

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2017

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2017

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Sublette, Kansas

FINANCIAL SECTION

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Southwest Plains Regional Service Center, Unified School District No. 626, as of and for the fiscal year ended June 30, 2017 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 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.

To the Board of Directors
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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 Southwest Plains Regional Service Center, Unified School District No. 626, 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 Southwest Plains Regional Service Center, Unified School District No. 626, as of June 30, 2017, 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 Southwest Plains Regional Service Center, Unified School District No. 626, as of June 30, 2017, 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

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

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of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for 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 schedule of expenditures of federal awards (Schedule 3 as listed in the table of contents) is presented for analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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.

The June 30, 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2017 basic financial statement upon which we rendered an unmodified opinion dated October 4, 2017. The June 30, 2016 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://admin.ks.gov/offices/chief-financial-officer/municipal-services>. Such June 30, 2016 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 June 30, 2016 basic financial statement. The June 30, 2016 comparative information was subjected to the auditing procedures applied in the audit of the June 30, 2016 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 June 30, 2016 basic financial statement or to the June 30, 2016 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 June 30, 2016 comparative information is fairly stated in all material respects in relation to the June 30, 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 4, 2017, on our consideration of Southwest Plains Regional Service Center's, Unified School District No. 626, 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 Southwest Plains Regional Service Center's, Unified School District No. 626, internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

October 4, 2017

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

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Southwest Plains Regional Service Center, Unified School District No. 626, as of and for the fiscal year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise Southwest Plains Regional Service Center's, Unified School District No. 626, basic financial statement, and have issued our report thereon dated October 4, 2017, which was qualified because Southwest Plains Regional Service Center, Unified School District No. 626, prepares its financial statements 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Service Center's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity'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.

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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 Southwest Plains Regional Service Center's, Unified School District No. 626, financial statement is free from 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

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Hay•Rice & Associates, Chartered

October 4, 2017

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

REGULATORY BASIS

For the fiscal year ended June 30, 2017

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Encumbrances</u> <u>& Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
General Fund:						
General	\$ 500,000	\$ 609,621	\$ 637,825	\$ 471,796	\$ 8,450	\$ 480,246
Special Purpose Funds:						
Instructional Services	400,155	1,555,362	1,538,245	417,272	6,513	423,785
Capital Outlay	181,761	5,000	7,608	179,153	-	179,153
Community Learning Centers	10,000	711,040	564,808	156,232	507	156,739
Grant Writing Center	25,000	154,775	88,663	91,112	169	91,281
Migrant Services	-	1,005,000	1,005,000	-	11,488	11,488
Title III	-	52,822	52,822	-	-	-
Perkins Grant	-	91,100	91,100	-	-	-
KLN Grant	96,785	83,263	179,313	735	-	735
KLN Priority	(8,222)	746,334	818,255	(80,143)	5,620	(74,523)
Discretionary Funds	9,100	10,000	4,459	14,641	-	14,641
Contingency	1,551,606	-	400,000	1,151,606	-	1,151,606
Mental Health Grant	<u>5,000</u>	<u>-</u>	<u>-</u>	<u>5,000</u>	<u>-</u>	<u>5,000</u>
Total Reporting Entity	<u>\$2,771,185</u>	<u>\$5,024,317</u>	<u>\$5,388,098</u>	<u>\$2,407,404</u>	<u>\$ 32,747</u>	<u>\$2,440,151</u>

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Statement 1
(Continued)

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH – REGULATORY BASIS

For the fiscal year ended June 30, 2017

Composition of Cash:

Investments and Time Deposits:

Money market \$2,590,946

Cash in Checking:

General Account (159,776)

Electronic Account 7,481

Building Account 1,500

Total Reporting Entity \$2,440,151

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Southwest Plains Regional Service Center, Unified School District No. 626, is a municipal corporation governed by an appointed eight member board of directors. This regulatory financial statement presents only Southwest Plains Regional Service Center, Unified School District No. 626 (the municipality).

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.

Regulatory Basis Fund Types

The following regulatory basis fund types comprise the financial activities of the Service Center for the fiscal year ended June 30, 2017:

Governmental Funds:

General Fund – The Chief Operating Fund – used to account for all 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 regulatory receipts (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Fiduciary Funds:

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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 municipality 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 municipality to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate.

Time deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed as "cash and time deposits".

General Fixed Assets

General fixed assets purchased are recorded as expenditures at the time of purchase, except for assets acquired with federally assisted funds.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balances

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

The budget law K.S.A. 79-2925 applies to taxing subdivisions or municipalities. Several funds exceed their budget, but because the Southwest Plains Regional Service Center, Unified School District No. 626, does not directly levy a tax, it is not subject to the budget law. The budget adopted by the Service Center is a management tool, which is used to establish the Service Center's internal spending limits.

Note 2: Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

Contrary to the provisions of K.S.A. 10-1113, the following funds had a deficit cash balance as of June 30, 2017:

KLN Priority	\$ (74,523)
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Authorized Over-Encumbered Cash Balance – Federal Funds

K.S.A. 12-1664 authorizes the financing from local sources for expenditures to be reimbursed by the federal government.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 3: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by Southwest Plains Regional Service Center, Unified School District No. 626. The statute requires banks eligible to hold the Service Center's funds have a main or branch bank in the county in which Southwest Plains Regional Service Center, Unified School District No. 626, is located, or in an adjoining county if such institution has been designated as an official depository, 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. Southwest Plains Regional Service Center, Unified School District No. 626, has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits Southwest Plains Regional Service Center's, Unified School District No. 626, 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. Southwest Plains Regional Service Center, Unified School District No. 626, has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount Southwest Plains Regional Service Center, Unified School District No. 626, may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, Southwest Plains Regional Service Center's, Unified School District No. 626, deposits may not be returned to it. State statutes require Southwest Plains Regional Service Center's, Unified School District No. 626, 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, 2017.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 3: Deposits and Investments (Continued)

At June 30, 2017, Southwest Plains Regional Service Center's, Unified School District No. 626, carrying amount of deposits was \$2,543,744 and the bank balance was \$2,844,150. 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 \$2,594,150 was collateralized with securities held by the pledging financial institutions' agents in Southwest Plains Regional Service Center's, Unified School District No. 626, name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, Southwest Plains Regional Service Center, Unified School District No. 626, 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 4: Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Contingency	General	\$100,000
Contingency	Instructional Services	200,000
Contingency	Grant Writing Center	90,000
Contingency	Discretionary Funds	10,000

Note 5: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

Southwest Plains Regional Service Center, Unified School District No. 626, 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.

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UNIFIED SCHOOL DISTRICT NO. 626
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 5: Defined Benefit Pension Plan (Continued)

Plan Description (Continued)

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 (611 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 at 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 (not including the 1% contribution rate through March 31, 2016 with a 0% moratorium until June 30, 2017 for the Death and Disability Program) and the statutory contribution rate was 16.00% and 10.91%, respectively, for the fiscal year ended June 30, 2016. The actuarially determined employer contribution rate and the statutory contribution rate was 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017. Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091.

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UNIFIED SCHOOL DISTRICT NO. 626
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 5: Defined Benefit Pension Plan

Contributions (Continued)

The State of Kansas contributed 10.81% of covered payroll during fiscal year 2017, excluding the Group Death & Disability Insurance rate. During fiscal year 2018, the State of Kansas will contribute 12.01% of covered payroll. The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361.

Per 2017 Senate Substitute for Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64,130,234 in FY 2017. Section 43(17) 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 FY 2018. The level dollar amount was computed to be \$6.4 million dollars per year.

Net Pension Liability

At June 30, 2017, the Service Center's proportionate share of the collective net pension liability reported by KPERS was \$4,100,108. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. The Service Center's proportion of the net pension liability was based on the ratio of the Service Center'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, 2016. 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.

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Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 6: Other Long-Term Obligations from Operations

Compensated Absences

Vacation and Sick Pay

All full time classified and certified employees receive ten days of sick leave, unless otherwise negotiated. Sick leave can be accumulated for up to 35 days for classified staff and up to 50 days for certified staff, but employees are not compensated for unused sick leave.

All full time classified and certified staff employed before July 1, 2010 receive a day of paid vacation per month. Staff members with 10 years or more of service receive three (3) weeks vacation. All full time classified staff employed after July 1, 2010 receive 4 days paid vacation the first year and receive an additional day for each year of service. Vacation time not taken within the period of accrual is neither subject to reimbursement, nor to carry over to the next fiscal year.

Salary Reduction Plan

Southwest Plains Regional Service Center, Unified School District No. 626, has adopted a 403B and/or 457 elective salary reduction plan. The plan transactions for the year ended June 30, 2017 are as follows:

Beginning balance	\$510,020
Contributions	74,622
Withdrawals	-
Change in value	<u>46,202</u>
Ending balance	<u>\$630,844</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 6: Other Long-Term Obligations from Operations (Continued)

Other Post Employment Benefits

As provided by K.S.A. 12-5040, Southwest Plains Regional Service Center, Unified School District No. 626, allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, Southwest Plains Regional Service Center, Unified School District No. 626, 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 financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), Southwest Plains Regional Service Center, Unified School District No. 626, makes health care benefits 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.

Note 7: Contingent Liabilities

Southwest Plains Regional Service Center, Unified School District No. 626, participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives for audits of these programs for or including the year ending June 30, 2017. These compliance audits have not been conducted as of October 4, 2017. Accordingly, the Service Center's compliance with applicable grant agreements will be established at some future date. The amount of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time, although the Service Center expects such amounts, if any, to be immaterial.

Note 8: Operating Leases

Southwest Plains Regional Service Center, Unified School District No. 626, is entered into several real estate leases that are renewed annually.

Note 9: Subsequent Events

Southwest Plains Regional Service Center, Unified School District No. 626, management has evaluated events and transactions through October 4, 2017, the date which the financial statement was available to be issued.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017
(Continued)

Note 10: Long-Term Debt

Changes in long-term liabilities for Southwest Plains Regional Service Center, Unified School District No. 626, for the fiscal year ended June 30, 2017 were as follows:

<u>Issue</u>	<u>Interest Rates</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>
Capital Leases Payable:									
2015 CRV	5.80%	06/01/15	\$ 26,120	07/01/18	\$ 9,215	\$ -	\$ 9,215	\$ -	\$ 292
2015 CRV	5.80%	06/01/15	26,120	07/01/18	9,215	-	9,215	-	292
2015 CRV	5.80%	06/01/15	26,120	07/01/18	9,215	-	9,215	-	292
2015 CRV	5.80%	06/01/15	26,120	07/01/18	9,215	-	9,215	-	292
2017 Honda Accord	8.30%	06/01/17	22,370	07/01/21	-	22,370	5,037	17,333	1,514
2018 Honda Accord	8.30%	06/01/17	22,370	07/01/21	-	22,370	5,037	17,333	1,514
Total Contractual Indebtedness					\$ <u>36,860</u>	\$ <u>44,740</u>	\$ <u>46,934</u>	\$ <u>34,666</u>	\$ <u>4,196</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

(Continued)

Note 10: Long-Term Debt (Continued)

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

	<u>6-30-17</u>	<u>6-30-18</u>	<u>6-30-19</u>	<u>Total</u>
Principal:				
Capital leases payable	\$ 10,610	\$ 11,530	\$ 12,526	\$ 34,666
Interest:				
Capital leases payable	<u>2,490</u>	<u>1,572</u>	<u>572</u>	<u>4,634</u>
Total Principal and Interest	<u>\$ 13,100</u>	<u>\$ 13,102</u>	<u>\$ 13,098</u>	<u>\$ 39,300</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the fiscal year ended June 30, 2017

<u>Funds</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Over (Under)</u>
General Fund:			
General	\$ 638,129	\$ 637,825	\$ (304)
Special Purpose Funds:			
Instructional Services	1,310,257	1,538,245	227,988
Capital Outlay	10,000	7,608	(2,392)
Community Learning Centers	610,781	564,808	(45,973)
Grant Writing Center	89,233	88,663	(570)
Migrant Services	1,005,000	1,005,000	-
Title III	52,822	52,822	-
Perkins Grant	91,100	91,100	-
KLN Grant	180,048	179,313	(735)
KLN Priority	855,989	818,255	(37,734)
Discretionary Funds	15,000	4,459	(10,541)

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2

SCHEDULES OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-1

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
			<u>Variance</u>	<u>Year</u>
<u>Receipts</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Actual</u>
			<u>(Under)</u>	
LEA tuition	\$139,500	\$140,000	\$ (500)	\$109,000
Consulting services	17,850	5,000	12,850	8,071
Interest on investments	6,505	7,000	(495)	6,031
Indirect fees	334,586	393,538	(58,952)	149,729
Other receipts	10,910	5,000	5,910	12,564
Federal aid	270	-	270	75
Operating Transfers:				
Contingency	100,000	-	100,000	-
KLN Grant	-	-	-	206,106
2-Way Fund	-	-	-	375,842
Total Receipts	<u>\$609,621</u>	<u>\$550,538</u>	<u>\$ 59,083</u>	<u>\$867,418</u>
<u>Expenditures</u>				
Salaries	\$303,580	\$305,822	\$ (2,242)	\$239,381
Employees' Benefits	75,624	77,197	(1,573)	36,922
Purchased professional services	12,783	14,699	(1,916)	13,041
Purchased property services	26,753	33,900	(7,147)	18,226
Other purchased services	157,152	125,095	32,057	63,864
Supplies and materials	24,503	45,342	(20,839)	44,330
Property	630	15,500	(14,870)	4,089
Other	36,800	20,574	16,226	8,806
Operating Transfers:				
Contingency	-	-	-	312,599
Total Expenditures	<u>\$637,825</u>	<u>\$638,129</u>	<u>\$ (304)</u>	<u>\$741,258</u>
Receipts Over (Under) Expenditures	\$ (28,204)			\$126,160
Unencumbered Cash, Beginning	<u>500,000</u>			<u>373,840</u>
Unencumbered Cash, Ending	<u>\$471,796</u>			<u>\$500,000</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-2

INSTRUCTIONAL SERVICES
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
			<u>Variance</u>	<u>Year</u>
<u>Receipts</u>	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Actual</u>
			<u>(Under)</u>	
Instructional Tools	\$ 90,787	\$ 67,000	\$ 23,787	\$ 99,173
Workshops	629,772	677,250	(47,478)	765,705
Consulting	515,912	476,175	39,737	569,724
Other receipts	117,015	109,000	8,015	92,106
State aid	566	-	566	586
Federal aid	1,310	-	1,310	35,480
Operating Transfers:				
Contingency	<u>200,000</u>	<u>-</u>	<u>200,000</u>	<u>-</u>
Total Receipts	<u>\$1,555,362</u>	<u>\$1,329,425</u>	<u>\$225,937</u>	<u>\$1,562,774</u>
<u>Expenditures</u>				
Salaries	\$ 733,423	\$ 717,218	\$ 16,205	\$ 780,572
Employees' Benefits	165,145	170,439	(5,294)	205,158
Purchased professional services	38,253	47,300	(9,047)	33,204
Purchased property services	2,666	1,300	1,366	1,291
Other purchased services	66,697	47,800	18,897	44,581
Supplies and materials	449,664	274,700	174,964	309,206
Property	10,127	2,000	8,127	2,186
Other	72,270	49,500	22,770	90,443
Operating Transfers:				
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>117,926</u>
Total Expenditures	<u>\$1,538,245</u>	<u>\$1,310,257</u>	<u>\$227,988</u>	<u>\$1,584,567</u>
Receipts Over (Under) Expenditures	\$ 17,117			\$ (21,793)
Unencumbered Cash, Beginning	<u>400,155</u>			<u>421,948</u>
Unencumbered Cash, Ending	<u>\$ 417,272</u>			<u>\$ 400,155</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-3

CAPITAL OUTLAY
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Insurance proceeds	\$ -	\$ -	\$ -	\$ 39,231
Sale of vehicle	<u>5,000</u>	<u>10,000</u>	<u>(5,000)</u>	<u>-</u>
Total Receipts	\$ 5,000	\$ <u>10,000</u>	\$ <u>(5,000)</u>	\$ 39,231
<u>Expenditures</u>				
Property	<u>7,608</u>	\$ <u>10,000</u>	\$ <u>(2,392)</u>	<u>22,677</u>
Receipts Over (Under) Expenditures	\$ (2,608)			\$ 16,554
Unencumbered Cash, Beginning	<u>181,761</u>			<u>165,207</u>
Unencumbered Cash, Ending	<u>\$179,153</u>			<u>\$181,761</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-4

COMMUNITY LEARNING CENTERS
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Member LEA receipts	\$711,040	\$725,651	\$ (14,611)	\$ 644,872
<u>Expenditures</u>				
Salaries	\$297,067	\$302,433	\$ (5,366)	\$ 322,363
Employees' Benefits	75,581	69,716	5,865	80,023
Purchased property services	9,350	7,100	2,250	7,059
Other purchased services	41,567	86,000	(44,433)	51,725
Supplies and materials	8,708	5,500	3,208	17,763
Property	-	1,000	(1,000)	139
Other	132,535	139,032	(6,497)	7,719
Operating Transfers:				
Contingency	-	-	-	2,535
Total Expenditures	\$564,808	\$610,781	\$ (45,973)	\$ 489,326
Receipts Over (Under) Expenditures	\$146,232			\$ 155,546
Unencumbered Cash, Beginning	10,000			(145,546)
Unencumbered Cash, Ending	\$156,232			\$ 10,000

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-5

GRANT WRITING CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Services provided LEA	\$ 64,775	\$ 56,968	\$ 7,807	\$ 72,700
Operating Transfers:				
Contingency	<u>90,000</u>	<u>-</u>	<u>90,000</u>	<u>-</u>
Total Receipts	<u>\$154,775</u>	<u>\$ 56,968</u>	<u>\$ 97,807</u>	<u>\$ 72,700</u>
<u>Expenditures</u>				
Salaries	\$ 68,085	\$ 68,085	\$ -	\$ 68,085
Employees' Benefits	12,020	12,048	(28)	11,281
Other purchased services	8,533	9,000	(467)	9,031
Supplies and materials	25	100	(75)	-
Operating Transfers:				
Contingency	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,869</u>
Total Expenditures	<u>\$ 88,663</u>	<u>\$ 89,233</u>	<u>\$ (570)</u>	<u>\$ 93,266</u>
Receipts Over (Under) Expenditures	\$ 66,112			\$ (20,566)
Unencumbered Cash, Beginning	<u>25,000</u>			<u>45,566</u>
Unencumbered Cash, Ending	<u>\$ 91,112</u>			<u>\$ 25,000</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-6

MIGRANT SERVICES
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Federal aid	\$ <u>1,005,000</u>	\$ <u>1,005,000</u>	<u>-</u>	\$ <u>1,338,856</u>
<u>Expenditures</u>				
Salaries	\$ 628,404	\$ 648,330	\$ (19,926)	\$ 782,508
Employees' Benefits	120,000	130,605	(10,605)	151,115
Purchased professional services	25,741	25,270	471	35,298
Purchased property services	16,740	16,740	-	12,920
Other purchased services	147,523	122,805	24,718	168,640
Supplies and materials	16,342	6,000	10,342	11,709
Property	-	5,000	(5,000)	69,558
Other	<u>50,250</u>	<u>50,250</u>	<u>-</u>	<u>107,108</u>
Total Expenditures	\$ <u>1,005,000</u>	\$ <u>1,005,000</u>	<u>-</u>	\$ <u>1,338,856</u>
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	<u>-</u>			<u>-</u>
Unencumbered Cash, Ending	<u>-</u>			<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-7

TITLE III
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Federal aid	\$ <u>52,822</u>	\$ <u>52,822</u>	<u>-</u>	\$ <u>44,716</u>
<u>Expenditures</u>				
Purchased professional services	\$ 46,939	\$ 49,250	\$ (2,311)	\$ 38,712
Supplies and materials	4,827	2,516	2,311	5,110
Other	<u>1,056</u>	<u>1,056</u>	<u>-</u>	<u>894</u>
Total Expenditures	\$ <u>52,822</u>	\$ <u>52,822</u>	<u>-</u>	\$ <u>44,716</u>
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	<u>-</u>			<u>-</u>
Unencumbered Cash, Ending	<u>-</u>			<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-8

PERKINS GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Federal aid	\$ <u>91,100</u>	\$ <u>91,100</u>	<u>-</u>	\$ <u>93,650</u>
<u>Expenditures</u>				
Salaries	\$ 8,347	\$ 7,400	\$ 947	\$ 10,964
Purchased professional services	20,057	22,150	(2,093)	36,163
Other purchased services	12,588	12,300	288	12,667
Supplies and materials	45,553	44,695	858	24,292
Property	-	-	-	4,890
Other	<u>4,555</u>	<u>4,555</u>	<u>-</u>	<u>4,674</u>
Total Expenditures	\$ <u>91,100</u>	\$ <u>91,100</u>	<u>-</u>	\$ <u>93,650</u>
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	<u>-</u>			<u>-</u>
Unencumbered Cash, Ending	<u>-</u>			<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-9

KLN GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Federal aid	\$ -	\$ -	\$ -	\$ 970,219
Member LEA's	<u>83,263</u>	<u>180,048</u>	<u>(96,785)</u>	<u>465,777</u>
Total Receipts	<u>\$ 83,263</u>	<u>\$180,048</u>	<u>\$ (96,785)</u>	<u>\$1,435,996</u>
<u>Expenditures</u>				
Salaries	\$ -	\$ -	\$ -	\$ 87,193
Employees' Benefits	-	-	-	4,847
Purchased professional services	-	-	-	1,004,343
Other purchased services	-	-	-	27,891
Supplies and materials	179,313	180,048	(735)	3,231
Other	-	-	-	5,600
Operating Transfers:				
General	<u>-</u>	<u>-</u>	<u>-</u>	<u>206,106</u>
Total Expenditures	<u>\$179,313</u>	<u>\$180,048</u>	<u>\$ (735)</u>	<u>\$1,339,211</u>
Receipts Over (Under) Expenditures	\$ (96,050)			\$ 96,785
Unencumbered Cash, Beginning	<u>96,785</u>			<u>-</u>
Unencumbered Cash, Ending	<u>\$ 735</u>			<u>\$ 96,785</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-10

KLN PRIORITY
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>		<u>Variance</u>	<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Federal aid	\$746,209	\$903,441	\$ (157,232)	\$282,494
State aid	125	-	125	-
Contractual services	<u>-</u>	<u>-</u>	<u>-</u>	<u>243,827</u>
Total Receipts	<u>\$746,334</u>	<u>\$903,441</u>	<u>\$ (157,107)</u>	<u>\$526,321</u>
<u>Expenditures</u>				
Salaries	\$494,577	\$486,000	\$ 8,577	\$139,033
Employees' Benefits	27,418	25,168	2,250	21,255
Purchased professional services	95,495	171,131	(75,636)	307,701
Other purchased services	146,934	117,500	29,434	20,723
Supplies and materials	15,421	10,896	4,525	5,781
Property	-	-	-	24,135
Other	<u>38,410</u>	<u>45,294</u>	<u>(6,884)</u>	<u>15,915</u>
Total Expenditures	<u>\$818,255</u>	<u>\$855,989</u>	<u>\$ (37,734)</u>	<u>\$534,543</u>
Receipts Over (Under) Expenditures	\$ (71,921)			\$ (8,222)
Unencumbered Cash, Beginning	<u>(8,222)</u>			<u>-</u>
Unencumbered Cash, Ending	<u>\$ (80,143)</u>			<u>\$ (8,222)</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-11

DISCRETIONARY FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>Current Year</u>			<u>Prior</u>
	<u>Actual</u>	<u>Budget</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Year</u> <u>Actual</u>
<u>Receipts</u>				
Operating Transfers:				
Contingency	\$ 10,000	<u>-</u>	\$ <u>10,000</u>	\$ -
<u>Expenditures</u>				
Salaries	<u>4,459</u>	\$ <u>15,000</u>	\$ <u>(10,541)</u>	<u>2,800</u>
Receipts Over (Under) Expenditures	\$ 5,541			\$ (2,800)
Unencumbered Cash, Beginning	<u>9,100</u>			<u>11,900</u>
Unencumbered Cash, Ending	\$ <u>14,641</u>			\$ <u>9,100</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2
(Continued)

SCHEDULES OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the fiscal year ended June 30, 2017

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-12

CONTINGENCY
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>		
Operating Transfers:		
General Fund	-	\$ 312,599
Instructional Services	-	117,926
School Business Services	-	206,485
HSPN	-	136,720
Community Learning Centers	-	2,535
Grant Writing Center	-	4,869
CLC Administration	<u>-</u>	<u>163,531</u>
Total Receipts	<u>-</u>	<u>\$ 944,665</u>
<u>Expenditures</u>		
Purchased professional services	\$ -	\$ 28,167
Other	-	525
Operating Transfers:		
Contingency	<u>400,000</u>	<u>-</u>
Total Expenditures	<u>\$ 400,000</u>	<u>\$ 28,692</u>
Receipts Over (Under) Expenditures	\$ (400,000)	\$ 915,973
Unencumbered Cash, Beginning	<u>1,551,606</u>	<u>635,633</u>
Unencumbered Cash, Ending	<u>\$1,151,606</u>	<u>\$1,551,606</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-13

MENTAL HEALTH GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>	-	-
<u>Expenditures</u>	<u>-</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ -	\$ -
Unencumbered Cash, Beginning	<u>5,000</u>	<u>5,000</u>
Unencumbered Cash, Ending	<u>\$ 5,000</u>	<u>\$ 5,000</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-14

MIGRANT ACAD/OSY
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>		
Federal aid	<u>-</u>	<u>\$516,214</u>
<u>Expenditures</u>		
Salaries	-	\$236,536
Employees' Benefits	-	42,075
Purchased professional services	-	48,125
Purchased property services	-	116,061
Other purchased services	-	48,254
Supplies and materials	-	5,218
Property	-	2,807
Other	<u>-</u>	<u>17,138</u>
Total Expenditures	<u>-</u>	<u>\$516,214</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-15

CLC ADMINISTRATION
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>		
Employees' Benefits	-	\$ 40
Operating Transfers:		
Contingency	<u>-</u>	<u>163,531</u>
Total Expenditures	<u>-</u>	<u>\$ 163,571</u>
Receipts Over (Under) Expenditures	-	\$ (163,571)
Unencumbered Cash, Beginning	<u>-</u>	<u>163,571</u>
Unencumbered Cash, Ending	<u>-</u>	<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-16

SCHOOL BUSINESS SERVICES
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>	-	\$ -
<u>Expenditures</u>		
Operating Transfers:		
Contingency	<u>-</u>	<u>206,485</u>
Receipts Over (Under) Expenditures	-	\$ (206,485)
Unencumbered Cash, Beginning	<u>-</u>	<u>206,485</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-17

2-WAY
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>	-	\$ -
<u>Expenditures</u>		
Operating Transfers:		
General Fund	<u>-</u>	<u>375,842</u>
Receipts Over (Under) Expenditures	-	\$ (375,842)
Unencumbered Cash, Beginning	<u>-</u>	<u>375,842</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-18

HSPN
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>		
Other	-	\$ 3,550
Operating Transfers:		
Contingency	<u>-</u>	<u>136,720</u>
Total Expenditures	<u>-</u>	\$ <u>140,270</u>
Receipts Over (Under) Expenditures	-	\$ (140,270)
Unencumbered Cash, Beginning	<u>-</u>	<u>140,270</u>
Unencumbered Cash, Ending	<u>-</u>	<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-19

WKS3 GRANT 9-30
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2017
(with comparative actual totals for the prior year ended June 30, 2016)

	<u>6-30-17</u>	<u>6-30-16</u>
<u>Receipts</u>		
Federal aid	<u>-</u>	\$ <u>18,990</u>
<u>Expenditures</u>		
Other purchased services	-	\$ 1,082
Supplies and materials	<u>-</u>	<u>535</u>
Total Expenditures	<u>-</u>	\$ <u>1,617</u>
Receipts Over (Under) Expenditures	-	\$ 17,373
Unencumbered Cash, Beginning	<u>-</u>	<u>(17,373)</u>
Unencumbered Cash, Ending	<u>-</u>	<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

Report on Compliance for Each Major Federal Program

We have audited Southwest Plains Regional Service Center’s, Unified School District No. 626, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Plains Regional Service Center’s, Unified School District No. 626, major federal programs for the fiscal year ended June 30, 2017. Southwest Plains Regional Service Center’s, Unified School District No. 626, 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 Southwest Plains Regional Service Center’s, Unified School District No. 626, 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 the *Kansas Municipal Audit and Accounting Guide*; 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 Service Center’s compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

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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 on Southwest Plains Regional Service Center's, Unified School District No. 626, compliance.

Opinion on Each Major Federal Program

In our opinion, Southwest Plains Regional Service Center, Unified School District No. 626, 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 fiscal year ended June 30, 2017.

Report on Internal Control Over Compliance

Management of Southwest Plains Regional Service Center, Unified School District No. 626, 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 Service Center'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 Southwest Plains Regional Service Center's, Unified School District No. 626, 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.

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

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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.

Hay•Rice & Associates, Chartered

October 4, 2017

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the fiscal year ended June 30, 2017

<u>Federal Grantor/Pass Through Grantor</u> <u>Program Title</u>	<u>Federal</u> <u>CFDA</u> <u>Number</u>	<u>Expenditures</u>
U. S. Department of Education – Pass		
Through Kansas Department of Education:		
Title I-Grant	84.010	\$ 31,295
** Title I-Migrant	84.011	1,005,000
Title VI-Part B IDEA	84.027	420
Program Improvement	84.048	91,100
English Language Acquisition	84.365	52,822
Title II-Improving Teacher Quality	84.367	116,610
Title VI-State Assessments	84.369	816
Consolidated Admin Pool:		
Title I-Grant	84.010	325,553
Title I-Migrant	84.011	35,558
Title I-Neglected & Delinquent Children		
& Youth	84.013	855
Title IV-21st Century CLC	84.287	53,769
Rural Education	84.358B	11,308
English Language Acquisition	84.365	57,776
Title II-Improving Teacher Quality	84.367	50,809
School Improvements	84.377	<u>63,020</u>
Total Expenditures of Federal Awards		<u>\$1,896,711</u>

** Major Programs.

See accompanying notes to schedule of expenditures of federal awards.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the fiscal year ended June 30, 2017

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule 3) includes the federal award activity of Southwest Plains Regional Service Center, Unified School District No. 626, under programs of the federal government for the fiscal year ended June 30, 2016. The information in this Schedule is presented in accordance with the 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). Because the Schedule presents only a selected portion of the operations of Southwest Plains Regional Service Center, Unified School District No. 626, it is not intended to and does not present the aggregate cash and unencumbered cash balances and receipts and expenditures of Southwest Plains Regional Service Center, Unified School District No. 626.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the regulatory basis of accounting, which are accounting practices prescribed by the State of Kansas and are described in Note 1 to the School District's regulatory basis financial statement.

Note C: Indirect Cost Rate

Southwest Plains Regional Service Center, Unified School District No. 626, has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2017

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the regulatory basis financial statements of Southwest Plains Regional Service Center, Unified School District No. 626.
2. No significant deficiencies were disclosed during the audit of the financial statements that would be required to be 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Southwest Plains Regional Service Center, Unified School District No. 626, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during that audit that would be required to be reported in the Independent Auditor's 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 Southwest Plains Regional Service Center, Unified School District No. 626, 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).
7. The programs tested as major programs were:
 Title I Migrant Grant CFDA #84.011.
8. The threshold for determining type A and B programs was \$750,000.
9. Southwest Plains Regional Service Center, Unified School District No. 626, did not qualify as a low-risk auditee.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 4
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2017

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS
AUDIT

None.

