

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, 2012

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Special Financial Statements
For the Fiscal Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of and for the year ended June 30, 2012, and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of this financial statement in accordance with the Kansas Municipal Audit and Accounting Guide as described in Note 1 to meet the financial reporting requirements of the State of Kansas. Management is also responsible for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the Kansas Municipal Audit and Accounting Guide. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

As described in Note 1 of the Notes to Financial Statement, the financial statement is prepared by A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, as of June 30, 2012, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated March 27, 2013 on our consideration of A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering A.N.W. Special Education Cooperative No. 603, Humboldt, Kansas, internal control over financial reporting.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The Schedule of Expenditures of Federal Awards, as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual and budget, schedule of regulatory basis receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents), as required under the provisions of the Kansas Municipal Audit and Accounting Guide, are presented for analysis and are not a required part of the basic financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statement as a whole, on the basis of accounting described in Note 1.

Prior Year Comparative Analysis

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures actual and budget (Schedule 2 as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated March 13, 2012. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards. Such 2011 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 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2011 financial statement or to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statement as a whole.

Restricted Use

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

Respectfully Submitted,

Schlottbeck and Burns, LLC

March 27, 2013

A.N.W. Special Education Cooperative No. 603
Summary Statement of Receipts, Expenditures, and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2012

	Beginning Unencumbered Cash Balance	Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:						
General	\$ 3,294,027	9,032,862	11,103,576	1,223,313	9,633	1,232,946
Total Primary Government (1)	<u>3,294,027</u>	<u>9,032,862</u>	<u>11,103,576</u>	<u>1,223,313</u>	<u>9,633</u>	<u>1,232,946</u>
Composition of Cash:						
Cash and Cash Items on Hand						30
Demand Deposits						1,244,669
Petty Cash Advance						700
Less: Agency Funds per Schedule 3						(12,452)
Adjustment for Rounding						(1)
Total Primary Government (1)						<u>1,232,946</u>

(1) Excluding Agency Funds

The notes to the financial statement 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, 2012

Note 1 Summary of Significant Accounting Policies

A. Reporting Entity

Principles Used in Determining Scope of Entity

The basic criterion used for including or excluding other governmental organizations as part of the financial statements of the Cooperative is financial accountability. Financial accountability is derived from the Cooperative's powers and includes, but is not limited to, appointment of a voting majority of the governing body, imposition of will, financial benefit/burden on primary government and fiscal dependency. The Cooperative has waived the application of generally accepted accounting principles and as such, have not included any component units in these financial statements.

B. Basis of Presentation

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following Regulatory Basis Fund Types comprise the financial activities of the Cooperative for the year ending June 30, 2012:

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

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

C. Basis of Accounting

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

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

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

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

D. Budgets

The Cooperative is not subject to the Kansas Budget Law, as they are not the primary taxing authority for the Cooperative. Each of the eight member districts holds the taxing authority for funds paid to the Cooperative. The Cooperative adopts an annual budget for the General Fund for managerial purposes. The budget comparisons on Schedules 1 and 2 reflect this internal managerial budget.

E. Assets, Liabilities, and Fund Equity

Cash

To facilitate better management of the Cooperative's cash resources, excess cash is combined in pooled operating accounts. Each fund's portion of total cash is based on its equity in the pooled cash amount. Cash in excess of current operating needs is invested on a pooled investment basis and earnings thereon are credited to the General Fund.

F. Revenues and Expenditures

Reimbursed Expenses

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Note 2 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Cooperative. The statute requires banks eligible to hold the Cooperative's funds have a main or branch bank in the county in which the Cooperative is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage.

K.S.A. 12-1675 allows the Cooperative to deposit idle funds in time deposits-open accounts, and certificates of deposit with allowable financial institutions; and to invest idle funds in U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool.

The Cooperative held no investments at June 30, 2012 and held no investments throughout the year.

Concentration of credit risk. State statutes place no limit on the amount the Cooperative may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

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, 2012, the carrying amount of the Cooperative's deposits was \$1,244,669 and the bank balance was \$2,413,604. Of the bank balance, \$263,061 was covered by federal depository insurance and the remaining \$2,150,544 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Note 3 Long-term Debt

Changes in long-term liabilities for the year ending June 30, 2012 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	146,280		80,550	65,730	5,578
<u>Contracted Liabilities:</u>									
Early Retirement Program					5,184	3,256	5,184	3,256	0
Total Contractual Indebtedness					<u>151,464</u>	<u>3,256</u>	<u>85,734</u>	<u>68,986</u>	<u>5,578</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>2012-13</u>
Principal	\$ 65,730
Interest	1,550
Total	<u>67,280</u>
<u>Early Retirement Program</u>	<u>2012-13</u>
Retirement Payments	\$ 3,256
Interest	0
Total	<u>3,256</u>

Note 4 Claims and Judgments

The Cooperative participates in federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Cooperative may be required to reimburse the grantor government. As of March 27, 2013, current year grant expenditures have not been audited, but the Cooperative believes disallowed expenditures or overpayments, if any, will not have a material effect on individual governmental funds or the overall financial position of the Cooperative.

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

During the course of its operations, the Cooperative is a party to various claims, legal actions and complaints. It is the opinion of the Cooperative's management and legal counsel that these matters are not anticipated to have a material impact on the Cooperative.

The Cooperative is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees and natural disasters. The Cooperative has purchased commercial insurance for these potential risks. There have been no significant reductions in insurance coverage from 2011 to 2012, and there were no settlements that exceeded insurance coverage in the past three years.

Note 5 Other Long-Term Obligations from Operations

Compensated Absences.

The Cooperative's sick leave policy allows crediting each 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:

<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%

A.N.W Special Education Cooperative No. 603
Humboldt, Kansas
Notes to Financial Statements
For the Year Ended June 30, 2012

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.

Note 6 Stewardship, Compliance, and Accountability

Compliance with Kansas Cash Basis Law

No violations.

Compliance with Kansas Depository Security Law

No violations.

Note 7 Economic Dependency

The State of Kansas provides 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 71.6% of the total operating budget for the Cooperative.

A.N.W. Special Education Cooperative No. 603
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2012

Schedule 1

		<u>Certified Budget</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
Governmental Type Funds:				
General	\$	<u>13,761,890</u>	<u>11,103,576</u>	<u>2,658,314</u>
Totals		<u><u>13,761,890</u></u>	<u><u>11,103,576</u></u>	<u><u>2,658,314</u></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, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

		Current Year			
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)	
Cash Receipts					
Revenue from Local Sources					
District Contributions-Members	\$ 2,038,500	2,265,000	2,265,000		
District Contributions-State Aid Pass-Through	5,685,166	6,039,845	6,716,984	(677,139)	
District Contributions-Medicaid Replacement	130,467	423,573		423,573	
Interest on Investments	6,991	2,295	25,000	(22,705)	
Other Revenue From Local Sources	83,402	70,383		70,383	
Lease Purchase Proceeds	119,068				
Total Revenue from Local Sources	<u>8,063,594</u>	<u>8,801,096</u>	<u>9,006,984</u>	(<u>205,888</u>)	
Revenue from State Sources					
Mentor Teacher Program	3,800				
Revenue from Federal Sources					
Federal Financial Assistance ARRA	542,463				
Title VI-B Flow-Through	1,351,301		1,367,402	(1,367,402)	
Title VI-B Continuous Improvement Grant	54,520		54,347	(54,347)	
Title VI-B Preschool Grant	68,908		68,920	(68,920)	
Medicaid Title XIX	401,318	231,766		231,766	
Total Revenue from Federal Sources	<u>2,418,510</u>	<u>231,766</u>	<u>1,490,669</u>	(<u>1,258,903</u>)	
Total Cash Receipts	<u>10,485,904</u>	<u>9,032,862</u>	<u>10,497,653</u>	(<u>1,464,791</u>)	
Expenditures and Transfers					
Instruction					
Certified Salaries	1,088,123	1,798,773	2,311,201	512,428	
Non-Certified Salaries	1,868,797	2,096,790	2,475,050	378,260	
Health Insurance	582,286	559,651	511,500	(48,151)	
Social Security	219,314	284,968	352,340	67,372	
Unemployment Compensation	5,908	14,559	7,347	(7,212)	
Worker's Compensation	49,930	81,928	58,544	(23,384)	
Instructional Program Improvement Services	207,441	207,442	215,000	7,558	
Audio Visual Services			1,000	1,000	
Computer Services			5,200	5,200	
Other Equipment Services		1,014	4,000	2,986	
Telephone	13,748	7,854	20,500	12,646	
Tuition	92,072	66,771	145,000	78,229	
In-District Travel	111,330	110,336	135,000	24,664	
Out-of-District Travel	2,202	2,289	6,000	3,711	
General Supplies and Materials	53,550	69,109	103,500	34,391	
Other Supplies and Materials	4,724	4,040	5,000	960	
Other Food Costs	4,104	4,044	13,500	9,456	
Periodicals	117	124	600	476	
Textbooks	12,411	8,812	32,000	23,188	
Software	11,713	12,516	44,000	31,484	
Testing Supplies and Materials	10,353	8,876	19,000	10,124	
Miscellaneous Supplies	328	1,836	4,050	2,214	
Furniture and Fixtures	2,455	4,214	18,000	13,786	
Audio-Visual	3,121	4,730	5,500	770	
Computers & Related Equipment	117,505	78,399	95,000	16,601	
Other Equipment	10,433	15,120	27,500	12,380	
Other			1,000,000	1,000,000	
Other Miscellaneous Expenditures	1,034				
Total Instruction	<u>4,472,999</u>	<u>5,444,195</u>	<u>7,615,332</u>	<u>2,171,137</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, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
		Current Year Actual	Budget	
Support Services				
Certified Salaries	\$ 1,344,056	1,622,278	1,704,777	82,499
Non-Certified Salaries	214,088	204,181	266,900	62,719
Social Security	116,077	135,985	248,909	112,924
Unemployment Compensation	2,960	6,460	3,845	(2,615)
Purchased Professional and Technical Services	80,568			
Vehicles (Including school buses)			8,000	8,000
Total Support Services	<u>1,757,749</u>	<u>1,968,904</u>	<u>2,232,431</u>	<u>263,527</u>
General Administration				
Certified Salaries	296,058	292,776	299,374	6,598
Non-Certified Salaries	201,007	184,994	185,933	939
Health Insurance	52,241	46,798	110,832	64,034
Social Security	35,809	34,434	38,720	4,286
Unemployment Compensation	972	1,942	1,090	(852)
Accounting	3,870	3,953	7,500	3,547
Collective Bargaining			2,000	2,000
Legal Services	4,058	6,501	37,750	31,249
Medical Services	3,137	2,358	4,000	1,642
Data Processing Services	5,161	3,915	5,400	1,485
Computer Services			6,000	6,000
Cooling Services	1,460	1,416	10,000	8,584
Electrical Services	1,000	156	5,000	4,844
Heating Services	1,668	330	4,000	3,670
Office Machine Services	3,008	2,967	4,000	1,033
Plumbing Services	282	744	3,500	2,756
Other Building Services			1,500	1,500
Other Equipment Services		518	2,500	1,982
Liability Insurance	5,383	1,847	6,100	4,253
Property Insurance	3,665	7,508	9,300	1,792
Surety Bonds	400	375	300	(75)
Other Insurance Services			1,300	1,300
Postage	7,549	11,409	13,000	1,591
Telephone	38,645	32,691	42,700	10,009
Printing and Binding	3,284	2,104	4,000	1,896
In-District Travel	10,813	12,059	18,000	5,941
Out-of-District Travel	66,714	78,785	100,400	21,615
Office Supplies	6,366	6,277	6,200	(77)
Books and Periodicals	1,128	1,384	3,100	1,716
Furniture and Fixtures	2,232	291	4,500	4,209
Computers & Related Equipment	334		8,500	8,500
Other Equipment	<u>2,646</u>	<u>3,987</u>	<u>5,000</u>	<u>1,013</u>
Total General Administration	<u>758,890</u>	<u>742,519</u>	<u>951,499</u>	<u>208,980</u>
Operations and Maintenance				
Part-Time Non-Certified Salaries	10,520	8,650	16,000	7,350
Social Security	403	385	918	533
Unemployment Compensation	14	28		(28)
Snow Removal Services	1,871		2,000	2,000
Lawn Care	2,492	2,604	2,500	(104)
Pest Control	457	513	1,700	1,187
Repairs and Maintenance	17,274	14,126	65,000	50,874
Other Building Services	1,206	174	3,000	2,826
Rentals/Leases	15,599	17,385	29,500	12,115
Energy	9,929	8,477	15,300	6,823
Heating	<u>28,143</u>	<u>29,228</u>	<u>37,500</u>	<u>8,272</u>
Total Operations and Maintenance	<u>87,908</u>	<u>81,570</u>	<u>173,418</u>	<u>91,848</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, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

		Prior Year Actual	Current Year		Variance Favorable (Unfavorable)
			Current Year Actual	Budget	
Student Transportation					
Certified Salaries	\$	158,371	164,239	171,695	7,456
Social Security		12,150	12,679	15,100	2,421
Unemployment Compensation		306	691	355	(336)
Other Equipment Services		13,178	11,966	12,000	34
Rentals/Leases		43,275	78,341	91,300	12,959
Other Sources of Student Transportation Services		1,033		1,000	1,000
Fleet Insurance		8,814	7,979	8,700	721
Parts		13,031	14,822	18,000	3,178
Tires		3,276	3,368	5,300	1,932
Motor Fuel		54,654	58,648	75,000	16,352
Vehicles (Including school buses)		119,068			
Total Student Transportation		<u>427,156</u>	<u>352,733</u>	<u>398,450</u>	<u>45,717</u>
Title VI-B Flow Through					
Certified Salaries		1,701,308	1,679,706	1,492,060	(187,646)
Non-Certified Salaries		263,629	278,664	247,100	(31,564)
Social Security		143,909	145,512	115,467	(30,045)
Unemployment Compensation		3,571	8,054	6,141	(1,913)
General Supplies and Materials		192	262	4,600	4,338
Other Food Costs		42	120	350	230
Audio-Visual				7,000	7,000
Other Miscellaneous Expenditures		23,991	23,560	51,750	28,190
Total Title VI-B Flow Through		<u>2,136,642</u>	<u>2,135,878</u>	<u>1,924,468</u>	<u>(211,410)</u>
ARRA Federal Funds					
Certified Salaries		760,982			
Social Security		56,131			
Other Employee Benefits		1,440	1,436		(1,436)
Total ARRA Federal Funds		<u>818,553</u>	<u>1,436</u>		<u>(1,436)</u>
Special Vocational Program					
Certified Salaries		215,147	225,852	219,183	(6,669)
Non-Certified Salaries		58,293	59,325	46,000	(13,325)
Social Security		20,429	21,335	20,325	(1,010)
Unemployment Compensation		501	1,032	564	(468)
Other Employee Benefits		54	128	90	(38)
Rentals/Leases		33,432		36,000	36,000
Fleet Insurance		4,600	5,769	8,700	2,931
Telephone		6,357	5,203	7,700	2,497
Staff Travel				600	600
In-District Travel		8,794	9,245	9,000	(245)
General Supplies and Materials		236	745	4,000	3,255
Motor Fuel		598			
Vehicles (Including school buses)		7,787	7,787	22,000	14,213
Computers & Related Equipment				1,500	1,500
Other Equipment				1,100	1,100
Total Special Vocational Program		<u>356,228</u>	<u>336,421</u>	<u>376,762</u>	<u>40,341</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, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

			Current Year	
	Prior Year Actual	Current Year Actual	Budget	Variance Favorable (Unfavorable)
Inservice				
Certified Salaries	\$ 11,510	8,710	15,000	6,290
Social Security	880	666	1,530	864
Unemployment Compensation	30	40		(40)
Instructional Program Improvement Services	25,858	24,106	57,500	33,394
In-District Travel	3,504	6,398	14,000	7,602
Out-of-District Travel			1,500	1,500
Total Inservice	<u>41,782</u>	<u>39,920</u>	<u>89,530</u>	<u>49,610</u>
Total Expenditures and Transfers	<u>10,857,907</u>	<u>11,103,576</u>	<u>13,761,890</u>	<u>2,658,314</u>
Receipts Over (Under)				
Expenditures and Transfers	(372,003)	(2,070,714)		
Unencumbered Cash, Beginning	<u>3,666,030</u>	<u>3,294,027</u>		
Unencumbered Cash, Ending	<u>3,294,027</u>	<u>1,223,313</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, 2012

<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	\$ 6,927	17,259	18,009	6,177
Cats-Can-Do Building Trades Project	4,767	14,523	13,855	5,435
Nurses' Fund		1,534	694	840
Payroll Clearing	(239)	3,726,000	3,725,761	0
Total Agency Funds	<u>11,455</u>	<u>3,759,316</u>	<u>3,758,319</u>	<u>12,452</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, 2012, and have issued our report thereon dated March 27, 2013. 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 27, 2013

**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, 2012. 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, 2012.

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 27, 2013

A.N.W. Special Education Cooperative No. 603
Humboldt, Kansas
Schedule of Findings and Questioned Costs
For the Fiscal Year Ended June 30, 2012

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 and 84.173 – both 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, 2012

<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 \$	1,357,712 (1)
Special Education-Preschool Grants	84.173	<u>68,781 (1)</u>
Total Federal Financial Assistance		<u><u>1,426,493</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*.