

**SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS**

FINANCIAL STATEMENT

FISCAL YEAR ENDED JUNE 30, 2017

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

Fiscal Year Ended June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
South Central Kansas Special Education Cooperative
412 Sandy Lane
Pratt, KS 67124

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of South Central Kansas Special Education Cooperative, Pratt, Kansas, as of and for the 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 *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. 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.

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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 South Central Kansas Special Education Cooperative on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

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 South Central Kansas Special Education Cooperative 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 South Central Kansas Special Education Cooperative 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 individual fund schedules of regulatory basis receipts and expenditures and the schedule of regulatory basis receipts and expenditures—agency funds, (Schedules 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. 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 2016 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures—actual (Schedule 1 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2017 basic financial statement upon which we rendered an unmodified opinion dated November 14, 2017. The 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 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 2016 basic financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 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 2016 basic financial statement or to the 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 2016 comparative information is fairly stated in all material respects in relation to the 2016 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprise South Central Kansas Special Education Cooperative, Pratt, Kansas' financial statement as a whole. The accompanying 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 for Federal Awards*, and is not a required part of the financial statement of South Central Kansas Special Education Cooperative, Pratt, Kansas.

The schedule of expenditures of federal awards 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. Such information has been subjected to the auditing procedures applied in the audit of the 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 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 taken as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2017, on our consideration of the South Central Kansas Special Education Cooperative's internal control over financial reporting and 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 the 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 South Central Kansas Special Education Cooperative's internal control over financial reporting and compliance.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk & Loyd, LLC
Hutchinson, KS

November 14, 2017

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis
For the Year ended June 30, 2017

<u>Fund</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
GENERAL FUND:							
General Fund	\$ 2,380,642	\$ -	\$ 11,264,564	\$ 11,140,536	\$ 2,504,670	\$ -	\$ 2,504,670
SPECIAL PURPOSE FUNDS:							
Federal Funds	-	-	1,369,227	1,369,227	-	-	-
Deaf-Blind Grant Fund	1,795	-	4,965	5,004	1,756	-	1,756
ELC Grant Fund	1,959	-	211,374	133,323	80,010	-	80,010
Pre-K Pilot Program Fund	-	-	228,462	339,976	(111,514)	-	(111,514)
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 2,384,396</u>	<u>\$ -</u>	<u>\$ 13,078,592</u>	<u>\$ 12,988,066</u>	<u>\$ 2,474,922</u>	<u>\$ -</u>	<u>\$ 2,474,922</u>

COMPOSITION OF CASH:

Cardinal Bakery Account	\$ 262
Board Petty Cash Checking	2,500
Checking Account	507,017
Freedom Business	953,346
Certificate of Deposit	<u>1,012,059</u>

Total Cash 2,475,184

Less Agency Funds per Schedule 2 (262)

Total Reporting Entity (Excluding Agency Funds) \$ 2,474,922

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

NOTES TO THE FINANCIAL STATEMENT

Fiscal Year Ended June 30, 2017

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Municipal Financial Reporting Entity

The South Central Kansas Special Education Cooperative (the "Cooperative") is a municipal corporation governed by a Board of Directors consisting of one member from the Board of Education of each school district that is a part of the Cooperative. This regulatory financial statement presents the Cooperative, a municipality.

(b) Regulatory Basis Fund Types

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 receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Bond and Interest Fund—used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Capital Project Fund—used to account for the debt proceeds and other financial resources to be used for acquisition or construction of major capital facilities or equipment.

Business Fund – funds financed in whole or in part by fees charged to users of the goods or services (i.e. enterprise and internal service fund, etc.).

Trust Fund—funds used to report assets held in trust for the benefit of the municipal financial reporting entity (i.e. pension funds, investment trust funds, private purpose trust funds which benefit the municipal reporting entity, scholarship funds, etc.).

Agency Fund—funds used to report assets held by the municipal reporting entity in a purely custodial capacity (payroll clearing, county treasurer tax collection accounts, etc.).

(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 (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 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(d) Budgetary Information

The Cooperative is not subject to the Kansas statutes that require an annual operating budget be legally adopted for any of its funds. While the Cooperative is not legally required to publish and adhere to a budget, it does prepare an annual budget to help the governing body control spending and expenditures in the various funds. Since the Cooperative is not subject to budgetary statutes, expenditures may exceed the amount budgeted without consequence. Even though fund expenditures may exceed budgeted amounts, the Cooperative's funds are still subject to the cash basis statutes requiring enough cash be available to cover all expenditures and encumbrances.

2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

In violation of K.S.A. 10-815 and 10-816, one vendor check was outstanding for more than two years.

Kansas municipalities are subject to the cash-basis law as stated in Kansas Statute 10-1113. The Pre-K Pilon Program Fund has a negative unencumbered cash balance at June 30, 2017, which is allowable under Kansas Statute 12-1663. These funds will be reimbursed in the following fiscal year from the federal grant program.

3. 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, 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. The Cooperative has no other policies that would further limit interest rate risk.

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

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. At June 30, 2017, the Cooperative held no investments.

Custodial credit risk. Custodial credit risk is the risk that in the event of 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. All deposits were legally secured at June 30, 2017.

At year end, the carrying amount of the Cooperative's deposits was \$2,475,184 and the bank balance was \$3,356,714. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by FDIC insurance, \$3,106,714 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of 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.

4. OTHER LONG-TERM OBLIGATIONS FROM OPERATIONS

(a) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the Cooperative allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the Cooperative 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), the Cooperative 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.

(b) Compensated Absences

Sick Leave

Employees of the Cooperative are allowed to accumulate sick leave to a prescribed level which may be used if they remain in the employment of the Cooperative. Employees lose any sick leave remaining above the allowable accumulation level. No payments are made to terminating employees with exceptions noted for retiring employees. No amounts have been accrued for accumulated annual sick leave.

Vacation Leave

Full time, twelve-month, employees are entitled to various amounts of paid vacation per fiscal year. Vacation days may be accumulated up to 40 days.

(c) Termination Benefits

Early Retirement Plan

The Cooperative provides an early retirement program for certain eligible employees. Licensed teachers who have served the last ten years full time in the Cooperative and meet KPERS retirement requirements are eligible to receive health insurance benefits after retirement for no more than ten years or until they are eligible for Medicare and/or Medicaid. They may also receive a one time payment of up to \$3,950 for unused sick leave and personal days.

Retirement Benefits

Licensed teachers who have served at least 20 years, and are Medicare eligible, are eligible at retirement to receive a one time payment of \$50 for each unused sick leave day and personal day, up to a maximum of \$3,950. No amounts have been accrued.

(d) 403(b) Plan

In addition to KPERS, the Cooperative also has an Employee 403(b) Plan (Plan). All employees who are eligible for benefits are eligible to participate in the Plan. The Cooperative does not match any employee contributions to the 403(b) Plan. The Plan follows the federal regulations as to employee contribution amounts. The minimum amount an employee can contribute is \$25 a month, and the maximum annual contribution amount is \$18,000 plus additional \$6,000 on catch-up limit for employees over 50. The employee can select investment options among those provided within the Plan.

5. DEFINED BENEFIT PENSION PLAN

Plan Description. The Cooperative participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, et seq. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

5. DEFINED BENEFIT PENSION PLAN (CONT.)

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 (not including the 1.00% contribution rate through March 31, 2016, with a 0.00% 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 rates were 16.03% and 10.81%, respectively, for the fiscal year ended June 30, 2017.

The State of Kansas is required to contribute the statutory required employer's share. Since the Cooperative is considered a special funding situation, the Cooperative was not required to contribute amounts equal to the statutory contribution rate for the year ended June 30, 2017.

Net Pension Liability: The Cooperative is considered a special funding situation. The State contributes 100% of the contractually required employer contributions. However, they do make contributions directly to KPERS for KPERS retirees filling KPERS covered positions per K.S.A. 74-4937, "working after retirement" employees. The resulting proportional share of the "working after retirement" contributions and resulting net pension liability are attributable to the employer. At June 30, 2017, the State's proportionate share of the collective net pension liability, as it relates to the Cooperative, as reported by KPERS, was \$13,779,386. At June 30, 2017, the Cooperative's proportionate share of the collective net pension liability, as reported by KPERS, was \$1,523,865. 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 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, 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 publically available on the website at www.kpers.org or can be obtained as described above.

6. 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 the date of this report, grant expenditures have not been audited, but the Cooperative believes that disallowed expenditures or overpayments, if any, will not have a material effect on the individual governmental funds or the overall financial position of the Cooperative.

During the ordinary 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.

6. CLAIMS AND JUDGMENTS (CONT.)

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 2016 to 2017, and there were no settlements that exceeded insurance coverage during the past three years.

7. SUBSEQUENT EVENTS

Management has evaluated the effects on the financial statements of subsequent events occurring through the date of this report, which is the date at which the financial statement was available to be issued.

**SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS**

**REGULATORY-REQUIRED
SUPPLEMENTAL INFORMATION**

FISCAL YEAR ENDED JUNE 30, 2017

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

GENERAL FUND

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016</u>	<u>2017</u>
	Actual	Actual
Receipts:		
USD contributions	\$ 3,422,000	\$ 3,682,545
State aid	6,763,558	6,977,680
Federal aid	24,536	-
Medicare	339,439	555,020
Private grants	5,957	6,886
Interest on idle funds	7,711	6,543
Other	96,325	35,890
	<hr/>	<hr/>
Total Receipts	10,659,526	11,264,564
	<hr/>	<hr/>
Expenditures:		
Instruction -		
Certified salaries	2,902,271	3,048,470
Non-certified salaries	3,594,274	3,646,197
Insurance	1,202,814	1,155,259
Social security	572,842	672,910
Other employee benefits	192,981	86,748
Purchased professional services	-	152
Other purchased services	9,312	6,797
Supplies	25,973	12,962
Textbooks	-	1,498
Miscellaneous supplies	39,809	41,147
Student Support Services -		
Certified salaries	1,046,352	988,252
Insurance	43,050	97,299
Social security	74,505	70,360
Other employee benefits	10,543	10,456
Purchased professional services	202	268
Other purchased services	1,310	2,645
Supplies	5,919	12,217
Instruction Support Staff -		
Other employee benefits	23,100	27,988
Purchased professional services	-	7,654
Purchased property services	18,968	20,690
Other purchased services	250	-
Software	33,877	-
Supplies	2,903	2,521
Property and equipment	22,391	19,248

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

GENERAL FUND

GENERAL FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Expenditures (Cont.):		
General Administration -		
Certified salaries	\$ 530,532	\$ 585,837
Insurance	39,459	42,140
Social security	39,631	44,443
Other employee benefits	5,258	1,794
Purchased professional services	15,493	20,845
Purchased property services	-	26,748
Other purchased services	-	86,880
Communications	53,553	38,085
Supplies	95,502	23,656
Property and equipment	8,903	880
Commercial insurance	87,154	-
Audit services	8,500	9,855
Other	11,936	9,361
Operations and Maintenance -		
Certified salaries	36,106	33,263
Insurance	-	4,874
Social Security	2,688	2,540
Other employee benefits	918	-
Purchased property services	-	153,713
Water/sewer	1,579	-
Repairs and maintenance	66,935	-
Other vehicle expense	66,597	-
Other purchased services	-	63,322
General Supplies	-	40,868
Heating	10,651	-
Electricity	28,208	-
Mileage	96,915	-
Student Transportaion Services -		
Other purchased services	-	19,694
Total Expenditures	<u>11,030,164</u>	<u>11,140,536</u>
Receipts Over (Under) Expenditures	(370,638)	124,028
Unencumbered Cash, Beginning	2,749,958	2,380,642
Prior year cancelled encumbrances	<u>1,322</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 2,380,642</u>	<u>\$ 2,504,670</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SPECIAL PURPOSE FUND

FEDERAL FUNDS

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts:		
EHC Flow thru VI-B	\$ 1,380,501	\$ 1,305,163
EHC Discretionary	64,064	64,064
Total Receipts	<u>1,444,565</u>	<u>1,369,227</u>
Expenditures:		
Instruction -		
Certified salaries	1,406,863	1,326,113
Instruction Support Staff -		
Purchased professional services	3,000	3,000
Purchased property services	-	40,114
Other purchased services	2,322	-
Supplies	9,983	-
Property and equipment	22,397	-
Total Expenditures	<u>1,444,565</u>	<u>1,369,227</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash Beginning	-	-
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SPECIAL PURPOSE FUND

DEAF-BLIND GRANT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts:		
State aid	\$ 5,858	\$ 4,965
Expenditures:		
Instruction -		
Purchased professional services	<u>4,063</u>	<u>5,004</u>
Receipts Over (Under) Expenditures	1,795	(39)
Unencumbered Cash, Beginning	<u>-</u>	<u>1,795</u>
Unencumbered Cash, Ending	<u>\$ 1,795</u>	<u>\$ 1,756</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SPECIAL PURPOSE FUND

ELC GRANT FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts:		
Private grants	\$ 215,607	\$ 211,374
Expenditures:		
Instruction -		
Certified salaries	80,340	108,197
Non-certified salaries	4,454	-
Insurance	-	8,216
Social Security	-	5,781
Other employee benefits	11,241	-
Purchased professional services	7,875	6,343
Supplies	31,495	-
Equipment	8,115	4,786
Total Expenditures	<u>143,520</u>	<u>133,323</u>
Receipts Over (Under) Expenditures	72,087	78,051
Unencumbered Cash, Beginning	<u>(70,128)</u>	<u>1,959</u>
Unencumbered Cash, Ending	<u>\$ 1,959</u>	<u>\$ 80,010</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SPECIAL PURPOSE FUND

PRE-K PILOT PROGRAM FUND

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For the Year Ended June 30, 2017

(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

	<u>2016 Actual</u>	<u>2017 Actual</u>
Receipts:		
Federal aid	\$ 389,064	\$ 228,462
Expenditures:		
Instruction -		
Certified salaries	214,661	250,022
Non-certified salaries	83,080	-
Employee benefits	-	20,742
Social Security	22,134	17,820
Other employee benefits	22,258	4,834
Supplies	7,597	3,959
Instruction Support Staff -		
Purchased professional services	9,729	19,079
Operations and Maintenance -		
Supplies	17,105	13,365
Student Transportation Services -		
Other purchased services	-	2,402
Travel	5,780	-
Food Service Operations -		
Supplies	6,947	7,753
Total Expenditures	<u>389,291</u>	<u>339,976</u>
Receipts Over (Under) Expenditures	(227)	(111,514)
Unencumbered Cash, Beginning	<u>227</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (111,514)</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

AGENCY FUNDS

SCHEDULE OF RECEIPTS AND DISBURSEMENTS

Regulatory Basis

For the Year Ended June 30, 2017

	<u>Beginning Cash Balance</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Ending Cash Balance</u>
Student Organization: Cardinal Bakery	\$ 229	\$ 592	\$ 559	\$ 262

**SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KS**

OTHER SUPPLEMENTAL INFORMATION

FISCAL YEAR ENDED JUNE 30, 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**

Board of Directors
South Central Kansas Special Education Cooperative
412 Sandy Lane
Pratt, KS 67124

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statement of South Central Kansas Special Education Cooperative (the Cooperative) as of and for the year ended June 30, 2017, and the related notes to the financial statement, which collectively comprise the Cooperative's basic financial statement and have issued our report thereon dated November 14, 2017.

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 opinions 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 a 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 financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the

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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.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll Janzen Hawk & Loyd, LLC
Hutchinson, Kansas

November 14, 2017

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

Board of Directors
South Central Kansas Special Education Cooperative
412 Sandy Lane
Pratt, KS 67124

Report on Compliance for Each Major Federal Program

We have audited South Central Kansas Special Education Cooperative's (the Cooperative) compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on the Cooperative's major federal programs for the year ended June 30, 2017. 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's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to 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 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 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 on 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, 2017.

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Report on Internal Control Over Compliance

Management of South Central Kansas Special Education 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 a major federal program to determine our auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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 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 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 Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll Janzen Hawk & Loyd, LLC
Hutchinson, Kansas

November 14, 2017

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2017

Pass-Through Grantor/ Federal Grantor Program Title	Federal CFDA Number	Pass Through Entity Identifying Number	Expenditures
<u>U.S. Department of Agriculture</u>			
Passed through Kansas Department of Education -			
Child Nutrition Cluster			
School Breakfast Program	10.553	DO605	\$ 1,771
National School Lunch Program	10.555	DO605	4,268
Total Child Nutrition Cluster			6,039
Child and Adult Care Food Program	10.558	DO605	7,828
Total U.S. Department of Agriculture			13,867
<u>U.S. Department of Education</u>			
Passed through Kansas Department of Education -			
Special Education Cluster (IDEA)			
Special Education - Grants to States - IDEA Part B	84.027	DO605	1,275,445
Special Education - Preschool Grants	84.173	DO605	93,782
Total U.S. Department of Education			1,369,227
<u>U.S. Department of Health and Human Services</u>			
Passed through Kansas Department of Education -			
TANF Pre-K Pilot	93.558	DO605	228,462
Total U.S. Department of Health and Human Services			228,462
Total Expenditures of Federal Awards			\$ 1,611,556

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of South Central Kansas Special Education Cooperative, Pratt, Kansas (the Cooperative), under programs of the federal government for the year ended June 30, 2017. The information in the 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 the Cooperative, it is not intended to and does not present the financial position, changes in net position, or cash flows of the Cooperative. The Schedule is presented using a regulatory basis of accounting prescribed by the Kansas Municipal Audit and Accounting Guide (as described in Note 1 to the financial statement), which is the same basis of accounting as the financial statement accompanying this schedule.

Note 2 - Summary of Significant Accounting Policies

(1) Expenditures reported on the Schedule are reported on the regulatory basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

(2) The Cooperative has not elected to use the 10 percent *de minimis* indirect cost rate as allowed under the Uniform Guidance.

Note 3 - Funds Expended

Funds where federal expenditures were receipted and expended:

General Fund	\$ 13,867
Federal Funds	1,369,227
Pre-K Pilot Program Fund	<u>228,462</u>
	<u>\$1,611,556</u>

**South Central Kansas Special Education Cooperative
Pratt, Kansas**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2017**

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an adverse opinion on whether the financial statement of South Central Kansas Special Education Cooperative, Pratt, Kansas was prepared in accordance with GAAP.
2. No significant deficiencies relating to the audit of the financial statement are 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 statement of South Central Kansas Special Education Cooperative, Pratt, Kansas, which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance.
5. The auditor's report on compliance for the major federal award programs for South Central Kansas Special Education Cooperative, Pratt, Kansas expresses an unmodified opinion on all major federal programs.
6. There are no audit findings that are required to be reported in accordance with 2 CFR section 200.516(a).
7. The programs tested as a major programs include:

	<u>CFDA No.</u>
Special Education Cluster (IDEA):	
Special Education – Grants to States	84.027
Special Education – Preschool Grants	84.173

8. The threshold used for distinguishing between Type A and B programs was \$750,000.
9. South Central Kansas Special Education Cooperative, Pratt, Kansas did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENTS AUDIT

There were no reportable findings.

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

U.S. DEPARTMENT OF EDUCATION

Special Education Cluster - CFDA Numbers 84.027 and 84.173.

There were no reportable findings.



SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
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MARSHA EVENSON, DIRECTOR

SCHEDULE 5

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
Pratt, Kansas

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
For the Year Ended June 30, 2017

FINDINGS AND QUESTIONED COSTS-FINANCIAL STATEMENTS AUDIT

2016-001 Financial Statement Reporting

Condition: Our firm has been asked to prepare the financial statement for the Cooperative; however, our firm cannot be considered part of the internal control structure of the Cooperative in regard to the preparation of the financial statement.

Recommendation: To strengthen internal control over financial statement preparation, we recommend adopting a policy over financial reporting.

Current Status: The Cooperative has adopted the policy during the June 30, 2017, year.

FINDINGS AND QUESTIONED COSTS- MAJOR FEDERAL AWARD PROGRAMS AUDIT

U.S. DEPARTMENT OF EDUCATION

Special Education - Grants to States - CFDA Number 84.027

Special Education - Preschool Grants - CFDA Number 84.173

NONE