NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602

Financial Statement and Supplementary Information
with Independent Auditor's Reports

For the Year Ended June 30, 2023

MAPES & MILLER LLP
Certified Public Accountants
Quinter, Kansas

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602

Financial Statement and Supplementary Information
with Independent Auditor's Reports

For the Year Ended June 30, 2023

Table of Contents

	Page Numbers
Independent Auditor's Report	1
Summary Statement of Receipts, Expenditures and Unencumbered Cash	4
Notes to the Financial Statement	5
REGULATORY-REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE 1	
Schedule of Receipts and Expenditures	
General Fund	12
Special Purpose Funds	13
SUPPLEMENTARY INFORMATION	
SCHEDULE 2	
Schedule of Receipts and Expenditures	
Head Start	18
SINGLE AUDIT SECTION	
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statement Performed in Accordance with *Government Audit Standards*	19
Independent Auditor's Report On Compliance for Each Major Program and on Internal Control Over Compliance Required by the Uniform Guidance	21
SCHEDULE 3	
Schedule of Expenditures of Federal Awards	24
Notes to the Schedule of Expenditures of Federal Awards	26
Schedule of Findings and Questioned Costs	27

Mapes & Miller LLP
Certified Public Accountants & Business Advisors

230 MAIN, PO BOX 412, QUINTER, KS 67752
PHONE: 785-754-2111 EMAIL: dtilton@mmcpas.net

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Northwest Kansas Educational Service Center
Interlocal District No. 602
Oakley, Kansas 67748

Report on the Audit of the Financial Statement

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Northwest Kansas Educational Service Center Interlocal District No. 602 as of and for the year ended June 30, 2023, and the related notes to the financial statement.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse and Unmodified Opinions section of our report, the accompanying financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Northwest Kansas Educational Service Center Interlocal District No. 602 as of June 30, 2023, or changes in the financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Northwest Kansas Educational Service Center Interlocal District No. 602 as of June 30, 2023, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Basis for Adverse and Unmodified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), the *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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of Northwest Kansas Educational Service Center Interlocal District No. 602, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our adverse and unmodified audit opinions.

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

As discussed in Note 1 of the financial statement, the financial statement is prepared by Northwest Kansas Educational Service Center Interlocal District No. 602, on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Responsibilities of Management for the Financial Statement

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

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Kansas Educational Service Center Interlocal District No. 602's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statement

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

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control. Accordingly, no such opinion is expressed.
- evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Northwest Kansas Educational Service Center Interlocal District No. 602's ability to continue as a going concern for a reasonable period of time.

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

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-actual and the schedule of regulatory basis receipts and expenditures – Head Start (Schedule 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 financial statement. However, Schedule 1 is 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), 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), is presented for purposes of additional analysis 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 accompanying supplementary 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated March 6, 2024, on our consideration of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Northwest Kansas Educational Service Center Interlocal District No. 602's s internal control over financial reporting and compliance.

Mapes & Miller LLP
Certified Public Accountants
Quinter, Kansas

March 6, 2024

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2023

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General Fund	$ 933,477	0	4,036,335	4,014,550	955,262	186,580	1,141,842
Special Purpose Funds:							
Capital Outlay Fund	355,272	0	183,366	46,396	492,242	6,855	499,097
Professional Development Fund	411,822	0	143,684	217,982	337,524	32,366	369,890
Special Education Fund	2,918,884	0	9,724,262	9,386,277	3,256,869	663,258	3,920,127
Food Service Fund	8,977	0	143,777	152,754	0	0	0
Parents As Teachers Fund	0	0	61,089	61,089	0	60	60
Federal Grants Fund	32,502	750	1,434,165	1,462,440	4,977	20,156	25,133
Medicaid Fund	675,128	0	61,730	5,400	731,458	0	731,458
Adult Services Fund	204,591	0	367,925	384,886	187,630	2,384	190,014
Gifts and Grants Fund	21,235	0	88,773	83,915	26,093	840	26,933
Total Reporting Entity	$ 5,561,888	750	16,245,106	15,815,689	5,992,055	912,499	6,904,554

Composition of Cash:

Farmers State Bank, Oakley, KS		
Checking Accounts	$	1,500
Super NOW Accounts		4,897,594
Certificates of Deposit		2,000,000
The Bank, Oakley, KS		
Checking Accounts		5,460
Total Reporting Entity	$	6,904,554

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

1. Summary of Significant Accounting Policies

(a) Municipal Financial Reporting Entity

Northwest Kansas Educational Service Center Interlocal District No. 602 operates as an interlocal agreement district in accordance with the laws of the State of Kansas. The District provides the following services: general and special education services. The District is operated by a board of directors consisting of one member from the board of education of each member school district. This regulatory financial statement presents only Northwest Kansas Educational Service Center Interlocal District No. 602.

(b) Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the District for the year ended June 30, 2023:

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

Special Purpose Fund – 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.

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

(d) Reimbursements

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as a receipt to the fund that received the reimbursement.

(e) Budgetary Information

Spending by the Northwest Kansas Educational Service Center is not subject to the legal annual operating budget requirements, but is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

2. Deposits and Investments

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

K.S.A. 12-1675 limits the District'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 District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District 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, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by the 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, 2023.

At June 30, 2023, the District's carrying amount of deposits was $6,904,554 and the bank balance was $6,955,774. The bank balance was held by two financial institutions resulting in a concentration of credit risk. Of the bank balance, $505,460 was covered by federal depository insurance and $6,450,314 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District 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. The District had no investments at June 30, 2023.

3. Defined Benefit Pension Plan

Plan description. The District 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.

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 increase in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 14.20% and 13.33%, respectively, for fiscal year ended June 30, 2022. The actuarially determined employer contribution rate and the statutory contribution rate was 13.88% and 13.11%, respectively, for fiscal year ended June 30, 2023.

Senate Substitute for House Bill 2052 authorized the delay of $64.1 million in fiscal year 2017 contributions. These contributions were set up as a long-term receivable. Payment is scheduled to be made in a series of twenty annual payments of $6.4 million per year beginning in fiscal year 2018. Senate Substitute for House Bill 2002 authorized the delay of $194 million in fiscal year 2019 contributions. Payment is scheduled to be made in a series of twenty annual payments of $19.4 million starting in fiscal year 2020.

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

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

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. For the year ended June 30, 2023, the District remitted $58,340 for retired employees.

Net Pension Liability

At June 30, 2023, the District's proportionate share of the collective net pension liability reported by KPERS was $612,719. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021, which was rolled forward to June 30, 2022. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2022. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the financial statement.

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

4. Other Long-Term Obligations from Operations

(a) Compensated Absences

Classified employees are granted personal leave based upon their work agreement. Unused personal leave can be accumulated up to 60 days and carried over to a subsequent year as sick leave. Accumulated leave in excess of 60 days is eligible for buy-back at a rate established annually by the Board of Directors. Unused sick leave is not paid upon termination of employment.

Classified employees on a 245-day work agreement are granted ten days of vacation time per year. After completion of three years of employment, vacation time is increased to fifteen days. Vacation days may be accumulated and must be used within 60 days after the year ends in which the vacation days were earned or at the discretion of the Executive Director. Unused vacation leave is paid upon termination of employment at the employee's hourly rate of pay.

All certified employees working on a full-time basis receive fifteen days of personal leave per contract year. Personal leave not used in the current year may accumulate to a maximum of 480 hours and be used as sick leave. Sick leave hours in excess of 480 days are paid at a rate of $80 per day on or before June 30. Retiring certified employees are paid $50 per day for sick leave hours in excess of 240 hours.

The District's estimated liability for accrued sick and vacation leave as of June 30, 2023, was $79,635.

(b) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. Certified employees may retire with either 1) twelve or more years of service with the District and retire at age 55 or older or 2) ten years of service, with at least five being full time, and met the KPERS provisions for normal retirement. The District pays a maximum of $2,800 per year for health insurance until the retiree is eligible for Medicare or is eligible to be covered under another employer's primary group health insurance plan. During the year ended June 30, 2023, four certified

retirees participated in this plan and the District paid $9,557 in premiums for these retirees. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes healthcare 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. There is no cost to the District under this program.

(c) Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2023.

5. Risk Management

The District 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 District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in the Kansas Association of School Boards (KASB) Workers Compensation Fund, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 116 participating members.

The District pays an annual premium to KASB Workers Compensation Fund, Inc., for its workers compensation insurance coverage. The agreement to participate provides that the group will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of $1,000,000 for each insured event. Additional premiums may be due if total claims for the pool are different than what has been anticipated by the management of KASB Workers Compensation Fund, Inc.

The District continues to carry commercial insurance for all other risks of loss, including property, liability, inland marine, and automobile. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

6. Operating Leases

The District is committed under an operating lease dated August 1, 2021, with M C Rentals, LLC for twenty vehicles. Expenditures under this operating lease were $81,180 for the year ended June 30, 2023. This operating lease terminated on May 31, 2023.

The District is committed under an operating lease dated September 10, 2021, with M C Rentals, LLC for a vehicle. Expenditures under this operating lease were $5,400 for the year ended June 30, 2023. This operating lease will terminate on September 30, 2023, and the future minimum operating lease commitment under this lease is $1,350.

The District is committed under an operating lease dated July 1, 2022, with Ghumm's Autos & Treasures for two vehicles. Expenditures under this operating lease were $9,000 for the year ended June 30, 2023. The operating lease commitment terminated on June 30,2023.

The District is committed under an operating lease dated September 10, 2022, with Ghumm's Autos & Treasures for sixteen vehicles. Expenditures under this operating lease were $65,120 for the year ended June 30, 2023. This operating lease will terminate on September 30, 2023, and the future minimum operating lease commitment under this lease is $17,760.

The District is committed under an operating lease dated December 1, 2022, with Ghumm's Autos & Treasures for two vehicles. Expenditures under this operating lease were $5,920 for the year ended June 30, 2023. This operating lease will terminate on June 30, 2024, and the future minimum operating lease commitment under this lease is $8,140.

7. Grant Programs

The District participates in various federal and state grant programs. Such awards are to be expended in accordance with the provisions of the various grants. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability which may arise as a result of these audits cannot be reasonably determined at this time. Although, it is believed the amount, if any, would not be material.

8. Subsequent Events

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

9. Professional Tuition Fee Assistance

For the year ended June 30, 2023, the District received grant proceeds of $35,689 from Dane G. Hansen Foundation to provide tuition assistance to employees pursuing degrees to fill positions that are needed or vacant within the District. Under the program the District can provide up to $12,000 to assist each participant continuing their education with an accredited program. Upon completion of an educational program, the participant must be employed and provide services to the District. In exchange, the District will grant forgiveness of up to $3,000 for each academic year of service provided to the District. If the participant fails to comply with the terms of the tuition assistance agreement prior to completing the full-time service obligation, all unforgiven amounts advanced to the participant will be due within thirty days with a one percent interest charged per month. $52,739 was disbursed to sixteen eligible participants during the year ended June 30, 2023.

10. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2023, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Finance Leases:									
Signature Bank - Energy Improvements	3.723%	2018	$ 88,936	2026	$ 51,544	0	10,510	41,034	1,741
Total Contractual Indebtedness					$ 51,544	0	10,510	41,034	1,741

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

	Year Ended June 30,				
	2024	2025	2026	2027	Total
Principal					
Finance Leases	$ 11,836	11,356	11,786	6,056	41,034
Interest					
Finance Leases	1,436	895	465	70	2,866
Total Principal and Interest	$ 13,272	12,251	12,251	6,126	43,900

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
General Fund
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

		Actual
Receipts:		
Participating Districts	$	265,577
Federal Aid		3,242,889
State Aid		62,500
Other Contracts		45,000
Other Grants		133,234
Miscellaneous (printing, etc.)		42,397
Reimbursements		237,118
Donations		7,620
Total Receipts		4,036,335
Expenditures:		
Instruction		3,016,922
Student Support Services		68,284
Instructional Support Staff		120,917
General Administration		256,449
School Administration		355,832
Operations and Maintenance		80,992
Other Supplemental Services		115,154
Total Expenditures		4,014,550
Receipts over (under) Expenditures		21,785
Unencumbered Cash, Beginning		933,477
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	955,262

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

	Actual
Capital Outlay Fund	
Receipts:	
Interest on Idle Funds	$ 133,366
Participating Districts	50,000
Total Receipts	183,366
Expenditures:	
Instruction	10,391
Student Support Services	13,003
Operations and Maintenance	15,702
Land Improvement	2,516
Building Improvements	1,004
Other	3,780
Total Expenditures	46,396
Receipts over (under) Expenditures	136,970
Unencumbered Cash, Beginning	355,272
Prior Year Cancelled Encumbrances	0
Unencumbered Cash, Ending	$ 492,242
Professional Development Fund	
Receipts:	
State Aid	$ 11,929
Federal Aid	83,482
Participating Districts	38,392
Fees - Other	7,998
Other Revenue From Local Sources	1,883
Total Receipts	143,684
Expenditures:	
Instruction	44,624
Instructional Support Staff	173,358
Total Expenditures	217,982
Receipts over (under) Expenditures	(74,298)
Unencumbered Cash, Beginning	411,822
Prior Year Cancelled Encumbrances	0
Unencumbered Cash, Ending	$ 337,524

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

		Actual
Special Education Fund		
Receipts:		
State Aid	$	3,622,939
Federal Aid		1,937,237
Participating Districts		3,730,849
Medicaid		345,648
Other Grants		31,481
Other Revenue From Local Sources		56,108
Total Receipts		9,724,262
Expenditures:		
Instruction		6,083,852
Student Support Services		1,089,024
Instructional Support Staff		722,627
Special Area Administration Services		145,716
School Administration		1,106,774
Operations and Maintenance		14,814
District Reimbursements		223,470
Total Expenditures		9,386,277
Receipts over (under) Expenditures		337,985
Unencumbered Cash, Beginning		2,918,884
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	3,256,869
Food Service Fund		
Receipts:		
Federal Aid	$	143,777
Expenditures:		
Food Service Operations		152,754
Receipts over (under) Expenditures		(8,977)
Unencumbered Cash, Beginning		8,977
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	0

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

	Actual
Parents As Teachers Fund	
Receipts:	
State Aid	$ 40,726
Participating Districts	15,436
Reimbursements	4,927
Total Receipts	61,089
Expenditures:	
Instruction	149
School Administration	5,247
Student Support Services	55,683
Instruction Support Staff	10
Total Expenditures	61,089
Receipts over (under) Expenditures	0
Unencumbered Cash, Beginning	0
Prior Year Cancelled Encumbrances	0
Unencumbered Cash, Ending	$ 0
Federal Grants Fund	
Receipts:	
Federal Aid	$ 1,434,165
Expenditures:	
Instruction	461,896
Student Support Services	150,420
Instruction Support Staff	772,679
General Administration	75,990
School Administration	1,455
Total Expenditures	1,462,440
Receipts over (under) Expenditures	(28,275)
Unencumbered Cash, Beginning	32,502
Prior Year Cancelled Encumbrances	750
Unencumbered Cash, Ending	$ 4,977

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

		Actual
Medicaid Fund		
Receipts:		
Kansas Health Policy Authority - Medicaid	$	61,730
Expenditures:		
Instruction		5,400
Receipts over (under) Expenditures		56,330
Unencumbered Cash, Beginning		675,128
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	731,458
Adult Services Fund		
Receipts:		
Federal Aid	$	6,241
Other Revenue From Local Sources		58,486
Other Grants		303,198
Total Receipts		367,925
Expenditures:		
Instruction		39,547
Student Support Services		123,540
Instructional Support Staff		61,990
General Administration		135,138
School Administration		10,839
Other Supplemental Services		13,832
Total Expenditures		384,886
Receipts over (under) Expenditures		(16,961)
Unencumbered Cash, Beginning		204,591
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	187,630

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2023

		Actual
Gifts and Grants Fund		
Receipts:		
Other Revenue from Local Source	$	88,773
Expenditures:		
Instruction		16,229
Student Support Services		63,246
General Administration		4,440
Total Expenditures		83,915
Receipts over (under) Expenditures		4,858
Unencumbered Cash, Beginning		21,235
Prior Year Cancelled Encumbrances		0
Unencumbered Cash, Ending	$	26,093

SUPPLEMENTARY INFORMATION

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER SCHEDULE 2

Interlocal District No. 602

Head Start

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended June 30, 2023

	Continuation Actual	COVID-19 Actual	Head Start Total
Receipts:			
Federal Aid	$ 2,451,339	75,269	2,526,608
Expenditures:			
Salaries	1,487,770	62,800	1,550,570
Payroll Taxes & Employee Benefits	452,010	4,671	456,681
Contractual Services & Supplies	438,369	5,704	444,073
Travel	62,345	0	62,345
Indirect Cost	18,771	0	18,771
Food Purchases and Supplies	31,734	0	31,734
Total Expenditures	2,490,999	73,175	2,564,174
Receipts over (under) Expenditures	(39,660)	2,094	(37,566)
Unencumbered Cash, Beginning	(34,688)	(2,094)	(36,782)
Prior Year Cancelled Encumbrances	0	0	0
Unencumbered Cash, Ending	$ (74,348)	0	(74,348)

Note A - Basis of Presentation

The information in this schedule is presented, for federal agency reporting purposes only, in accordance with the grant provisions for the budget period July 1, 2022 to June 30, 2023.

The amounts shown on this schedule are also included in the General Fund on the Schedule of Receipts and Expenditures, page 1 of Schedule 1.

Note B - Summary of Significant Accounting Policies

The information in this schedule is presented 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* (KMAAG). The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments 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.

SINGLE AUDIT SECTION

Mapes & Miller LLP
Certified Public Accountants & Business Advisors

230 MAIN, PO BOX 412, QUINTER, KS 67752
PHONE: 785-754-2111 EMAIL: dtilton@mmcpas.net

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Directors
Northwest Kansas Educational Service Center
Interlocal District No. 602
Oakley, Kansas 67748

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 Northwest Kansas Educational Service Center Interlocal District No. 602, as of and for the year ended June 30, 2023, and the related notes to the financial statement, and have issued our report thereon dated March 6, 2024. In our report on the financial statement, we expressed an adverse opinion on the financial statement. As discussed in the Matter Giving Rise to Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph in the report on the financial statement, the financial statement was prepared on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602'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.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2023-001 and 2023-002 that we consider to be significant deficiencies.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Kansas Educational Service Center Interlocal District No. 602's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants 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*.

Northwest Kansas Educational Service Center Interlocal District No. 602's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on Northwest Kansas Educational Service Center Interlocal District No. 602's response to the findings identified in our audit and described in the accompanying schedule of findings and questioned costs. Northwest Kansas Educational Service Center Interlocal District No. 602's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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 Northwest Kansas Educational Service Center Interlocal District No. 602's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Kansas Educational Service Center Interlocal District No. 602's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mapes & Miller LLP
Certified Public Accountants
Quinter, Kansas

March 6, 2024

Mapes & Miller LLP
Certified Public Accountants & Business Advisors

230 MAIN, PO BOX 412, QUINTER, KS 67752
PHONE: 785-754-2111 EMAIL: dtilton@mmcpas.net

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

JOHN D MAPES, CPA, CHTD
DENIS W. MILLER, CPA, PA
THOMAS B. CARPENTER, CPA, PA
DON E. TILTON, CPA, PA
BRIAN S. THOMPSON, CPA, PA
REBECCA A. LIX, CPA, PA
STEPHANIE M. HEIER, CPA, PA

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
Northwest Kansas Educational Service Center
Interlocal District No. 602
Oakley, Kansas 67748

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Northwest Kansas Educational Service Center Interlocal District No. 602's compliance with the types of compliance requirements identified as subject to audit in the *OMB Circular Supplement* that could have a direct and material effect on each of Northwest Kansas Educational Service Center Interlocal District No. 602's major federal programs for the year ended June 30, 2023. Northwest Kansas Educational Service Center Interlocal District No. 602's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Northwest Kansas Educational Service Center Interlocal District No. 602 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, 2023.

Basis for Opinion on Each Major Federal Program

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

We are required to be independent of Northwest Kansas Educational Service Center Interlocal District No. 602 and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of Northwest Kansas Educational Service Center Interlocal District No. 602's compliance with the compliance requirements referred to above.

Responsibilities of Management for Compliance

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Northwest Kansas Educational Service Center Interlocal District No. 602's federal programs.

Auditor's Responsibilities for the Audit of Compliance

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Northwest Kansas Educational Service Center Interlocal District No. 602's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Northwest Kansas Educational Service Center Interlocal District No. 602's compliance with the requirements of each major federal program as a whole.

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

- exercise professional judgment and maintain professional skepticism throughout the audit.
- identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Northwest Kansas Educational Service Center Interlocal District No. 602's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- obtain an understanding of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over compliance. Accordingly, no such opinion is expressed.

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

Report on Internal Control Over Compliance

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

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

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

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

Mapes & Miller LLP
Certified Public Accountants
Quinter, Kansas

March 6, 2024

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2023

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agency or Pass-through Number	Expenditures
U.S. DEPARTMENT OF EDUCATION			
Direct Aid:			
Safe and Drug-Free Schools and Communities_National Programs			
EVERS - FY 2022	84.184	N/A	$ 166,503
EVERS - FY 2023	84.184	N/A	589,097
Total Direct Aid			755,600
Passed through Kansas State Department of Education:			
Special Education Cluster (IDEA)			
Special Education_Grants to States			
VI-B (94-142) - IDEA - FY 2022	84.027	3234-3050	1,403,667
COVID-19 VI-B (94-142) - IDEA - FY 2022	84.027X	3234-3050	289,880
VI-B (94-142) - Discretionary Special Projects - FY 2023	84.027	3234-3050	57,958
Total VI-B (94-142)			1,751,505
Special Education_Preschool Grants			
IDEA Preschool - FY 2023	84.173	3535-3550	67,633
COVID-19 IDEA Preschool - FY 2022	84.173X	3535-3550	25,149
Total IDEA Preschool			92,782
Total Special Education Cluster (IDEA)			1,844,287
English Language Acquisition State Grants			
Title III - FY 2021	84.365	3522-3820	3,825
Title III - FY 2022	84.365	3522-3820	24,233
Title III - FY 2023	84.365	3522-3820	511
Total Title III			28,569
Migrant Education_State Grant Program			
Title I Migrant - FY 2023	84.011	3537-3570	547,289
Education Stabilization Fund			
COVID-19 Funds - ESSER II - FY 2022	84.425	3233-3040	130,981
Total Passed through Kansas State Department of Education			2,551,126
Passed through Kansas Department of Health and Environment:			
Special Education – Grants for Infants and Families			
Part C - FY 2023	84.181	3516-5010	142,208
Total Passed through Kansas Department of Health and Environment			142,208
Passed through the University of Kansas:			
Assistive Technology			
Regional Atech - FY 2023	84.224	2545-2689	34,547
Total Passed through the University of Kansas			34,547
TOTAL U.S. DEPARTMENT OF EDUCATION			$ 3,483,481

See accompanying notes to the schedule of expenditures of federal awards

Federal Grantor/Pass through Grantor/Program or Cluster Title	Federal Assistance Listing Number	Agency or Pass-through Number	Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			
Direct Aid:			
Head Start Cluster			
Head Start - FY 2023	93.600	N/A	$ 2,490,999
COVID-19 Funds - Head Start FY 2023	93.600	N/A	73,175
Total Head Start Cluster			2,564,174
Total Direct Aid			2,564,174
Passed through Kansas Department of Education:			
477 Cluster			
Temporary Assistance for Needy Families			
Early Learning Kansans - FY 2023	93.558	3323-0531	55,765
Total Passed through Kansas State Department of Education			55,765
Passed through Kansas Department for Children and Families:			
477 Cluster			
Temporary Assistance for Needy Families			
Kansas Early Head Start Home Visitation - FY 2023	93.558	3028-0522	586,048
Total Passed through Kansas Department for Children and Families			586,048
Total 477 Cluster			641,813
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN RESOURCES			3,205,987
U.S. DEPARTMENT OF AGRICULTURE			
Passed through Kansas Department of Education:			
COVID-19 Funds - Child and Adult Care Food Program - FY 2022	10.558	3531-3510	8,977
Child and Adult Care Food Program - FY 2023	10.558	3531-3510	143,777
Total Passed through the Kansas Department of Education			152,754
Passed through Kansas State University:			
Passed through SKIL Resource Center, Inc.:			
Cooperative Extension Service			
Agrability - FY 2022	10.500	929772554	3,925
Total Passed through the Kansas State University			3,925
TOTAL U.S. DEPARTMENT OF AGRICULTURE			156,679
TOTAL EXPENDITURES OF FEDERAL AWARDS			$ 6,846,147

See accompanying notes to the schedule of expenditures of federal awards

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2023

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Kansas Educational Service Center Interlocal District No. 602 under programs of the federal government for the year ended June 30, 2023. 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 the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District. 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

The 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.

Note 3 - Indirect Cost Rate

Northwest Kansas Educational Service Center Interlocal District No. 602 has not elected to use the 10% de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 4 - Sub-recipients

No federal awards were passed-through to sub-recipients.

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with Generally Accepted Accounting Principles	Adverse Opinion
In accordance with the regulatory basis of accounting described in Note 1	Unmodified Opinion

Internal control over financial reporting:

- Material weaknesses identified? __ Yes X No
- Significant deficiencies identified? X Yes __ None Reported
- Noncompliance material to financial statement noted? __ Yes X No

FEDERAL AWARDS

Type of auditors' report issued on compliance for major programs: Unmodified Opinion

Internal control over major programs:

- Material weaknesses identified? __ Yes X No
- Significant deficiencies identified? __ Yes X None Reported

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

Identification of major programs:

Federal Assistance Listing Number	Name of Federal Program
	Head Start Cluster
93.600	Head Start
	477 Cluster
93.558	Temporary Assistance for Needy Families

Dollar threshold used to distinguish between type A and type B programs: $750,000

Auditee qualified as low-risk auditee? __ Yes X No

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION II – FINANCIAL STATEMENT FINDINGS

2023-001 SIGNIFICANT DEFICIENCY – PREPARATION OF THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Condition: During the audit, we noted a federal award was not reported on the schedule of expenditures of federal awards (SEFA).

Criteria: The District should have adequate internal controls in place to identify and track federal programs to ensure the SEFA is accurately prepared.

Cause: The District did not determine if the funding received from the State of Kansas was from a state or federal source.

Effect: The expenditures reported on the unaudited SEFA were understated.

Perspective: The District receives federal funding for multiple programs on a routine basis and accurately tracks those reoccurring grants. However, the District does not have adequate internal controls in place to track new funding sources. The SEFA was revised by the District to include the federal program that was originally omitted.

Recommendation: We recommend the board clerk/accountant maintain the SEFA throughout the year. In addition, grant administrators upon notification of the grant award should obtain the CFDA number from the grantor agency. This information should be provided to the board clerk/accountant to ensure federal awards are properly identified and reported on the SEFA.

Views of Responsible Officials: Management agrees with this finding and will implement adequate internal controls to ensure the SEFA accurately reports all federal awards.

2023-002 SIGNIFICANT DEFICIENCY – REVIEW AND APPROVAL OF JOURNAL ENTRIES

Condition: During the testing of journal entries, we noted three entries that were not properly recorded by District personnel which resulted in audit adjustments that were material.

Criteria: The District should have an internal control in place to ensure that journal entries are properly recorded.

Cause: Journal entries made by entry level accounting staff were not reviewed and approved.

Effect: Miscoded journal entries may cause the financial statement to be misstated.

Perspective: During the fiscal year, the District changed and added new staff in the accounting department. The journal entries made by entry level accounting staff were not reviewed. Adjusting journal entries were recorded by the District to correct the miscoded journal entries.

Recommendation: The District should appoint an employee with adequate experience to review and approve all journal entries.

Views of Responsible Officials: Management agrees with this finding and will implement an internal control to ensure that journal entries are reviewed and approved.

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Schedule of Findings and Questioned Costs

For the Year Ended June 30, 2023

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

U.S. Department of Health and Human Services

Head Start Cluster
Head Start – 93.600
There were no reportable findings.

477 Cluster
Temporary Assistance for Needy Families – 93.558
There were no reportable findings.

SECTION IV – SUMMARY OF PRIOR AUDIT FINDINGS

None