

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

Financial Statements
and
Supplemental Information

with Independent Auditor's Report

For the Year Ended June 30, 2018

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Special Financial Statements
For the Fiscal Year Ended June 30, 2018

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2018, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *Kansas Municipal Audit and Accounting Guide*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the Notes to Financial Statement, the financial statement is prepared by A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2018, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2018, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 5, 2018 on our consideration of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and compliance.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements of Federal Awards, and is not a required part of the basic financial statements. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents), as required under the provisions of the *Kansas Municipal Audit and Accounting Guide*, are presented for analysis and are also not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Analysis

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2017 (not presented herein) and have issued our report thereon dated December 11, 2017, which contained an unmodified opinion on the basic financial statement. The 2017 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2017 actual column (2017 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2018 (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 2017 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 2017 financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 financial statement or to the 2017 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole, for the year ended June 30, 2017, on the basis of accounting described in Note 1.

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

December 5, 2018

A.N.W. Special Education Cooperative No. 603
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2018

			Beginning Unencumbered Cash Balance	Beginning Balance Adjustment	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:									
General	(2)	\$	2,200,073	2,750	12,201,242	11,833,599	2,570,466	29,753	2,600,219
Total Primary Government	(1)		<u>2,200,073</u>	<u>2,750</u>	<u>12,201,242</u>	<u>11,833,599</u>	<u>2,570,466</u>	<u>29,753</u>	<u>2,600,219</u>
Composition of Cash:									
Cash and Cash Items on Hand									30
Demand Deposits									3,050,631
Petty Cash Advance									700
Less: Agency Funds									(451,141)
Adjustment for Rounding									(1)
Total Primary Government	(1)								<u>2,600,219</u>

(1) Excluding Agency Funds

(2) Beg Bal Adjust - Prior Year Encumbrances Cancelled

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Principles Used in Determining Scope of Entity

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

B. Basis of Presentation

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

The following Regulatory Basis Fund Types comprise the financial activities of the Cooperative for the year ending June 30, 2018:

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

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

C. Basis of Accounting

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

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

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

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

D. Budgets

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

E. Assets, Liabilities, and Fund Equity

Cash

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

F. Revenues and Expenditures

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

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

The Cooperative held no investments at June 30, 2018 and held no investments throughout the year.

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

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

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

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

At June 30, 2018, the carrying amount of the Cooperative's deposits was \$3,050,631 and the bank balance was \$3,504,661. Of the bank balance, \$268,118 was covered by federal depository insurance and the remaining \$3,236,543 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Note 3 Long-term Debt

Changes in long-term liabilities for the year ending June 30, 2018 were as follows:

<u>Issue</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
<u>Contracted Liabilities:</u>					
Early Retirement Program	\$ 0	8,000	5,000	3,000	0
Total Contractual Indebtedness	<u>0</u>	<u>8,000</u>	<u>5,000</u>	<u>3,000</u>	<u>0</u>

Current maturities of long-term debt due subsequent to June 30, 2018 are as follows:

	<u>2018-19</u>
<u>Contracted Liabilities:</u>	
Early Retirement Program	\$ 3,000
Total	<u>3,000</u>

Note 4 Claims and Judgments

The Cooperative participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Cooperative may be required to reimburse the grantor government. As of December 5, 2018 current year grant expenditures have not been audited, but the Cooperative believes disallowed expenditures or overpayments, if any, will not have a material effect on individual governmental funds or the overall financial position of the Cooperative.

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

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cooperative has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2017 to 2018, and there were no settlements that exceeded insurance coverage in the past three years.

Note 5 Other Long-Term Obligations from Operations

Compensated Absences.

The Cooperative's leave policy allows crediting each certified employee and administrative personnel with twelve days discretionary leave (96 hours) per year up to a maximum of ninety days. Classified personnel receive nine days (63 hours) sick leave and two personal days per year, up to a maximum of 420 hours.

For certified personnel only (teachers): at the time the certified employee voluntarily leaves the service of the Cooperative, if they have fifteen years of service or more, they are compensated for a portion of these unused days. There are two options to compute the compensation.

Option A: If the employee is not yet eligible to retire under KPERS, they can receive 20% of their daily salary per day for up to 80 days of their unused sick leave.

Option B: If the employee is eligible to retire under KPERS, they can receive compensation for up to 80 days of their unused sick leave at the rate of \$125 per day. The amount of days to be paid is based on a variable percentage, based on the length of time the employee continues to work past the date they are eligible to retire under KPERS and is shown on the schedule below:

Years of KPERS Eligibility	Percent of Unused Sick Leave Days Eligible for Compensation
1	20.00%
2	20.00%
3	30.00%
4	40.00%
5	50.00%
6	60.00%
7	70.00%
8	80.00%
9	90.00%
10+	100.00%

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

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 of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1.00% contribution rate for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate was 12.01% for the fiscal year ended June 30, 2018. Per 2016 House Substitute for Senate Bill 161, Section 98(a) (1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was \$92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 were nullified per HB2052 during fiscal year 2017.

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was \$304,596,361. Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contribution to KPERS were decreased by \$64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be \$6.4 million per year.

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.

Net Pension Liability. At June 30, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was \$1,039,559. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. Data from the June 30, 2018 KPERS report was not available at the date of this report. 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, 2017. Since the KMAAG regulatory basis of accounting does not recognize longterm debt, this liability is not reported in these financial statements.

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2018

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 8 Subsequent Events

The Cooperative has evaluated subsequent events through December 5, 2018, the date which the financial statement was available to be released.

A.N.W. Special Education Cooperative No. 603
Summary of Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018

Schedule 1

		Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Type Funds:				
General	\$	14,568,711	11,833,599	2,735,112
Totals		<u>14,568,711</u>	<u>11,833,599</u>	<u>2,735,112</u>

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Schedule 2
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		Current Year		
	Prior Year Actual	Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Revenue from Local Sources				
District Contributions-Members	\$ 3,302,668	3,325,000	3,325,000	
District Contributions-State Aid Pass-Through	5,701,312	5,916,000	6,055,000	(139,000)
District Contributions-Federal Pass-Through		39,531		39,531
Interest on Investments	417	523		523
Other Revenue From Local Sources	329,928	302,933	256,000	46,933
Total Revenue from Local Sources	<u>9,334,325</u>	<u>9,583,987</u>	<u>9,636,000</u>	<u>(52,013)</u>
Revenue from State Sources				
General State Aid	45,399	45,907		45,907
Revenue from Federal Sources				
Title VI-B Flow-Through	794,243	1,919,030	2,089,890	(170,860)
Title VI-B Continuous Improvement Grant	48,128	62,162	55,000	7,162
Title VI-B Preschool Grant	41,038	99,292	68,724	30,568
Medicaid Title XIX	436,141	490,557	350,000	140,557
Other Federal Financial Assistance		307		307
Total Revenue from Federal Sources	<u>1,319,550</u>	<u>2,571,348</u>	<u>2,563,614</u>	<u>7,734</u>
Total Cash Receipts	<u>10,699,274</u>	<u>12,201,242</u>	<u>12,199,614</u>	<u>1,628</u>
Expenditures and Transfers				
Instruction				
Certified Salaries	1,933,633	1,935,086	2,126,950	191,864
Non-Certified Salaries	2,175,097	2,204,356	2,587,670	383,314
Health Insurance	496,936	496,100	1,049,411	553,311
Social Security	305,689	306,617	286,237	(20,380)
Unemployment Compensation	21,308	14,432	22,000	7,568
Worker's Compensation	240,320	79,009	125,000	45,991
KPERS Working After Retirement	76,425	110,953	95,000	(15,953)
Instructional Program Improvement Services	343,704	395,218	350,000	(45,218)
Purchased Property Services			7,500	7,500
Telephone	8,374	6,084	5,253	(831)
Tuition	46,480	93,043	85,324	(7,719)
In-District Travel	112,870	133,334	133,900	566
Out-of-District Travel			2,060	2,060
General Supplies and Materials	48,393	45,454	79,935	34,481
Other Supplies and Materials	9,196	7,112	9,000	1,888
Other Food Costs	1,060	507	5,665	5,158
Textbooks	11,363	20,559	12,360	(8,199)
Software	1,275	14,443	11,845	(2,598)
Testing Supplies and Materials	8,921	21,971	15,450	(6,521)
Miscellaneous Supplies		125	1,803	1,678
Furniture and Fixtures	194	6,333	7,210	877
Audio-Visual	35	771	8,755	7,984
Computers & Related Equipment	46,552	101,021	98,200	(2,821)
Other Equipment	17,642	6,527	16,000	9,473
Other Miscellaneous Expenditures			60,000	60,000
Total Instruction	<u>5,905,467</u>	<u>5,999,055</u>	<u>7,202,528</u>	<u>1,203,473</u>
Support Services				
Certified Salaries	1,344,222	1,732,151	829,744	(902,407)
Non-Certified Salaries	262,062	324,632	1,000,140	675,508
Social Security	120,161	147,081	49,955	(97,126)
Unemployment Compensation	7,386	6,450		(6,450)
Purchased Professional and Technical Services	22,499	37,590	418,056	380,466
Total Support Services	<u>1,756,330</u>	<u>2,247,904</u>	<u>2,297,895</u>	<u>49,991</u>

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Schedule 2
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	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
General Administration				
Certified Salaries	\$ 302,025	328,438	306,940	(21,498)
Non-Certified Salaries	193,235	192,246	227,330	35,084
Health Insurance	46,755	76,902	1,010,350	933,448
Social Security	36,770	38,689	24,720	(13,969)
Unemployment Compensation	2,457	1,847	2,163	316
Purchased Professional and Technical Services	275			
Accounting	4,370	4,510	5,665	1,155
Collective Bargaining	168	169	10,300	10,131
Legal Services	16,316	13,795	13,905	110
Medical Services	5,673	790		(790)
Data Processing Services	6,690	6,780	14,000	7,220
Cooling Services			15,450	15,450
Electrical Services	1,331	1,320	3,090	1,770
Heating Services			6,952	6,952
Plumbing Services	1,203	381	1,000	619
Other Equipment Services	1,412	335	1,030	695
Liability Insurance	12,192	2,227	13,000	10,773
Property Insurance		11,020	10,300	(720)
Surety Bonds	300	300	1,030	730
Postage	6,656	6,094	10,300	4,206
Telephone	47,273	55,130	25,150	(29,980)
Printing and Binding	2,240	2,411		(2,411)
In-District Travel	6,786	7,614	16,480	8,866
Out-of-District Travel	12,612	12,330	50,985	38,655
Office Supplies	14,634	27,084	20,000	(7,084)
Books and Periodicals	2,237	2,996	2,060	(936)
Furniture and Fixtures	1,342	3,270	2,000	(1,270)
Computers & Related Equipment			1,030	1,030
Other Equipment	1,833	2,409	13,240	10,831
Total General Administration	<u>726,785</u>	<u>799,087</u>	<u>1,808,470</u>	<u>1,009,383</u>
Operations and Maintenance				
Part-Time Non-Certified Salaries	7,175	7,536	14,420	6,884
Social Security		376	618	242
Unemployment Compensation		15	103	88
Snow Removal Services	251	363	2,060	1,697
Lawn Care	3,810	3,679	5,000	1,321
Pest Control	695	77	1,030	953
Repairs and Maintenance	11,992	30,775		(30,775)
Rentals/Leases	7,979	26,498		(26,498)
Energy	5,472	5,096		(5,096)
Heating	24,514	25,907	210,940	185,033
Total Operations and Maintenance	<u>61,888</u>	<u>100,322</u>	<u>234,171</u>	<u>133,849</u>
Student Transportation				
Certified Salaries	190,621	215,544	227,710	12,166
Social Security	14,237	16,239	15,450	(789)
Unemployment Compensation	1,012	743	1,648	905
Other Equipment Services	4,300	7,532		(7,532)
Fleet Insurance	26,237	25,826		(25,826)
Parts	14,414	11,346		(11,346)
Tires	3,712	2,528		(2,528)
Motor Fuel	36,770	42,370		(42,370)
Vehicles (Including school buses)	38,895	36,945	291,900	254,955
Total Student Transportation	<u>330,198</u>	<u>359,073</u>	<u>536,708</u>	<u>177,635</u>

A.N.W. Special Education Cooperative No. 603
General Fund
Schedule of Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Title VI-B Flow Through				
Certified Salaries	\$ 1,333,358	1,518,043	1,623,795	105,752
Non-Certified Salaries	312,536	379,792	285,000	(94,792)
Social Security	121,785	140,946	133,900	(7,046)
Unemployment Compensation	8,090	6,447	12,360	5,913
Purchased Professional and Technical Services	4,976	3,664	17,510	13,846
In-District Travel	2,280	1,251	17,324	16,073
General Supplies and Materials		23		(23)
Other Food Costs	550	462	365,150	364,688
Total Title VI-B Flow Through	<u>1,783,575</u>	<u>2,050,628</u>	<u>2,455,039</u>	<u>404,411</u>
Special Vocational Program				
Certified Salaries	119,369	171,266		(171,266)
Non-Certified Salaries	49,739	42,821		(42,821)
Social Security	13,187	16,548		(16,548)
Unemployment Compensation	837	643		(643)
Other Employee Benefits	74	75		(75)
Telephone	5,415	5,056		(5,056)
General Supplies and Materials	1,231	1		(1)
Total Special Vocational Program	<u>189,852</u>	<u>236,410</u>		<u>(236,410)</u>
Inservice				
Instructional Program Improvement Services	18,924	25,077	20,600	(4,477)
In-District Travel	8,758	15,284	10,300	(4,984)
Out-of-District Travel		759	3,000	2,241
Total Inservice	<u>27,682</u>	<u>41,120</u>	<u>33,900</u>	<u>(7,220)</u>
Total Expenditures and Transfers	<u>10,781,777</u>	<u>11,833,599</u>	<u>14,568,711</u>	<u>2,735,112</u>
Receipts Over (Under)				
Expenditures and Transfers	(82,503)	367,643		
Unencumbered Cash, Beginning	2,282,126	2,200,073		
Prior Year Encumbrances Cancelled	450	2,750		
Unencumbered Cash, Ending	<u>2,200,073</u>	<u>2,570,466</u>		

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2018

<u>Fund</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
B&G Building Trades Project	\$ 15,834	12,462	13,316	14,980
Cats-Can-Do Building Trades Project	2,337	5,769	5,058	3,048
Nurses' Fund	606			606
Payroll Clearing	<u>292,282</u>	<u>4,034,964</u>	<u>3,894,739</u>	<u>432,507</u>
Total Agency Funds	<u><u>311,059</u></u>	<u><u>4,053,195</u></u>	<u><u>3,913,113</u></u>	<u><u>451,141</u></u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) as of and for the year ended June 30, 2018, and have issued our report thereon dated December 5, 2018.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Cooperative's statutory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

December 5, 2018

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2018. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Cooperative's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Cooperative's compliance.

Opinion on Each Major Federal Program

In our opinion, the Cooperative, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

Report on Internal Control over Compliance

Management of the Cooperative, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Cooperative's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Cooperative's internal control over compliance.

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

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

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

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

December 5, 2018

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2018

I. Summary of Audit Results

Financial Statement:

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

Internal Control over Financial Reporting:

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

Federal Awards:

Internal control over major programs:

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

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

Any audit findings disclosed that are required to be reported in accordance with Uniform Guidance

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

U.S. Department of Education

Special Education Cluster:

Special Education – Grants to States

CFDA No. 84.027

Special Education – Preschool Grants

CFDA No. 84.173

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

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

None.

III. Federal Award Findings and Questioned Costs

None.

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2018

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Pass-through Entity Identifying Number</u>	<u>Federal CFDA Number</u>	<u>Cash Receipts</u>	<u>Disbursements/ Expenditures</u>
U.S. Department of Agriculture				
Passed through State Department of Education				
State Administrative Expenses for Child Nutrition	DO603	10.560 \$	307	307
Passed through Unified School District No. 101				
State Administrative Expenses for Child Nutrition		10.560	3,900	3,900
Passed through Unified School District No. 256				
State Administrative Expenses for Child Nutrition		10.560	2,147	2,147
Passed through Unified School District No. 257				
State Administrative Expenses for Child Nutrition		10.560	9,250	9,250
Passed through Unified School District No. 258				
State Administrative Expenses for Child Nutrition		10.560	4,482	4,482
Passed through Unified School District No. 366				
State Administrative Expenses for Child Nutrition		10.560	3,319	3,319
Passed through Unified School District No. 387				
State Administrative Expenses for Child Nutrition		10.560	1,410	1,410
Passed through Unified School District No. 413				
State Administrative Expenses for Child Nutrition		10.560	13,394	13,394
Passed through Unified School District No. 475				
State Administrative Expenses for Child Nutrition		10.560	1,629	1,629
Total U.S. Department of Agriculture			<u>39,838</u>	<u>39,838</u>
U.S. Department of Education				
Passed through State Department of Education				
Special Education-Grants to States	DO603	84.027	1,981,192	1,411,571 (1)
Special Education-Preschool Grants	DO603	84.173	99,292	70,559 (1)
Total U.S. Department of Education			<u>2,080,484</u>	<u>1,482,130</u>
Total Federal Awards			<u>2,120,322</u>	<u>1,521,968</u>

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

Note to the Schedule of Expenditures of Federal Awards

Note A: General

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

Note B: Indirect Cost Rate

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

Note C: Basis of Presentation

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