

**EAST CENTRAL KANSAS  
COOPERATIVE IN EDUCATION**  
Baldwin City, Kansas  
**REGULATORY BASIS FINANCIAL STATEMENTS**  
For the year ended June 30, 2020  
And  
**INDEPENDENT AUDITOR'S REPORT  
ON FINANCIAL STATEMENTS**

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...*KL*...

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INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin, Kansas

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**Karlin & Long, LLC**  
*Certified Public Accountants*

To the Board of Education  
East Central Kansas Cooperative in Education  
Baldwin City, Kansas 66006

**INDEPENDENT AUDITOR'S REPORT ON FINANCIAL STATEMENT**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the East Central Kansas Cooperative in Education, Baldwin City, Kansas, as of and for the fiscal year ended June 30, 2020, and the related notes to the financial statement.

***Management's Responsibility 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 financial statement that is free from material misstatement, whether due to fraud or error.

***Auditor's Responsibility***

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit 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*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the

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reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

***Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles***

As described in Note 1 of the financial statement, the financial statement is prepared by the East Central Kansas Cooperative in Education, Baldwin City, 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.

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.

***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” paragraph, the 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 East Central Kansas Cooperative in Education, Baldwin City, Kansas as of June 30, 2020, 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 financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the East Central Kansas Cooperative in Education, Baldwin City, Kansas as of June 30, 2020, 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.

***Other Matters***

***Other Reporting Required by Government Auditing Standards***

In accordance with “Government Auditing Standards”, we have also issued our report dated December 15, 2020, on our consideration of the District’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 Audit Standards” in considering the Cooperative’s internal control over financial reporting and compliance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming 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 and schedule of receipts and expenditures – general fund (Schedules 1 and 2 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*. The accompany schedule of expenditures of federal awards is presented for purposes of additional analysis as required but U.S Office of Management and Budget “Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards at 2 CFR 200 (Uniform Guidance) and is not a required part of the 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 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.

*Karlin & Long, LLC*

Karlin & Long, LLC  
Certified Public Accountants

Lenexa, KS  
December 15, 2020

INTERLOCAL #614  
 EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
 Summary Statement of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis

For the Year Ended June 30, 2020

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General	\$ 260,806	\$ 0	\$ 7,698,602	\$ 7,726,908	\$ 232,500	\$ 314,280	\$ 546,780
Total Reporting Entity	<u>\$ 260,806</u>	<u>\$ 0</u>	<u>\$ 7,698,602</u>	<u>\$ 7,726,908</u>	<u>\$ 232,500</u>	<u>\$ 314,280</u>	<u>\$ 546,780</u>

Composition of Cash

Checking Accounts	\$ 546,780
Savings Accounts	
Petty Cash	
Certificates of Deposit	
 Total Reporting Entity	 <u>\$ 546,780</u>

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

INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies**

East Central Kansas Cooperative in Education is an organization of three school districts to perform the Special Education function as a cooperative.

**Financial Reporting Entity**

Interlocal No. 614 is a municipal corporation governed by an elected six member board. The board is composed of one member from the Board of Education of each school cooperative that is a member of the Cooperative. The Cooperative as an entity has been defined to include, on a combined basis, (a) Interlocal No. 614 (b) organizations for which Interlocal No. 614 is financially accountable, and (c) other organizations for which the nature and significance of their relationship with Interlocal No. 614 are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. There are currently no organizations which meet the foregoing criteria for being combined in the Cooperatives's report.

**Fund Descriptions**

In governmental accounting, 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 types of funds comprise the financial activities of the Interlocal for the year 2020:

**Governmental Funds**

**General Fund** – The chief operating fund. Used to account for the resources except those required to be accounted for in another fund.

**Special Purpose Funds** – Used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long term debt) that are intended for specified purposes.

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EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

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

The KMAAG 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 receipts 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 KMAAG 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 Interlocal 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 Interlocal to use the regulatory basis of accounting.

**Reimbursed Expenses**

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

**Budgetary Information**

The budgetary process for East Central Kansas Cooperative in Education is different from that of a Unified School District. The Interlocal is not subject to the legal and operating budget requirements but is controlled by the use of an internal budget established by the governing board. The internal budget is the source of the budget amounts listed on Statement 2. The Interlocal does not receive any local tax money directly. They prepare the budget which is approved by the Board, but not required to be published. Their main source of funds is from the Unified School Districts, which are members of the Interlocal, State of Kansas, and federal funding. Any local tax money received comes through the member Unified School Districts and is part of those Districts' published budget.



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EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 – Summary of Significant Accounting Policies (Continued)**

**Inventories and Prepaid Expenses**

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

**Use of Estimates**

The process of preparing financial statements requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates relate primarily to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**NOTE 2 – Deposits and Investments**

K.S.A. 9-1401 establishes the depositories which may be used by the Interlocal. The statute requires banks eligible to hold the Interlocal's funds have a main or branch bank in the county in which the Interlocal 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 Interlocal has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Interlocal's investments 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 Interlocal has no investment policy that would further limit its investment choices. The Interlocal had no investments during 2020.

**Concentration of Credit Risk**

State statutes place no limit on the amount the Interlocal may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

**Custodial Credit Risk – Investments**

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the government 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

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EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 – Deposits and Investments (Continued)**

**Custodial Credit Risk – Investments (Continued)**

require investments to be adequately secured. The Interlocal had no investments at June 30, 2020.

**Custodial Credit Risk – Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal'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%. All deposits were legally secured at June 30, 2020.

At June 30, 2020, the Interlocal's carrying amount of deposits was \$546,780 and the bank balance was \$1,097,967. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and the balance was collateralized with securities held by the pledging financial institutions' agents in the Interlocal's name.

**NOTE 3 – Defined Benefit Pension Plan**

**Plan Description** – Interlocal 614 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. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas; 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 contributions rate of 6% of covered salary for KPERS 1, KPERS 2

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EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Defined Benefit Pension Plan (continued)**

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 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 14.59% and 13.21% respectively, for the fiscal year ended June 30, 2019. The actuarially determined employer contribution rate and the statutory contribution rate was 16.15% and 14.41% for the fiscal year ended June 30, 2020

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), a state general fund employer contributions to KPERS were decreased by \$64.13 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill stipulated that repayments of the reduced contributions are to be amortized over twenty years at the level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million dollars per year. The first year payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 were made for the State/School group at the statutory contribution rate of 12.01% for that year.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194.0 million for the fiscal year ended June 30, 2019. Section 56(19) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2020. The level dollar amount was computed to be \$19.4 million per year.

2018 House Substitute for Senate Bill 109 provided for additional funding for 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.

2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School group.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled \$ 31,979 for the year ended June 30, 2020.

INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 3 – Defined Benefit Pension Plan (continued)**

**Net Pension Liability**

At June 30, 2020, the District's proportionate share of the collective net pension liability reported by KPERS was \$373,575. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. The District's proportion of the net pension liability was based on the ratio of the District'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, 2019. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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](http://www.kpers.org) or can be obtained as described above.

**NOTE 4 – Deferred Compensation Plan**

The Interlocal sponsors deferred compensation plans under Internal Revenue Code Section 403(b). Permanent and part-time employees are eligible to participate under the plan. The employee is responsible for the amount of deferred compensation to be contributed. The Interlocal contributed \$32,160 to the plan for the year ended June 30, 2020.

**NOTE 5 – Risk Management**

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the district carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

The United States has experienced a nationwide pandemic from the novel coronavirus known as COVID-19. As a result of the spread of COVID-19, economic uncertainties have arisen which are likely to negatively impact the financial operations of the Cooperative. Management is unable to reasonably determine the total effects of this virus on the operations of the Cooperative as of the date of the financial statement.

INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**NOTES TO FINANCIAL STATEMENTS**

**NOTE 6 – Stewardship, Compliance and Accountability**

We noted no violations of Kansas statutes for the period under examination.

**NOTE 7 – Compensated Absences**

All teachers accrue 12 days of leave per year. Administrative personnel accrue one day of leave per month. Any unused leave up to sixty-five days is credited for future use. Upon discontinuance of employment any unused leave is forfeited.

**NOTE 8 – Other Post Employment Benefits**

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

**NOTE 9 – Contingency**

The Cooperative receives federal and state grants for specific purposes that are subject to review and audit by federal and state agencies. Such audits could result in a request for reimbursement by federal and state agencies for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Cooperative's management, such disallowances, if any, will not be significant to the Cooperative's financial statements.

**NOTE 10 – Subsequent Events Review**

Subsequent events for management's review have been evaluated through the date of the Auditor's Report. The date in the prior sentence is the date the financial statements were available to be issued.

**Interlocal #614 East Central Kansas Cooperative in Education**

**Baldwin City, Kansas  
Regulatory-Required  
Supplementary Information**

**For the year ended June 30, 2020**

INTERLOCAL #614  
 EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2020

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments to Comply with Legal Max</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Over (Under)</u>
General	\$ 7,751,453	\$ 0	\$ 0	\$ 7,751,453	\$ 7,726,908	\$ (24,545)

INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
GENERAL FUND

Schedule of Receipts and Expenditures - Actual and Budget  
Regulatory Basis

For the Year Ended June 30, 2020

	<u>Actual</u>	<u>Budget</u>	<u>Variance- Over (Under)</u>
<b>CASH RECEIPTS</b>			
Intergovernmental Revenue			
Federal funds	\$ 975,639	\$ 1,081,825	\$ (106,186)
State funds	4,016,730	4,005,120	11,610
Charges for services	2,658,724	2,634,276	24,448
Interest income	1,117	1,300	(183)
Miscellaneous revenues	31,384	12,000	19,384
Refunds/reimbursements	15,008	19,000	(3,992)
Inservice/transportation reimbursements			0
Operating transfers			0
	<u>7,698,602</u>	<u>7,753,521</u>	<u>(54,919)</u>
<b>EXPENDITURES</b>			
Instruction	6,314,758	6,258,246	56,512
Student support services	971,457	1,069,258	(97,801)
Instruction support staff	73,382	65,000	8,382
General administration	291,097	300,949	(9,852)
School administration	20,510	7,000	13,510
Operations and maintenance	40,692	35,000	5,692
Student transportation services	15,012	16,000	(988)
Other support services			0
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>7,726,908</u>	<u>\$ 7,751,453</u>	<u>\$ (24,545)</u>
Receipts Over (Under) Expenditures	(28,306)		
Unencumbered Cash, Beginning	260,806		
Prior Year Cancelled Encumbrances	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 232,500</u>		



Board of Education  
East Central Kansas Cooperative in Education  
Baldwin City, Kansas

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

**Report on Compliance for Each Major Federal Program**

We have audited East Central Kansas Cooperative in Education's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the East Central Kansas Cooperative in Education's major federal programs for the year ended June 30, 2020. East Central Kansas Cooperative in Education's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the East Central Kansas Cooperative in Education's major federal programs based on our audit of the types of compliance requirements referred to above. 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). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the East Central Kansas Cooperative in Education's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the East Central Kansas Cooperative in Education's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the East Central Kansas Cooperative in Education, 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 for the year ended June 30, 2020.

## Report on Internal Control over Compliance

Management of the East Central Kansas Cooperative in Education, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the East Central Kansas Cooperative in Education's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the East Central Kansas Cooperative in Education's 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 a 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 first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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.

*Karlin & Long, LLC*

Karlin & Long, LLC  
Certified Public Accountants

December 15, 2020

INTERLOCAL #614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the year ended June 30, 2020

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass- Through Grantor Number	Federal Expenditures
<u>U.S. Department of Education</u>			
<b>Passed through State Department of Education:</b>			
<b>IDEA Cluster</b>			
State Grants (Part B Education Act)	84.027A	*	\$ 738,935
Early Childhood Aid	84.173A	*	<u>40,793</u>
Total Federal Assistance			<u>\$ 779,728</u>

\* Not available

INTERLOCAL # 614  
EAST CENTRAL KANSAS COOPERATIVE IN EDUCATION  
Baldwin City, Kansas

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
For the year ended June 30, 2020

A. Summary of Audit Results

1. The auditor's report expresses an Adverse Opinion on the financial statements of East Central Kansas Cooperative in Education in accordance with Generally Accepted Accounting Principles. The auditor's report expresses an Unmodified Opinion on the financial statements in accordance with the regulatory basis.
2. There is a significant deficiency relating to the audit of the general purpose financial statements and is reported in the 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 that are not material weaknesses.
3. No instances of noncompliance material to the financial statement of East Central Kansas Cooperative in Education were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during the audit that would be required to be reported in the Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for East Central Kansas Cooperative in Education expresses an unmodified opinion on all major federal programs.
6. There were no audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) of the Uniform Guidance.
7. The programs tested as major programs included:  
Department of Education  
Special Education Clusters CFDA No. 84.027, 84.173
8. East Central Kansas Cooperative in Education was determined not to be a low-risk auditee.
9. The threshold for distinguishing types A and B programs was \$750,000.

B. Findings – Financial Statement Audit  
None

C. Findings and Questioned Costs – Major Federal Awards Programs Audit  
Department of Education  
EHC Flo-Thru 84.027 and EC Flo Thru 84.173

No findings of noncompliance or questioned costs were noted.

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Baldwin City, Kansas

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
June 30, 2020

**NOTE 1 – Basis of Accounting**

The accompanying schedule of expenditures of federal awards (the schedule) includes the federal grant activity of East Central Kansas Cooperative in Education under programs of the federal government for the year ended June 30, 2020. The information in this schedule is presented in accordance with the requirements Title 2 U.S. Code of federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the schedule presents only a select portion of the operations of East Central Kansas Cooperative in Education, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the East Central Kansas Cooperative in Education.

**NOTE 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on a regulatory basis of accounting as described in the *Kansas Municipal Audit and Accounting Guide* (KMAAG). The KMAAG 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 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 obligations against cash. The KMAAG regulatory basis does not recognize capital assets, long term debt assignment to a fund, accrued receivables and payables, or any other assets, liabilities, or deferred inflows or outflows, other than mentioned above. Expenditures as reported on the Schedule are recognized under the basis described above and follow the cost principles contained in the Uniform Guidance regarding *Cost Principles* where in certain types of expenditures are not allowed or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

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**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

June 30, 2020

**NOTE 3 – Indirect Costs**

East Central Kansas Cooperative in Education has elected not to use the 10 percent de minimis indirect cost rate allowed under uniform guidance.