

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

FINANCIAL STATEMENT

WITH

INDEPENDENT AUDITOR'S REPORT

June 30, 2021

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

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November 9, 2021

Board of Education
Doniphan County Education Cooperative No. 616
Troy, Kansas

Independent Auditor's Report

We have audited the accompanying summary statement of receipts, expenditures, and unencumbered cash - regulatory basis of Doniphan County Education Cooperative No. 616 (the Cooperative), as of and for the year ended June 30, 2021 and the related notes to the financial statement which collectively comprise the Cooperative's basic financial statement as listed in the table of contents.

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 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 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 this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the *Kansas Municipal Audit and Accounting Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from 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 the auditor's judgment, including 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 the Cooperative 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 accordance with accounting principles generally accepted in the United States of America, the financial position of the District as of June 30, 2021, or changes in financial position or 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 the Cooperative 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.

Report on Regulatory-Required Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the summary statement of receipts, expenditures, and unencumbered cash - regulatory basis (basic financial statement) as a whole. The summary of expenditures - actual and budget - regulatory basis, individual fund schedules of receipts and expenditures - actual and budget - regulatory basis, schedule of receipts and expenditures - regulatory basis - agency funds and schedule of receipts, expenditures and unencumbered cash - activity funds - regulatory basis are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. 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.

Report on Summarized Comparative Information

The June 30, 2020 actual column presented in the individual fund schedules of receipts and expenditures (Schedule 2B as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2021 basic financial statement upon which we rendered an unmodified opinion - regulatory basis, dated November 11, 2020. The June 30, 2020 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://da.ks.gov/ar/muniserv/>. Such prior year 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 prior year basic financial statement. The prior year comparative information was subjected to the auditing procedures applied in the audit of the prior year 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 prior year basic financial statement or to the prior year 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 prior year comparative information is fairly stated in all material respects in relation to the prior year basic financial statement as a whole, on the basis of accounting described in Note 1.

Varney & Associates, CPAs, LLC

Certified Public Accountants
Manhattan, Kansas

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616
Troy, Kansas
SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
Regulatory Basis
For the Year Ended June 30, 2021

	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
GOVERNMENTAL TYPE FUNDS							
Governmental type funds							
General Fund	\$ 1,073,139	\$ -	\$ 2,068,005	\$ 2,138,260	\$ 1,002,884	\$ -	\$ 1,002,884
Grant Funds	-	-	343,199	343,199	-	-	-
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 1,073,139</u>	<u>\$ -</u>	<u>\$ 2,411,204</u>	<u>\$ 2,481,459</u>	<u>\$ 1,002,884</u>	<u>\$ -</u>	<u>\$ 1,002,884</u>
Composition of Cash							
Checking							\$ 1,002,384
Checking - Agency Accounts							36,969
Petty cash							500
Total Cash							<u>\$ 1,039,853</u>
Less: Agency Funds							<u>(36,969)</u>
Total Reporting Entity (Excluding Agency Funds)							<u>\$ 1,002,884</u>

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

NOTES TO FINANCIAL STATEMENT

June 30, 2021

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Doniphan County Education Cooperative No. 616, Troy, Kansas (the Cooperative) is a municipal corporation governed by a six-member board. This financial statement presents Doniphan County Education Cooperative No. 616, Troy, Kansas (the primary government). The Cooperative serves three Unified School Districts: USD No. 111 Doniphan West, USD No. 114 Riverside, and USD No. 429 Troy, in the area of Special Education Services. There are no related municipal entities.

Basis of Presentation

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 balances 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 KMAAG regulatory basis does not recognize capital assets, long term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Cash and Investments

Cash consists of checking and savings accounts.

Cash balances in all funds are considered in determining the amount to be invested and further, unless specifically designated, all investment income is credited to the capital outlay fund.

Fund Descriptions

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

Governmental Funds

General Fund is used to account for all unrestricted resources except those required to be accounted for in another fund.

Special Purpose Funds are used to account for the proceeds of specific revenue sources (other than major capital projects and tax levies for long-term debt) that are restricted by law or administrative action to expenditure for specified purposes.

Agency Funds is used to report assets held by the Cooperative in a purely custodial capacity.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The Cooperative is not subject to statutory budget requirements. The Cooperative prepares an expenditure budget for operating purposes only.

Compliance with Finance-Related Legal and Contractual Provisions

Management is not aware of any material violations of finance-related legal and contractual provisions for the period covered by the audit.

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2021

Note 3: Deposits and Investments

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

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

Concentration of credit risk - State statutes place no limits 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.

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 did not utilize peak periods. All deposits were legally secured at June 30, 2021.

At June 30, 2021, the Cooperative's carrying amount of deposits was \$1,039,853 and the bank balance was \$1,246,646. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by the federal depository insurance, and the remaining \$996,646 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Custodial credit risk-investments - For an investment, this is the risk that, in the event of 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 position of an outside party. State statutes require investments to be adequately secured.

Note 4: Interfund Transfers

There were no operating transfers for the year ended June 30, 2021.

Note 5: Defined Benefit Pension Plan

Plan Description

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

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

Contributions

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.15% and 14.41%, respectively, for the fiscal year ended June 30, 2020. The actuarially determined employer contribution rate and the statutory contribution rate was 15.59% and 14.23% for the 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 dollars per year beginning in fiscal year 2018. Senate Substitute for House Bill 2002 authorized the delay of \$194.0 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 Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees. The Cooperative received and remitted amounts equal to the statutory contribution rate, which totaled \$1,799 for the year ended June 30, 2021.

Net Pension Liability

At June 30, 2021, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was \$13,823. 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 Cooperative's proportion of the net pension liability was based on the ratio of the Cooperative's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2020. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in these financial statements.

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

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

NOTES TO FINANCIAL STATEMENT (CONTINUED)

June 30, 2021

Note 6: Other Long-Term Obligations from Operations

Other Post-Employment Benefits

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

Compensated Absences

Teachers are granted ten sick days per year and are allowed to accumulate unused sick leave to a maximum of 75 days. Teachers are also granted three personal leave days during each school term. If a teacher has accumulated more than 75 days of sick leave, the teacher is paid for days over 75 at the rate of \$40 per day. When a teacher leaves the Cooperative, the teacher is paid for all accumulated sick leave at a rate of \$40 per day. Retiring teachers are paid for all accumulated sick leave at a rate of \$50 per day.

Paraprofessionals are granted nine leave days per school year and are allowed to accumulate unused leave to a maximum of 15 days.

Note 7: Commitments

The Cooperative leases a building in Troy, Kansas for office space. The term of the lease is for a period of one year commencing August 1 and terminating July 31 of the subsequent year. The required monthly payment is \$1,194. with an automatic 3% increase per year for each and every year that this lease remains in force. The lease is renewed annually.

Note 8: Subsequent Events

Management has evaluated the effects on the financial statement of subsequent events occurring through November 9, 2021, which is the date the financial statement was available to be issued.

REGULATORY-REQUIRED SUPPLEMENTAL INFORMATION

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616
Troy, Kansas
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2021

Funds	Original Budget	Adjustments for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
Governmental Type Funds:					
General Fund	\$ 3,058,395	\$ -	\$ 3,058,395	\$ 2,138,260	\$ (920,135)

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616
Troy, Kansas
GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET
Regulatory Basis
For the Year Ended June 30, 2021
(with comparative actual totals for the prior year ended June 30, 2020)

	Prior Year Actual	Current Year		Variance - Over (Under)
		Actual	Budget	
CASH RECEIPTS				
Local Sources				
Payments from districts	\$ 300,000	\$ 600,000	\$ 600,000	\$ -
Interest	4,526	3,611	4,000	(389)
Revenue from other local source	66,317	115,354	10,000	105,354
State Sources				
General state aid	1,158,441	1,349,040	1,445,584	(96,544)
Total Receipts	<u>\$ 1,529,284</u>	<u>\$ 2,068,005</u>	<u>\$ 2,059,584</u>	<u>\$ 8,421</u>
EXPENDITURES				
Instruction	\$ 1,138,274	\$ 1,465,423	\$ 2,250,395	\$ (784,972)
Student support services	256,131	246,062	370,500	(124,438)
General administration	334,646	363,839	377,500	(13,661)
Operations and maintenance	15,867	14,319	19,800	(5,481)
Student transportation services	16,561	48,617	40,200	8,417
Total Expenditures	<u>\$ 1,761,479</u>	<u>\$ 2,138,260</u>	<u>\$ 3,058,395</u>	<u>\$ (920,135)</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ (232,195)	\$ (70,255)		
UNENCUMBERED CASH - BEGINNING	1,305,334	1,073,139		
Prior year canceled encumbrances	<u>-</u>	<u>-</u>		
UNENCUMBERED CASH - ENDING	<u>\$ 1,073,139</u>	<u>\$ 1,002,884</u>		

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

GRANT FUNDS*

SCHEDULE OF RECEIPTS AND EXPENDITURES

Regulatory Basis

For the Year Ended June 30, 2021

(with comparative actual totals for the prior year ended June 30, 2020)

	Prior Year Actual	Current Year Actual
RECEIPTS		
Federal aid		
Early childhood aid	\$ 22,566	\$ 22,578
Title VI-B	317,222	320,621
Total Cash Receipts	<u>\$ 339,788</u>	<u>\$ 343,199</u>
EXPENDITURES AND TRANSFERS		
Instruction	<u>\$ 339,788</u>	<u>\$ 343,199</u>
RECEIPTS OVER (UNDER) EXPENDITURES	\$ -	\$ -
UNENCUMBERED CASH - BEGINNING	<u>-</u>	<u>-</u>
UNENCUMBERED CASH - ENDING	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

*This fund is not required to be budgeted.

DONIPHAN COUNTY EDUCATION COOPERATIVE NO. 616

Troy, Kansas

AGENCY FUNDS

SCHEDULE OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH

Regulatory Basis

For the Year Ended June 30, 2021

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Agency Fund				
Flexible spending	<u>\$ 31,897</u>	<u>\$ 18,592</u>	<u>\$ 13,520</u>	<u>\$ 36,969</u>