

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, 2017

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Special Financial Statements  
For the Fiscal Year Ended June 30, 2017

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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, 2017, 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, 2017, 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, 2017, 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 11, 2017 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*

The 2016 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the June 30, 2017 financial statement upon which we rendered an unqualified opinion dated December 11, 2017. The 2016 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2016 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 2016 financial statement. The 2016 comparative information was subjected to the auditing procedures applied in the audit of the 2016 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2016 financial statement or to the 2016 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2016 comparative information is fairly stated in all material respects in relation to the 2016 financial statement as a whole, on the basis of accounting described in Note 1.

*Restricted Use*

This report is intended solely for the information and use of the governing body and management of A.N.W. Special Education Cooperative No. 603, and for filing with the Kansas Department of Education, the Kansas Department of Administration, Division of Accounts and Reports, the cognizant federal agency, and other federal audit agencies. This restriction is not intended to limit distribution of this report, which is a matter of public record.

Respectfully Submitted,

*Rodney M. Burns, CPA, LLC*

December 11, 2017

A.N.W. Special Education Cooperative No. 603  
Summary of Receipts, Expenditures, and Unencumbered Cash  
Regulatory Basis

For the Year Ended June 30, 2017

			Beginning Unencumbered Cash Balance	Beginning Balance Adjustment	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:									
General	(2)	\$	2,282,126	450	10,699,274	10,781,777	2,200,073	13,307	2,213,380
Total Primary Government	(1)		<u>2,282,126</u>	<u>450</u>	<u>10,699,274</u>	<u>10,781,777</u>	<u>2,200,073</u>	<u>13,307</u>	<u>2,213,380</u>
Composition of Cash:									
Cash and Cash Items on Hand									30
Demand Deposits									2,523,709
Petty Cash Advance									700
Less: Agency Funds									( 311,059)
Total Primary Government	(1)								<u>2,213,380</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, 2017

**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, 2017:

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, 2017

**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, 2017 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, 2017

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, 2017, the carrying amount of the Cooperative's deposits was \$2,523,709 and the bank balance was \$2,835,118. Of the bank balance, \$268,225 was covered by federal depository insurance and the remaining \$2,566,893 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, 2017 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	\$ 6,000	0	6,000	0	0
Total Contractual Indebtedness	<u>6,000</u>	<u>0</u>	<u>6,000</u>	<u>0</u>	<u>0</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 11, 2017 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, 2017

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 2016 to 2017, 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 sick leave policy allows crediting each certified employee with twelve days sick leave and two personal days per year up to a maximum of ninety days. Administrative personnel receive fourteen days sick pay and two personal days, up to a maximum of ninety days. Licensed, but non-certified personnel receive thirteen days sick leave and two personal days, up to a maximum of ninety days. If a licensed employee carries over the full ninety days, then they have an additional discretionary day available which does not carry over.

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, 2017

*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](http://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% contribution rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate 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 Cooperative employees. The Cooperative is responsible for the employer's portion of the cost for retired Cooperative employees.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2017

*Net Pension Liability.* At June 30, 2017, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was \$12,379,388, of which \$11,286,477 was allocated to the State of Kansas and \$1,092,911 was allocated to the Cooperative. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015, which was rolled forward to June 30, 2016. Data from the June 30, 2017 KPERS report was not available at the date of this report. 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, 2016. Since the KMAAG regulatory basis of accounting does not recognize longterm 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](http://www.kpers.org) or can be obtained as described above.

**Note 6 Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

**Note 7 Economic Dependency**

The State of Kansas provides financial aid to the Cooperative to cover normal operating expenditures. The majority of this State Aid is passed through the eight member districts by the State and during the year ended June 30, 2017, represented 53.71% of the total revenue of the Cooperative.

The Cooperative also receives Federal aid from the U.S. Department of Education, including Medicaid payments. During the year ending June 30, 2017, this federal aid represented 12.33% of the Cooperative's total revenue.

A.N.W. Special Education Cooperative No. 603  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2017

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Schedule 1

		Certified Budget	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
Governmental Type Funds:				
General	\$	12,128,194	10,781,777	1,346,417
Totals		<u>12,128,194</u>	<u>10,781,777</u>	<u>1,346,417</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, 2017  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

		Current Year		
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Cash Receipts				
Revenue from Local Sources				
District Contributions-Members	\$ 3,200,000	3,302,668	3,302,668	
District Contributions-State Aid Pass-Through	5,660,428	5,701,312	6,145,000	( 443,688)
Interest on Investments	291	417		417
Other Revenue From Local Sources	300,337	329,928	80,000	249,928
Total Revenue from Local Sources	<u>9,161,056</u>	<u>9,334,325</u>	<u>9,527,668</u>	<u>( 193,343)</u>
Revenue from State Sources				
General State Aid		45,399		45,399
Revenue from Federal Sources				
Title VI-B Flow-Through	1,917,623	794,243	1,924,574	( 1,130,331)
Title VI-B Continuous Improvement Grant	55,520	48,128	54,770	( 6,642)
Title VI-B Preschool Grant	68,362	41,038	68,724	( 27,686)
Medicaid Title XIX	501,807	436,141	350,000	86,141
Total Revenue from Federal Sources	<u>2,543,312</u>	<u>1,319,550</u>	<u>2,398,068</u>	<u>( 1,078,518)</u>
Total Cash Receipts	<u>11,704,368</u>	<u>10,699,274</u>	<u>11,925,736</u>	<u>( 1,226,462)</u>
Expenditures and Transfers				
Instruction				
Certified Salaries	1,921,310	1,933,633	2,065,000	131,367
Non-Certified Salaries	2,093,868	2,175,097	2,290,000	114,903
Health Insurance	559,628	573,361	630,565	57,204
Social Security	298,993	305,689	310,000	4,311
Unemployment Compensation	18,333	21,308	22,000	692
Worker's Compensation	113,601	240,320	125,000	( 115,320)
Instructional Program Improvement Services	281,793	343,704	350,000	6,296
Telephone	11,785	8,374	12,000	3,626
Tuition	38,110	46,480	84,500	38,020
In-District Travel	105,632	112,870	130,000	17,130
Out-of-District Travel	1,100		2,000	2,000
General Supplies and Materials	50,648	48,393	74,500	26,107
Other Supplies and Materials	4,763	9,196	4,800	( 4,396)
Other Food Costs	681	1,060	5,500	4,440
Textbooks	4,715	11,363	12,000	637
Software	9,264	1,275	11,500	10,225
Testing Supplies and Materials	10,152	8,921	15,000	6,079
Miscellaneous Supplies			1,750	1,750
Furniture and Fixtures		194	7,000	6,806
Audio-Visual	227	35	8,500	8,465
Computers & Related Equipment	68,342	46,552	90,000	43,448
Other Equipment	6,290	17,642	11,000	( 6,642)
Total Instruction	<u>5,599,235</u>	<u>5,905,467</u>	<u>6,262,615</u>	<u>357,148</u>
Support Services				
Certified Salaries	1,324,703	1,344,222	1,486,000	141,778
Non-Certified Salaries	249,149	262,062	310,000	47,938
Social Security	118,353	120,161	155,500	35,339
Unemployment Compensation	6,027	7,386	8,000	614
Purchased Professional and Technical Services	2,933	22,499	85,000	62,501
Total Support Services	<u>1,701,165</u>	<u>1,756,330</u>	<u>2,044,500</u>	<u>288,170</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, 2017  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

		Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
			Current Year Actual	Budget	
General Administration					
Certified Salaries	\$	294,759	302,025	298,000	( 4,025)
Non-Certified Salaries		176,049	193,235	203,700	10,465
Health Insurance		43,239	46,755	45,000	( 1,755)
Social Security		34,732	36,770	39,583	2,813
Unemployment Compensation		1,983	2,457	3,526	1,069
Purchased Professional and Technical Services			275		( 275)
Accounting		4,372	4,370	5,500	1,130
Collective Bargaining		6,153	168	10,000	9,832
Legal Services		14,918	16,316	13,500	( 2,816)
Medical Services		659	5,673	2,000	( 3,673)
Data Processing Services		6,910	6,690	9,000	2,310
Cooling Services		120		15,000	15,000
Electrical Services			1,331	3,000	1,669
Heating Services				5,500	5,500
Plumbing Services		67	1,203	1,000	( 203)
Other Equipment Services		967	1,412	2,250	838
Liability Insurance		1,820	12,192	2,700	( 9,492)
Property Insurance		10,000		10,000	10,000
Surety Bonds		475	300	1,000	700
Postage		5,479	6,656	10,000	3,344
Telephone		39,292	47,273	47,500	227
Printing and Binding		1,266	2,240	5,000	2,760
In-District Travel		13,642	6,786	16,000	9,214
Out-of-District Travel		13,857	12,612	19,500	6,888
Office Supplies		9,881	14,634	8,000	( 6,634)
Books and Periodicals		1,627	2,237	2,000	( 237)
Furniture and Fixtures			1,342	1,000	( 342)
Computers & Related Equipment				1,000	1,000
Other Equipment		3,274	1,833	8,000	6,167
Total General Administration		<u>685,541</u>	<u>726,785</u>	<u>788,259</u>	<u>61,474</u>
Operations and Maintenance					
Part-Time Non-Certified Salaries		11,243	7,175	14,000	6,825
Social Security		260		600	600
Unemployment Compensation		17		100	100
Snow Removal Services		573	251	2,000	1,749
Lawn Care		3,184	3,810	4,000	190
Pest Control		385	695	1,000	305
Repairs and Maintenance		9,409	11,992	35,000	23,008
Rentals/Leases		12,600	7,979	20,500	12,521
Energy		8,088	5,472	10,000	4,528
Heating		20,128	24,514	32,500	7,986
Total Operations and Maintenance		<u>65,887</u>	<u>61,888</u>	<u>119,700</u>	<u>57,812</u>
Student Transportation					
Certified Salaries		164,490	190,621	227,000	36,379
Social Security		12,600	14,237	15,000	763
Unemployment Compensation		703	1,012	1,600	588
Other Equipment Services		18,668	4,300	30,000	25,700
Fleet Insurance		25,523	26,237	32,000	5,763
Parts		20,252	14,414	32,000	17,586
Tires		3,354	3,712	8,000	4,288
Motor Fuel		25,771	36,770	70,000	33,230
Vehicles (Including school buses)		39,629	38,895	90,000	51,105
Total Student Transportation		<u>310,990</u>	<u>330,198</u>	<u>505,600</u>	<u>175,402</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, 2017  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2016)

		Current Year			
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)	
Title VI-B Flow Through					
Certified Salaries	\$ 1,433,108	1,333,358	1,579,500	246,142	
Non-Certified Salaries	261,463	312,536	270,000	( 42,536)	
Social Security	126,377	121,785	130,000	8,215	
Unemployment Compensation	7,358	8,090	7,500	( 590)	
Purchased Professional and Technical Services	3,743	4,976	17,000	12,024	
In-District Travel	11,607	2,280	16,820	14,540	
General Supplies and Materials	271		500	500	
Other Food Costs	111	550	1,000	450	
Total Title VI-B Flow Through	<u>1,844,038</u>	<u>1,783,575</u>	<u>2,022,320</u>	<u>238,745</u>	
Special Vocational Program					
Certified Salaries	169,840	119,369	235,000	115,631	
Non-Certified Salaries	62,185	49,739	70,000	20,261	
Social Security	17,828	13,187	27,200	14,013	
Unemployment Compensation	964	837	1,500	663	
Other Employee Benefits	125	74	500	426	
Telephone	5,536	5,415	6,000	585	
In-District Travel	6,131		12,000	12,000	
General Supplies and Materials		1,231	500	( 731)	
Other Equipment			500	500	
Total Special Vocational Program	<u>262,609</u>	<u>189,852</u>	<u>353,200</u>	<u>163,348</u>	
Inservice					
Unemployment Compensation	1				
Instructional Program Improvement Services	13,690	18,924	22,000	3,076	
In-District Travel	<u>4,850</u>	<u>8,758</u>	<u>10,000</u>	<u>1,242</u>	
Total Inservice	<u>18,541</u>	<u>27,682</u>	<u>32,000</u>	<u>4,318</u>	
Total Expenditures and Transfers	<u>10,488,006</u>	<u>10,781,777</u>	<u>12,128,194</u>	<u>1,346,417</u>	
Receipts Over (Under)					
Expenditures and Transfers	1,216,362	( 82,503)			
Unencumbered Cash, Beginning	1,065,764	2,282,126			
Prior Year Encumbrances Cancelled		450			
Unencumbered Cash, Ending	<u>2,282,126</u>	<u>2,200,073</u>			



A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Summary of Cash Receipts and Disbursements - Agency Funds  
For the Year Ended June 30, 2017

<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	\$ 15,043	14,619	13,828	15,834
Cats-Can-Do Building Trades Project	3,555	2,648	3,866	2,337
Nurses' Fund	318	584	296	606
Payroll Clearing	<u>212,732</u>	<u>3,719,603</u>	<u>3,640,053</u>	<u>292,282</u>
Total Agency Funds	<u><u>231,648</u></u>	<u><u>3,737,454</u></u>	<u><u>3,658,043</u></u>	<u><u>311,059</u></u>

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

Board of 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, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2017, and have issued our report thereon dated December 11, 2017.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statement, we considered A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603's internal control. Accordingly, we do not express an opinion on the effectiveness of A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603'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*.

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 11, 2017

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

Board of 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, with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the A.N.W. Special Education Cooperative No. 603's major federal programs for the year ended June 30, 2017. A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603's compliance.

***Opinion on Each Major Federal Program***

In our opinion, the A.N.W. Special Education Cooperative No. 603, 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, 2017.

***Report on Internal Control over Compliance***

Management of the A.N.W. Special Education Cooperative No. 603, 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 A.N.W. Special Education Cooperative No. 603'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 A.N.W. Special Education Cooperative No. 603'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 11, 2017

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2017

**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.

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2017

<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 Education				
Passed through State Department of Education				
Special Education-Grants to States	DO603	84.027 \$	842,817	1,412,438 (1)
Special Education-Preschool Grants	DO603	84.173	<u>41,038</u>	<u>69,771 (1)</u>
Total Federal Awards			<u><u>883,855</u></u>	<u><u>1,482,209</u></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 statement.