

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, 2011

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Special Financial Statements  
For the Fiscal Year Ended June 30, 2011

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INDEPENDENT AUDITOR'S REPORT

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

We have audited the summary statement of cash 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, 2011. This financial statement is the responsibility of the Cooperative's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, 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 Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in Note 1, A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, has prepared this financial statement using accounting practices prescribed by the State of Kansas which demonstrates compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

The financial statement referred to above includes only the primary government of the Cooperative, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the Cooperative's legal entity. The financial statement does not include the financial data of any legally separate component units which accounting principles generally accepted in the United States of America require to be reported with the financial data of the Cooperative's primary government.

In our opinion, because of the Cooperative's policy to prepare its financial statement on the basis of accounting discussed in the preceding two paragraphs, 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, 2011, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balances of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2011, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 28, 2012, on our consideration of A.N.W. Special Education Cooperative No. 603's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds (Schedule 1, 2, and 3, as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statement. This information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the 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 financial statement taken as a whole.

The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas. This supplemental information has been subjected to the auditing procedures applied in the audit of the statutory basis financial statement, and, in our opinion, is fairly stated, in all material respects in relation to the statutory basis financial statement taken as a whole, on the basis of accounting described in Note 1.

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

Respectfully Submitted,

*Schlotterbeck and Burns, LLC*

March 28, 2012

A.N.W. Special Education Cooperative No. 603  
 Summary of Receipts, Expenditures, and Unencumbered Cash  
 Regulatory Basis  
 For the Year Ended June 30, 2011

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	\$ 3,666,030	10,485,904	10,857,907	3,294,027	3,460	3,297,487
Total Primary Government (1)	<u>3,666,030</u>	<u>10,485,904</u>	<u>10,857,907</u>	<u>3,294,027</u>	<u>3,460</u>	<u>3,297,487</u>
Composition of Cash:						
Cash and Cash Items on Hand						30
Demand Deposits						3,308,210
Petty Cash Advance						700
Less: Agency Funds per Statement 4						( 11,455)
Adjustment for Rounding						<u>2</u>
Total Primary Government (1)						<u>3,297,487</u>

(1) Excluding Agency Funds

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

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**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 types of funds comprise the financial activities of the Cooperative for the year ending June 30, 2011:

Governmental Funds:

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

**C. Basis of Accounting**

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund. Cash disbursements are recognized when the cash balance of a fund is decreased. For an interfund transaction, a cash disbursement is recorded in the fund from which the cash is transferred. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services, and are usually evidenced by a purchase order or written contract.

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, 2011

Departure from Generally Accepted Accounting Principles

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 non-cash assets such as receivables, inventories and prepaid expenses, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, 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 generally accepted accounting principles. General fixed assets that account for the land, buildings and equipment owned by the Cooperative are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

**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 Cooperatives 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 Statement 2 and 3 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 special revenue funds designated by Kansas statutes.

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, 2011 and held no investments throughout the year.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

*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.

*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, 2011, the carrying amount of the Cooperative's deposits was \$3,308,210 and the bank balance was \$4,560,344. Of the bank balance, \$274,394 was covered by FDIC insurance and the remaining \$4,285,950 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the Cooperative's name. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are covered by a tri-party custodial agreement signed by all three parties.

#### Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase as required by State statutes. No physical inventories were taken at year end and no accounting controls exist for control of materials inventory.

#### Long-Term Debt

Long-term debt is recognized as a liability of a governmental fund when due, or when resources have been accumulated in the debt service fund for payment early in the following year. For other long-term obligations, only that portion expected to be financed from expendable available financial resources is reported as a fund liability of a governmental fund. The remaining portion of such obligations is reported in the general long-term debt account group. Long-term liabilities expected to be financed from proprietary fund operations are accounted for in those funds.

### **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.

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

**Note 2 Stewardship, Compliance, and Accountability**

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

**Note 3 Detail Notes on All Funds and Account Groups**

**A. Assets:**

General Fixed Assets

The Cooperative has not maintained a record of fixed assets used in performance of general governmental operations as required by generally accepted accounting principles.

The Cooperative has waived the application of generally accepted accounting principles until June 30, 2011, in accordance with K.S.A. 75-1120(a).

**B. Liabilities:**

Changes in long-term liabilities for the year ending June 30, 2011 were as follows:

<u>Issue</u>	<u>Interest Rate</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>
<u>Capital Lease Obligations:</u>									
Vehicle Lease Agreement	5.00%	01/27/09	\$ 226,334	04/16/13	105,904	119,068	78,692	146,280	5,802
<u>Contracted Liabilities:</u>									
Early Retirement Program					5,000	5,184	5,000	5,184	0
Total Contractual Indebtedness					<u>110,904</u>	<u>124,252</u>	<u>83,692</u>	<u>151,464</u>	<u>5,802</u>

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

<u>Capital Lease Obligations</u>	<u>2011-12</u>	<u>2012-13</u>	<u>Total</u>
Principal	\$ 80,582	65,698	146,280
Interest	5,546	1,433	6,979
Total	<u>86,128</u>	<u>67,131</u>	<u>153,259</u>
<u>Early Retirement Program</u>	<u>2011-12</u>		
Retirement Payments	\$ 5,184		
Interest	0		
Total	<u>5,184</u>		

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

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 Kansas law. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

*Funding Policy.* K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009, KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. Kansas law provides that employer contribution rates be determined annually based on the results of an annual actuarial valuation. KPERS is funded on an actuarial reserve basis. Kansas law sets a limitation on annual increases in the employer contribution rates.

Vacation and Sick Pay

The Cooperative's sick leave policy allows crediting each employee with twelve days sick leave per year up to a maximum of ninety days. At the time the employee voluntarily leaves the service of the Cooperative, if they have fifteen years of service or more, they are compensated for a portion of these unused days. There are two options to compute the compensation.

Option A: If the employee is not yet eligible to retire under KPERS, they can receive 20% of their daily salary per day for up to 80 days of their unused sick leave.

Option B: If the employee is eligible to retire under KPERS, they can receive compensation for up to 80 days of their unused sick leave at the rate of \$125 per day. The amount of days to be paid is based on a variable percentage, based on the length of time the employee continues to work past the date they are eligible to retire under KPERS and is shown on the schedule below:

A.N.W Special Education Cooperative No. 603  
Humboldt, Kansas  
Notes to Financial Statements  
For the Year Ended June 30, 2011

<u>Years of KPERs Eligibility</u>	<u>Percent of Unused Sick Leave Days Eligible for Compensation</u>
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%

Retiring employees may receive a lump sum payment or have the benefit paid to them in monthly payments of not more than \$150 per month until the benefit has been fully paid.

**Note 4 Summary Disclosure of Significant Contingencies**

Federally Assisted Programs - Compliance Audits

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the expects such amounts, if any, to be immaterial.

**Note 5 Economic Dependency**

The State of Kansas provides general financial aid to the Cooperative to cover normal operating expenditures. This state aid is passed through the eight member districts by the State and represents 54.2% of the total operating budget for the Cooperative. In addition, the Cooperative receives Federal aid which is passed through the State of Kansas. The amounts received during 2010-11 amounted to 23.1% of the Cooperative's operating budget.

A.N.W. Special Education Cooperative No. 603  
 Summary of Expenditures - Actual and Budget  
 Regulatory Basis  
 For the Year Ended June 30, 2011

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	<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:			
General	\$ <u>13,062,208</u>	<u>10,857,907</u>	<u>2,204,301</u>
Totals	<u>13,062,208</u>	<u>10,857,907</u>	<u>2,204,301</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, 2011  
 (With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Cash Receipts</b>				
Revenue from Local Sources				
District Contributions-Members	\$ 2,265,000	2,038,500	2,265,000	( 226,500)
District Contributions-State Aid Pass-Through	5,421,825	5,685,166	5,509,259	175,907
District Contributions-Other	51,349			
District Contributions-Medicaid Replacement	38,693	130,467		130,467
Interest on Investments	5,982	6,991	25,000	( 18,009)
Other Revenue From Local Sources	55,011	83,402		83,402
Lease Purchase Proceeds		119,068		119,068
Total Revenue from Local Sources	<u>7,837,860</u>	<u>8,063,594</u>	<u>7,799,259</u>	<u>264,335</u>
Revenue from State Sources				
Mentor Teacher Program	5,100	3,800		3,800
Revenue from Federal Sources				
Federal Financial Assistance ARRA	853,345	542,463	697,904	( 155,441)
Title VI-B Flow-Through	2,656,793	1,351,301	1,367,402	( 16,101)
Title VI-B Continuous Improvement Grant	108,754	54,520	54,520	
Title VI-B Preschool Grant	145,032	68,908	68,920	( 12)
Medicaid Title XIX	710,154	401,318		401,318
Total Revenue from Federal Sources	<u>4,474,078</u>	<u>2,418,510</u>	<u>2,188,746</u>	<u>229,764</u>
Total Cash Receipts	<u>12,317,038</u>	<u>10,485,904</u>	<u>9,988,005</u>	<u>497,899</u>
<b>Expenditures and Transfers</b>				
<b>Instruction</b>				
Certified Salaries	1,244,308	1,088,123	1,526,879	438,756
Non-Certified Salaries	2,022,028	1,868,797	2,400,025	531,228
Health Insurance	476,589	582,286	532,000	( 50,286)
Social Security	244,064	219,314	272,990	53,676
Unemployment Compensation	4,724	5,908	6,423	515
Worker's Compensation	44,022	49,930	53,701	3,771
Instructional Program Improvement Services	207,441	207,441	210,000	2,559
Audio Visual Services			800	800
Computer Services			4,000	4,000
Other Equipment Services			3,500	3,500
Telephone	7,503	13,748	17,112	3,364
Tuition	81,413	92,072	125,000	32,928
In-District Travel	121,972	111,330	125,000	13,670
Out-of-District Travel	2,461	2,202	5,000	2,798
General Supplies and Materials	57,214	53,550	100,000	46,450
Other Supplies and Materials	1,828	4,724	2,500	( 2,224)
Other Food Costs	4,157	4,104	12,000	7,896
Periodicals	221	117	500	383
Textbooks	9,353	12,411	31,000	18,589
Software	12,118	11,713	32,000	20,287
Testing Supplies and Materials	16,359	10,353	19,000	8,647
Miscellaneous Supplies	164	328	3,400	3,072
Furniture and Fixtures	439	2,455	16,000	13,545
Audio-Visual	1,952	3,121	2,600	( 521)
Computers & Related Equipment	81,517	117,505	95,000	( 22,505)
Other Equipment	9,870	10,433	25,000	14,567
Other Miscellaneous Expenditures		1,034	1,000,000	998,966
Total Instruction	<u>4,651,717</u>	<u>4,472,999</u>	<u>6,621,430</u>	<u>2,148,431</u>

General Fund  
Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended June 30, 2011

(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
<b>Support Services</b>				
Certified Salaries	\$ 1,358,859	1,344,056	1,618,053	273,997
Non-Certified Salaries	226,220	214,088	241,417	27,329
Social Security	118,076	116,077	264,117	148,040
Unemployment Compensation	2,242	2,960	3,233	273
Purchased Professional and Technical Services		80,568	95,000	14,432
Vehicles (Including school buses)			8,000	8,000
<b>Total Support Services</b>	<u>1,705,397</u>	<u>1,757,749</u>	<u>2,229,820</u>	<u>472,071</u>
<b>General Administration</b>				
Certified Salaries	290,236	296,058	296,058	
Non-Certified Salaries	194,704	201,007	197,266	( 3,741)
Health Insurance	52,113	52,241	47,982	( 4,259)
Social Security	34,562	35,809	37,718	1,909
Unemployment Compensation	660	972	888	( 84)
Accounting	3,787	3,870	7,200	3,330
Collective Bargaining			2,000	2,000
Legal Services	4,919	4,058	32,750	28,692
Medical Services	2,046	3,137	4,000	863
Data Processing Services	3,647	5,161	5,000	( 161)
Computer Services			5,000	5,000
Cooling Services		1,460	1,500	40
Electrical Services		1,000	1,000	
Heating Services		1,668	3,000	1,332
Office Machine Services	2,880	3,008	4,000	992
Plumbing Services		282	1,000	718
Other Building Services			1,200	1,200
Other Equipment Services			2,500	2,500
Liability Insurance	4,540	5,383	6,000	617
Property Insurance	3,843	3,665	9,000	5,335
Surety Bonds	200	400	200	( 200)
Other Insurance Services	5		1,000	1,000
Postage	7,095	7,549	12,500	4,951
Telephone	34,500	38,645	40,700	2,055
Printing and Binding	1,663	3,284	3,000	( 284)
In-District Travel	9,193	10,813	15,000	4,187
Out-of-District Travel	105,398	66,714	92,000	25,286
Office Supplies	4,908	6,366	6,500	134
Books and Periodicals	1,439	1,128	2,940	1,812
Furniture and Fixtures	1,744	2,232	4,500	2,268
Computers & Related Equipment		334	7,500	7,166
Other Equipment	2,993	2,646	5,000	2,354
<b>Total General Administration</b>	<u>767,075</u>	<u>758,890</u>	<u>855,902</u>	<u>97,012</u>
<b>Operations and Maintenance</b>				
Part-Time Non-Certified Salaries	10,964	10,520	12,000	1,480
Social Security	459	403	918	515
Unemployment Compensation	9	14		( 14)
Snow Removal Services	1,320	1,871	1,700	( 171)
Lawn Care	2,774	2,492	2,500	8
Pest Control	456	457	1,500	1,043
Repairs and Maintenance	14,507	17,274	25,000	7,726
Other Building Services	1,073	1,206	1,500	294
Rentals/Leases	16,393	15,599	24,200	8,601
Energy	10,856	9,929	14,700	4,771
Heating	29,345	28,143	34,198	6,055
<b>Total Operations and Maintenance</b>	<u>88,156</u>	<u>87,908</u>	<u>118,216</u>	<u>30,308</u>

General Fund  
Schedule of Receipts and Expenditures - Actual and Budget

## Regulatory Basis

For the Year Ended June 30, 2011

(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Student Transportation				
Certified Salaries	\$ 146,511	158,371	193,713	35,342
Social Security	11,104	12,150	14,819	2,669
Unemployment Compensation	215	306	349	43
Other Equipment Services	11,968	13,178	12,000	( 1,178)
Rentals/Leases	71,892	43,275	90,000	46,725
Other Sources of Student Transportation Services	1,697	1,033	1,000	( 33)
Fleet Insurance	8,700	8,814	8,700	( 114)
Parts	15,957	13,031	17,000	3,969
Tires	4,373	3,276	5,000	1,724
Motor Fuel	44,836	54,654	70,000	15,346
Vehicles (Including school buses)		<u>119,068</u>		( <u>119,068</u> )
Total Student Transportation	<u>317,253</u>	<u>427,156</u>	<u>412,581</u>	( <u>14,575</u> )
Title VI-B Flow Through				
Certified Salaries	1,589,379	1,701,308	1,925,535	224,227
Non-Certified Salaries	27,389	263,629	247,100	( 16,529)
Social Security	118,597	143,909	166,206	22,297
Unemployment Compensation	2,277	3,571	3,911	340
General Supplies and Materials	164	192	3,890	3,698
Other Food Costs	68	42	300	258
Audio-Visual			5,000	5,000
Other Miscellaneous Expenditures	<u>23,299</u>	<u>23,991</u>	<u>32,976</u>	<u>8,985</u>
Total Title VI-B Flow Through	<u>1,761,173</u>	<u>2,136,642</u>	<u>2,384,918</u>	<u>248,276</u>
ARRA Federal Funds				
Certified Salaries	722,117	760,982		( 760,982)
Social Security	48,681	56,131		( 56,131)
Other Employee Benefits	<u>826</u>	<u>1,440</u>		( <u>1,440</u> )
Total ARRA Federal Funds	<u>771,624</u>	<u>818,553</u>		( <u>818,553</u> )
Special Vocational Program				
Certified Salaries	258,544	215,147	216,990	1,843
Non-Certified Salaries	61,501	58,293	40,000	( 18,293)
Social Security	23,640	20,429	19,659	( 770)
Unemployment Compensation	422	501	373	( 128)
Other Employee Benefits	33	54	89	35
Rentals/Leases	34,911	33,432	36,000	2,568
Fleet Insurance	4,738	4,600	9,700	5,100
Telephone	6,332	6,357	7,500	1,143
Staff Travel			500	500
In-District Travel	8,081	8,794	9,000	206
General Supplies and Materials	87	236	3,500	3,264
Motor Fuel		598		( 598)
Vehicles (Including school buses)	15,016	7,787	22,000	14,213
Computers & Related Equipment			1,500	1,500
Other Equipment	<u>1,133</u>		<u>1,100</u>	<u>1,100</u>
Total Special Vocational Program	<u>414,438</u>	<u>356,228</u>	<u>367,911</u>	<u>11,683</u>
Inservice				
Certified Salaries	8,776	11,510	15,000	3,490
Social Security	671	880	1,530	650
Unemployment Compensation	13	30		( 30)
Instructional Program Improvement Services	25,984	25,858	42,900	17,042
In-District Travel	4,586	3,504	11,000	7,496
Out-of-District Travel			<u>1,000</u>	<u>1,000</u>
Total Inservice	<u>40,030</u>	<u>41,782</u>	<u>71,430</u>	<u>29,648</u>
Total Expenditures and Transfers	<u>10,516,863</u>	<u>10,857,907</u>	<u>13,062,208</u>	<u>2,204,301</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, 2011  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Receipts Over (Under) Expenditures and Transfers	\$ 1,800,175	( 372,003)		
Unencumbered Cash, Beginning Prior Year Encumbrances Cancelled	1,865,855	3,666,030		
Unencumbered Cash, Ending	<u>3,666,030</u>	<u>3,294,027</u>		

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Summary of Cash Receipts and Disbursements - Fiduciary Funds  
For the Year Ended June 30, 2011

<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	\$ 11,078	14,018	18,169	6,927
Cats-Can-Do Building Trades Project	3,333	5,321	3,887	4,767
Payroll Clearing	(9,324)	3,637,824	3,628,739	(239)
Total Agency Funds	<u>5,087</u>	<u>3,657,163</u>	<u>3,650,795</u>	<u>11,455</u>

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE 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 the statutory basis financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated March 28, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas statutory basis financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

Respectfully Submitted,

*Schlatterbeck and Burns, LLC*

March 28, 2012

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH  
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL  
CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

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

Compliance

We have audited the compliance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2011. A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, management. Our responsibility is to express an opinion on A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, compliance based on our audit.

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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas 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. Our audit does not provide a legal determination on A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas compliance with those requirements.

In our opinion, A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, 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 A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over compliance.

A control deficiency in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency or combination of significant deficiencies that results in more than a remote likelihood that a material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Respectfully Submitted,

*Schlotterbeck and Burns, LLC*

March 28, 2012

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended June 30, 2011

A. Summary of Audit Results

1. The auditor's report expresses an unqualified opinion on the special purpose financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas.
2. No reportable conditions relating to the audit of the financial statements are reported in the "Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance with Government Auditing Standards".
3. No instances of noncompliance material to the financial statements of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas were disclosed during the audit.
4. No reportable conditions relating to the audit of the major federal award programs are reported in the "Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133".
5. The auditor's report on compliance for the major federal award programs for A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas expresses an unqualified opinion.
6. There were no findings relating to the major federal award programs for A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, that are required to be reported in Part C of this Schedule.
7. The programs tested as major programs were: CFDA No. 84.027, 84.173, 84.391 and 84.392 – all of which are in the Special Education Cluster of programs.
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas was not determined to be a low-risk auditee.

B. Findings – Financial Statements Audit

None.

C. Findings and Questioned Costs – Major Federal Awards Program Audit

None.

A.N.W. Special Education Cooperative No. 603  
Humboldt, Kansas  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2011

<u>Federal Grantor/Pass-through Grantor/Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
U.S. Department of Education Passed through State Department of Education		
Special Education-Grants to States	84.027 \$	1,343,798 (1)
Special Education-Preschool Grants	84.173	76,112 (1)
Special Education-Grants to States, Recovery Act (ARRA)	84.391	567,770 (1)
Special Education-Preschool Grants, Recovery Act (ARRA)	84.392	<u>56,414 (1)</u>
 Total Federal Financial Assistance		 <u><u>2,044,094</u></u>

(1) These programs comprise one federal program cluster and were considered to be major programs.

Note - Basis of Presentation

The schedule of expenditures of federal awards includes the federal grant activity of A.N.W. Special Education Coop. No. 603 and is presented on the cash basis of accounting, and accordingly, represents the total cash expended for each program. It does not include transactions that might be included using the modified accrual basis of accounting which is the basis used in the Cooperative's financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Government, and Non-Profit Organizations*.