

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2019

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

FINANCIAL STATEMENTS
For the fiscal year ended June 30, 2019

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SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

FINANCIAL SECTION



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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of Southwest Plains Regional Service Center, Unified School District No. 626, as of and for the fiscal year ended June 30, 2019 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

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

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the 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.

To the Board of Directors
Southwest Plains Regional Service Center
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the financial statement, the financial statement is prepared by Southwest Plains Regional Service Center, Unified School District No. 626, 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 Southwest Plains Regional Service Center, Unified School District No. 626, 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 Southwest Plains Regional Service Center, Unified School District No. 626, 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 Matters

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules

To the Board of Directors
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of regulatory basis receipts and expenditures-actual and budget (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The schedule of expenditures of federal awards (Schedule 3 as listed in the table of contents) is presented for analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is 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.

We also previously audited, in accordance with auditing standards generally accepted in the United States of America, the basic financial statement of Southwest Plains Regional Service Center, Unified School District No. 626, as of and for the year ended June 30, 2018 (not presented herein), and have issued our report thereon dated October 8, 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 basic financial statement. The 2018 comparative information was subjected to the auditing procedures applied in the audit of the 2018 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 2018 basic financial statement or to the 2018 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 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.

To the Board of Directors
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Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 14, 2019, on our consideration of Southwest Plains Regional Service Center's, Unified School District No. 626, 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 Southwest Plains Regional Service Center's, Unified School District No. 626, internal control over financial reporting and compliance.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

October 14, 2019

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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

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

We have audited, in accordance with the auditing standards generally accepted in the United States of America, the *Kansas Municipal Audit and Accounting Guide*, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of Southwest Plains Regional Service Center, Unified School District No. 626, as of and for the fiscal year ended June 30, 2019, and the related notes to the financial statement, which collectively comprise Southwest Plains Regional Service Center's, Unified School District No. 626, basic financial statement, and have issued our report thereon dated October 14, 2019, which was qualified because Southwest Plains Regional Service Center, Unified School District No. 626, prepares its financial statements 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.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Service Center'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 opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Service Center's internal control. Accordingly, we do not express an opinion on the effectiveness of the Service Center's internal control.

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

To the Board of Directors
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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 Southwest Plains Regional Service Center's, Unified School District No. 626, financial statement is free from 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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as item 2019-01.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

October 14, 2019

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Statement 1

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
REGULATORY BASIS
 For the fiscal year ended June 30, 2019

<u>Funds</u>	<u>Beginning</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending</u> <u>Unencumbered</u> <u>Cash Balance</u>	<u>Add</u> <u>Encumbrances</u> <u>& Accounts</u> <u>Payable</u>	<u>Ending</u> <u>Cash</u> <u>Balance</u>
General Fund:						
General	\$ 416,957	\$ 613,510	\$ 652,535	\$ 377,932	\$ 3,214	\$ 381,146
Special Purpose Funds:						
Instructional Services	497,028	1,898,305	1,866,836	528,497	5,542	534,039
Capital Outlay	173,943	21,238	17,884	177,297	-	177,297
Community Learning Centers	156,649	264,277	283,955	136,971	52	137,023
Grant Writing Center	42,180	160,516	156,164	46,532	62	46,594
Migrant Services	4,500	990,000	994,500	-	101,606	101,606
Title III	-	64,641	64,641	-	161	161
Perkins Grant	-	102,509	102,509	-	-	-
KLN Priority	(155,190)	1,064,122	1,322,254	(413,322)	677	(412,645)
Contingency	1,451,606	300,000	-	1,751,606	-	1,751,606
Link-Striving Leaders	-	759,017	939,577	(180,560)	75,105	(105,455)
Discretionary Funds	11,979	-	-	11,979	-	11,979
KLN Grant	<u>735</u>	<u>-</u>	<u>735</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Reporting Entity	<u>\$2,600,387</u>	<u>\$6,238,135</u>	<u>\$6,401,590</u>	<u>\$2,436,932</u>	<u>\$186,419</u>	<u>\$2,623,351</u>

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Statement 1
(Continued)

SUMMARY STATEMENT OF RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH – REGULATORY BASIS

For the fiscal year ended June 30, 2019

Composition of Cash:	
Investments and Time Deposits:	
Money market	\$2,582,731
Cash in Checking:	
General Account	29,930
Electronic Account	9,190
Building Account	<u>1,500</u>
Total Reporting Entity	<u>\$2,623,351</u>

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

Note 1: Summary of Significant Accounting Policies

Municipal Financial Reporting Entity

Southwest Plains Regional Service Center, Unified School District No. 626, is a municipal corporation governed by an appointed eight member board of directors. This regulatory financial statement presents only Southwest Plains Regional Service Center, Unified School District No. 626 (the municipality).

Fund Descriptions

In governmental accounting, 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.

Regulatory Basis Fund Types

The following regulatory basis fund types comprise the financial activities of the Service Center for the fiscal year ended June 30, 2019:

Governmental Funds:

General Fund – The Chief Operating Fund – used to account for all resources except those required to be accounted for in another fund.

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

Fiduciary Funds:

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

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Basis of Accounting

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

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

The municipality 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 municipality to use the regulatory basis of accounting.

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General capital assets that account for the land, buildings and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes and compensated absences are not presented in the financial statements.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019
(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Other Accounting Policies

Cash and Time Deposits

These liquid assets are shown in aggregate. K.S.A. 12-1671 and 12-1672 allow these assets to be shown in aggregate.

Time deposits are carried at cost plus accrued interest. The carrying amount of deposits is separately displayed as "cash and time deposits".

General Fixed Assets

General fixed assets purchased are recorded as expenditures at the time of purchase, except for assets acquired with federally assisted funds.

Vouchers Payable

Vouchers payable are classified on the basis of a claim for payment resulting from legal title to property.

Encumbrances

Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of funds are recorded in order to reserve that portion of the applicable appropriation, is employed in the governmental funds.

In addition, encumbrances do constitute expenditures of a fund.

Unencumbered Cash Balances

The unencumbered cash balance is the unobligated resources of cash and time deposits of a fund.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 1: Summary of Significant Accounting Policies (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), bond and interest funds, and business funds.

All legal annual operating budgets are prepared using the regulatory basis of accounting, in which regulatory receipts are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for the prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year end.

The budget law K.S.A. 79-2925 applies to taxing subdivisions or municipalities. Several funds exceed their budget, but because the Southwest Plains Regional Service Center, Unified School District No. 626, does not directly levy a tax, it is not subject to the budget law. The budget adopted by the Service Center is a management tool, which is used to establish the Service Center's internal spending limits.

Note 2: Stewardship, Compliance and Accountability

Compliance with Kansas Statutes

Contrary to the provisions of K.S.A. 10-1113, the following funds had a deficit cash balance as of June 30, 2019:

KLN Priority	\$ (412,645)
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Authorized Over-Encumbered Cash Balance – Federal Funds

K.S.A. 12-1664 authorizes the financing from local sources for expenditures to be reimbursed by the federal government.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 3: Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by Southwest Plains Regional Service Center, Unified School District No. 626. The statute requires banks eligible to hold the Service Center's funds have a main or branch bank in the county in which Southwest Plains Regional Service Center, Unified School District No. 626, is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. Southwest Plains Regional Service Center, Unified School District No. 626, has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits Southwest Plains Regional Service Center's, Unified School District No. 626, investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. Southwest Plains Regional Service Center, Unified School District No. 626, has no investment policy that would further limit its investment choices.

Concentration of Credit Risk – State statutes place no limit on the amount Southwest Plains Regional Service Center, Unified School District No. 626, may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk – Deposits – Custodial credit risk is the risk that in the event of a bank failure, Southwest Plains Regional Service Center's, Unified School District No. 626, deposits may not be returned to it. State statutes require Southwest Plains Regional Service Center's, Unified School District No. 626, 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%. All deposits were legally secured at June 30, 2019.

At June 30, 2019, Southwest Plains Regional Service Center's, Unified School District No. 626, carrying amount of deposits was \$2,623,351 and the bank balance was \$3,117,475.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019
 (Continued)

Note 3: Deposits and Investments (Continued)

The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$250,000 was covered by federal depository insurance and \$2,867,475 was collateralized with securities held by the pledging financial institutions' agents in Southwest Plains Regional Service Center's, Unified School District No. 626, name.

Custodial Credit Risk – Investments – For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, Southwest Plains Regional Service Center, Unified School District No. 626, 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.

Note 4: Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
KLN Grant	General	\$ 735
Instructional Services	Contingency	200,000
Community Learning Centers	Contingency	50,000
Grant Writing Center	Contingency	50,000

Note 5: Defined Benefit Pension Plan

General Information about the Pension Plan

Plan Description

Southwest Plains Regional Service Center, Unified School District No. 626, 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.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 5: Defined Benefit Pension Plan (Continued)

Contributions

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

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate and the statutory contribution rate (not including the 1% contribution rate for the Death and Disability Program) was 16.38% and 12.01%, respectively, for the fiscal year ended June 30, 2018. The actuarially determined employer contribution rate and the statutory contribution rate was 14.59% and 13.21% 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 \$64,130,234 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 dollars per year. The first year payment of \$6.4 million was received in July 2017.

Per 2017 Senate Substitute for House Bill 2002, Section 51(a), state general fund employer contributions to KPERS were decreased by \$194,022,683 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.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 5: Defined Benefit Pension Plan

Contributions (Continued)

The State of Kansas contributed 13.21% of covered payroll during fiscal year 2019, excluding the Group Death & Disability Insurance rate. During fiscal year 2020, the State of Kansas will contribute 14.41% of covered payroll. The State of Kansas contribution to KPERs due for all school municipalities for the year ending June 30, 2019, was \$505,224,160. K.S.A. 74-4920(18) established deferred contributions of \$194,022,683 for a portion of the fiscal year 2019 school municipalities' contributions. The contributions will be paid in 20 annual level payments of \$19.4 million beginning in fiscal year 2020.

Net Pension Liability

At June 30, 2019, the Service Center's proportionate share of the collective net pension liability reported by KPERs was \$250,110. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017, which was rolled forward to June 30, 2018. The Service Center's proportion of the net pension liability was based on the ratio of the Service Center'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, 2018. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

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

Note 6: Other Long-Term Obligations from Operations

Compensated Absences

Vacation and Sick Pay

All full time classified and certified employees receive ten days of sick leave, unless otherwise negotiated. Sick leave can be accumulated for up to 35 days for classified staff and up to 50 days for certified staff, but employees are not compensated for unused sick leave.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019
(Continued)

Note 6: Other Long-Term Obligations from Operations (Continued)

Compensated Absences (Continued)

Vacation and Sick Pay (Continued)

All full time classified and certified staff employed before July 1, 2010 receive a day of paid vacation per month. Staff members with 10 years or more of service receive three (3) weeks vacation. All full time classified staff employed after July 1, 2010 receive 4 days paid vacation the first year and receive an additional day for each year of service. Vacation time not taken within the period of accrual is neither subject to reimbursement, nor to carry over to the next fiscal year.

Salary Reduction Plan

Southwest Plains Regional Service Center, Unified School District No. 626, has adopted a 403B and/or 457 elective salary reduction plan. The plan transactions for the year ended June 30, 2019 are as follows:

Beginning balance	\$ 456,082
Contributions	34,539
Withdrawals	(116,748)
Change in value	<u>13,073</u>
Ending balance	<u>\$ 386,946</u>

Other Post Employment Benefits

As provided by K.S.A. 12-5040, Southwest Plains Regional Service Center, Unified School District No. 626, allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, Southwest Plains Regional Service Center, Unified School District No. 626, is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in this financial statement.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

(Continued)

Note 6: Other Long-Term Obligations from Operations (Continued)

Other Post Employment Benefits (Continued)

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), Southwest Plains Regional Service Center, Unified School District No. 626, makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured.

Death and Disability Other Post Employment Benefits

As provided by K.S.A. 74-4927, disabled members in the Kansas Public Employees Retirement System (KPERS) receive long-term disability benefits and life insurance benefits. The plan is administered through a trust held by KPERS that is funded to pay annual benefit payments. The employer contribution rate is set at 1% for the year ended June 30, 2019.

Note 7: Contingent Liabilities

Southwest Plains Regional Service Center, Unified School District No. 626, participates in a number of federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives for audits of these programs for or including the year ending June 30, 2019. These compliance audits have not been conducted as of October 14, 2019. Accordingly, the Service Center's compliance with applicable grant agreements will be established at some future date. The amount of expenditures, which may be disallowed by the grantor agencies, cannot be determined at this time, although the Service Center expects such amounts, if any, to be immaterial.

Note 8: Operating Leases

Southwest Plains Regional Service Center, Unified School District No. 626, is entered into several real estate leases that are renewed annually.

Note 9: Subsequent Events

Southwest Plains Regional Service Center, Unified School District No. 626, management has evaluated events and transactions through October 14, 2019, the date which the financial statement was available to be issued.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019
 (Continued)

Note 10: Long-Term Debt

Changes in long-term liabilities for Southwest Plains Regional Service Center, Unified School District No. 626, for the fiscal year ended June 30, 2019 were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>	<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
Capital Leases Payable:									
2017 Honda Accord	8.30%	06/01/17	\$ 22,370	07/01/21	\$ 12,028	\$ -	\$ 5,765	\$ 6,263	\$ 786
2017 Honda Accord	8.30%	06/01/17	22,370	07/01/21	12,028	-	5,765	6,263	786
2018 Honda CR-V	7.30%	06/28/18	29,220	05/27/22	22,557	-	6,685	15,872	1,356
2018 Honda CR-V	7.30%	06/28/18	29,220	05/27/22	22,557	-	6,685	15,872	1,356
2018 Honda CR-V	7.30%	06/28/18	29,220	05/27/22	22,557	-	6,685	15,872	1,356
2018 Honda CR-V	7.30%	06/28/18	27,990	05/27/22	21,605	-	6,977	14,628	1,421
2018 Honda CR-V	7.30%	06/28/18	27,990	05/27/22	21,605	-	6,977	14,628	1,421
2018 Honda CR-V	7.30%	06/28/18	27,990	05/27/22	21,605	-	6,977	14,628	1,421
2019 Honda CR-V	3.70%	06/20/19	26,470	06/20/23	-	26,470	7,598	18,872	-
2019 Honda CR-V	3.70%	06/20/19	26,470	06/20/23	-	<u>26,470</u>	<u>7,598</u>	<u>18,872</u>	-
Total Contractual Indebtedness					<u>\$156,542</u>	<u>\$ 52,940</u>	<u>\$ 67,712</u>	<u>\$141,770</u>	<u>\$ 9,903</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2019
 (Continued)

Note 10: Long-Term Debt (Continued)

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

	<u>6-30-20</u>	<u>6-30-21</u>	<u>6-30-22</u>	<u>Total</u>
Principal:				
Capital leases payable	\$ 67,640	\$ 59,930	\$ 14,200	\$141,770
Interest:				
Capital leases payable	<u>9,967</u>	<u>4,581</u>	<u>996</u>	<u>15,544</u>
Total Principal and Interest	<u>\$ 77,607</u>	<u>\$ 64,511</u>	<u>\$ 15,196</u>	<u>\$157,314</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

REGULATORY-REQUIRED
SUPPLEMENTARY INFORMATION

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 1

SUMMARY OF EXPENDITURES – ACTUAL AND BUDGET
REGULATORY BASIS

For the fiscal year ended June 30, 2019

<u>Funds</u>	<u>Total</u> <u>Budget for</u> <u>Comparison</u>	<u>Expenditures</u> <u>Chargeable to</u> <u>Current Year</u>	<u>Variance</u> <u>Over</u> <u>(Under)</u>
General Fund:			
General	\$ 677,886	\$ 652,535	\$ (25,351)
Special Purpose Funds:			
Instructional Services	1,491,356	1,866,836	375,480
Capital Outlay	7,000	17,884	10,884
Community Learning Centers	347,766	283,955	(63,811)
Grant Writing Center	101,734	156,164	54,430
Migrant Services	994,500	994,500	-
Title III	64,641	64,641	-
Perkins Grant	102,509	102,509	-
KLN Priority	1,414,946	1,322,254	(92,692)
Link-Striving Leaders	1,075,000	939,577	(135,423)

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2

SCHEDULES OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2019

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-1

GENERAL FUND
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	Actual	Budget	Variance Over (Under)	Prior Year Actual
<u>Receipts</u>				
LEA tuition	\$193,500	\$189,000	\$ 4,500	\$188,500
Consulting services	40,186	10,000	30,186	8,340
Interest on investments	6,868	6,000	868	6,761
Indirect fees	361,587	323,296	38,291	341,329
Other receipts	10,424	12,000	(1,576)	9,358
Federal aid	210	-	210	1,930
Operating Transfers:				
KLN Grant	735	-	735	-
Instructional Services	-	50,000	(50,000)	50,000
Mental Health Grant	-	-	-	5,000
	-	-	-	5,000
 Total Receipts	 \$613,510	 \$590,296	 \$ 23,214	 \$611,218
 <u>Expenditures</u>				
Salaries	\$326,246	\$318,948	\$ 7,298	\$300,252
Employees' Benefits	39,102	41,703	(2,601)	42,739
Purchased professional services	151,893	143,835	8,058	169,994
Purchased property services	14,209	22,200	(7,991)	18,918
Other purchased services	78,937	105,700	(26,763)	91,657
Supplies and materials	27,465	30,500	(3,035)	28,236
Property	-	-	-	88
Other	14,683	15,000	(317)	14,173
	-	-	-	88
 Total Expenditures	 \$652,535	 \$677,886	 \$ (25,351)	 \$666,057
 Receipts Over (Under) Expenditures	 \$ (39,025)			 \$ (54,839)
 Unencumbered Cash, Beginning	 416,957			 471,796
 Unencumbered Cash, Ending	 \$377,932			 \$416,957

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-2

INSTRUCTIONAL SERVICES
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
<u>Receipts</u>				
Instructional Tools	\$ 211,215	\$ 149,450	\$ 61,765	\$ 166,883
Workshops	487,060	494,750	(7,690)	702,493
Consulting	53,595	31,870	21,725	732,460
Other receipts	1,141,158	1,277,200	(136,042)	42,650
State aid	4,865	-	4,865	-
Federal aid	412	-	412	1,741
 Total Receipts	 <u>\$1,898,305</u>	 <u>\$1,953,270</u>	 <u>\$ (54,965)</u>	 <u>\$1,646,227</u>
 <u>Expenditures</u>				
Salaries	\$1,047,317	\$1,016,485	\$ 30,832	\$ 796,805
Employees' Benefits	157,488	146,855	10,633	130,443
Purchased professional services	49,770	28,200	21,570	28,545
Other purchased services	30,606	28,466	2,140	26,344
Supplies and materials	340,052	232,850	107,202	281,987
Property	11,315	7,500	3,815	11,522
Other	30,288	31,000	(712)	40,825
Operating Transfers:				
General	-	-	-	50,000
Contingency	200,000	-	200,000	200,000
 Total Expenditures	 <u>\$1,866,836</u>	 <u>\$1,491,356</u>	 <u>\$ 375,480</u>	 <u>\$1,566,471</u>
 Receipts Over (Under) Expenditures	 \$ 31,469			 \$ 79,756
 Unencumbered Cash, Beginning	 497,028			 417,272
 Unencumbered Cash, Ending	 <u>\$ 528,497</u>			 <u>\$ 497,028</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-3

CAPITAL OUTLAY
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year		Variance	Prior
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Sale of vehicle	\$ 21,238	\$ <u>5,000</u>	\$ <u>16,238</u>	\$ -
<u>Expenditures</u>				
Property	<u>17,884</u>	\$ <u>7,000</u>	\$ <u>10,884</u>	<u>5,210</u>
Receipts Over (Under) Expenditures	\$ 3,354			\$ (5,210)
Unencumbered Cash, Beginning	<u>173,943</u>			<u>179,153</u>
Unencumbered Cash, Ending	<u>\$177,297</u>			<u>\$173,943</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-4

COMMUNITY LEARNING CENTERS
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	<u>Current Year</u>		<u>Variance</u> <u>Over</u> <u>(Under)</u>	<u>Prior</u> <u>Year</u> <u>Actual</u>
	<u>Actual</u>	<u>Budget</u>		
<u>Receipts</u>				
Member LEA receipts	<u>\$264,277</u>	<u>\$268,000</u>	<u>\$ (3,723)</u>	<u>\$464,199</u>
<u>Expenditures</u>				
Salaries	\$161,397	\$164,450	\$ (3,053)	\$209,983
Employees' Benefits	29,945	33,854	(3,909)	57,975
Purchased property services	-	-	-	6,600
Other purchased services	25,211	26,750	(1,539)	24,445
Supplies and materials	741	2,500	(1,759)	2,112
Property	885	400	485	-
Other	15,776	19,812	(4,036)	62,667
Operating Transfers:				
Contingency	<u>50,000</u>	<u>100,000</u>	<u>(50,000)</u>	<u>100,000</u>
Total Expenditures	<u>\$283,955</u>	<u>\$347,766</u>	<u>\$ (63,811)</u>	<u>\$463,782</u>
Receipts Over (Under) Expenditures	\$ (19,678)			\$ 417
Unencumbered Cash, Beginning	<u>156,649</u>			<u>156,232</u>
Unencumbered Cash, Ending	<u>\$136,971</u>			<u>\$156,649</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-5

GRANT WRITING CENTER
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
<u>Receipts</u>				
Services provided LEA	\$160,516	\$168,000	\$ (7,484)	\$ 37,834
<u>Expenditures</u>				
Salaries	\$ 82,905	\$ 82,036	\$ 869	\$ 69,447
Employees' Benefits	13,748	13,698	50	12,314
Other purchased services	9,511	6,000	3,511	4,973
Supplies and materials	-	-	-	32
Operating Transfers:				
Contingency	50,000	-	50,000	-
Total Expenditures	\$156,164	\$101,734	\$ 54,430	\$ 86,766
Receipts Over (Under) Expenditures	\$ 4,352			\$ (48,932)
Unencumbered Cash, Beginning	42,180			91,112
Unencumbered Cash, Ending	\$ 46,532			\$ 42,180

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-6

MIGRANT SERVICES
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year		Variance	Prior
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
<u>Receipts</u>			<u>(Under)</u>	<u>Actual</u>
Federal aid	\$990,000	\$990,000	-	\$994,500
 <u>Expenditures</u>				
Salaries	\$523,220	\$592,608	\$ (69,388)	\$541,426
Employees' Benefits	98,230	127,642	(29,412)	102,166
Purchased professional services	75,817	22,510	53,307	50,380
Purchased property services	17,830	16,740	1,090	17,829
Other purchased services	199,290	163,500	35,790	186,380
Supplies and materials	30,583	14,000	16,583	21,819
Property	30	8,000	(7,970)	19,990
Other	49,500	49,500	-	50,010
Total Expenditures	\$994,500	\$994,500	-	\$990,000
Receipts Over (Under) Expenditures	\$ (4,500)			\$ 4,500
Unencumbered Cash, Beginning	4,500			-
Unencumbered Cash, Ending	-			\$ 4,500

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-7

TITLE III
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year		Variance	Prior
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
			<u>(Under)</u>	<u>Actual</u>
<u>Receipts</u>				
Federal aid	\$ <u>64,641</u>	\$ <u>64,641</u>	<u>-</u>	\$ <u>57,481</u>
<u>Expenditures</u>				
Purchased professional services	\$ 37,502	\$ 63,348	\$ (25,846)	\$ 39,773
Supplies and materials	25,846	-	25,846	16,559
Other	<u>1,293</u>	<u>1,293</u>	<u>-</u>	<u>1,149</u>
Total Expenditures	\$ <u>64,641</u>	\$ <u>64,641</u>	<u>-</u>	\$ <u>57,481</u>
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	<u>-</u>			<u>-</u>
Unencumbered Cash, Ending	<u>-</u>			<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-8

PERKINS GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
<u>Receipts</u>				
Federal aid	\$102,509	\$102,509	-	\$ 86,344
<u>Expenditures</u>				
Salaries	\$ 7,199	\$ 4,500	\$ 2,699	\$ 4,713
Purchased professional services	29,008	27,500	1,508	26,227
Other purchased services	13,921	14,898	(977)	10,653
Supplies and materials	47,256	50,486	(3,230)	40,434
Other	5,125	5,125	-	4,317
Total Expenditures	\$102,509	\$102,509	-	\$ 86,344
Receipts Over (Under) Expenditures	-			-
Unencumbered Cash, Beginning	-			-
Unencumbered Cash, Ending	-			-

UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-9

KLN PRIORITY
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
For the fiscal year ended June 30, 2019
(with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
<u>Receipts</u>				
Contracted services	\$ <u>1,064,122</u>	\$ <u>1,414,946</u>	\$ <u>(350,824)</u>	\$ <u>746,141</u>
<u>Expenditures</u>				
Salaries	\$ 741,467	\$ 731,889	\$ 9,578	\$ 520,670
Employees' Benefits	101,217	117,985	(16,768)	71,043
Purchased professional services	223,190	359,979	(136,789)	13,052
Other purchased services	174,672	140,000	34,672	155,732
Supplies and materials	18,777	12,000	6,777	19,213
Property	-	-	-	2,106
Other	<u>62,931</u>	<u>53,093</u>	<u>9,838</u>	<u>39,372</u>
Total Expenditures	\$ <u>1,322,254</u>	\$ <u>1,414,946</u>	\$ <u>(92,692)</u>	\$ <u>821,188</u>
Receipts Over (Under) Expenditures	\$ (258,132)			\$ (75,047)
Unencumbered Cash, Beginning	<u>(155,190)</u>			<u>(80,143)</u>
Unencumbered Cash, Ending	\$ <u>(413,322)</u>			\$ <u>(155,190)</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-10

CONTINGENCY
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year		Variance	Prior
	<u>Actual</u>	<u>Budget</u>	<u>Over</u>	<u>Year</u>
<u>Receipts</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>	<u>Actual</u>
Operating Transfers:				
Instructional Services	\$ 200,000	\$200,000	-	\$ 200,000
Grant Writing	50,000	50,000	-	-
Community Learning Centers	50,000	50,000	-	100,000
Total Receipts	\$ 300,000	\$300,000	-	\$ 300,000
<u>Expenditures</u>	-	-	-	-
Receipts Over (Under) Expenditures	\$ 300,000			\$ 300,000
Unencumbered Cash, Beginning	1,451,606			1,151,606
Unencumbered Cash, Ending	\$1,751,606			\$1,451,606

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-11

LINK-STRIVING LEADERS
SCHEDULE OF RECEIPTS AND EXPENDITURES
ACTUAL AND BUDGET – REGULATORY BASIS
 For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	Current Year			
	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>	<u>Prior Year Actual</u>
<u>Receipts</u>				
Federal aid	\$ <u>759,017</u>	\$ <u>759,017</u>	<u>-</u>	<u>-</u>
<u>Expenditures</u>				
Salaries	\$ 245,274	\$ 297,400	\$ (52,126)	-
Employee Benefits	1,901	3,956	(2,055)	-
Purchased professional services	362,475	385,283	(22,808)	-
Other purchased services	62,921	58,730	4,191	-
Supplies and materials	239,380	298,320	(58,940)	-
Other	<u>27,626</u>	<u>31,311</u>	<u>(3,685)</u>	<u>-</u>
Total Expenditures	\$ <u>939,577</u>	\$ <u>1,075,000</u>	\$ <u>(135,423)</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ (180,560)			-
Unencumbered Cash, Beginning	<u>-</u>			<u>-</u>
Unencumbered Cash, Ending	\$ <u>(180,560)</u>			<u>-</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2
(Continued)

SCHEDULES OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS
For the fiscal year ended June 30, 2019

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-12

MENTAL HEALTH GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	<u>6-30-19</u>	<u>6-30-18</u>
<u>Receipts</u>	-	\$ -
<u>Expenditures</u>		
Operating Transfers:		
General Fund	<u>-</u>	<u>5,000</u>
Receipts Over (Under) Expenditures	-	\$ (5,000)
Unencumbered Cash, Beginning	<u>-</u>	<u>5,000</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-13

DISCRETIONARY FUNDS
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2019
(with comparative actual totals for the prior year ended June 30, 2018)

	<u>6-30-19</u>	<u>6-30-18</u>
<u>Receipts</u>	-	\$ -
<u>Expenditures</u>		
Salaries	<u>-</u>	<u>2,662</u>
Receipts Over (Under) Expenditures	\$ -	\$ (2,662)
Unencumbered Cash, Beginning	<u>11,979</u>	<u>14,641</u>
Unencumbered Cash, Ending	<u>\$ 11,979</u>	<u>\$ 11,979</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 2-14

MIGRANT SURFACE PRO PROJECT
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2019
(with comparative actual totals for the prior year ended June 30, 2018)

	<u>6-30-19</u>	<u>6-30-18</u>
<u>Receipts</u>		
Federal aid	-	\$ 9,400
<u>Expenditures</u>		
Supplies and materials	<u>-</u>	<u>9,400</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>-</u></u>	<u><u>-</u></u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 2-15

KLN GRANT
SCHEDULE OF RECEIPTS AND EXPENDITURES
REGULATORY BASIS

For the fiscal year ended June 30, 2019
 (with comparative actual totals for the prior year ended June 30, 2018)

	<u>6-30-19</u>	<u>6-30-18</u>
<u>Receipts</u>	\$ -	-
<u>Expenditures</u>		
Operating Transfers:		
General Fund	<u>735</u>	<u>-</u>
Receipts Over (Under) Expenditures	\$ (735)	\$ -
Unencumbered Cash, Beginning	<u>735</u>	<u>735</u>
Unencumbered Cash, Ending	<u>-</u>	\$ <u>735</u>

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

SUPPLEMENTARY INFORMATION

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

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

Report on Compliance for Each Major Federal Program

We have audited Southwest Plains Regional Service Center's, Unified School District No. 626, compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of Southwest Plains Regional Service Center's, Unified School District No. 626, major federal programs for the fiscal year ended June 30, 2019. Southwest Plains Regional Service Center's, Unified School District No. 626, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Southwest Plains Regional Service Center's, Unified School District No. 626, major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with the *Kansas Municipal Audit and Accounting Guide*; auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Service Center's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

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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 on Southwest Plains Regional Service Center's, Unified School District No. 626, compliance.

Opinion on Each Major Federal Program

In our opinion, Southwest Plains Regional Service Center, Unified School District No. 626, 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 fiscal year ended June 30, 2019.

Other Matters

The results of our auditing procedures disclosed other instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2019-1. Our opinion on each major federal program is not modified with respect to these matters.

Southwest Plains Regional Service Center, Unified School District No. 626, response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. Southwest Plains Regional Service Center, Unified School District No. 626, response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of Southwest Plains Regional Service Center, Unified School District No. 626, 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 Service Center'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 Southwest Plains Regional Service Center's, Unified School District No. 626, internal control over compliance.

To the Board of Directors
Southwest Plains Regional Service Center
Unified School District No. 626
Sublette, Kansas 67877

Page 3

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.

Hay•Rice & Associates, Chartered

Hay•Rice & Associates, Chartered

October 14, 2019

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 626
 Sublette, Kansas

Schedule 3

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 For the fiscal year ended June 30, 2019

<u>Federal Grantor/Pass Through Grantor</u>	<u>Federal</u>	
<u>Program Title</u>	<u>CFDA</u>	<u>Expenditures</u>
	<u>Number</u>	
U. S. Department of Education – Pass Through Kansas Department of Education:		
** Title I-Migrant	84.011	\$ 990,000
Title VI-Part B IDEA	84.027	360
Program Improvement	84.048	102,509
English Language Acquisition	84.365	64,641
Title II-Improving Teacher Quality	84.367	600
Title VI-State Assessments	84.369	261
** Link-Striving Leaders	84.371	<u>759,017</u>
 Total Expenditures of Federal Awards		 <u>\$1,917,388</u>

** Major Programs.

See accompanying notes to schedule of expenditures of federal awards.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the fiscal year ended June 30, 2019

Note A: Basis of Presentation

The accompanying schedule of expenditures of federal awards (Schedule 3) includes the federal award activity of Southwest Plains Regional Service Center, Unified School District No. 626, under programs of the federal government for the fiscal year ended June 30, 2019. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Southwest Plains Regional Service Center, Unified School District No. 626, it is not intended to and does not present the aggregate cash and unencumbered cash balances and receipts and expenditures of Southwest Plains Regional Service Center, Unified School District No. 626.

Note B: Summary of Significant Accounting Policies

Expenditures reported on the accompanying Schedule of Expenditures of Federal Awards are reported on the regulatory basis of accounting, which are accounting practices prescribed by the State of Kansas and are described in Note 1 to the School District's regulatory basis financial statement.

Note C: Indirect Cost Rate

Southwest Plains Regional Service Center, Unified School District No. 626, has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 4

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

For the fiscal year ended June 30, 2019

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unmodified opinion on the regulatory basis financial statements of Southwest Plains Regional Service Center, Unified School District No. 626.
2. No significant deficiencies were disclosed during the audit of the financial statements that would be required to be reported in the 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*. No material weaknesses are reported.
3. No instances of noncompliance material to the financial statements of Southwest Plains Regional Service Center, Unified School District No. 626, were disclosed during the audit.
4. No significant deficiencies in internal control over major federal award programs were disclosed during that audit that would be required to be reported in the Independent Auditor's Report on Compliance for Each Major Program and on Internal Control over Compliance Required by the Uniform Guidance. No material weaknesses are reported.
5. The auditor's report on compliance for the major federal award programs for Southwest Plains Regional Service Center, Unified School District No. 626, expresses an unmodified opinion on all major federal programs.
6. Audit findings that are required to be reported in accordance with 2 CFR Section 200.516(a) are reported in the schedule.
7. The programs tested as major programs were:
 - Title I Migrant Grant CFDA #84.011
 - Link-Striving Leaders CFDA #84.371
8. The threshold for determining type A and B programs was \$750,000.
9. Southwest Plains Regional Service Center, Unified School District No. 626, did not qualify as a low-risk auditee.

SOUTHWEST PLAINS REGIONAL SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 626
Sublette, Kansas

Schedule 4
(Continued)

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
For the fiscal year ended June 30, 2019

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None.

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

Department of Education

2019-01. Link-Striving Leaders – CFDA #84.371

Condition – Sole source funding reports or time and effort reports were not completed.

Criteria – Grantees are required to complete either sole source funding reports or time and effort reports on payroll paid with this grant.

Effect – Payroll expenses may be improperly charged to this grant.

Context – All applicable employees were selected. None had the proper form completed.

Recommendation – Southwest Plains Regional Service Center, Unified School District No. 626, should ensure that the proper forms are completed.

Views of Responsible Officials and Planned Corrective Actions – Southwest Plains Regional Service Center, Unified School District No. 626, agrees with the finding and is in the process of implementing this procedure.