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

Independent Auditors' Report and
Regulatory Basis Financial Statement
With Supplementary Information

For the Year Ended June 30, 2024

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Regulatory Basis Financial Statement
For the Fiscal Year Ended June 30, 2024

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INDEPENDENT AUDITORS' REPORT

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

Adverse and Unmodified Opinions

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2024, 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 the Cooperative, as of June 30, 2024, 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 accompanying financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Cooperative, as of June 30, 2024, 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 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*. 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 the Cooperative, 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 the 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.

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 the Cooperative'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 to issue an auditor's report that includes our opinion. 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 the Cooperative'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 the Cooperative'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.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, and schedule of regulatory basis receipts and expenditures-agency funds, and summary schedule of regulatory basis receipts, expenditures, and unencumbered cash-Cooperative activity funds (Schedules 1, 2, 3 and 4 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2023 (not presented herein), and have issued our report thereon dated April 10, 2024, which contained an unmodified opinion on the basic financial statement. The 2023 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 https://admin.ks.gov/offices/accounts-reports/local-government/municipal-services. The 2023 actual column (2023 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year June 30, 2024 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2023 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 2023 basic financial statement. The 2023 comparative information was subjected to the auditing procedures applied in the audit of the 2023 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 2023 basic financial statement or to the 2023 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 2023 comparative information is fairly stated in all material respects in relation to the 2023 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statement that collectively comprises the Cooperative's basic financial statement. The Schedule of Expenditures of Federal Awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards is presented for purposes of additional analysis and is 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 Schedule of Expenditures of Federal Awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated February 28, 2025, on our consideration of the Cooperative's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control over financial reporting and compliance.

Rodney M. Burns, CPA, LLC

Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
February 28, 2025

A.N.W. Special Education Cooperative No. 603
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2024

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	$ 2,454,000	12,017,406	11,513,111	2,958,295	23,406	2,981,701
Total Primary Government (1)	2,454,000	12,017,406	11,513,111	2,958,295	23,406	2,981,701
Composition of Cash:						
Demand Deposits						3,405,561
Petty Cash Advance						700
Less: Agency Funds						(424,559)
Adjustment for Rounding						(1)
Total Primary Government (1)						2,981,701

(1) Excluding Agency Funds

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

Note 1 Summary of Significant Accounting Policies

The financial statement and schedules of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, have been prepared in order to show compliance with the cash basis and budget laws of the State of Kansas. The Governmental Accounting Standards Board is the principal standard setting body for establishing governmental accounting and financial reporting principles. The more significant of the Cooperative's accounting policies follow. Note 1 describes how the Cooperative's accounting policies differ from accounting principles generally accepted in the United States of America.

Reporting Entity

The Cooperative is an interlocal agency organized pursuant to K.S.A. 72-8230 and is governed by an appointed 8-member board. The Board consists of members of participating Unified School Districts' Boards of Educations. The following Unified School Districts make up this interlocal agency:

Unified School District No. 101, Erie, Kansas
Unified School District No. 256, Moran, Kansas
Unified School District No. 257, Iola, Kansas
Unified School District No. 258, Humboldt, Kansas
Unified School District No. 366, Yates Center, Kansas
Unified School District No. 387, Altoona-Midway, Kansas
Unified School District No. 413, Chanute, Kansas
Unified School District No. 479, Colony, Kansas

This financial statement presents A.N.W. Special Education Cooperative No. 603, and includes the primary government only, with no related municipal entities.

Basis of Accounting

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

The Kansas Municipal Audit and Accounting Guide regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The Kansas Municipal Audit and Accounting Guide regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following Regulatory Basis Fund Types comprise the financial activities of the Cooperative for the year ending June 30, 2024:

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

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

Reimbursed Expenses

K.S.A. 79-2934 provides that reimbursed expenditures, in excess of those budgeted, should be recorded as reductions in expenditures rather than as revenues. In the financial statements and budget comparison schedules presented in this report, reimbursements and refunds are recorded as revenues. The reimbursements are recorded as cash receipts when received by the Cooperative Treasurer and are often difficult to identify the exact expenditure which they are reimbursing. In funds showing expenditures in excess of the original adopted budget, reimbursements are added to the adopted budget as budget credits for comparison with the actual expenditures.

Pension Plan

Substantially all full-time Cooperative employees are members of the State of Kansas Public Employees Retirement System which is a multi-employer state-wide pension plan. Under Kansas State Law, the State of Kansas will fund all employer pension costs accrued; such costs to be funded are actuarially determined annually by the State.

Budgetary Information

The Cooperative is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Cooperative. Each of the eight member school districts holds the taxing authority for funds paid to the Cooperative. The Cooperative adopts an annual budget for the General Fund for managerial purposes. The budget comparisons on Schedules 1 and 2 reflect this internal managerial budget.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. 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 its 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. The Cooperative had no investments at June 30, 2024 and held no investments throughout the year.

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Cooperative has not designated any peak periods.

At June 30, 2024, the carrying amount of the Cooperative's deposits was $3,405,561 and the bank balance was $4,063,598. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $3,813,598 was collateralized with securities held by the pledging financial institutions' agents in the School'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 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.

Note 3 Long-term Debt

Changes in Long-Term Debt

Changes in long-term debt for the year ending June 30, 2024 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Lease Purchase Agreements:									
School Building	0.00%	8/21/2019	50,000	10/15/2024	20,000	-	20,000	-	-

Operating Lease Obligation

The Cooperative has entered into four operating leases for the rental of school buses. Future minimum lease payments, due subsequent to June 30, 2024, are as follows:

	Future Minimum Lease Payments
2024-25	$ 68,191
2025-26	12,191
2026-27	12,191
Total	92,573

Note 4 Risk Management

Insurance Coverage

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; injuries to employees; employees' health and life; and natural disasters. The Cooperative manages these risks of loss through the purchase of various insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

Note 5 Other Long-Term Obligations from Operations

Compensated Absences

Licensed professional staff, certified employees and administrative personnel are granted twelve days discretionary leave per year. Unused discretionary leave from the prior year is rolled over into sick leave, along with unused sick leave from the prior year, up to a maximum of 100 days. The Board may also grant an additional ten days of sick leave during the school year for any disability which extends beyond the number of sick leave days which the licensed professional staff has accumulated. At the end of each contract year, sick leave days accumulated in excess of 100 days may be eligible for compensation at $50 per day for any days over 100. Classified personnel receive nine days sick leave and two personal days per year, up to a maximum of 420 hours.

Licensed professional staff who have completed fifteen years of service with the Cooperative and are voluntarily separating from employment with the Cooperative are eligible for reimbursement of unused sick leave, not to exceed 100 days, at the rate of $50 per day. Any staff member who provides notification of intent to retire by January 1 of the contract year will be entitled to a $1,000 payment, no later than January of the following year.

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 (2611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions. K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009, and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 13.88% and 12.57%, respectively, for the fiscal year ended June 30, 2024.

The 2015 Legislature passed and the Governor approved Senate Bill 228 authorizing the issuance of $1.0 billion in pension obligation bonds to fund a portion of the School-Group's unfunded actuarial liability. The bonds were successfully issued in August 2015 and the proceeds transferred to the System.

The 2021 Legislature passed House Bill 2405, which authorizes the State of Kansas to issue pension obligation bonds, series 2021K, net proceeds of $500 million to fund a portion of the School-Group's unfunded actuarial liability. 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 paid off outstanding accounts receivable for KPERS-School employer contributions withheld in Fiscal Year 2017 and Fiscal Year 2019 while the remaining $871.1 million was applied to the KPERS-School unfunded actuarial liability. In Fiscal Year 2022, $600 million was transferred in May/June 2022.

In addition, Senate Bill 421 authorizes two additional transfers in Fiscal Year 2023 which totaled $271.1 million. The first transfer of $146.1 million was received on August 1, 2022. The second transfer of $125 million was received on December 1, 2022.

The State of Kansas is required to contribute the statutory required employer's share except for retired Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees.

Net Pension Liability. At June 30, 2024, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was $257,941 The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2022, which was rolled forward to June 30, 2023. 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, 2023. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

Note 6 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 7 Subsequent Events

The Cooperative has evaluated subsequent events through February 28, 2025, the date which the financial statement was available to be issued.

SUPPLEMENTARY INFORMATION

A.N.W. Special Education Cooperative No. 603
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024

		Certified Budget	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:				
General	$	14,044,580	11,513,111	(2,531,469)
Totals		14,044,580	11,513,111	(2,531,469)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
Cash Receipts				
Revenue from Local Sources				
District Contributions-Members	$ 3,795,737	4,150,980	4,150,980	
District Contributions-State Aid Pass-Through	5,480,649	5,325,115	5,643,600	(318,485)
Interest on Investments	557	1,140		1,140
Other Revenue From Local Sources	140,962	240,317		240,317
Total Revenue from Local Sources	9,417,905	9,717,552	9,794,580	(77,028)
Revenue from State Sources				
Mentor Teacher Program	2,000	3,428		3,428
Professional Development Aid	4,778	13,159		13,159
Total Revenue from State Sources	6,778	16,587		16,587
Revenue from Federal Sources				
Title VI-B Special Education Grant	1,414,384	1,570,596	1,550,000	20,596
Title VI-B Special Education Grant (Discretionary)	53,770	55,520	50,000	5,520
Title VI-B Special Education Preschool Grant	69,767	70,763		70,763
Medicaid Title XIX	724,299	586,388	400,000	186,388
Total Revenue from Federal Sources	2,262,220	2,283,267	2,000,000	283,267
Total Cash Receipts	11,686,903	12,017,406	11,794,580	222,826
Expenditures and Transfers				
Instruction				
Certified Salaries	1,899,825	2,000,631	1,850,000	150,631
Non-Certified Salaries	1,442,641	1,481,861	1,880,000	(398,139)
Health Insurance	611,497	746,230	862,700	(116,470)
Social Security	248,223	257,684	283,500	(25,816)
Unemployment Compensation	4,362	3,436	5,550	(2,114)
Worker's Compensation	70,858	64,683	70,858	(6,175)
KPERS Working After Retirement	26,631	30,449	25,000	5,449
Instructional Program Improvement Services	251,770	247,576	240,000	7,576
Telephone	834			
Tuition	39,709	53,268	75,000	(21,732)
In-District Travel	116,815	119,103	125,000	(5,897)
Out-of-District Travel			1,000	(1,000)
General Teaching Supplies	29,206	30,047	52,500	(22,453)
Other Supplies and Materials	6,163	3,751	9,000	(5,249)
Other Food Costs			1,000	(1,000)
Textbooks	1,679	640	12,500	(11,860)
Software	39,395	38,760	42,000	(3,240)
Testing Supplies and Materials	20,167	25,202	25,000	202
Furniture and Fixtures	599		2,500	(2,500)
Audio-Visual	8,395	1,400	18,000	(16,600)
Computers & Related Equipment	45,783	45,791	50,000	(4,209)
Other Equipment	6,414	4,498	6,000	(1,502)
Other			1,376,788	(1,376,788)
Total Instruction	4,870,966	5,155,010	7,013,896	(1,858,886)
Support Services				
Certified Salaries	2,063,533	2,015,128	2,170,846	(155,718)
Non-Certified Salaries	286,056	335,630	397,961	(62,331)
Social Security	168,818	173,524	199,575	(26,051)
Unemployment Compensation	2,242	1,758	2,715	(957)
Purchased Professional and Technical Services	44,141	116,779	60,000	56,779
Total Support Services	2,564,790	2,642,819	2,831,097	(188,278)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

	Prior Year Actual	Current Year Actual	Current Year Budget	Current Year Variance Over (Under)
General Administration				
Certified Salaries	$ 428,207	370,160	370,500	(340)
Non-Certified Salaries	245,903	262,391	263,550	(1,159)
Health Insurance	87,054	153,036	120,000	33,036
Social Security	50,613	47,477	53,000	(5,523)
Unemployment Compensation	796	571	1,000	(429)
Accounting	5,096	5,391	5,200	191
Collective Bargaining		308	500	(192)
Legal Services	6,505	12,691	12,500	191
Medical Services	627	482	1,000	(518)
Data Processing Services		19,669	34,000	(14,331)
Other Equipment Services	786	1,022	1,200	(178)
Liability Insurance	2,316	2,788	2,100	688
Property Insurance	56,385	29,674	25,000	4,674
Surety Bonds	100	100	200	(100)
Postage	4,381	4,574	5,500	(926)
Telephone	49,687	46,381	45,000	1,381
Printing and Binding	1,834	2,402	3,000	(598)
In-District Travel	9,740	14,545	10,000	4,545
Out-of-District Travel	14,793	11,853	12,000	(147)
Office Supplies	17,001	19,400	25,000	(5,600)
Books and Periodicals	1,732	3,387	3,000	387
Furniture and Fixtures	250		2,500	(2,500)
Total General Administration	983,806	1,008,302	995,750	12,552
Operations and Maintenance				
Part-Time Non-Certified Salaries	7,080	6,490	9,000	(2,510)
Social Security			650	(650)
Unemployment Compensation			15	(15)
Snow Removal Services			1,000	(1,000)
Lawn Care	2,613	6,150	2,500	3,650
Repairs and Maintenance	15,127	17,323	15,500	1,823
Rentals/Leases	17,755	28,400	18,400	10,000
Energy	10,642	8,173	5,000	3,173
Heating	52,236	35,965	58,000	(22,035)
Total Operations and Maintenance	105,453	102,501	110,065	(7,564)
Student Transportation				
Certified Salaries	188,051	178,626	230,400	(51,774)
Group Insurance		7,625		7,625
Social Security	14,223	13,505	18,000	(4,495)
Unemployment Compensation	221	164	350	(186)
Other Equipment Services	6,489	4,950	12,000	(7,050)
Fleet Insurance		17,919	32,500	(14,581)
Parts	8,596	9,778	13,000	(3,222)
Tires	4,182	2,932	6,000	(3,068)
Motor Fuel	47,756	27,420	60,000	(32,580)
Vehicles (Including school buses)	111,237	111,237	86,000	25,237
Total Student Transportation	380,755	374,156	458,250	(84,094)
Title VI-B Flow Through				
Certified Salaries	1,865,017	1,714,354	1,941,447	(227,093)
Non-Certified Salaries	147,864	138,951	235,000	(96,049)
Social Security	128,210	118,921	152,250	(33,329)
Unemployment Compensation	2,117	1,461	2,300	(839)
Purchased Professional and Technical Services	5,430	9,003	7,500	1,503
In-District Travel		3,695	3,000	695
General Teaching Supplies	53	11	250	(239)
Other Food Costs	647	524	1,250	(726)
Total Title VI-B Flow Through	2,149,338	1,986,920	2,342,997	(356,077)

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2024
(With Comparative Actual Totals for the Prior Year Ended June 30, 2023)

		Current Year		
	Prior Year Actual	Actual	Budget	Variance Over (Under)
Special Vocational Program				
Certified Salaries	$ 52,167	113,053	156,500	(43,447)
Non-Certified Salaries	19,897	18,138	45,000	(26,862)
Social Security	5,263	9,853	8,875	978
Unemployment Compensation	70	121	100	21
Other Employee Benefits	15		50	(50)
Rentals/Leases			12,250	(12,250)
Fleet Insurance			750	(750)
Total Special Vocational Program	77,412	141,165	223,525	(82,360)
Inservice				
Certified Salaries		37,235		37,235
Instructional Program Improvement Services	14,014	56,328	51,500	4,828
In-District Travel	18,204	6,502	15,000	(8,498)
Out-of-District Travel	162	2,173	2,500	(327)
Total Inservice	32,380	102,238	69,000	33,238
Total Expenditures and Transfers	11,164,900	11,513,111	14,044,580	(2,531,469)
Receipts Over (Under) Expenditures and Transfers	522,003	504,295		
Unencumbered Cash, Beginning	1,931,997	2,454,000		
Unencumbered Cash, Ending	2,454,000	2,958,295		

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Agency Funds
Summary of Receipts and Cash Disbursements
Regulatory Basis
For the Year Ended June 30, 2024

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
B&G Building Trades Project	$ 63		63	-
Nurses' Fund	339		339	-
Building Trades	14,554	10,371	7,517	17,408
Payroll Clearing	477,199	4,014,520	4,084,568	407,151
Total Agency Funds	492,155	4,024,891	4,092,487	424,559

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) as of and for the year ended June 30, 2024, and have issued our report thereon dated February 28, 2025, which was qualified because the Cooperative prepares its financial statement to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Report on Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Report on 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of this Report

This purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Rodney M. Burns, CPA, LLC
Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
February 28, 2025

Rodney M. Burns
CPA

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

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the compliance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) with the types of compliance requirements described in the U.S. *Office of Management and Budget (OMB) Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2024. 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.

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, identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2024.

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; 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). 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 the Cooperative 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 the Cooperative'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 other provisions of contracts or grant agreements applicable to the Cooperative'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 the Cooperative'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 generally accepted auditing standards, *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 the Cooperative's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *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 the Cooperative'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 the Cooperative'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 the Cooperative'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 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 those 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.

Rodney M. Burns, CPA, LLC
Rodney M. Burns, CPA, LLC
Certified Public Accountants

Chanute, Kansas
February 28, 2025

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2024

I. Summary of Independent Auditors' Results

Financial Statement:
The independent auditors' report expresses an adverse opinion on the financial statement of A.N.W. Special Education Cooperative No. 603 on the Generally Accepted Accounting Principles (GAAP) basis of accounting, but an unmodified opinion on the regulatory basis of accounting as prescribed by the State of Kansas.

Internal Control over Financial Reporting:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified?	____	Yes	X	None reported
Non compliance or other matters required to be reported under *Government Auditing Standards?*	____	Yes	X	No

Federal Awards:
Internal control over major programs:

Material weakness(es) identified?	____	Yes	X	No
Significant deficiency(ies) identified?	____	Yes	X	None reported

The independent auditors' report on compliance for the major federal award programs for A.N.W. Special Education Cooperative No. 603 expresses an unmodified opinion.

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

Identification of major programs:

U.S. Department of Education
Special Education Cluster:

Special Education Grants to States	CFDA #84.027
Special Education Preschool Grants	CFDA #84.173

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

Auditee qualified as a low risk auditee?	____	Yes	X	No

II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2024

Federal Grantor/Pass-through Grantor/Program Title	Pass-through Entity Identifying Number	Federal CFDA Number	Cash Receipts	Disbursements/ Expenditures	Provided to Subrecipients	
U.S. Department of Education						
Passed through State Department of Education						
Special Education Cluster						
Special Education Grants to States (2022-23)	D0603	84.027A	$ 698,044	698,044	0	
Special Education Grants to States (2023-24)	D0603	84.027A	872,552	872,552	0	
Special Education Grants to States - Discretionary (2023-24)	D0603	84.027A	55,520	55,520	0	
Total Special Education Grants to States			1,626,116	1,626,116	0	
Special Education Preschool Grants (2022-23)	D0603	84.173A	39,310	39,310	0	
Special Education Preschool Grants (2023-24)	D0603	84.173A	31,453	31,453	0	
Total Special Education Preschool Grants			70,763	70,763	0	
	Total Special Education Cluster		1,696,879	1,696,879	0	(1)
Total U.S. Department of Education			1,696,879	1,696,879	0	
Total Federal Awards			1,696,879	1,696,879	0	

(1) This cluster of programs was considered to be a major program

Note to the Schedule of Expenditures of Federal Awards:

Note A: General

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) presents the activity of all federal financial assistance programs of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas (the Cooperative). The reporting entity is defined in Note 1 of the Cooperative's basic financial statement. Federal financial assistance received directly from federal agencies, as well as federal financial assistance passed through other government agencies are included on the Schedule.

Note B: Indirect Cost Rate

The Cooperative did not elect to use the 10% de minimis cost rate as allowed under the Uniform Guidance

Note C: Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (the Schedule) is presented using the regulatory basis of accounting, which is described in Note 1 of the Cooperative's basic financial statement. This is the same basis of accounting used in the Cooperative's regulatory basis financial statement. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) 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 assets,