

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

Financial Statements  
and  
Supplemental Information

with Independent Auditor's Report

For the Year Ended June 30, 2021

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Special Financial Statements  
For the Fiscal Year Ended June 30, 2021

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## INDEPENDENT AUDITORS' REPORT

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

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, 2021, and the related notes to the financial statement.

### Management's Responsibility for the Financial Statements

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 to meet the financial reporting requirements of the State of Kansas; this includes determining that the regulatory basis of accounting is an acceptable basis for the preparation of the financial statements in the circumstances. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the 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 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 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 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 Notes to Financial Statement, the financial statement is prepared by A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, 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.

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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2021, 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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2021, 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 Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated March 24, 2022 on our consideration of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and compliance.

### **Report on 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 Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is not a required part of the basic financial statements. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents), as required under the provisions of the *Kansas Municipal Audit and Accounting Guide*, are presented for analysis and are also 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 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.

### **Prior Year Comparative Analysis**

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 June 30, 2020 (not presented herein) and have issued our report thereon dated March 25, 2021, which contained an unmodified opinion on the basic financial statement. The 2020 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 <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2020 actual column (2020 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2021 (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 2020 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 2020 financial statement. The 2020 comparative information was subjected to the auditing procedures applied in the audit of the 2020 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2020 financial statement or to the 2020 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2020 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole, for the year ended June 30, 2020, on the basis of accounting described in Note 1.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 24, 2022

A.N.W. Special Education Cooperative No. 603  
 Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended June 30, 2021

	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:						
General	\$ 1,359,216	12,233,626	12,163,390	1,429,452	55,848	1,485,300
Total Primary Government (1)	<u>1,359,216</u>	<u>12,233,626</u>	<u>12,163,390</u>	<u>1,429,452</u>	<u>55,848</u>	<u>1,485,300</u>
Composition of Cash:						
Cash and Cash Items on Hand						30
Demand Deposits						1,972,907
Petty Cash Advance						700
Less: Agency Funds						( 488,336)
Adjustment for Rounding						( 1)
Total Primary Government (1)						<u>1,485,300</u>

(1) Excluding Agency Funds

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 1 Summary of Significant Accounting Policies**

**A. Reporting Entity**

Principles Used in Determining Scope of Entity

The basic criterion used for including or excluding other governmental organizations as part of the financial statements of the Cooperative is financial accountability. Financial accountability is derived from the Cooperative's powers and includes, but is not limited to, appointment of a voting majority of the governing body, imposition of will, financial benefit/burden on primary government and fiscal dependency. The Cooperative has waived the application of generally accepted accounting principles and as such, have not included any component units in these financial statements.

**B. 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, 2021:

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.

**C. 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.

A.N.W Special Education Cooperative No. 603  
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Notes to Financial Statements  
For the Year Ended June 30, 2021

**D. Budgets**

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 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.

**E. Assets, Liabilities, and Fund Equity**

*Cash*

To facilitate better management of the Cooperative's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the General Fund.

**F. Revenues and Expenditures**

*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.

**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.

K.S.A. 12-1675 allows the Cooperative to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Cooperative held no investments at June 30, 2021 and held no investments throughout the year.

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.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
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For the Year Ended June 30, 2021

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.

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.

At June 30, 2021, the carrying amount of the Cooperative's deposits was \$1,972,907 and the bank balance was \$2,557,965. Of the bank balance, \$266,072 was covered by federal depository insurance, \$1,189,647 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name and \$1,102,246 was not collateralized.

**Note 3 Long-term Debt**

*Lease Purchase Agreement*

At June 30, 2021, 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 liabilities for the year ending June 30, 2021 were as follows:

<u>Issue</u>	<u>Interest Rate</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<u>Capital Lease Obligations:</u>									
School Building	0.00%	08/21/19	\$ 50,000	10/15/24	50,000	0	10,000	40,000	0

Current maturities of long-term debt due subsequent to June 30, 2021 are as follows:

<u>Capital Lease Obligations</u>	<u>2021-22</u>	<u>2022-23</u>	<u>2023-24</u>	<u>2024-25</u>	<u>Total</u>
Principal	\$ 10,000	10,000	10,000	10,000	40,000
Interest	0	0	0	0	0
Total	10,000	10,000	10,000	10,000	40,000

At June 30, 2021, the Cooperative is obligated under three operating leases for the rental of school buses. Future minimum lease payments, subsequent to June 30, 2021, on these leases is shown below:

2021-22	\$ 102,730
2022-23	27,500
Total	130,230

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 4** **Claims and Judgments**

The Cooperative participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Cooperative may be required to reimburse the grantor government. As of March 24, 2022 current year grant expenditures have not been audited, but the Cooperative believes disallowed expenditures or overpayments, if any, will not have a material effect on individual governmental funds or the overall financial position of the Cooperative.

During the course of its operations, the Cooperative is a party to various claims, legal actions and complaints. It is the opinion of the Cooperative's management and legal counsel that these matters are not anticipated to have a material impact on the Cooperative.

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cooperative has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2020 to 2021, and there were no settlements that exceeded insurance coverage in the past three 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.

Option A: If the employee is not yet eligible to retire under KPERS, they can receive 20% of their daily salary per day for up to 100 days of their unused sick leave.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2021

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	20.00%
2	20.00%
3	30.00%
4	40.00%
5	50.00%
6	60.00%
7	70.00%
8	80.00%
9	90.00%
10+	100.00%

*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](http://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 15.59% and 14.23% , respectively, for the fiscal year ended June 30, 2021.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
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For the Year Ended June 30, 2021

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 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, 2021, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was \$381,817. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020, which was rolled forward to June 30, 2021. 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, 2021. 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](http://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

Deposits exceeded the available depository security at June 30, 2021, at the Landmark National Bank, in the amount of \$1,102,246.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2021

**Note 7 COVID-19**

On January 30, 2020, the World Health Organization (“WHO”) announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the “COVID-19 outbreak”) and the risks to the international community as the virus spread globally beyond its point of origin. In March, 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the Cooperative's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation, and the impact on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the Cooperative is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Future potential impacts may include decreases to in-person enrollment, increases to Virtual Education expenses and additional expenses to insure the safety and health of Cooperative personnel and students.

*CRF and CARES Act Funding*

As a result of COVID-19, the State of Kansas has received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CRF were passed through to the counties of Kansas through the Strengthening People and Revitalizing Kansas (SPARK) program. SPARK’s first round distribution was to local governments in the amount of \$400 million. During the year ending June 30, 2021, the Cooperative received CRF in the amount of \$253,882 from their member districts. The CRF are to be used to strengthen health, to allow the economy to reopen safely and to remain open. The goals are to be fair, impactful and timely. Additional information and updates on SPARK, the CARES Act and CRF, which includes audit requirements, can be found at <https://covid.ks.gov/>.

**Note 8 Subsequent Events**

The Cooperative has evaluated subsequent events through March 24, 2022, the date which the financial statement was available to be released.

Subsequent to June 30, 2021, the Cooperative entered two additional operating leases for the rental of school buses. These two agreements added \$176,893 in additional minimum lease payments due over the next three fiscal years.

A.N.W. Special Education Cooperative No. 603  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2021

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	Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Type Funds:			
General	\$ 12,993,445	12,163,390	830,055
Totals	12,993,445	12,163,390	830,055

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, 2021  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2020)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
District Contributions-Members	\$ 3,614,026	3,606,359	3,615,000	( 8,641)
District Contributions-State Aid Pass-Through	6,282,339	6,474,743	6,326,985	147,758
Interest on Investments	280	215		215
Other Revenue From Local Sources	28,066	9,763		9,763
Total Revenue from Local Sources	<u>9,924,711</u>	<u>10,091,080</u>	<u>9,941,985</u>	<u>149,095</u>
Revenue from State Sources				
Mentor Teacher Program	1,000	4,000		4,000
Professional Development Aid		4,789		4,789
Total Revenue from State Sources	<u>1,000</u>	<u>8,789</u>		<u>8,789</u>
Revenue from Federal Sources				
Title VI-B Flow-Through	1,369,115	1,392,827	1,470,000	( 77,173)
Title VI-B Continuous Improvement Grant		110,290	55,000	55,290
Title VI-B Preschool Grant	70,519	70,591	70,000	591
Medicaid Title XIX	327,830	306,167	250,000	56,167
ESSER Funds		168,001	150,000	18,001
ESSER Special Education Funds		85,881	111,650	( 25,769)
Total Revenue from Federal Sources	<u>1,767,464</u>	<u>2,133,757</u>	<u>2,106,650</u>	<u>27,107</u>
Total Cash Receipts	<u>11,693,175</u>	<u>12,233,626</u>	<u>12,048,635</u>	<u>184,991</u>
<b>Expenditures and Transfers</b>				
Instruction				
Certified Salaries	2,271,873	2,181,532	2,520,000	338,468
Non-Certified Salaries	2,135,329	1,845,360	2,130,000	284,640
Health Insurance	659,640	761,892	628,550	( 133,342)
Social Security	323,835	297,685	340,000	42,315
Unemployment Compensation	4,770	3,160	5,620	2,460
Worker's Compensation		37,159	39,000	1,841
KPERS Working After Retirement	51,839	43,591	87,000	43,409
Instructional Program Improvement Services	326,653	238,825	300,000	61,175
Telephone	5,583	6,258	5,700	( 558)
Tuition	62,605	51,376	65,000	13,624
In-District Travel	127,202	119,749	175,000	55,251
Out-of-District Travel			500	500
General Supplies and Materials	44,203	52,814	39,750	( 13,064)
Other Supplies and Materials	8,018	11,030	5,000	( 6,030)
Other Food Costs	102		750	750
Textbooks	6,825	6,323	10,000	3,677
Software	10,488	20,266	9,000	( 11,266)
Testing Supplies and Materials	14,363	22,173	25,000	2,827
Miscellaneous Supplies		696	4,000	3,304
Furniture and Fixtures	10,034	6,094	4,000	( 2,094)
Audio-Visual	2,019	4,336	1,000	( 3,336)
Computers & Related Equipment	32,326	53,870	15,000	( 38,870)
Other Equipment	4,050	3,252	7,000	3,748
Total Instruction	<u>6,101,757</u>	<u>5,767,441</u>	<u>6,416,870</u>	<u>649,429</u>
Support Services				
Certified Salaries	2,110,891	2,414,187	2,103,000	( 311,187)
Non-Certified Salaries	292,380	271,813	330,000	58,187
Social Security	176,862	198,016	178,000	( 20,016)
Unemployment Compensation	2,004	1,690	2,820	1,130
Purchased Professional and Technical Services	55,395	61,266	30,000	( 31,266)
Total Support Services	<u>2,637,532</u>	<u>2,946,972</u>	<u>2,643,820</u>	<u>303,152</u>

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, 2021  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2020)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
General Administration				
Certified Salaries	\$ 430,699	446,525	425,000	( 21,525)
Non-Certified Salaries	235,411	242,008	227,800	( 14,208)
Health Insurance	120,949	124,007	125,000	993
Social Security	49,982	51,747	51,000	( 747)
Unemployment Compensation	688	511	1,050	539
Accounting	4,782	4,893	5,200	307
Collective Bargaining		194	210	16
Legal Services	22,920	15,793	13,000	( 2,793)
Medical Services	505	660	520	( 140)
Data Processing Services			10,000	10,000
Cooling Services			700	700
Electrical Services			700	700
Heating Services			500	500
Plumbing Services	78		500	500
Other Equipment Services	137	1,044	1,000	( 44)
Liability Insurance	2,051	2,422	2,500	78
Property Insurance	18,674	19,907	11,000	( 8,907)
Surety Bonds	253	200	500	300
Postage	6,402	5,408	6,000	592
Telephone	52,638	63,636	54,000	( 9,636)
Printing and Binding	4,530	2,448	5,000	2,552
In-District Travel	16,673	9,194	15,000	5,806
Out-of-District Travel	8,677	11,599	9,500	( 2,099)
Office Supplies	21,535	24,592	20,000	( 4,592)
Books and Periodicals	2,399	1,608	3,000	1,392
Furniture and Fixtures	792	150	1,500	1,350
Computers & Related Equipment			1,000	1,000
Other Equipment			1,000	1,000
Total General Administration	<u>1,000,775</u>	<u>1,028,546</u>	<u>992,180</u>	<u>( 36,366)</u>
Operations and Maintenance				
Part-Time Non-Certified Salaries	7,080	7,080	9,800	2,720
Social Security	542	542	660	118
Unemployment Compensation	8	6	115	109
Snow Removal Services	774		1,000	1,000
Lawn Care	5,700	3,750	3,000	( 750)
Pest Control			200	200
Repairs and Maintenance	42,868	40,134	32,500	( 7,634)
Rentals/Leases	28,628	28,134	36,000	7,866
Energy	7,673	3,926	5,500	1,574
Heating	23,411	28,436	28,000	( 436)
Total Operations and Maintenance	<u>116,684</u>	<u>112,008</u>	<u>116,775</u>	<u>4,767</u>
Student Transportation				
Certified Salaries	213,393	192,814	237,400	44,586
Social Security	16,136	14,585	18,000	3,415
Unemployment Compensation	224	138	520	382
Other Equipment Services	11,734	7,444	13,000	5,556
Fleet Insurance	26,180	27,186	29,000	1,814
Parts	14,260	9,135	20,000	10,865
Tires	2,709	1,606	3,000	1,394
Motor Fuel	29,402	30,104	45,000	14,896
Vehicles (Including school buses)	79,494	92,724	85,000	( 7,724)
Total Student Transportation	<u>393,532</u>	<u>375,736</u>	<u>450,920</u>	<u>75,184</u>

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, 2021  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2020)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Title VI-B Flow Through				
Certified Salaries	\$ 1,347,205	1,432,454	1,480,350	47,896
Non-Certified Salaries	315,537	244,498	500,000	255,502
Social Security	121,090	123,787	145,000	21,213
Unemployment Compensation	1,636	1,223	3,100	1,877
Purchased Professional and Technical Services	8,754	8,496	5,000	( 3,496)
In-District Travel	1,050		1,000	1,000
General Supplies and Materials			150	150
Other Food Costs	17	549	500	( 49)
Total Title VI-B Flow Through	<u>1,795,289</u>	<u>1,811,007</u>	<u>2,135,100</u>	<u>324,093</u>
Special Vocational Program				
Certified Salaries	132,735	71,606	142,200	70,594
Non-Certified Salaries	26,323	20,683	37,000	16,317
Social Security	11,686	6,498	15,800	9,302
Unemployment Compensation	122	49	170	121
Other Employee Benefits	36	24	210	186
Telephone	3,776	3,551	5,000	1,449
In-District Travel			500	500
General Supplies and Materials			300	300
Other Equipment	125		500	500
Total Special Vocational Program	<u>174,803</u>	<u>102,411</u>	<u>201,680</u>	<u>99,269</u>
Inservice				
Instructional Program Improvement Services	12,458	18,016	25,500	7,484
In-District Travel	13,447	994	9,000	8,006
Out-of-District Travel		259	1,600	1,341
Total Inservice	<u>25,905</u>	<u>19,269</u>	<u>36,100</u>	<u>16,831</u>
Total Expenditures and Transfers	<u>12,246,277</u>	<u>12,163,390</u>	<u>12,993,445</u>	<u>830,055</u>
Receipts Over (Under)				
Expenditures and Transfers	( 553,102)	70,236		
Unencumbered Cash, Beginning	<u>1,912,318</u>	<u>1,359,216</u>		
Unencumbered Cash, Ending	<u>1,359,216</u>	<u>1,429,452</u>		

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Agency Funds  
Summary of Receipts and Disbursements  
Regulatory Basis  
For the Year Ended June 30, 2021

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
B&G Building Trades Project	\$ 11,085	3,902	3,817	11,170
Cats-Can-Do Building Trades Project	4,642	1,882	1,592	4,932
Nurses' Fund	606	-	-	606
Payroll Clearing	520,004	4,360,808	4,409,184	471,628
Total Agency Funds	<u>536,337</u>	<u>4,366,592</u>	<u>4,414,593</u>	<u>488,336</u>

**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 Education  
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 statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) as of and for the year ended June 30, 2021, and have issued our report thereon dated March 24, 2022.

**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.

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Cooperative's statutory basis financial statements are 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.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 24, 2022

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

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

**Report on Compliance for 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 *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, 2021. 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.

**Management 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 Cooperative'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 Cooperative'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 Cooperative's compliance.

**Opinion on Each Major Federal Program**

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 for the year ended June 30, 2021.

## **Report on Internal Control over Compliance**

Management of the Cooperative, 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 Cooperative'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 Cooperative'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 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.

### **Purpose of this Report**

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.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

March 24, 2022

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2021

**I. Summary of Audit Results**

**Financial Statement:**

The 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	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None reported
Non compliance or other matters required to be reported under <i>Government Auditing Standards</i> ?	_____	Yes	_____	<u>X</u>	No

**Federal Awards:**

Internal control over major programs:

Material weakness(es) identified?	_____	Yes	_____	<u>X</u>	No
Significant deficiency(ies) identified?	_____	Yes	_____	<u>X</u>	None reported

The 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 Uniform Guidance	_____	Yes	_____	<u>X</u>	No
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Identification of major programs:

**U.S. Department of Education**

Special Education Cluster:

Special Education – Grants to States	CFDA No. 84.027
Special Education – Preschool Grants	CFDA No. 84.173

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

Auditee qualified as a low risk auditee?	_____	Yes	_____	<u>X</u>	No
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**II. Financial Statement Findings**

None.

**III. Federal Award Findings and Questioned Costs**

None.

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A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2021

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Cash Receipts</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Education				
Passed through Kansas Department of Education				
Special Education Cluster				
Special Education - Grants to States	DO603	84.027	1,503,117	1,503,117 (1)
Special Education - Preschool Grants	DO603	84.173	70,591	70,591 (1)
	Total Special Education Cluster		<u>1,573,708</u>	<u>1,573,708</u>
Passed through Unified School District No. 101				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	29,738	29,738
Passed through Unified School District No. 256				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	18,245	18,245
Passed through Unified School District No. 257				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	49,746	49,746
Passed through Unified School District No. 258				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	27,843	27,843
Passed through Unified School District No. 366				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	25,272	25,272
Passed through Unified School District No. 387				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	8,510	8,510
Passed through Unified School District No. 413				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	83,164	83,164
Passed through Unified School District No. 479				
Education Stabilization Fund - Elementary and Secondary				
School Emergency Relief Fund		84.425D	11,364	11,364
Total U.S. Department of Education			<u>1,827,590</u>	<u>1,827,590</u>
Total Federal Awards			<u>1,827,590</u>	<u>1,827,590</u>

(1) These programs comprise one federal program cluster and were considered to be major programs.

Note to the Schedule of Expenditures of Federal Awards:

Note A: General

The schedule of expenditures of federal awards presents the activity of all federal awards of A.N.W. Special Education Cooperative No. 603 (the Cooperative). All federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

Note B: Indirect Cost Rate

The Cooperative No. 603 did not elect to use the 10% de minimis cost rate as allowed under the Uniform Guidance.

Note C: Basis of Presentation

The schedule of expenditures of federal awards is presented using the regulatory basis of accounting as described in Note 1 to the Cooperative's financial statement.