

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
HUTCHINSON, KANSAS**

**FINANCIAL STATEMENTS
JUNE 30, 2011**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

RENO COUNTY EDUCATION COOPERATIVE NO. 610
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	
Professional Development Fund	5
Special Education Fund	6
Notes to Financial Statements	7 – 11
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>	12 – 13
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	14 – 15
Schedule of Expenditures of Federal Awards	16
Notes to Schedule of Expenditures of Federal Awards	17
Schedule of Findings and Questioned Costs	18
Schedule of Prior Year Findings and Questioned Costs	19
Additional Information	
Combining Statement of Cash Receipts, Expenditures and Unencumbered Cash Balances - Special Education Funds	20



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**Board of Directors
Reno County Education Cooperative No. 610
Hutchinson, Kansas**

We have audited the accompanying financial statements of **Reno County Education Cooperative No. 610, Hutchinson, 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 Cooperative'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 Cooperative's 2010 financial statements and, in our report dated December 29, 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 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, **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of **June 30, 2011**, or changes in financial position for the year then ended.

**Board of Directors
Reno County Education Cooperative No. 610**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Reno County Education Cooperative No. 610, Hutchinson, 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 December 28, 2011, on our consideration of **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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 combining statement of cash receipts, expenditures, and unencumbered cash balances - Special Education Funds 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
December 28, 2011

RENO COUNTY EDUCATION COOPERATIVE NO. 610
 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		Ending Cash Balance
						Outstanding Encumbrances and Accounts Payable		
Special Revenue Funds								
Professional Development	\$ 0	\$ 0	\$ 4,851	\$ 4,851	\$ 0	\$ 0	\$ 0	\$ 0
Special Education	1,135,900	7,519	8,378,739	8,020,160	1,501,998	72,358	1,574,356	
	<u>\$ 1,135,900</u>	<u>\$ 7,519</u>	<u>\$ 8,383,590</u>	<u>\$ 8,025,011</u>	<u>\$ 1,501,998</u>	<u>\$ 72,358</u>	<u>\$ 1,574,356</u>	
Composition of Cash:					Checking and Money Market Accounts			
					<u>\$ 1,574,356</u>			

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

RENO COUNTY EDUCATION COOPERATIVE NO. 610
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	Budget Credits	Qualifying Budget Credits			
Special Revenue Funds								
Professional Development	\$ 25,500	\$ 0	\$ 0	\$ 0	\$ 0	\$ 25,500	\$ 4,851	\$ 20,649
Special Education	9,087,046	0	0	0	0	9,087,046	8,020,160	1,066,886
	<u>\$ 9,112,546</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 9,112,546</u>	<u>\$ 8,025,011</u>	<u>\$ 1,087,535</u>

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

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
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>	Current Year			Variance - Favorable (Unfavorable)
	Prior Year			
	Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 0	\$ 0	\$ 0	\$ 0
State Sources	(1,410)	0	0	0
Transfers	5,139	4,851	25,500	(20,649)
	3,729	4,851	\$ 25,500	\$ (20,649)
Expenditures				
Instruction	1,863	840	\$ 0	\$ (840)
Instruction Support Staff	1,866	4,011	25,500	21,489
General Administration	0	0	0	0
	3,729	4,851	\$ 25,500	\$ 20,649
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	\$ 0	\$ 0		

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

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
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 - Favorable (Unfavorable)
	Prior Year			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 6,491,402	\$ 6,365,353	\$ 6,162,388	\$ 202,965
State Sources	166,749	155,525	0	155,525
Federal Sources	<u>1,962,218</u>	<u>1,857,861</u>	<u>1,788,758</u>	<u>69,103</u>
	<u>8,620,369</u>	<u>8,378,739</u>	<u>\$ 7,951,146</u>	<u>\$ 427,593</u>
Expenditures				
Instruction	5,624,468	5,399,857	\$ 6,251,923	\$ 852,066
Student Support Services	1,974,438	1,876,952	1,987,959	111,007
Instructional Support Staff	0	12,249	8,910	(3,339)
General Administration	561,483	610,053	680,554	70,501
Operations & Maintenance	236,522	83,862	119,700	35,838
Student Transportation Services	11,698	12,233	38,000	25,767
Other Supplemental Services	20,405	20,103	0	(20,103)
Transfers	<u>5,139</u>	<u>4,851</u>	<u>0</u>	<u>(4,851)</u>
	<u>8,434,153</u>	<u>8,020,160</u>	<u>\$ 9,087,046</u>	<u>\$ 1,066,886</u>
Receipts Over (Under) Expenditures	186,216	358,579		
Unencumbered Cash, Beginning	918,431	1,135,900		
Prior Year Canceled Encumbrances	<u>31,253</u>	<u>7,519</u>		
Unencumbered Cash, Ending	<u>\$ 1,135,900</u>	<u>\$ 1,501,998</u>		

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

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Reno County Education Cooperative No. 610 is a municipal corporation established under State of Kansas statutes. The Cooperative was formed in the mid-1970's and last renewed July 1, 1985 through an agreement of five Kansas Unified School Cooperatives (Nickerson, Fairfield, Pretty Prairie, Haven and Buhler) located in and around Reno County, Kansas to meet special education requirements at the primary and secondary levels. The Cooperative is governed by an elected five member Board of Education. The Cooperative's financial statements include all funds over which the Board of Education 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 Cooperative are organized on the basis of funds, each of which is considered a separate accounting entity. The Cooperative 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 Cooperative 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.

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 Cooperative 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.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
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 Cooperative prepares a budget under the Kansas cash-basis and budget laws to determine assessment to member Cooperatives and other financial planning purposes. Assessments are made in three variable installments in October, January and May.

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 Cooperative 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.

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 Cooperative to record vacation and sick leave benefits as expenditures when paid.

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.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

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 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. The Government has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may 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%. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the Cooperative's carrying amount of deposits was \$1,574,356 and the bank balance was \$2,378,812. The bank balance is held by one bank. Of the bank balance, \$250,000 was covered by depository insurance and the remaining \$2,128,812 was collateralized with securities held by the pledging financial institution's agent in the Cooperative's name.

Note 5 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the Cooperative 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.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 6 - Contingencies:

Grant Programs

The Cooperative 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 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 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 Cooperative 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 Cooperative 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 Cooperative is undeterminable and has not been recorded. It will be recorded as received.

Note 7 - 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 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.

RENO COUNTY EDUCATION COOPERATIVE NO. 610
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2011

Note 8 - Termination Benefits:

The Cooperative has an early retirement plan for certified personnel. Personnel qualify if they have fifteen years service with the Cooperative, are at least 55 years old and are retired under KPERS. Payments under the plan are paid quarterly until age 65 based on 12% of the annual salary upon retirement by not more than \$6,500 annually. In addition, \$380 per month is contributed toward health insurance of the early retiree if they continue coverage under the Cooperative's group health plan.

It is the policy of the Cooperative to record these benefits as expenditures when paid. Payments were made during the year under the plan to two individuals amounting to \$12,916.

Note 9 - Subsequent Events:

The Cooperative has evaluated subsequent events through December 28, 2011, 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
Reno County Education Cooperative No. 610
Hutchinson, Kansas**

We have audited the financial statements of **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, as of and for the year ended **June 30, 2011**, and have issued our report thereon dated December 28, 2011, which was adverse because of the Cooperative'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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas**, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Reno County Education Cooperative No. 610, Hutchinson, 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.

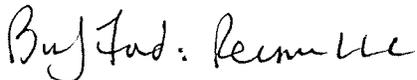
**Board of Directors
Reno County Education Cooperative No. 610**

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 **Reno County Education Cooperative No. 610, Hutchinson, 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 Education and management of **Reno County Education Cooperative No. 610, Hutchinson, 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
December 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

Independent Auditor's Report

**Board of Directors
Reno County Education Cooperative No. 610
Hutchinson, Kansas**

Compliance

We have audited **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** major federal programs for the year ended **June 30, 2011**. **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** management. Our responsibility is to express an opinion on **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas'** compliance with those requirements.

In our opinion, **Reno County Education Cooperative No. 610, Hutchinson, 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
Reno County Education Cooperative No. 610**

Internal Control Over Compliance

Management of **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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
December 28, 2011

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
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				
(Passes Through Kansas Department of Education)								
Department of Education								
Special Education	84.027	\$ 1,061,383	\$ 7,600	\$ 1,061,383	\$ 1,068,983	\$ 0		
Special Education-Preschool	84.173	33,675	0	33,675	33,675	0		
Special Ed ARRA	84.391	544,236	0	544,236	544,236	0		
Special Ed Preschool ARRA	84.392	22,922	0	22,922	22,922	0		
		<u>1,662,216</u>	<u>7,600</u>	<u>1,662,216</u>	<u>1,669,816</u>	<u>0</u>		
(Passes Through Kansas Department of Social and Rehabilitation Services and Southeast Kansas Education Service Center)								
Department of Health and Human Services								
Medicaid	93.778	195,645	0	195,645	195,645	0		
		<u>195,645</u>	<u>0</u>	<u>195,645</u>	<u>195,645</u>	<u>0</u>		
Total Federal Financial Assistance		\$ 1,857,861	\$ 7,600	\$ 1,857,861	\$ 1,865,461	\$ 0		

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
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 **Reno County Education Cooperative No. 610, Hutchinson, 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."

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
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 **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, 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 **Reno County Education Cooperative No. 610, Hutchinson, Kansas,** expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Reno County Education Cooperative No. 610, Hutchinson, Kansas.**
7. The programs tested as major programs were:

Special Education	84.027
Special Education-Preschool	84.173
Special Education-ARRA	84.391
Special Education-ARRA	84.392
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **Reno County Education Cooperative No. 610, Hutchinson, Kansas,** was determined not to be a low-risk auditee.

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2011**

There are no prior audit findings.

ADDITIONAL INFORMATION

**RENO COUNTY EDUCATION COOPERATIVE NO. 610
 COMBINING STATEMENT OF CASH RECEIPTS, EXPENDITURES,
 AND UNENCUMBERED CASH BALANCES - SPECIAL EDUCATION FUNDS
 FOR THE YEAR ENDED JUNE 30, 2011**

	General	Early Education		Carl Perkins	Medora Learning Center		Target Improvement Grant		Combining Adjustments	Total
		Center			Center		Grant			
Cash Receipts										
Local Sources	\$ 4,430,326	\$ 1,562,354	\$ 0	\$ 0	\$ 372,673	\$ 0	\$ 0	\$ 0	\$ 0	\$ 6,365,353
State Sources	0	155,525	0	0	0	0	0	0	0	155,525
Federal Sources	1,735,336	56,597	0	0	24,780	41,148	0	0	0	1,857,861
Transfers	0	261,131	0	0	76,603	0	(337,734)	0	0	0
	<u>6,165,662</u>	<u>2,035,607</u>	<u>0</u>	<u>0</u>	<u>474,056</u>	<u>41,148</u>	<u>(337,734)</u>	<u>0</u>	<u>(337,734)</u>	<u>8,378,739</u>
Expenditures										
Instruction	3,895,454	1,115,858	0	0	355,002	33,543	0	0	0	5,399,857
Student Support Services	1,140,698	687,346	0	0	48,645	263	0	0	0	1,876,952
Instructional Support Staff	639	0	0	0	0	11,610	0	0	0	12,249
General Administration	429,825	118,027	0	0	62,201	0	0	0	0	610,053
Operations & Maintenance	57,302	241	0	0	26,319	0	0	0	0	83,862
Student Transportation Services	12,233	0	0	0	0	0	0	0	0	12,233
Other Supplemental Services	303	15,897	0	0	3,903	0	0	0	0	20,103
Transfers	340,216	370	0	0	1,999	0	(337,734)	0	(337,734)	4,851
	<u>5,876,670</u>	<u>1,937,739</u>	<u>0</u>	<u>0</u>	<u>498,069</u>	<u>45,416</u>	<u>(337,734)</u>	<u>0</u>	<u>(337,734)</u>	<u>8,020,160</u>
Receipts Over (Under) Expenditures	288,992	97,868	0	0	(24,013)	(4,268)	0	0	0	358,579
Unencumbered Cash, Beginning	907,967	108,020	0	0	112,314	7,599	0	0	0	1,135,900
Prior Year Canceled Encumbrances	0	7,014	0	0	505	0	0	0	0	7,519
Unencumbered Cash, Ending	<u>\$ 1,196,959</u>	<u>\$ 212,902</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 88,806</u>	<u>\$ 3,331</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,501,998</u>