

**SUMNER COUNTY EDUCATIONAL
SERVICES INTERLOCAL DISTRICT 619
WELLINGTON, KANSAS**

**FINANCIAL STATEMENTS
JUNE 30, 2011**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**SUMNER COUNTY EDUCATIONAL
SERVICES INTERLOCAL DISTRICT 619
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JUNE 30, 2011**

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Sumner County Educational Services Interlocal District 619
Wellington, Kansas**

We have audited the accompanying financial statements of **Sumner County Educational Services Interlocal District 619, Wellington, 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 March 25, 2011, 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, **Sumner County Educational Services Interlocal District 619, Wellington, 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.

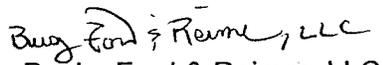
In our opinion, because of the effects of the matter discussed in the preceding paragraph the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, as of **June 30, 2011**, or changes in the financial position for the year then ended.

**Board of Education
Sumner County Educational Services Interlocal District 619**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Sumner County Educational Services Interlocal District 619, Wellington, 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 March 23, 2012, on our consideration of **Sumner County Educational Services Interlocal District 619, Wellington, 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 conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of **Sumner County Educational Services Interlocal District 619, Wellington, 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. 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
March 23, 2012

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2011**

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Special Revenue Funds	\$ 771,196	\$ 0	\$ 3,291,389	\$ 3,174,315	\$ 888,270	\$ 0	\$ 888,270
Special Education	11	0	6,019	6,019	11	0	11
Professional Development	0	0	329,967	329,967	0	0	0
Crossroads Academy	0	0	19,012	19,012	0	0	0
Continuous Improvement Grant	0	0	19,012	19,012	0	0	0
	<u>\$ 771,207</u>	<u>\$ 0</u>	<u>\$ 3,646,387</u>	<u>\$ 3,529,313</u>	<u>\$ 888,281</u>	<u>\$ 0</u>	<u>\$ 888,281</u>

Composition of Cash:	
Checking Accounts	\$ 61,408
Money Market Account	876,509
	<u>937,917</u>
Agency Funds	(49,636)
	<u>\$ 888,281</u>

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

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
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)
		Comply with Legal Max	Legal Max	Qualifying Budget Credits	Qualifying Budget Credits			
Special Revenue Funds								
Special Education	\$ 3,752,058	\$ 0	\$ 0	0	0	\$ 3,752,058	\$ 3,174,315	\$ 577,743
Professional Development	10,950	0	0	0	0	10,950	6,019	4,931
Crossroads Academy	388,890	0	0	0	0	388,890	329,967	58,923
Continuous Improvement Grant	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	19,012	XXXXXXXXXX
	<u>\$ 4,151,898</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>0</u>	<u>\$ 4,151,898</u>	<u>\$ 3,529,313</u>	<u>\$ 641,597</u>

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

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
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>Special Education Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Favorable
	Actual	Actual	Budget	(Unfavorable)
Cash Receipts				
Local Sources	\$ 2,568,331	\$ 2,650,453	\$ 2,726,742	\$ (76,289)
Federal Sources	<u>778,926</u>	<u>640,936</u>	<u>656,281</u>	<u>(15,345)</u>
	<u>3,347,257</u>	<u>3,291,389</u>	<u>\$ 3,383,023</u>	<u>\$ (91,634)</u>
Expenditures				
Instruction	1,955,866	1,887,283	\$ 2,205,880	\$ 318,597
Student Support Services	914,897	904,879	986,183	81,304
General Administration	246,017	236,786	283,272	46,486
Operations & Maintenance	22,149	26,946	53,777	26,831
Student Transportation Services	55,982	60,312	222,946	162,634
Transfers	<u>131,600</u>	<u>58,109</u>	<u>0</u>	<u>(58,109)</u>
	<u>3,326,511</u>	<u>3,174,315</u>	<u>\$ 3,752,058</u>	<u>\$ 577,743</u>
Receipts Over (Under) Expenditures	20,746	117,074		
Unencumbered Cash, Beginning	750,450	771,196		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 771,196</u>	<u>\$ 888,270</u>		

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

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
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>Professional Development Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Favorable
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Unfavorable)</u>
Cash Receipts				
Transfers	\$ 3,600	\$ 6,019	\$ 10,000	\$ (3,981)
	<u>3,600</u>	<u>6,019</u>	<u>\$ 10,000</u>	<u>\$ (3,981)</u>
Expenditures				
Instructional Support Staff	4,007	6,019	\$ 10,950	\$ 4,931
	<u>4,007</u>	<u>6,019</u>	<u>\$ 10,950</u>	<u>\$ 4,931</u>
Receipts Over (Under) Expenditures	(407)	0		
Unencumbered Cash, Beginning	418	11		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 11</u>	<u>\$ 11</u>		

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

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
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>Crossroads Academy Fund</u>	Prior Year	<u>Current Year</u>		Variance -
	Actual	Actual	Budget	Favorable (Unfavorable)
Cash Receipts				
Local Sources	\$ 222,336	\$ 253,877	\$ 219,900	\$ 33,977
Federal Sources	24,000	24,000	24,000	0
Transfers	128,000	52,090	145,000	(92,910)
	<u>374,336</u>	<u>329,967</u>	<u>\$ 388,900</u>	<u>\$ (58,933)</u>
Expenditures				
Instruction	207,050	190,682	\$ 205,055	\$ 14,373
Student Support Services	1,642	1,549	2,300	751
Instructional Support Staff	90	136	200	64
General Administration	13,397	11,037	10,400	(637)
Operations & Maintenance	22,382	14,058	22,400	8,342
Student Transportation Services	129,775	112,505	148,535	36,030
	<u>374,336</u>	<u>329,967</u>	<u>\$ 388,890</u>	<u>\$ 58,923</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

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

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
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)**

Continuous Improvement Grant Fund

	<u>Prior Year Actual</u>	<u>Current Year Actual</u>
Cash Receipts		
Federal Sources	\$ 17,762	\$ 19,012
	<u>17,762</u>	<u>19,012</u>
 Expenditures		
Instruction	3,392	1,981
Student Support Services	14,309	6,174
Student Transportation Services	61	10,857
	<u>17,762</u>	<u>19,012</u>
 Receipts Over (Under) Expenditures	 0	 0
 Unencumbered Cash, Beginning	 0	 0
 Prior Year Canceled Encumbrances	 <u>0</u>	 <u>0</u>
 Unencumbered Cash, Ending	 <u>\$ 0</u>	 <u>\$ 0</u>

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

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2011

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Health Insurance	\$ 34,849	\$ 175,727	\$ 160,940	\$ 49,636

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

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Sumner County Educational Services Interlocal District 619, Wellington, Kansas, represents a District established under State of Kansas statutes. The District was formed through an agreement of five Kansas Unified School Districts (Belle Plaine, Oxford, Argonia, Caldwell, and South Haven) located in and around Sumner County, Kansas to meet special education requirements at the primary and secondary levels. The District is governed by a Board of Directors comprised of one member from each member district. The District's financial statements include all funds over which the Board of Directors exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

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

Special Revenue Funds-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.

Agency Funds-To account for resources held by the District as an agent for others.

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.

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 assessment to member districts and other financial planning purposes. Assessments are made in two equal installments.

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.

A legal operating budget is not required for the Continuous Improvement Grant special revenue fund.

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

Note 2 - Compensated Absences:

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the District to record vacation and sick leave benefits as expenditures when paid.

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011**

Note 3 - 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 4 - 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 \$937,917 and the bank balance was \$1,124,492. The bank balance is held by one bank. Of the bank balance, \$251,678 was covered by depository insurance, and the remaining \$872,814 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Note 5 - Interfund Transactions:

Operating transfers in accordance with K.S.A. 72-7063 were as follows:

	Transfer to:		
	Professional Development	Crossroads Academy	Total
Transfer from:			
Special Education	<u>\$ 6,019</u>	<u>\$ 52,090</u>	<u>\$ 58,109</u>

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - 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 7 - 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 66603-3896) 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.

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 - 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.

Medicaid Payments

The District submits reports of time for providing medical services to children with disabilities to a third party. The third party reviews the reports and files claims for Medicaid reimbursement. Medicaid then pays the third party based on Medicaid's determination of allowed payment. The third party retains a percentage of the payment based on an agreement with the District and remits the remainder approximately monthly for the previous month's claims. Due to adjustments made by both the third party and Medicaid, the actual amount to be received by the District is undeterminable and has not been recorded. It will be recorded as received.

Note 9 - Subsequent Events:

The District has evaluated subsequent events through March 23, 2012, the date which the financial statements were available to be issued.

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
Sumner County Educational Services Interlocal District 619
Wellington, Kansas**

We have audited the financial statements of **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, as of and for the year ended **June 30, 2011**, and have issued our report thereon dated March 23, 2012, 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

Management of **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Sumner County Educational Services Interlocal District 619, Wellington, 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Board of Directors
Sumner County Educational Services Interlocal District 619

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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Sumner County Educational Services Interlocal District 619, Wellington, 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*.

We noted certain matters that we reported to management of **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, in a separate letter dated March 23, 2012.

This report is intended solely for the information and use of the Board of Education and management of **Sumner County Educational Services Interlocal District 619, Wellington, 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
March 23, 2012



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

Independent Auditors' Report

**Board of Directors
Sumner County Educational Services Interlocal District 619
Wellington, Kansas**

Compliance

We have audited **Sumner County Educational Services Interlocal District 619, Wellington, 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 each of **Sumner County Educational Services Interlocal District 619, Wellington, Kansas'** major federal programs for the year ended **June 30, 2011**. **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, Kansas'** management. Our responsibility is to express an opinion on **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, Kansas'** compliance with those requirements.

In our opinion, **Sumner County Educational Services Interlocal District 619, Wellington, 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 Directors
Sumner County Educational Services Interlocal District 619**

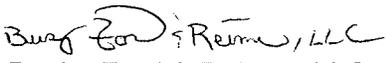
Internal Control Over Compliance

Management of **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, 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
March 23, 2012

SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 FOR THE YEAR ENDED JUNE 30, 2011

Grant Title	Federal CFDA No.	Program Amount	Unencumbered		Expenditures	Unencumbered	
			Cash 7-1-10	Receipts		Cash 6-30-11	
(Passes Through Kansas Department of Education)							
Department of Education							
EHC Flo-Thru	84.027	\$ 394,031	\$ 0	\$ 394,031	\$ 394,031	\$ 0	0
EC Flo-Thru	84.173	19,360	0	19,360	19,360	0	0
Special Ed Part B Grants-ARRA	84.391	185,082	0	185,082	185,082	0	0
Special Ed Part B Preschool-ARRA	84.392	7,794	0	7,794	7,794	0	0
		<u>606,267</u>	<u>0</u>	<u>606,267</u>	<u>606,267</u>	<u>0</u>	<u>0</u>
(Passes Through Kansas Department of Social and Rehabilitation Services)							
Department of Health and Human Services							
Medicaid	93.778	77,681	0	77,681	77,681	0	0
Total Federal Awards		<u>\$ 683,948</u>	<u>\$ 0</u>	<u>\$ 683,948</u>	<u>\$ 683,948</u>	<u>\$ 0</u>	<u>0</u>

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2011**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Sumner County Educational Services Interlocal District 619, Wellington, 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."

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

SUMMARY OF AUDIT RESULTS

1. The auditors' report expresses an adverse opinion on the financial statements of **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, 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 **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**.
7. The programs tested as major programs were:

EHC Flo-Thru	84.027
EC Flo-Thru	84.173
Special Ed Part B Grants-ARRA	84.391
Special Ed Part B Preschool-ARRA	84.392
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **Sumner County Educational Services Interlocal District 619, Wellington, Kansas**, was determined not to be a low-risk auditee.

**SUMNER COUNTY EDUCATIONAL SERVICES INTERLOCAL DISTRICT 619
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There are no prior audit findings.