made in a series of twenty annual payments of $19.4 million starting in fiscal year 2020.

House Substitute for Senate Bill 109 from the 2018 Legislative session provided for additional funding for the KPERS School group. A payment of $56 million was paid in fiscal year 2018. This bill also authorized a payment of $82 million in fiscal year 2019. The 2019 Legislative session authorized an additional fiscal year payment for the KPERS School Group. 2019 Senate Bill 9 authorized a payment of $115 million for the KPERS School Group. House Substitute for Senate Bill 25 from the 2019 Legislative session authorized additional funding for the KPERS School Group in fiscal year 2020 of $51 million.

The 2021 Legislature passed House Bill 2405, which authorizes the State of Kansas to issue bonds with net proceeds of $500 million to fund a portion of the School unfunded actuarial liability. Senate Bill 159 recertified the State/School contribution rates for Fiscal Years 2022 and 2023. Fiscal Year 2022 was recertified from 14.09% to 13.33% and Fiscal Year 2023 from 13.86% to 13.11%. The bond proceeds were received by KPERS on August 26, 2021. The 2022 Legislature passed Senate Bill 421, which authorized the State of Kansas to transfer $1.125 billion from the State General Fund directly to KPERS in Fiscal Years 2022 and 2023. The first $253.9 million pays off the outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019, discussed previously, while the remaining $871.1 million is applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred to KPERS. In Fiscal Year 2023, Senate Bill 421 authorizes two additional transfers which total $271 million.

The State of Kansas is required to contribute the statutory required employer's share except for retired Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees.

Net Pension Liability. At June 30, 2022, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $244,802. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The Cooperative's proportion of the net pension liability was based on the ratio of the Cooperative's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2022. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 6 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 7 Subsequent Events

The Cooperative has evaluated subsequent events through March 8, 2023, the date which the financial statement was available to be issued.

On July 20, 2022, the Cooperative entered into a new operating lease agreement for the rental of 3 school buses. The lease calls for 2 annual payments of $56,076 starting October 15, 2022.

SUPPLEMENTARY INFORMATION

A.N.W. Special Education Cooperative No. 603
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2022

		Certified Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:				
General	$	13,131,193	11,747,706	(1,383,487)
Totals		13,131,193	11,747,706	(1,383,487)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Revenue from Local Sources				
District Contributions-Members	$ 3,606,359	3,601,719	3,600,000	1,719
District Contributions-State Aid Pass-Through	6,474,743	6,057,875	6,516,516	(458,641)
Interest on Investments	215	178		178
Other Revenue From Local Sources	9,763	54,018	210,000	(155,982)
Total Revenue from Local Sources	10,091,080	9,713,790	10,326,516	(612,726)
Revenue from State Sources				
Deaf/Blind Aid		1,786		1,786
Mentor Teacher Program	4,000	5,100		5,100
Professional Development Aid	4,789			
Total Revenue from State Sources	8,789	6,886		6,886
Revenue from Federal Sources				
Title VI-B Special Education Grant	1,392,827	1,397,966	1,500,000	(102,034)
Title VI-B Special Education Grant (ARP)		259,745		259,745
Title VI-B Special Education Grant (Discretionary)	110,290	54,770	70,000	(15,230)
Title VI-B Special Education Preschool Grant	70,591	68,241		68,241
Title VI-B Special Education Preschool Grant (ARP)		22,533		22,533
Medicaid Title XIX	306,167	394,364	300,000	94,364
ESSER Funds	253,882	331,956	425,171	(93,215)
Total Revenue from Federal Sources	2,133,757	2,529,575	2,295,171	234,404
Total Cash Receipts	12,233,626	12,250,251	12,621,687	(371,436)
Expenditures and Transfers				
Instruction				
Certified Salaries	2,181,532	2,017,282	2,332,928	(315,646)
Non-Certified Salaries	1,845,360	1,671,346	1,725,418	(54,072)
Health Insurance	761,892	605,618	706,188	(100,570)
Social Security	297,685	264,232	479,241	(215,009)
Unemployment Compensation	3,160	5,419	5,862	(443)
Worker's Compensation	37,159	43,978	48,682	(4,704)
KPERS Working After Retirement	43,591	21,092	49,468	(28,376)
Instructional Program Improvement Services	238,825	192,671	265,536	(72,865)
Telephone	6,258	2,054	4,647	(2,593)
Tuition	51,376	48,209	71,916	(23,707)
In-District Travel	119,749	120,943	139,362	(18,419)
Out-of-District Travel			553	(553)
General Teaching Supplies	52,814	35,275	58,031	(22,756)
Other Supplies and Materials	11,030	7,233	11,064	(3,831)
Other Food Costs		41	553	(512)
Textbooks	6,323	12,185	6,638	5,547
Software	20,266	15,839	13,830	2,009
Testing Supplies and Materials	22,173	24,800	22,128	2,672
Miscellaneous Supplies	696		4,426	(4,426)
Furniture and Fixtures	6,094		4,426	(4,426)
Audio-Visual	4,336	7,919	1,106	6,813
Computers & Related Equipment	53,870	56,503	16,596	39,907
Other Equipment	3,252	4,730	7,745	(3,015)
Total Instruction	5,767,441	5,157,369	5,976,344	(818,975)
Support Services				
Certified Salaries	2,414,187	2,192,682	2,374,374	(181,692)
Non-Certified Salaries	271,813	281,193	323,314	(42,121)
Social Security	198,016	184,138	232,776	(48,638)
Unemployment Compensation	1,690	2,638	2,153	485
Purchased Professional and Technical Services	61,266	35,690	66,384	(30,694)
Total Support Services	2,946,972	2,696,341	2,999,001	(302,660)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
General Administration				
Certified Salaries	$ 446,525	404,835	490,861	(86,026)
Non-Certified Salaries	242,008	243,767	284,091	(40,324)
Health Insurance	124,007	102,762	138,300	(35,538)
Social Security	51,747	48,623	54,178	(5,555)
Unemployment Compensation	511	820	797	23
Accounting	4,893	4,982	350	4,632
Collective Bargaining	194	450	221	229
Legal Services	15,793	12,598	13,277	(679)
Medical Services	660	485	553	(68)
Data Processing Services			11,064	(11,064)
Cooling Services			700	(700)
Electrical Services			700	(700)
Heating Services			500	(500)
Plumbing Services			500	(500)
Other Equipment Services	1,044	1,850	1,000	850
Liability Insurance	2,422	2,085	2,766	(681)
Property Insurance	19,907	51,689	22,128	29,561
Surety Bonds	200	200	553	(353)
Postage	5,408	5,354	6,638	(1,284)
Telephone	63,636	65,870	59,746	6,124
Printing and Binding	2,448	2,603	5,532	(2,929)
In-District Travel	9,194	10,186	16,596	(6,410)
Out-of-District Travel	11,599	6,998	13,830	(6,832)
Office Supplies	24,592	23,676	27,660	(3,984)
Books and Periodicals	1,608	1,856	1,677	179
Furniture and Fixtures	150	2,645	16,596	(13,951)
Computers & Related Equipment			1,106	(1,106)
Other Equipment			1,106	(1,106)
Total General Administration	1,028,546	994,334	1,173,026	(178,692)
Operations and Maintenance				
Part-Time Non-Certified Salaries	7,080	7,670	9,851	(2,181)
Social Security	542	359	660	(301)
Unemployment Compensation	6	5	115	(110)
Snow Removal Services			1,106	(1,106)
Lawn Care	3,750	4,100	3,319	781
Pest Control			200	(200)
Repairs and Maintenance	40,134	28,302	21,851	6,451
Rentals/Leases	28,134	28,216	10,404	17,812
Energy	3,926	2,950	4,426	(1,476)
Heating	28,436	33,457	25,000	8,457
Total Operations and Maintenance	112,008	105,059	76,932	28,127
Student Transportation				
Certified Salaries	192,814	226,329	226,321	8
Social Security	14,585	17,192	17,119	73
Unemployment Compensation	138	327	162	165
Other Equipment Services	7,444	14,007	11,064	2,943
Fleet Insurance	27,186	1,491	32,086	(30,595)
Parts	9,135	16,568	16,596	(28)
Tires	1,606	4,727	3,319	1,408
Motor Fuel	30,104	57,852	17,874	39,978
Vehicles (Including school buses)	92,724	112,561	150,156	(37,595)
Total Student Transportation	375,736	451,054	474,697	(23,643)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2022
(With Comparative Actual Totals for the Prior Year Ended June 30, 2021)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Title VI-B Flow Through				
Certified Salaries	$ 1,432,454	1,866,899	1,742,951	123,948
Non-Certified Salaries	244,498	176,803	289,261	(112,458)
Social Security	123,787	141,628	156,803	(15,175)
Unemployment Compensation	1,223	2,271	3,319	(1,048)
Purchased Professional and Technical Services	8,496	7,283	5,000	2,283
In-District Travel		83	1,140	(1,057)
General Teaching Supplies			166	(166)
Other Food Costs	549	63	553	(490)
Total Title VI-B Flow Through	1,811,007	2,195,030	2,199,193	(4,163)
Special Vocational Program				
Certified Salaries	71,606	76,824	129,922	(53,098)
Non-Certified Salaries	20,683	36,623	52,446	(15,823)
Social Security	6,498	8,001	7,999	2
Unemployment Compensation	49	90	188	(98)
Other Employee Benefits	24	46	28	18
Telephone	3,551	292	5,532	(5,240)
General Teaching Supplies			332	(332)
Other Equipment			553	(553)
Total Special Vocational Program	102,411	121,876	197,000	(75,124)
Inservice				
Instructional Program Improvement Services	18,016	17,196	24,489	(7,293)
In-District Travel	994	9,447	8,851	596
Out-of-District Travel	259		1,660	(1,660)
Total Inservice	19,269	26,643	35,000	(8,357)
Total Expenditures and Transfers	12,163,390	11,747,706	13,131,193	(1,383,487)
Receipts Over (Under) Expenditures and Transfers	70,236	502,545		
Unencumbered Cash, Beginning	1,359,216	1,429,452		
Unencumbered Cash, Ending	1,429,452	1,931,997		

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Agency Funds
Summary of Receipts and Cash Disbursements
Regulatory Basis
For the Year Ended June 30, 2022

Fund		Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
B&G Building Trades Project	$	11,170	4,500	8,660	7,010
Cats-Can-Do Building Trades Project		4,932	5,110	4,014	6,028
Nurses' Fund		606	-	262	344
Payroll Clearing		471,628	4,020,108	3,992,441	499,295
Total Agency Funds		488,336	4,029,718	4,005,377	512,677

Rodney M. Burns
CPA

RODNEY M. BURNS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT
702 WEST MAIN * * * P.O.BOX 832
CHANUTE, KANSAS 66720

PHONE (620) 431-3410
FAX (620) 431-7719

INDEPENDENT AUDITOR'S 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*

Board of Directors
A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) as of and for the year ended June 30, 2022, and have issued our report thereon dated March 8, 2023, which was qualified because the Cooperative prepares its financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Cooperative's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, 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 combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the Cooperative's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. 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.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, 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

This 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 *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodney M. Burns, CPA, LLC
Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
March 8, 2023

Rodney M. Burns
CPA

RODNEY M. BURNS, CPA, LLC
CERTIFIED PUBLIC ACCOUNTANT
702 WEST MAIN * * * P.O.BOX 832
CHANUTE, KANSAS 66720

PHONE (620) 431-3410
FAX (620) 431-7719

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

Board of Directors
A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2022. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Cooperative, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs, identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the "Auditor's Responsibilities for the Audit of Compliance" section of our report.

We are required to be independent of the Cooperative and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the Cooperative's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and other provisions of contracts or grant agreements applicable to the Cooperative's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Cooperative's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Cooperative's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Cooperative's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Cooperative's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the Cooperative's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

Report on Internal Control over Compliance

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the "Auditor's Responsibilities for the Audit of Compliance" section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given those limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Rodney M. Burns, CPA, LLC
Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
March 8, 2023

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2022

I. Summary of Independent Auditors' Results

Financial Statement:
The independent auditors' report expresses an adverse opinion on the financial statement of A.N.W. Special Education Cooperative No. 603 on the Generally Accepted Accounting Principles (GAAP) basis of accounting, but an unmodified opinion on the regulatory basis of accounting as prescribed by the State of Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified?	____ Yes	X None reported	
Non compliance or other matters required to be reported under *Government Auditing Standards?*	____ Yes	X No	

Federal Awards:
Internal control over major programs:

Material weakness(es) identified?	____ Yes	X No	
Significant deficiency(ies) identified?	____ Yes	X None reported	

The independent auditors' report on compliance for the major federal award programs for A.N.W. Special Education Cooperative No. 603 expresses an unmodified opinion.

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	____ Yes	X No

Identification of major programs:

U.S. Department of Education
Special Education Cluster:

Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173

The threshold for distinguishing Types A and B programs was $750,000.

Auditee qualified as a low risk auditee?	____ Yes	X No

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

(This page left blank intentionally)

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2022

Federal Grantor/Pass-through Grantor/Program Title	Pass-through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements/ Expenditures	Provided to Subrecipients
U.S. Department of Education					
Passed through State Department of Education					
Special Education Cluster					
Special Education Grants to States (2020-21)	DO603	84.027A	$ 597,804	597,804	0
Special Education Grants to States (2021-22)	DO603	84.027A	800,162	800,162	0
Special Education Grants to States - Discretionary (2021-22)	DO603	84.027A	54,770	54,770	0
Special Education Grants to States - COVID-19 (2021-22)	DO603	84.027X	259,745	259,745	0
Special Education Preschool Grants (2020-21)	DO603	84.173A	28,690	28,690	0
Special Education Preschool Grants (2021-22)	DO603	84.173A	39,551	39,551	0
Special Education Preschool Grants - COVID-19 (2021-22)	DO603	84.173X	22,533	22,533	0
	Total Special Education Cluster		1,803,255	1,803,255	0 (1)
Passed through Unified School District No. 101					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	31,868	31,868	0
Passed through Unified School District No. 256					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	17,128	17,128	0
Passed through Unified School District No. 257					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	76,284	76,284	0
Passed through Unified School District No. 258					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	37,412	37,412	0
Passed through Unified School District No. 366					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	27,884	27,884	0
Passed through Unified School District No. 387					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	10,888	10,888	0
Passed through Unified School District No. 413					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	115,786	115,786	0
Passed through Unified School District No. 479					
Education Stabilization Fund - Elementary and Secondary School					
Emergency Relief Fund - COVID-19	DO603	84.425D	14,706	14,706	0
Total U.S. Department of Education			2,135,211	2,135,211	0
Total Federal Awards			2,135,211	2,135,211	0

(1) This cluster of programs was considered to be a major program

Note to the Schedule of Expenditures of Federal Awards:

Note A: General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas (the Cooperative). The reporting entity is defined in Note 1 of the Cooperative's basic financial statement. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies are included on the Schedule.

Note B: Indirect Cost Rate

The Cooperative did not elect to use the 10% de minimis cost rate as allowed under the Uniform Guidance

Note C: Basis of Presentation

accounting, which is described in Note 1 of the Cooperative's basic financial statement. This is the same basis of accounting used in the Cooperative's regulatory basis financial statement. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the Cooperative, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the Cooperative.