

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
CLEARWATER, KANSAS**

**FINANCIAL STATEMENTS
JUNE 30, 2011**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
TABLE OF CONTENTS
JUNE 30, 2011**

	<u>Page</u>
Financial Statements	
Independent Auditors' Report	1 – 2
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	3
Summary of Expenditures - Actual and Budget	4
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund	5
Statement of Cash Receipts and Expenditures - Actual	
Special Education Fund	6
Federal Funds	7
Notes to Financial Statements	8 – 13
Federal Award Information	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	14 – 15
Report on Compliance with Requirements that could have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	16 – 17
Schedule of Expenditures of Federal Awards	18
Notes to Schedule of Expenditures of Federal Awards	19
Schedule of Findings and Questioned Costs	20
Schedule of Prior Year Findings and Questioned Costs	21
Supplementary Information	
Statement of Cash Receipts and Expenditures - IDL Network Fund	22



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**Board of Directors
South Central Kansas Education Service Center
Unified School District No. 628
Clearwater, Kansas**

We have audited the accompanying financial statements of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, as of and for the year ended **June 30, 2011**, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2010 financial statements and, in our report dated September 30, 2010, we expressed an unqualified opinion that the financial statements were fairly presented in accordance with the cash basis and budget laws of the State of Kansas.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the *Kansas Municipal Audit Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and guidance 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 statements. 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 more fully in Note 1, **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate 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 effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

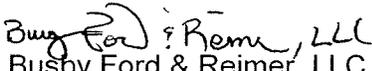
In our opinion, because of the effects of the matter discussed in the preceding paragraph the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, as of **June 30, 2011**, or the changes in its financial position for the year then ended.

**Board of Directors
South Central Kansas Education Service Center
Unified School District No. 628**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, as of **June 30, 2011**, and its cash receipts and expenditures and budgetary comparisons 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 September 28, 2011, on our consideration of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, 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 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 assessing the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, 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 not a required part of the financial statements. The accompanying statement of cash receipts and expenditures – IDL Network Fund is presented for purposes of additional analysis and is not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.


Busby Ford & Reimer, LLC
September 28, 2011

SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 628
 SUMMARY OF CASH RECEIPTS, EXPENDITURES,
 AND UNENCUMBERED CASH
 FOR THE YEAR ENDED JUNE 30, 2011

Fund	Beginning Unencumbered Cash Balance	Reclassification of Beginning Unencumbered Cash	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	\$ 5,400,417	\$ (376,043)	\$ 11,664	\$ 5,950,507	\$ 5,705,810	\$ 5,280,735	\$ 168,397	\$ 5,449,132
Special Revenue Funds	(376,043)	376,043	0	0	0	0	0	0
Special Education	25,726	0	0	652,093	656,950	20,869	697	21,566
Federal Funds	\$ 5,050,100	\$ 0	\$ 11,664	\$ 6,602,600	\$ 6,362,760	\$ 5,301,604	\$ 169,094	\$ 5,470,698
Composition of Cash:							Checking Accounts	\$ 5,470,698

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

SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 628
 SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
 FOR THE YEAR ENDED JUNE 30, 2011

Fund	Certified Budget	Adjustment to		Adjustment for		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
		Legal Max	Comply with	Budget Credits	Qualifying			
General Fund	\$ 9,370,857	\$ 0	0	\$ 0	0	\$ 9,370,857	\$ 5,705,810	\$ 3,665,047
Special Revenue Funds	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	0	XXXXXXXXXXXX
Special Education	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	656,950	XXXXXXXXXXXX
Federal Funds	\$ 9,370,857	\$ 0	0	\$ 0	0	\$ 9,370,857	\$ 6,362,760	\$ 3,665,047

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

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)**

<u>General Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Favorable
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>
Cash Receipts				
Local Sources	\$ 6,545,983	\$ 5,950,507	\$ 8,712,401	\$ (2,761,894)
Federal Sources	0	0	1,045,811	(1,045,811)
	<u>6,545,983</u>	<u>5,950,507</u>	<u>\$ 9,758,212</u>	<u>\$ (3,807,705)</u>
Expenditures				
Instruction	2,284,615	2,209,171	\$ 2,954,943	\$ 745,772
General Administration	3,524,506	3,430,020	6,283,514	2,853,494
Operations & Maintenance	70,719	66,619	132,400	65,781
	<u>5,879,840</u>	<u>5,705,810</u>	<u>\$ 9,370,857</u>	<u>\$ 3,665,047</u>
Receipts Over (Under) Expenditures	666,143	244,697		
Reclassification of Beginning Unencumbered Cash	0	(376,043)		
Unencumbered Cash, Beginning	4,725,190	5,400,417		
Prior Year Canceled Encumbrances	<u>9,084</u>	<u>11,664</u>		
Unencumbered Cash, Ending	<u>\$ 5,400,417</u>	<u>\$ 5,280,735</u>		

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

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)**

<u>Special Education Fund</u>	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 801,037	\$ 0
State Sources	128,799	0
	<u>929,836</u>	<u>0</u>
Expenditures		
Instruction	216,509	0
General Administration	65,836	0
	<u>282,345</u>	<u>0</u>
Receipts Over (Under) Expenditures	647,491	0
Reclassification of Beginning Unencumbered Cash	0	376,043
Unencumbered Cash, Beginning	(1,023,534)	(376,043)
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ (376,043)</u>	<u>\$ 0</u>

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

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)**

<u>Federal Funds</u>	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources	\$ 692,108	\$ 652,093
	<u>692,108</u>	<u>652,093</u>
Expenditures		
Instruction	27,590	77,544
General Administration	<u>675,772</u>	<u>579,406</u>
	<u>703,362</u>	<u>656,950</u>
Receipts Over (Under) Expenditures	(11,254)	(4,857)
Unencumbered Cash, Beginning	36,980	25,726
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 25,726</u>	<u>\$ 20,869</u>

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

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 1 - Summary of Significant Accounting Policies:

This summary of significant accounting policies of **South Central Kansas Education Service Center, Unified School District No. 628** (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

South Central Kansas Education Service Center, Unified School District No. 628 (the primary government), is an interlocal unified school district established as a cooperative to provide special education services to participating unified school districts. The District cannot levy taxes, but receives its revenue from federal and state aid and contracted participating unified school districts for special education services.

Basis of Presentation – Fund Accounting

The accounts of the District are organized on the basis of funds, each of which is considered a separate accounting entity. The District has created several types of funds and a number of discrete funds within each fund type. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, receipts and expenditures. The individual funds account for the governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following types of funds comprise the financial activities of the District for the year:

Governmental Funds

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

Special Revenue Fund-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate 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. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The District has approved a resolution that is in compliance with K.S.A. 75-110a(c), waiving the requirement for application of accounting principles generally accepted in the United States of America and allowing the municipality to use the statutory basis of accounting.

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

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, 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, 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 fixed 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, temporary notes, and compensated absences are not presented in the financial statements.

Budget and Assessment Cycle

The District prepares a budget under the Kansas cash basis and budget laws to determine assessments to member districts and other financial planning purposes.

The Kansas cash basis and budget laws permit transferring budgeted amounts between line items within an individual fund. However, such laws prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 2 - Compensated Absences:

Vacation

Twelve month employees are provided 10 days paid vacation annually. All earned vacation time is to be taken from July 1 to June 30 of each fiscal year and cannot be accumulated. Hence, there is no estimated liability for accrued vacation pay at June 30, 2011.

Sick leave

Twelve month employees are granted 12 days of leave per year with the ability to accumulate up to 120 days of sick leave if the days are not used in the current year. Nine month employees working 35 hours or more per week are granted 9 days of leave per year which can accumulate up to 70 days if sick leave days are not used in the current year. Terminated or retiring employees are not compensated for their unused sick leave.

Note 3 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District 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. The Government has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the District's 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. The District has no investment policy that would further limit its investment choices.

Concentration of credit risk. State statutes place no limit on the amount the District 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 Government's deposits may be returned to it. State statutes require the District'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%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the District's carrying amount of deposits was \$5,470,698 and the bank balance was \$6,097,950. The bank balance is held by one bank. Of the bank balance, \$251,045 was covered by depository insurance, and the remaining \$5,846,905 was collateralized with securities held by the pledging financial institution's agent in the District's name.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 4 - Prior Year Balances:

Certain prior year balances are presented for comparison purposes. Certain items have been reclassified in the June 30, 2010, financial statements in order to conform to the June 30, 2011, presentation.

Note 5 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government 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 these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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. There is no cost to the government under this program.

Note 6 - Defined Benefit Pension Plan:

Plan Description

The District 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. 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 Ave, Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at a minimum of 4% of covered salary. 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. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.17% of covered payroll for the year ended June 30, 2011. These contribution requirements are established by KPERS and are periodically revised. Kansas contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$253,834,044, \$248,468,186 and \$242,277,363 respectively, equal to the required contributions for each year.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 7 - Contingencies:

Grant Programs

The District participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The District 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 District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Note 8 - Reimbursed Expenses:

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Note 9 - Reclassification of Beginning Unencumbered Cash:

As of June 30, 2010, the Special Education Fund had a negative unencumbered cash balance of \$376,043. This balance represents amount due for services and reimbursed expenses from Rainbows United (a non-profit organization). As of June 30, 2010, the District no longer provided Special Education services; therefore the negative unencumbered cash balance has been reclassified to the General Fund along with the other activity of the District.

Note 10 - Subsequent Events:

The District has evaluated subsequent events through September 28, 2011, the date which the financial statements were available to be issued.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 11 - Lease Commitments:

At June 30, 2011, the District leased real estate and an automobile under several noncancelable leases. Future minimum lease payments required under the operating leases are as follows:

6/30/2012	\$	202,430
6/30/2013		149,377
6/30/2014		109,410
6/30/2015		<u>23,605</u>
	\$	<u>484,822</u>

Rent expense for the year ended June 30, 2011, was \$204,966.

The District entered into a Master Lease Agreement with the Valley State Bank of Belle Plaine, Kansas for the lease of various copiers and related equipment. The equipment is subsequently leased to other districts. The terms of the agreement call for monthly payments of principle and interest. Interest rates vary between 3.75% and 6.75%. The monthly payments are adjusted as equipment is paid off.

Changes in the Master Lease Agreement for the year ended June 30, 2011 were as follows:

Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
<u>\$ 515,090</u>	<u>\$ 386,641</u>	<u>\$ 307,689</u>	<u>\$ 594,042</u>	<u>\$ 24,370</u>

Future minimum lease payments under the Master Lease Agreement are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
6/30/2012	\$ 190,434	\$ 21,859	\$ 212,293
6/30/2013	155,952	13,641	169,593
6/30/2014	121,998	7,856	129,854
6/30/2015	91,054	3,538	94,592
6/30/2016	<u>34,604</u>	<u>594</u>	<u>35,198</u>
	<u>\$ 594,042</u>	<u>\$ 47,488</u>	<u>\$ 641,530</u>

FEDERAL AWARD INFORMATION



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

**Board of Directors
South Central Kansas Education Service Center
Unified School District No. 628
Clearwater, Kansas**

We have audited the financial statements of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, as of and for the year ended **June 30, 2011**, and have issued our report thereon dated September 28, 2011, which was adverse because of the District's policy to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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.

**Board of Directors
South Central Kansas Education Service Center
Unified School District No. 628**

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** 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 Board of Directors and management of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, The Kansas Department of Education, and other federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Busby Ford & Reimer, LLC
September 28, 2011



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

**Board of Education
South Central Kansas Education Service Center
Unified School District No.628
Clearwater, Kansas**

Compliance

We have audited **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** major federal programs for the year ended **June 30, 2011**. **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** major federal programs are identified in the summary of auditors' 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** management. Our responsibility is to express an opinion on **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, 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. 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, 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 of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** compliance with those requirements.

In our opinion, **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended **June 30, 2011**.

**Board of Education
South Central Kansas Education Service Center
Unified School District No.628**

Internal Control Over Compliance

Management of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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 **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas'** internal control over compliance.

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

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 deficiencies, 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 Board of Education and management of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, and for filing with the Kansas Department of Administration, Division of Accounts and Reports, The Kansas Department of Education, and other federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Busby Ford & Reimer, LLC
September 26, 2011

SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
 UNIFIED SCHOOL DISTRICT NO. 628
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Grant Title	Federal CFDA No.	Program Amount	Unencumbered		Receipts	Expenditures	Unencumbered	
			Cash	7-1-10			Cash	6-30-11
Department of Agriculture								
Distance Learning and Telemedicine								
Loans and Grants	10.855	\$ 1,439,377	\$ 0	\$ 0	\$ 139,555	\$ 135,698	\$ 3,857	
Department of Education								
Foreign Language Assistance	84.293B	889,152	0	0	313,403	295,245	18,158	
<u>(Passes Through Kansas Department of Education)</u>								
Department of Education								
Program Improv Sec	84.048	153,790	0	0	153,790	153,790	0	
Advance Placement Program	84.330	25,000	25,576	25,000	25,000	51,722	(1,146)	
English Language Acquisition	84.365	20,345	0	20,345	20,345	20,345	0	
		199,135	25,576	199,135	652,093	225,857	(1,146)	
Total Federal Financial Awards		\$ 2,527,664	\$ 25,576	\$ 652,093	\$ 656,800	\$ 20,869		

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2011**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas**, and is prepared on the basis of accounting as described in Note 1 of the notes to the financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an adverse opinion on the financial statements of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas.**
2. No significant deficiencies or material weaknesses were reported in the 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*.
3. No instances of noncompliance material to the financial statements of **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas,** were disclosed during the audit.
4. No significant deficiencies or material weakness were reported in the Report on Compliance with Requirements that Could have a Direct and Material Effect on Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditors' report on compliance for the major federal award programs for **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas,** expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas.**
7. The programs tested as major programs were:

Distance Learning & Telemedicine Loans & Grants	10.855
Foreign Language Assistance	84.293B
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **South Central Kansas Education Service Center, Unified School District No.628, Clearwater, Kansas,** was determined not to be a low-risk auditee.

**SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
JUNE 30, 2011**

There are no prior audit findings.

SUPPLEMENTARY INFORMATION

SOUTH CENTRAL KANSAS EDUCATION SERVICE CENTER
UNIFIED SCHOOL DISTRICT NO. 628
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
IDL NETWORK FUND
FOR THE YEAR ENDED JUNE 30, 2011
(With Comparative Actual Totals for the Prior Year Ended June 30, 2010)

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 245,968	\$ 146,841
	<u>245,968</u>	<u>146,841</u>
Expenditures		
Instruction	67,445	44,718
General Administration	64,721	75,801
	<u>132,166</u>	<u>120,519</u>
Receipts Over (Under) Expenditures	113,802	26,322
Unencumbered Cash, Beginning	48,311	162,113
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 162,113</u>	<u>\$ 188,435</u>