

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602

Financial Statement and Supplementary Information
with Independent Auditor's Reports
For the Year Ended June 30, 2021

MAPES & MILLER LLP
Certified Public Accountants
Quinter, Kansas

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602

Financial Statement and Supplementary Information
with Independent Auditor's Reports
For the Year Ended June 30, 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Financial Statement

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Northwest Kansas Educational Service Center Interlocal District No. 602 as of and for the year ended June 30, 2021, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

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

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

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

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

As described in Note 1 of the financial statement, the financial statement is prepared by Northwest Kansas Educational Service Center Interlocal District No. 602 on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

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 Northwest Kansas Educational Service Center Interlocal District No. 602 as of June 30, 2021, or changes in financial position and cash flows thereof for the year then ended.

Unmodified Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of Northwest Kansas Educational Service Center Interlocal District No. 602 as of June 30, 2021, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* described in Note 1.

Other Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The individual fund schedules of regulatory basis receipts and expenditures-actual and the schedule of regulatory basis receipts and expenditures – Head Start (Schedule 1 and 2 as listed in the table of contents) are presented for purposes of additional analysis and are not a required part of the financial statement. However, Schedule 1 is required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. Such information is the responsibility of management, 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.

Other 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* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statement.

The schedule of expenditures of federal awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. Such information has been subjected to the auditing procedures applied in the audit of the 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated January 24, 2022, on our consideration of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting and compliance.

Mapes & Miller LLP

Certified Public Accountants
Quinter, Kansas

January 24, 2022

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Summary Statement of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2021

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Funds:							
General Fund	\$ 992,837	0	3,957,006	4,337,036	612,807	539,888	1,152,695
Special Purpose Funds:							
Capital Outlay Fund	387,898	0	76,778	94,148	370,528	18,345	388,873
Professional Development Fund	460,911	0	151,345	174,849	437,407	35,296	472,703
Special Education Fund	2,223,430	0	9,592,484	8,896,849	2,919,065	680,108	3,599,173
Food Service Fund	2,232	0	16,253	18,485	0	0	0
Parents As Teachers Fund	0	0	65,086	65,086	0	0	0
Federal Grants Fund	(113,726)	100	1,287,770	1,314,683	(140,539)	108,220	(32,319)
Medicaid Fund	631,221	0	5,355	22,923	613,653	0	613,653
Adult Services Fund	219,887	0	153,982	210,827	163,042	4,202	167,244
Gifts and Grants Fund	0	0	103,839	91,257	12,582	0	12,582
Total Reporting Entity	\$ 4,804,690	100	15,409,898	15,226,143	4,988,545	1,386,059	6,374,604

Composition of Cash:

Farmers State Bank, Oakley, KS	
Checking Accounts	\$ 1,500
Super NOW Accounts	4,367,871
Certificates of Deposit	2,000,000
The Bank, Oakley, KS	
Checking Accounts	5,233
Total Reporting Entity	\$ 6,374,604

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

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Notes to the Financial Statement

June 30, 2021

1. Summary of Significant Accounting Policies

(a) Municipal Financial Reporting Entity

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

(b) Regulatory Basis Fund Types

The following types of funds comprise the financial activities of the District for the year ended June 30, 2021:

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

Special Purpose Fund – used to account for the proceeds of specific tax levies and other specific regulatory receipt sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

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

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

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

(d) Reimbursements

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

(e) Budgetary Information

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

2. Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on the funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by the federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2021.

At June 30, 2021, the District's carrying amount of deposits was \$6,374,604 and the bank balance was \$6,573,731. The bank balance was held by two financial institutions resulting in a concentration of credit risk. Of the bank balance, \$505,234 was covered by federal depository insurance and \$6,068,497 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

Custodial Credit Risk – Investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The District had no investments at June 30, 2021.

3. Defined Benefit Pension Plan

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

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increase in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.15% and 14.41% respectively, for fiscal year ended June 30, 2020. The actuarially determined employer contribution rate and the statutory contribution rate was 15.59% and 14.23% respectively, for fiscal year ended June 30, 2021.

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

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

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. For the year ended June 30, 2021, the District remitted \$66,625 for retired employees.

Net Pension Liability

At June 30, 2021, the District's proportionate share of the collective net pension liability reported by KPERS was \$893,270. The net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019, which was rolled forward to June 30, 2020. 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, 2020. Since KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in the financial statement.

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

4. Other Long-Term Obligations from Operations**(a) Compensated Absences**

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

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

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

The District's estimated liability for accrued sick and vacation leave as of June 30, 2021, was \$88,005.

(b) Other Post-Employment Benefits

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. Certified employees may retire with either 1) twelve or more years of service with the District and retire at age 55 or older or 2) ten year of service, with at least five being full time, and met the KPERS provisions for normal retirement. The District pays a maximum of \$2,800 per year for health insurance until the retiree is eligible for Medicare or is eligible to be covered under another employer's primary group health insurance plan. During the year ended June 30, 2021, two certified retirees participated in this plan and the District paid \$4,667 in premiums for these retirees. Any remaining subsidy to retirees due to the plan's level premium structure has not been quantified in the financial statement.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District makes healthcare benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the District under this program.

(c) Death and Disability Other Post-Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2021.

5. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District has been unable to obtain workers compensation insurance at a cost it considered to be economically justifiable. For this reason, the District joined together with other school districts in the State to participate in the Kansas Association of School Boards (KASB) Workers Compensation Fund, Inc., a public entity risk pool currently operating as a common risk management and insurance program for 114 participating members.

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

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

6. Operating Leases

The District is committed under an operating lease dated August 1, 2019, with M C Rentals, LLC for twenty vehicles. Expenditures under this operating lease were \$77,000 for the year ended June 30, 2021. This operating lease terminated on May 31, 2021.

The District is committed under an operating lease dated August 1, 2019, with Harries Leasing Company for a vehicle. Expenditures under this operating lease were \$4,719 for the year ended June 30, 2021. This operating lease terminated on May 31, 2021.

The District is committed under an operating lease dated August 1, 2020 with Ghumm's Autos & Treasures for twenty-two vehicles. Expenditures under this operating lease were \$90,266 for the year ended June 30, 2021. This operating lease will terminate on May 31, 2022, and the future minimum operating lease commitment under this lease for the year ending June 30, 2021, is \$90,266.

7. Grant Programs

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

8. Subsequent Events

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

9. Stewardship, Compliance and Accountability**(a) Cash Violation**

K.S.A. 10-1113 requires each fund to comply with the cash-basis laws of the State of Kansas. That is, no commitments or indebtedness should be incurred unless there is available cash in the fund. The Federal Grants Fund incurred indebtedness in excess of the available cash balance by \$140,539. However, K.S.A. 12-1664 allows a deficit unencumbered cash balance for federal aid funds. The deficit is expected to be eliminated when the federal grant proceeds are received.

10. Professional Tuition Fee Assistance

The District received grant proceeds of \$72,840 from Dane G. Hansen Foundation to provide tuition assistance to employees pursuing degrees to fill positions that are needed or vacant within the District. Under the program the District can provide up to \$12,000 to assist each participant continuing their education with an accredited program. Upon completion of an educational program, the participant must be employed and provide services to the District. In exchange, the District will grant forgiveness of up to \$3,000 for each academic year of service provided to the District. If the participant fails to comply with the terms of the tuition assistance agreement prior to completing the full-time service obligation, all unforgiven amounts advanced to the participant will be due within thirty days with a one percent interest charged per month. For the year ended June 30, 2021, \$62,782 was disbursed to nineteen eligible participants.

11. CRF and CARES Act Funding

As a result of COVID-19, the State of Kansas has received Coronavirus Relief Funds (CRF) under the Coronavirus Aid, Relief and Economic Security (CARES) Act. The CRF were passed through to the counties of Kansas through Strengthening People and Revitalizing Kansas (SPARK). SPARK's first round distribution was to local government in the amount of \$400 million. The CRF are to be used to strengthen health, to allow the economy to reopen safely and to remain open. The goals are to be fair, impactful and timely. Additional information and updates on SPARK, the CARES Act and CRF, which include audit requirements, can be found at <https://covid.ks.gov/>. In fiscal year 2021, the District received a total of \$77,889 CRF from Logan County.

12. COVID-19

On January 30, 2020, the World Health Organization ("WHO") announced a global health emergency because of a new strain of coronavirus in Wuhan, China (the "COVID-19 outbreak") and the risks to the international community as the virus spreads globally beyond its point of origin. In March 2020, the WHO classified the COVID-19 outbreak as a pandemic, based on the rapid increase in exposure globally. The full impact of the COVID-19 outbreak continues to evolve as of the date of this report. As such, it is uncertain as to the full magnitude that the pandemic will have on the District's financial condition, liquidity and future results of operations. Management is actively monitoring the global and local situation on its financial condition, liquidity, operations, suppliers, industry and workforce. Given the daily evolution of the COVID-19 outbreak and the global responses to curb its spread, the District is not able to estimate the effects of the COVID-19 outbreak on its results of operations, financial condition or liquidity for fiscal year 2021. Based on current conditions, Management is unable to reasonably determine the future potential impacts that the COVID-19 outbreak may have on financial conditions and operations.

13. Long-Term Debt

Changes in long-term liabilities for the year ended June 30, 2021 were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
Capital Leases Payable:									
Signature Bank - Energy Improvements	3.723%	2018	\$ 88,936	2026	\$ 70,629	0	9,787	60,842	2,821
Total Contractual Indebtedness					\$ 70,629	0	9,787	60,842	2,821

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

	Year Ended June 30,						
	2022	2023	2024	2025	2026	2027-2031	Total
Principal							
Capital Leases Payable	\$ 10,158	10,543	10,942	11,356	11,786	6,057	60,842
Interest							
Capital Leases Payable	2,093	1,708	1,309	895	465	69	6,539
Total Principal and Interest	\$ 12,251	12,251	12,251	12,251	12,251	6,126	67,381

**REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION**

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

General Fund

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended June 30, 2021

SCHEDULE 1

Page 1

	<u>Actual</u>
Receipts:	
Participating Districts	\$ 400,138
Federal Aid	3,014,831
State Aid	27,461
Other Contracts	43,185
Other Grants	173,670
Miscellaneous (printing, etc.)	61,402
Reimbursements	230,693
Donations	<u>5,626</u>
Total Receipts	<u>3,957,006</u>
Expenditures:	
Instruction	2,947,232
Student Support Services	70,037
Instructional Support Staff	140,915
General Administration	358,777
School Administration	398,432
Operations and Maintenance	302,260
Other Supplemental Services	<u>119,383</u>
Total Expenditures	<u>4,337,036</u>
Receipts over (under) Expenditures	(380,030)
Unencumbered Cash, Beginning	992,837
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 612,807</u></u>

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Special Purpose Funds

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended June 30, 2021

SCHEDULE 1

Page 2

	Actual
Capital Outlay Fund	
Receipts:	
Interest on Idle Funds	\$ 27,082
Participating Districts	49,696
	<u>76,778</u>
Total Receipts	<u>76,778</u>
Expenditures:	
Instruction	38,278
Student Support Services	10,234
Operations and Maintenance	19,294
Land Improvement	2,129
Building Improvements	19,264
Other	4,949
	<u>94,148</u>
Total Expenditures	<u>94,148</u>
Receipts over (under) Expenditures	(17,370)
Unencumbered Cash, Beginning	387,898
Prior Year Cancelled Encumbrances	0
	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 370,528</u>
Professional Development Fund	
Receipts:	
State Aid	\$ 14,607
Federal Aid	87,270
Participating Districts	31,847
Reimbursements	10,477
Fees - Other	7,144
	<u>151,345</u>
Total Receipts	<u>151,345</u>
Expenditures:	
Instruction	31,775
Instructional Support Staff	137,074
School Administration	6,000
	<u>174,849</u>
Total Expenditures	<u>174,849</u>
Receipts over (under) Expenditures	(23,504)
Unencumbered Cash, Beginning	460,911
Prior Year Cancelled Encumbrances	0
	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 437,407</u>

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Special Purpose Funds

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended June 30, 2021

SCHEDULE 1

Page 3

	<u>Actual</u>
Special Education Fund	
Receipts:	
State Aid	\$ 4,412,575
Federal Aid	1,802,314
Participating Districts	3,029,309
Medicaid	259,897
Other Grants	23,615
Other Revenue From Local Sources	<u>64,774</u>
Total Receipts	<u>9,592,484</u>
Expenditures:	
Instruction	6,153,954
Student Support Services	1,208,389
Instructional Support Staff	593,357
Special Area Administration Services	98,612
School Administration	769,107
Operations and Maintenance	12,455
District Reimbursements	<u>60,975</u>
Total Expenditures	<u>8,896,849</u>
Receipts over (under) Expenditures	695,635
Unencumbered Cash, Beginning	2,223,430
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>2,919,065</u></u>
 Food Service Fund	
Receipts:	
Federal Aid	\$ <u>16,253</u>
Expenditures:	
Food Service Operations	<u>18,485</u>
Receipts over (under) Expenditures	(2,232)
Unencumbered Cash, Beginning	2,232
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>0</u></u>

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

SCHEDULE 1
Page 4

	<u>Actual</u>
Parents As Teachers Fund	
Receipts:	
State Aid	\$ 41,061
Participating Districts	19,375
Reimbursements	<u>4,650</u>
Total Receipts	<u>65,086</u>
Expenditures:	
Student Support Services	<u>65,086</u>
Receipts over (under) Expenditures	0
Unencumbered Cash, Beginning	0
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	<u><u>\$ 0</u></u>
 Federal Grants Fund	
Receipts:	
Reimbursements	\$ 571
Federal Aid	<u>1,287,199</u>
Total Receipts	<u>1,287,770</u>
Expenditures:	
Instruction	374,702
Student Support Services	151,488
Instruction Support Staff	707,254
General Administration	<u>81,239</u>
Total Expenditures	<u>1,314,683</u>
Receipts over (under) Expenditures	(26,913)
Unencumbered Cash, Beginning	(113,726)
Prior Year Cancelled Encumbrances	<u>100</u>
Unencumbered Cash, Ending	<u><u>\$ (140,539)</u></u>

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

SCHEDULE 1
Page 5

	<u>Actual</u>
Medicaid Fund	
Receipts:	
Kansas Health Policy Authority - Medicaid	\$ <u>5,355</u>
Expenditures:	
Instruction	9,973
Spectra Expense	<u>12,950</u>
Total Expenditures	<u>22,923</u>
Receipts over (under) Expenditures	(17,568)
Unencumbered Cash, Beginning	631,221
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>613,653</u></u>

Adult Services Fund	
Receipts:	
Federal Aid	\$ 21,331
State Aid	2,930
Other Revenue From Local Sources	13,141
Other Grants	<u>116,580</u>
Total Receipts	<u>153,982</u>
Expenditures:	
Instruction	76,835
Student Support Services	9,665
Instructional Support Staff	55,103
General Administration	34,515
Other Supplemental Services	<u>34,709</u>
Total Expenditures	<u>210,827</u>
Receipts over (under) Expenditures	(56,845)
Unencumbered Cash, Beginning	219,887
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>163,042</u></u>

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Special Purpose Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2021

SCHEDULE 1
Page 6

	<u>Actual</u>
Gifts and Grants Fund	
Receipts:	
Other Revenue from Local Source	\$ <u>103,839</u>
Expenditures:	
Student Support Services	<u>91,257</u>
Receipts over (under) Expenditures	12,582
Unencumbered Cash, Beginning	0
Prior Year Cancelled Encumbrances	<u>0</u>
Unencumbered Cash, Ending	\$ <u><u>12,582</u></u>

SUPPLEMENTARY INFORMATION

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

SCHEDULE 2

Interlocal District No. 602

Head Start

Schedule of Receipts and Expenditures

Regulatory Basis

For the Year Ended June 30, 2021

	Continuation Actual	COVID-19 Actual	Head Start Total
Receipts:			
Federal Aid	\$ 2,303,437	60,949	2,364,386
Expenditures:			
Salaries	1,338,979	84,638	1,423,617
Payroll Taxes & Employee Benefits	380,080	6,549	386,629
Contractual Services & Supplies	726,419	116,052	842,471
Travel	45,316	0	45,316
Indirect Cost	0	9,401	9,401
Equipment	0	23,697	23,697
Food Purchases and Supplies	30,474	0	30,474
Total Expenditures	2,521,268	240,337	2,761,605
Receipts over (under) Expenditures	(217,831)	(179,388)	(397,219)
Unencumbered Cash, Beginning	(76,036)	163,888	87,852
Prior Year Cancelled Encumbrances	0	0	0
Unencumbered Cash, Ending	\$ (293,867)	(15,500)	(309,367)

Note A - Basis of Presentation

The information in this schedule is presented, for federal agency reporting purposes only, in accordance with the grant provisions for the budget period July 1, 2020 to June 30, 2021.

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

Note B - Summary of Significant Accounting Policies

The information in this schedule is presented to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG). The KMAAG regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis receipts and regulatory basis expenditures for the fiscal year.

SINGLE AUDIT SECTION



Mapes & Miller LLP

Certified Public Accountants & Business Advisors

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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 THE FINANCIAL STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Northwest Kansas Educational Service Center Interlocal District No. 602, as of and for the year ended June 30, 2021, and the related notes to the financial statement, and have issued our report thereon dated January 24, 2022. In our report on the financial statement, we expressed an adverse opinion on the financial statement. As discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" paragraph in the report on the financial statement, the financial statement was prepared on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide*, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered Northwest Kansas Educational Service Center Interlocal District No. 602's internal control over financial reporting (internal control) 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 Northwest Kansas Educational Service Center Interlocal District No. 602's internal control. Accordingly, we do not express an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control.

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2021-001, that we consider to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Northwest Kansas Educational Service Center Interlocal District No. 602's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Northwest Kansas Educational Service Center Interlocal District No. 602's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Northwest Kansas Educational Service Center Interlocal District No. 602's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mapes & Miller LLP

Certified Public Accountants

Quinter, Kansas

January 24, 2022



Mapes & Miller LLP

Certified Public Accountants & Business Advisors

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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

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

Report on Compliance for Each Major Federal Program

We have audited Northwest Kansas Educational Service Center Interlocal District No. 602's compliance with the types of compliance requirements described in the *OMB Circular Supplement* that could have a direct and material effect on each of Northwest Kansas Educational Service Center Interlocal District No. 602's major federal programs for the year ended June 30, 2021. Northwest Kansas Educational Service Center Interlocal District No. 602's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Northwest Kansas Educational Service Center Interlocal District No. 602'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 the *Kansas Municipal Audit and Accounting Guide*; auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Northwest Kansas Educational Service Center Interlocal District No. 602'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 Northwest Kansas Educational Service Center Interlocal District No. 602's compliance.

Opinion on Each Major Federal Program

In our opinion, Northwest Kansas Educational Service Center Interlocal District No. 602 complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of Northwest Kansas Educational Service Center Interlocal District No. 602 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 Northwest Kansas Educational Service Center Interlocal District No. 602'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 Northwest Kansas Educational Service Center Interlocal District No. 602'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 a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the 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.

Mapes & Miller LLP

Certified Public Accountants

Quinter, Kansas

January 24, 2022

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

SCHEDULE 3
Page 1

	Federal CFDA Number	Agency or Pass-through Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF EDUCATION				
Direct Aid:				
Safe and Drug-Free Schools and Communities_National Programs				
EVERS - FY 2020	84.184	N/A	\$ -	\$ 519,923
EVERS - FY 2021	84.184	N/A	-	175,068
Total Direct Aid			-	694,991
Passed through Kansas State Department of Education:				
Special Education Cluster (IDEA)				
Special Education_Grants to States				
VI-B (94-142) - IDEA - FY 2020	84.027	3234-3050	-	1,334,480
VI-B (94-142) - Discretionary Special Projects - FY 2020	84.027	3234-3050	-	58,668
Total VI-B (94-142)			-	1,393,148
Special Education_Preschool Grants				
IDEA Preschool - FY 2020	84.173	3535-3550	-	71,009
Total Special Education Cluster (IDEA)			-	1,464,157
English Language Acquisition State Grants				
Title III - FY 2019	84.365	3522-3820	-	44
Title III - FY 2020	84.365	3522-3820	-	24,703
Title III - FY 2021	84.365	3522-3820	-	437
Total English Language Acquisition State Grants			-	25,184
Migrant Education_State Grant Program				
Title I Migrant - FY 2021	84.011	3537-3570	-	519,655
Education Stabilization Fund				
COVID-19 Funds - ESSER I - FY 2020	84.425	3233-3040	-	74,844
Total Passed through Kansas State Department of Education			-	2,083,840
Passed through Kansas Department of Health and Environment:				
Special Education – Grants for Infants and Families				
Part C - FY 2021	84.181	3516-5010	-	121,551
Total Passed through Kansas Department of Health and Environment			-	121,551
Passed through the University of Kansas:				
Assistive Technology				
Regional Atech - FY 2020	84.224	2545-2689	-	18,813
Regional Atech - FY 2021	84.224	2545-2689	-	22,787
Total Assistive Technology			-	41,600
Total Passed through the University of Kansas			-	41,600
TOTAL U.S. DEPARTMENT OF EDUCATION			\$ -	\$ 2,941,982

See accompanying notes to the schedule of expenditures of federal awards

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2021

SCHEDULE 3
Page 2

	Federal CFDA Number	Agency or Pass-through Number	Passed through to Subrecipients	Total Federal Expenditures
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				
Direct Aid:				
Head Start				
Head Start - FY 2021	93.600	N/A	\$ -	\$ 2,051,741
COVID-19 Funds - Head Start FY 2020	93.600	N/A		240,337
Early Head Start - FY 2021	93.600	N/A	-	469,527
Total Head Start			-	2,761,605
Total Direct Aid			-	2,761,605
Passed through Kansas Department for Children and Families:				
Temporary Assistance for Needy Families				
Kansas Early Head Start Home Visitation - FY 2021	93.558	3028-0522	-	582,456
Total Passed through the Kansas Department for Children and Families			-	582,456
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			-	3,344,061
U.S. DEPARTMENT OF AGRICULTURE				
Passed through Kansas State Department of Education:				
COVID-19 Funds - National School Lunch Program - FY 2020	10.555	3530-3500	-	6,212
Child and Adult Care Food Program - FY 2020	10.558	3531-3510	-	12,273
Total Passed through the Kansas State Department of Education			-	18,485
Passed through Kansas State University:				
Passed through SKIL Resource Center, Inc.:				
Cooperative Extension Service				
Agrability - FY 2020	10.500	929772554	-	6,375
Agrability - FY 2021	10.500	929772554	-	18,306
Total Cooperative Extension Service			-	24,681
Total Passed through the Kansas State University			-	24,681
TOTAL U.S. DEPARTMENT OF AGRICULTURE			-	43,166
U.S. DEPARTMENT OF TREASURY				
Passed through Kansas Office of Recovery:				
Passed through Logan County, Kansas:				
COVID-19 Funds - Coronavirus Relief Fund	21.019		-	75,829
TOTAL U.S. DEPARTMENT OF TREASURY			-	75,829
TOTAL EXPENDITURES OF FEDERAL AWARDS			\$ -	\$ 6,405,038

See accompanying notes to the schedule of expenditures of federal awards

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER

Interlocal District No. 602

Notes to the Schedule of Expenditures of Federal Awards

June 30, 2021

Note 1 - Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of Northwest Kansas Educational Service Center Interlocal District No. 602 under programs of the federal government for the year ended June 30, 2021. The information in this Schedule is presented in accordance with the requirements of *Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Summary of Significant Accounting Policies

The expenditures in this Schedule are presented on the basis of the financial reporting provisions of the *Kansas Municipal Audit and Accounting Guide* (KMAAG), which is a basis of accounting other than accounting principles generally accepted in the United States of America. Expenditures include cash disbursements, certain accounts payable, and encumbrances.

Note 3 - Indirect Cost Rate

Northwest Kansas Educational Service Center Interlocal District No. 602 has not elected to use the 10% de minimis cost rate under Section 200.414(f) of the Uniform Guidance.

Note 4 – Loans and Loan Guarantee Programs

The District did not have any loan or loan guarantee programs outstanding at June 30, 2021.

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENT

Type of auditors' report issued:

In accordance with Generally Accepted Accounting Principles

Adverse

In accordance with the statutory basis of accounting described in Note 1

Unmodified

Internal control over financial reporting:

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

FEDERAL AWARDS

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

Unmodified

Internal control over major programs:

- Material weaknesses identified? Yes x No
- Significant deficiencies identified? Yes x None Reported

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?

 Yes x No

Identification of major programs:

<u>CFDA NUMBER</u>	<u>NAME OF FEDERAL PROGRAM</u>
--------------------	--------------------------------

93.600	Head Start
--------	------------

84.184	Safe and Drug-Free Schools and Communities_National Programs
--------	--

Dollar threshold used to distinguish between type A and type B programs:

\$750,000

Auditee qualified as low-risk auditee?

 Yes x No

NORTHWEST KANSAS EDUCATIONAL SERVICE CENTER
Interlocal District No. 602
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2021

SECTION II – FINANCIAL STATEMENT FINDINGS

SIGNIFICANT DEFICIENCY

2021-001 LACK OF INTERNAL CONTROL

Criteria: At the end of the fiscal year, management maintains a listing of all contracts approved by the governing body to ensure that they are recorded in the proper period.

Condition: A portion of a contract approved by the board was not encumbered at year-end.

Context: A contract for \$158,112 was approved on June 17, 2021, for the conference room upgrade. Only one requisition for \$59,000 was received, and that amount was encumbered. The balance of \$99,111 was not.

Cause: A purchase order was not prepared due to the lack of a requisition being received from the department head overseeing the contract approved by the governing body.

Effect: Expenditures are recorded in the wrong fiscal year.

Recommendation: A listing be maintained of all contracts approved by the governing body, and a reconciliation be completed between the listing and outstanding purchase orders to ensure all expenditures are properly recorded in the correct fiscal year.

Views of Responsible Officials and Planned Corrective Actions: Management will implement the recommended internal control.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

None

SECTION IV – SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

None