

SEDGWICK COUNTY AREA EDUCATIONAL  
SERVICES INTERLOCAL COOPERATIVE  
GODDARD, KANSAS

FINANCIAL STATEMENT  
JUNE 30, 2012

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BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

**SEDGWICK COUNTY AREA EDUCATIONAL  
SERVICES INTERLOCAL COOPERATIVE  
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JUNE 30, 2012**

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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

## INDEPENDENT AUDITORS' REPORT

### Board of Directors

**Sedgwick County Area Educational Services Interlocal Cooperative  
Goddard, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of and for the year ended **June 30, 2012**.

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

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

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

**Board of Education**  
**Sedgwick County Area Educational Services Interlocal Cooperative**

As described in Note 1 of the financial statement, the financial statement is prepared by **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

In our opinion, because of the significance of the matter discussed in the preceding paragraph the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of **June 30, 2012**, or the changes in its financial position and cash flows for the year then ended.

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of **June 30, 2012**, and the aggregate cash receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

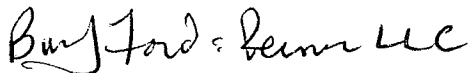
In accordance with *Government Auditing Standards*, we have also issued our report dated September 7, 2012, on our consideration of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**' internal control over financial reporting and on our tests of its compliance with 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 conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, individual funds schedules of cash receipts and expenditures-actual (Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the regulatory financial statement. 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 statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial

**Board of Education****Sedgwick County Area Educational Services Interlocal Cooperative**

statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget and schedule of cash receipts (Supplementary Information as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated December 7, 2011. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such statement to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.



Busby Ford & Reimer, LLC  
September 7, 2012

SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
SUMMARY OF CASH RECEIPTS, EXPENDITURES,  
AND UNENCUMBERED CASH  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

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 Purpose Funds							
Professional Development	\$ 8,034	\$ 0	\$ 84,688	\$ 84,168	\$ 8,554	\$ 0	\$ 8,554
Special Education	4,343,260	0	25,595,036	26,820,261	3,118,035	0	3,118,035
Special Donation	543	0	0	0	543	0	543
Day School Activity	440	0	1,401	379	1,462	0	1,462
Trans-Net Activity	73	0	2,351	1,095	1,329	0	1,329
	<u>\$ 4,352,350</u>	<u>\$ 0</u>	<u>\$ 25,683,476</u>	<u>\$ 26,905,903</u>	<u>\$ 3,129,923</u>	<u>\$ 0</u>	<u>\$ 3,129,923</u>

Composition of Cash:

Checking and Money Market Accounts      \$ 3,129,923

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

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2012**

**Note 1 - Summary of Significant Accounting Policies:**

Financial Reporting Entity

**Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas,** represents a cooperative established under State of Kansas statutes. The Cooperative was formed July 1, 1981 through an agreement of nine Kansas Unified School Districts (Burrton, Cheney, Clearwater, Conway Springs, Goddard, Maize, Renwick, Sedgwick, and Valley Center) located in and around Sedgwick County, Kansas to meet special education requirements at the primary and secondary levels. The Cooperative is governed by a Board of Directors comprised of one member from each member district. The Cooperative'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.

**KMAAG Regulatory Basis of Presentation Fund Definitions:**

Special Purpose 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.

Regulatory Basis of Accounting

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

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

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2012**

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 districts and other financial planning purposes. Assessments are made in nine variable 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 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.

A legal operating budget is not required for the following special purpose funds:

Special Donation  
Trans-Net Activity

Day School Activity

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.



**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2012**

**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 - 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.

**Note 4 - Early Retirement Benefits:**

The Cooperative has an early retirement plan for certified personnel. Personnel qualify if they have fifteen years of service with the Cooperative and are 55 years of age. Payments under the plan are computed by subtracting the base beginning salary amount for a new certified person with no experience from the base salary of the retiree in the year the retiree applied for retirement. The difference is multiplied by a percentage ranging from 37.5% to 75% based on the age of the retiree. Certified personnel with the Cooperative during 2006-2007 were allowed choose benefits under this plan or the Employer Paid Defined Contribution Plan created effective January 1, 2008.

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 \$12,736.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2012**

**Note 5 - Deposits:**

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

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

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the Cooperative's deposits may 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, 2012.

At June 30, 2012, the Cooperative's carrying amount of deposits was \$3,129,923 and the bank balance was \$5,420,274. The bank balance is held by one bank. Of the bank balance, \$250,000 was covered by depository insurance, and the remaining \$5,170,274 was collateralized with securities held by the pledging financial institution's agent in the Cooperative's name.

**Note 6 - Defined Contribution Pension Plan:**

The Cooperative provides pension benefits for all full-time certified/licensed employees through an Internal Revenue Code Section 403(b) defined contribution plan. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. The Cooperative contributes \$1,000 per employee per contract year and is prorated for employees who are employed less than a full contract year. Employees become vested at 10% following the sixth year of continuous employment. Vesting continues to increase by 15% each year until the employee is fully vested at the beginning of the 12<sup>th</sup> year of continuous employment with the Cooperative. The plan is administered by Security Benefit with oversight by the Cooperative Retirement Plan Oversight Committee which is comprised of three Board of Director appointees, three Special Services NEA appointees, and a representative of Security Benefit as an ex officio member.

Payments under the plan for the year ended June 30, 2012, were \$219,480.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
NOTES TO FINANCIAL STATEMENT  
JUNE 30, 2012**

**Note 7 - 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 8 - 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 9.77% of covered payroll for the year ended June 30, 2012. 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, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044 and \$248,468,186 respectively, equal to the required contributions for each year.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE**  
**NOTES TO FINANCIAL STATEMENT**  
**JUNE 30, 2012**

**Note 9 - Leases:**

The Cooperative has entered into various lease agreements for automobiles. The lease agreements call for fixed monthly payments during the term of the lease. At the end of the leases, the Cooperative is subject to additional charges for excess mileage under the terms of the lease. The future minimum payments under the leases consist of the following at June 30, 2012:

<u>Year</u>	<u>Annual Payments</u>
June 30, 2013	\$24,537
June 30, 2014	<u>16,146</u>
	<u>\$40,683</u>

Lease payments made during the year ended June 30, 2012 were \$38,147.

**Note 10 - Subsequent Events:**

The Cooperative has evaluated subsequent events through September 7, 2012, the date which the financial statements were available to be issued.

## **SUPPLEMENTARY INFORMATION**

SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Certified Budget	Adjustment to		Adjustment for	Total Budget for	Expenditures	Variance -
		Comply with	Legal Max				
				Budget Credits	Comparison	Chargeable to	Favorable
						Current Year	(Unfavorable)
Special Purpose Funds							
Professional Development	\$ 92,721	\$ 0	\$ 0	0	\$ 92,721	\$ 84,168	\$ 8,553
Special Education	30,157,607	0	0	0	30,157,607	26,820,261	3,337,346
Special Donation	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	0	XXXXXXXXXX
Day School Activity	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	379	XXXXXXXXXX
Trans-Net Activity	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	1,095	XXXXXXXXXX
	<u>\$ 30,250,328</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>\$ 30,250,328</u>	<u>\$ 26,905,903</u>	<u>\$ 3,345,899</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

<u>Professional Development Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 36,650	\$ 72,988	\$ 72,988	\$ 0
Federal Sources	11,700	11,700	11,700	0
	<u>48,350</u>	<u>84,688</u>	<u>\$ 84,688</u>	<u>\$ 0</u>
Expenditures				
Instructional Support Staff	72,362	84,168	\$ 92,721	\$ 8,553
	<u>72,362</u>	<u>84,168</u>	<u>\$ 92,721</u>	<u>\$ 8,553</u>
Receipts Over (Under) Expenditures	(24,012)	520		
Unencumbered Cash, Beginning	32,046	8,034		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 8,034</u>	<u>\$ 8,554</u>		

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -  
ACTUAL AND BUDGET  
REGULATORY BASIS**

**FOR THE YEAR ENDED JUNE 30, 2012**

**(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

<u>Special Education Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 19,914,784	\$ 21,153,019	\$ 21,902,656	\$ (749,637)
State Sources	5,364	883	0	883
Federal Sources	6,668,393	4,441,134	3,912,290	528,844
	<u>26,588,541</u>	<u>25,595,036</u>	<u>\$ 25,814,946</u>	<u>\$ (219,910)</u>
Expenditures				
Instruction	16,962,511	17,749,309	\$ 20,451,456	\$ 2,702,147
Student Support Services	7,171,903	7,267,769	7,722,337	454,568
Instructional Support Staff	52,983	57,025	110,444	53,419
General Administration	1,047,018	1,101,232	1,320,303	219,071
Operations & Maintenance	195,328	306,849	247,642	(59,207)
Student Transportation Services	193,949	263,438	264,425	987
Other Support Services	55,639	74,639	41,000	(33,639)
	<u>25,679,331</u>	<u>26,820,261</u>	<u>\$ 30,157,607</u>	<u>\$ 3,337,346</u>
Receipts Over (Under) Expenditures	909,210	(1,225,225)		
Unencumbered Cash, Beginning	3,434,050	4,343,260		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 4,343,260</u>	<u>\$ 3,118,035</u>		



**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

Special Donation Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 500	\$ 0
	<u>500</u>	<u>0</u>
Expenditures		
Instruction	<u>457</u>	<u>0</u>
	<u>457</u>	<u>0</u>
Receipts Over (Under) Expenditures	43	0
Unencumbered Cash, Beginning	500	543
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 543</u>	<u>\$ 543</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

Day School Activity Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 508	\$ 1,401
	<u>508</u>	<u>1,401</u>
Expenditures		
Instruction	<u>537</u>	<u>379</u>
	<u>537</u>	<u>379</u>
Receipts Over (Under) Expenditures	(29)	1,022
Unencumbered Cash, Beginning	469	440
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 440</u>	<u>\$ 1,462</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
STATEMENT OF CASH RECEIPTS AND EXPENDITURES – ACTUAL  
REGULATORY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012  
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)**

<u>Trans-Net Activity Fund</u>		
	Prior Year	Current Year
	<u>Actual</u>	<u>Actual</u>
Cash Receipts		
Local Sources	<u>\$ 1,331</u>	<u>\$ 2,351</u>
	<u>1,331</u>	<u>2,351</u>
Expenditures		
Instruction	<u>2,098</u>	<u>1,095</u>
	<u>2,098</u>	<u>1,095</u>
Receipts Over (Under) Expenditures	(767)	1,256
Unencumbered Cash, Beginning	840	73
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 73</u>	<u>\$ 1,329</u>

## FEDERAL AWARD INFORMATION



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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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**

**Sedgwick County Area Educational Services Interlocal Cooperative  
Goddard, Kansas**

We have audited the financial statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, as of and for the year ended **June 30, 2012**, and have issued our report thereon dated September 7, 2012. In our report, our opinion on the financial statement was unqualified based on the 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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**

### **Sedgwick County Area Educational Services Interlocal Cooperative**

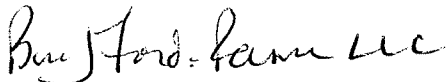
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, in a separate letter dated September 7, 2012.

This report is intended solely for the information and use of the Board of Directors and management of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, and for filing with the Kansas Department of Administration, Office of Management Analysis and Standards, 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 7, 2012



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# BUSBY FORD & REIMER, LLC

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CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' 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 Directors  
Sedgwick County Area Educational Services Interlocal Cooperative  
Goddard, Kansas**

Compliance

We have audited **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** major federal programs for the year ended **June 30, 2012**. **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** management. Our responsibility is to express an opinion on **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas'** compliance with those requirements.

In our opinion, **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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, 2012**.

**Board of Directors**  
**Sedgwick County Area Educational Services Interlocal Cooperative**

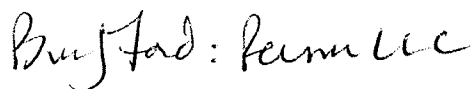
Internal Control Over Compliance

Management of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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 **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, and for filing with the Kansas Department of Administration, Office of Management Analysis and Standards, 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 7, 2012



**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

Grant Title	Federal CFDA No.	Program Amount	Unencumbered		Receipts	Expenditures	Unencumbered	
				Cash			Cash	
				7-1-11				6-30-12
<b>(Passes Through Kansas Department of Education)</b>								
Department of Education								
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	\$ 3,503,447	\$	0	\$ 3,503,447	\$ 3,503,447	\$	0
Special Education Preschool Grants	84.173	70,543		0	70,543	70,543		0
		<u>3,573,990</u>		<u>0</u>	<u>3,573,990</u>	<u>3,573,990</u>		<u>0</u>
<b>(Passes Through Kansas Department of Social and Rehabilitation Services)</b>								
Department of Health and Human Services								
Medicaid Cluster								
Medical Assistance Program	93.778	878,844		0	878,844	878,844		0
Total Expenditures of Federal Awards		<u>\$ 4,452,834</u>	<u>\$</u>	<u>0</u>	<u>\$ 4,452,834</u>	<u>\$ 4,452,834</u>	<u>\$</u>	<u>0</u>

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012**

**Note 1 - Basis of Presentation:**

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, 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."

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

**SUMMARY OF AUDIT RESULTS**

1. The independent auditors' report expresses an unqualified opinion on the financial statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**.
2. No significant deficiencies or material weaknesses were reported in the Independent Auditors' 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 statement of **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, were disclosed during the audit.
4. No significant deficiencies or material weakness were reported in the Independent Auditors' 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 independent auditors' report on compliance for the major federal award programs for **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**.
7. The programs tested as major programs were:

Special Education Cluster (IDEA)-Cluster	
Department of Education Pass-Through	
Special Education Grants to States	84.027
Special Education Preschool Grants	84.173
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **Sedgwick County Area Educational Services Interlocal Cooperative, Goddard, Kansas**, was determined not to be a low-risk auditee.

**SEDGWICK COUNTY AREA EDUCATIONAL SERVICES INTERLOCAL COOPERATIVE  
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012**

There are no prior audit findings.