

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, 2019

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Special Financial Statements
For the Fiscal Year Ended June 30, 2019

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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, 2019, 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, 2019, 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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2019, 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 February 19, 2020 on our consideration of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and compliance.

Report on Supplementary Information

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

Prior Year Comparative Analysis

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2018 (not presented herein) and have issued our report thereon dated December 5, 2018, which contained an unmodified opinion on the basic financial statement. The 2018 basic financial statement and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration at the following link <http://www.admin.ks.gov/offices/chief-financial-officer/municipal-services>. The 2018 actual column (2018 comparative information) presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget for the year ended June 30, 2019 (Schedule 2 as listed in the table of contents) is presented for purposes of additional analysis and is not a required part of the basic financial statement. Such 2018 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 2018 financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2018 financial statement or to the 2018 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2018 comparative information is fairly stated in all material respects in relation to the basic financial statement as a whole, for the year ended June 30, 2018, on the basis of accounting described in Note 1.

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

February 19, 2020

A.N.W. Special Education Cooperative No. 603
 Summary Statement of Cash Receipts, Expenditures, and Unencumbered Cash
 Regulatory Basis
 For the Year Ended June 30, 2019

	<u>Beginning Unencumbered Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
Governmental Type Funds:						
General	\$ 2,570,466	11,904,215	12,562,363	1,912,318	14,496	1,926,814
Total Primary Government (1)	<u>2,570,466</u>	<u>11,904,215</u>	<u>12,562,363</u>	<u>1,912,318</u>	<u>14,496</u>	<u>1,926,814</u>
Composition of Cash:						
Cash and Cash Items on Hand						30
Demand Deposits						2,377,248
Petty Cash Advance						700
Less: Agency Funds						(451,164)
Total Primary Government (1)						<u>1,926,814</u>

(1) Excluding Agency Funds

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2019

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, 2019:

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, 2019

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, 2019 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, 2019

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, 2019, the carrying amount of the Cooperative's deposits was \$2,377,248 and the bank balance was \$2,843,880. Of the bank balance, \$264,992 was covered by federal depository insurance and the remaining \$2,578,888 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, 2019 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	\$ 3,000	35,517	22,242	16,275	0
Total Contractual Indebtedness	<u>3,000</u>	<u>35,517</u>	<u>22,242</u>	<u>16,275</u>	<u>0</u>

Current maturities of long-term debt due subsequent to June 30, 2019 are as follows:

	<u>2019-20</u>
<u>Contracted Liabilities:</u>	
Early Retirement Program	\$ 16,275
Total	<u>16,275</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 February 19, 2020 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, 2019

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 2018 to 2019, and there were no settlements that exceeded insurance coverage in the past three years.

Note 5 Other Long-Term Obligations from Operations

Compensated Absences.

Licensed professional staff, certified employees and administrative personnel are granted twelve days discretionary leave per year. Unused discretionary leave from the prior year is rolled over into sick leave, along with unused sick leave from the prior year, up to a maximum of ninety days. Classified personnel receive nine days sick leave and two personal days per year, up to a maximum of 420 hours.

Licensed professional staff who have completed fifteen years of service with the Cooperative and are voluntarily separating from employment with the Cooperative are eligible for reimbursement of unused sick leave. There are two options to compute the compensation to be received.

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 90 days of their unused sick leave.

Option B: If the employee is eligible to retire under KPERS, but has not done so, they can receive compensation for up to 90 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%

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Notes to Financial Statements
For the Year Ended June 30, 2019

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.

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 14.59% and 13.21% , respectively, for the fiscal year ended June 30, 2019.

Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by \$64.13 million for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulated 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 first year payment of \$6.4 million was received in July 2017 and appropriations for fiscal year 2018 were made for the State/School group at the statutory contribution rate of 12.01% for that year.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194.0 million for the fiscal year ended June 30, 2019. Section 56(19) 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 2020. The level dollar amount was computed to be \$19.4 million per year.

2018 House Substitute for Senate Bill 109 provided 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.

2019 Senate Bill 9 authorized a payment of \$115 million for the KPERS School group.

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2019

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 \$535,579 (for the employee share) for the year ended June 30, 2019.

Net Pension Liability. At June 30, 2019, the Cooperative's proportionate share of the collective net pension liability reported by KPERS was \$596,776. The net pension liability was measured as of June 30, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018, which was rolled forward to June 30, 2019. Data from the June 30, 2019 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, 2019. 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 or can be obtained as described above.

Note 6 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 8 Subsequent Events

The Cooperative has evaluated subsequent events through February 19, 2020, the date which the financial statement was available to be released.

In August, 2019, the Cooperative entered into a purchase agreement with Unified School District No. 413 (one of their member districts) for the purchase of a former school building. Under this agreement, the Cooperative will pay the School District \$10,000 per year for 5 years.

A.N.W. Special Education Cooperative No. 603
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2019

	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:			
General	\$ 12,000,935	12,562,363	(561,428)
Totals	<u>12,000,935</u>	<u>12,562,363</u>	<u>(561,428)</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, 2019
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Cash Receipts				
Revenue from Local Sources				
District Contributions-Members	\$ 3,325,000	3,375,000	3,375,000	
District Contributions-State Aid Pass-Through	5,916,000	6,596,163	6,775,657	(179,494)
District Contributions-Federal Pass-Through	39,531			
Interest on Investments	523	356		356
Other Revenue From Local Sources	302,933	22,188		22,188
Total Revenue from Local Sources	<u>9,583,987</u>	<u>9,993,707</u>	<u>10,150,657</u>	(<u>156,950</u>)
Revenue from State Sources				
General State Aid	45,907	50,515		50,515
Mentor Teacher Program		7,004		7,004
Total Revenue from State Sources	<u>45,907</u>	<u>57,519</u>		<u>57,519</u>
Revenue from Federal Sources				
Title VI-B Flow-Through	1,919,030	1,349,354	1,400,000	(50,646)
Title VI-B Continuous Improvement Grant	62,162	55,145	55,000	145
Title VI-B Preschool Grant	99,292	70,538	70,559	(21)
Medicaid Title XIX	490,557	377,952	400,000	(22,048)
Other Federal Financial Assistance	307			
Total Revenue from Federal Sources	<u>2,571,348</u>	<u>1,852,989</u>	<u>1,925,559</u>	(<u>72,570</u>)
Total Cash Receipts	<u>12,201,242</u>	<u>11,904,215</u>	<u>12,076,216</u>	(<u>172,001</u>)
Expenditures and Transfers				
Instruction				
Certified Salaries	1,935,086	2,400,400	2,190,758	(209,642)
Non-Certified Salaries	2,204,356	2,067,222	2,100,000	32,778
Health Insurance	496,100	564,193	563,568	(625)
Social Security	306,617	327,990	310,000	(17,990)
Unemployment Compensation	14,432	4,996	18,000	13,004
Worker's Compensation	79,009	36,604	130,000	93,396
KPERS Working After Retirement	110,953	76,719	97,000	20,281
Instructional Program Improvement Services	395,218	447,079	380,000	(67,079)
Purchased Property Services			6,500	6,500
Telephone	6,084	6,059		(6,059)
Tuition	93,043	61,959	80,000	18,041
In-District Travel	133,334	172,301	120,000	(52,301)
Out-of-District Travel			1,000	1,000
General Supplies and Materials	45,454	49,052	56,500	7,448
Other Supplies and Materials	7,112	4,914	5,000	86
Other Food Costs	507	774	1,500	726
Textbooks	20,559	35,329	10,000	(25,329)
Software	14,443	6,619	10,000	3,381
Testing Supplies and Materials	21,971	24,775	15,000	(9,775)
Miscellaneous Supplies	125	245	1,250	1,005
Furniture and Fixtures	6,333	6,685	5,000	(1,685)
Audio-Visual	771	277	2,500	2,223
Computers & Related Equipment	101,021	49,771	75,000	25,229
Other Equipment	6,527	8,026	10,000	1,974
Total Instruction	<u>5,999,055</u>	<u>6,351,989</u>	<u>6,188,576</u>	(<u>163,413</u>)
Support Services				
Certified Salaries	1,732,151	1,954,659	1,674,436	(280,223)
Non-Certified Salaries	324,632	310,625	276,000	(34,625)
Social Security	147,081	165,127	160,000	(5,127)
Unemployment Compensation	6,450	2,103	8,100	5,997
Purchased Professional and Technical Services	37,590	76,472	50,000	(26,472)
Total Support Services	<u>2,247,904</u>	<u>2,508,986</u>	<u>2,168,536</u>	(<u>340,450</u>)

General Fund
Schedule of Receipts and Expenditures - Actual and Budget

Regulatory Basis

For the Year Ended June 30, 2019

(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
General Administration				
Certified Salaries	\$ 328,438	410,394	315,673	(94,721)
Non-Certified Salaries	192,246	207,520	215,804	8,284
Health Insurance	76,902	114,655	47,800	(66,855)
Social Security	38,689	46,048	41,530	(4,518)
Unemployment Compensation	1,847	674	3,512	2,838
Accounting	4,510	4,608	5,500	892
Collective Bargaining	169	77	5,000	4,923
Legal Services	13,795	2,433	13,500	11,067
Medical Services	790	486	3,000	2,514
Data Processing Services	6,780		9,000	9,000
Cooling Services			2,000	2,000
Electrical Services	1,320	295	1,500	1,205
Heating Services			1,000	1,000
Plumbing Services	381	85	1,000	915
Other Equipment Services	335	573	1,500	927
Liability Insurance	2,227	2,229	2,700	471
Property Insurance	11,020	10,660	10,000	(660)
Surety Bonds	300	200	500	300
Postage	6,094	6,097	8,000	1,903
Telephone	55,130	55,073	47,500	(7,573)
Printing and Binding	2,411	4,542	3,000	(1,542)
In-District Travel	7,614	14,366	10,000	(4,366)
Out-of-District Travel	12,330	11,398	14,750	3,352
Office Supplies	27,084	28,237	15,000	(13,237)
Books and Periodicals	2,996	3,274	2,000	(1,274)
Furniture and Fixtures	3,270	1,562	2,060	498
Computers & Related Equipment			1,100	1,100
Other Equipment	2,409		5,000	5,000
Total General Administration	<u>799,087</u>	<u>925,486</u>	<u>788,929</u>	<u>(136,557)</u>
Operations and Maintenance				
Part-Time Non-Certified Salaries	7,536	7,080	11,000	3,920
Social Security	376	542	637	95
Unemployment Compensation	15	9	110	101
Snow Removal Services	363	1,522	1,000	(522)
Lawn Care	3,679	3,902	2,000	(1,902)
Pest Control	77		500	500
Repairs and Maintenance	30,775	30,262	18,000	(12,262)
Rentals/Leases	26,498	35,231	35,000	(231)
Energy	5,096	6,300	5,000	(1,300)
Heating	25,907	26,306	25,000	(1,306)
Total Operations and Maintenance	<u>100,322</u>	<u>111,154</u>	<u>98,247</u>	<u>(12,907)</u>
Student Transportation				
Certified Salaries	215,544	219,199	225,000	5,801
Social Security	16,239	16,576	17,000	424
Unemployment Compensation	743	242	700	458
Other Equipment Services	7,532	14,499	15,000	501
Fleet Insurance	25,826	27,710	40,000	12,290
Parts	11,346	22,743	15,000	(7,743)
Tires	2,528	4,236	3,000	(1,236)
Motor Fuel	42,370	39,240	50,000	10,760
Vehicles (Including school buses)	36,945	79,910	95,481	15,571
Total Student Transportation	<u>359,073</u>	<u>424,355</u>	<u>461,181</u>	<u>36,826</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, 2019
(With Comparative Actual Totals for the Prior Year Ended June 30, 2018)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Actual	Budget	
Title VI-B Flow Through				
Certified Salaries	\$ 1,518,043	1,387,618	1,541,157	153,539
Non-Certified Salaries	379,792	481,591	293,550	(188,041)
Social Security	140,946	138,128	130,000	(8,128)
Unemployment Compensation	6,447	2,035	6,000	3,965
Purchased Professional and Technical Services	3,664	8,805	5,000	(3,805)
In-District Travel	1,251		1,500	1,500
General Supplies and Materials	23		500	500
Other Food Costs	462	712	1,000	288
Total Title VI-B Flow Through	<u>2,050,628</u>	<u>2,018,889</u>	<u>1,978,707</u>	<u>(40,182)</u>
Special Vocational Program				
Certified Salaries	171,266	131,120	208,959	77,839
Non-Certified Salaries	42,821	34,343	40,000	5,657
Social Security	16,548	12,531	31,000	18,469
Unemployment Compensation	643	147	500	353
Other Employee Benefits	75	36	300	264
Telephone	5,056	5,124	4,000	(1,124)
In-District Travel			2,000	2,000
General Supplies and Materials	1		1,500	1,500
Other Equipment			500	500
Total Special Vocational Program	<u>236,410</u>	<u>183,301</u>	<u>288,759</u>	<u>105,458</u>
Inservice				
Instructional Program Improvement Services	25,077	23,866	20,000	(3,866)
In-District Travel	15,284	12,785	8,000	(4,785)
Out-of-District Travel	759	1,552		(1,552)
Total Inservice	<u>41,120</u>	<u>38,203</u>	<u>28,000</u>	<u>(10,203)</u>
Total Expenditures and Transfers	<u>11,833,599</u>	<u>12,562,363</u>	<u>12,000,935</u>	<u>(561,428)</u>
Receipts Over (Under) Expenditures and Transfers	367,643	(658,148)		
Unencumbered Cash, Beginning	2,200,073	2,570,466		
Prior Year Encumbrances Cancelled	2,750			
Unencumbered Cash, Ending	<u>2,570,466</u>	<u>1,912,318</u>		

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Agency Funds
Summary of Receipts and Disbursements
Regulatory Basis
For the Year Ended June 30, 2019

<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	\$ 14,980	3,286	6,833	11,433
Cats-Can-Do Building Trades Project	3,048	9,051	8,522	3,577
Nurses' Fund	606	-	-	606
Payroll Clearing	432,507	4,272,811	4,269,770	435,548
Total Agency Funds	<u>451,141</u>	<u>4,285,148</u>	<u>4,285,125</u>	<u>451,164</u>

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit and Accounting Guide*, the statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) as of and for the year ended June 30, 2019, and have issued our report thereon dated February 19, 2020.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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

Respectfully Submitted,

Rodney M. Burns, CPA, LLC

February 19, 2020

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

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, (the Cooperative) with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Cooperative's major federal programs for the year ended June 30, 2019. The Cooperative's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management Responsibility

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

Auditor's Responsibility

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

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

Opinion on Each Major Federal Program

In our opinion, the Cooperative, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

Report on Internal Control over Compliance

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

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

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

Purpose of this Report

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

February 19, 2020

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2019

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

Federal Awards:

Internal control over major programs:

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

The 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	_____	X	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	_____	X	No
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II. Financial Statement Findings

None.

III. Federal Award Findings and Questioned Costs

None.

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2019

<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	1,404,499	1,404,499 (1)
Special Education-Preschool Grants	DO603	84.173	70,538	70,538 (1)
Total U.S. Department of Education			<u>1,475,037</u>	<u>1,475,037</u>
Total Federal Awards			<u><u>1,475,037</u></u>	<u><u>1,475,037</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.