

**SOUTH CENTRAL KANSAS
SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS**

**SPECIAL FINANCIAL STATEMENTS
FOR THE YEAR ENDING JUNE 30, 2012**

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
FOR THE YEAR ENDED JUNE 30, 2012

TABLE OF CONTENTS

	<u>Page</u>
<u>FINANCIAL SECTION</u>	
Independent Auditor's Report.....	1-2
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters.....	3-4
Independent Auditor's Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance.....	5-6
<u>Statement 1</u>	
Summary of Cash Receipts, Expenditures and Unencumbered Cash.....	7
<u>Statement 2</u>	
Statement of Cash Receipts and Expenditures- Actual and Budget General Fund.....	8
<u>Statement 3</u>	
Statement of Cash Receipts and Expenditures Federal Funds.....	9
Pre-K Pilot Program.....	10
<u>Notes to the Financial Statements</u>	11-14
<u>Supplemental Information</u>	
<u>Schedule 1</u>	
Schedule of Federal Financial Assistance.....	16
<u>Notes to Schedule of Federal Financial Assistance</u>	17
<u>Schedule 2</u>	
Summary Schedule of Prior Audit Findings.....	18
<u>Schedule 3</u>	
Schedule of Findings and Questioned Costs.....	19
<u>Schedule 4</u>	
Corrective Action Plan.....	20

PATTON, CRAMER & LaPRAD, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
113 E. THIRD STREET, DRAWER H
PRATT, KANSAS 67124-1108
620-672-5533

SHELLEY K. PATTON, C.P.A.
DONA H. CRAMER, C.P.A.
STEPHEN B. LaPRAD, C.P.A.

MEMBERS OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

JENNIFER L. SLATER, C.P.A.
MICHELLE A. TAYLOR, C.P.A.

INDEPENDENT AUDITORS' REPORT

Governing Board
South Central Kansas
Special Education Cooperative
Pratt, KS 67124

We have audited the accompanying financial statements of South Central Kansas Special Education Cooperative, Pratt, Kansas, as of June 30, 2012, and for the year then ended, 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.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America; the Kansas Municipal Audit Guide and 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.

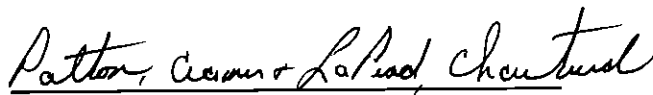
As described in Note 1, the Cooperative prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. The effects 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 accordance with Government Auditing Standards, we have also issued our report dated September 28, 2012, on our consideration of the Cooperatives 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.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of South Central Kansas Special Education Cooperative, Pratt, Kansas, as of June 30, 2012.

In our opinion, the financial statements referred to in the first paragraph present fairly, in all material respects, the cash and unencumbered cash balances of South Central Kansas Special Education Cooperative, Pratt, Kansas as of June 30, 2012, and the revenues it received and expenditures it paid for the year then ended, on the basis of accounting described in Note 1.

Our audit was performed for the purpose of forming an opinion on the financial statements of South Central Kansas Special Education Cooperative, Pratt, Kansas, taken as a whole. The accompanying schedule of expenditures of federal awards, schedule of findings and questioned costs and corrective action plan are presented for purposes of additional analysis as required by the 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 information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, 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 statements as a whole.



Patton, Cramer & LaPrad, Chartered
Certified Public Accountants

September 28, 2012

PATTON, CRAMER & LaPRAD, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
113 E. THIRD STREET, DRAWER H
PRATT, KANSAS 67124-1108
620-672-5533

SHELLEY K. PATTON, C.P.A.
DONA H. CRAMER, C.P.A.
STEPHEN B. LaPRAD, C.P.A.

MEMBERS OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

JENNIFER L. SLATER, C.P.A.
MICHELLE A. TAYLOR, C.P.A.

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

Governing Board
South Central Kansas
Special Education Cooperative
Pratt, KS 67124

We have audited the financial statements of the South Central Kansas Special Education Cooperative, Pratt, Kansas as of and for the year ended June 30, 2012, and have issued our report thereon dated September 28, 2012. 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. Our report disclosed that as described in Note 1, the cooperative prepares 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 generally accepted accounting principles.

Internal Control Over Financial Reporting

Management of the cooperative is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered South Central Kansas Special Education Cooperative's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the South Central Kansas Special Education Cooperative internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of South Central Kansas Special Education Cooperative 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 a combination of deficiencies, in internal control such as 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.

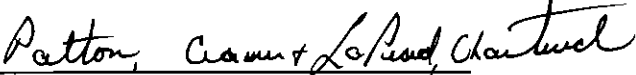
Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weakness. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the following paragraph that we consider to be significant deficiencies in internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charge with governance.

The Co-op does not employ an individual who has sufficient expertise in selecting and applying accounting principles and in drafting the year end financial statements and the accompanying notes.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether South Central Kansas Special Education Cooperative, Pratt, Kansas' financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended for the information of the Board of Education, and federal awarding agencies and pass-through entities and is not intended to be, and should not be used by anyone other than these parties.


Patton, Cramer & LaPrad, Chartered
Certified Public Accountants

September 28, 2012

PATTON, CRAMER & LaPRAD, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
113 E. THIRD STREET, DRAWER H
PRATT, KANSAS 67124-1108
620-672-5533

SHELLEY K. PATTON, C.P.A.
DONA H. CRAMER, C.P.A.
STEPHEN B. LaPRAD, C.P.A.

MEMBERS OF
THE AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

JENNIFER L. SLATER, C.P.A.
MICHELLE A. TAYLOR, C.P.A.

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM AND INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Governing Board
South Central Kansas Special
Education Cooperative
Pratt, Kansas 67124

Compliance

We have audited the South Central Kansas Special Education Cooperative, compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement that are applicable to its major federal program for the year ended June 30, 2012. As described in Note 1, the Cooperative prepares 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 generally accepted accounting principles. South Central Kansas Special Education Cooperative's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to its major federal program is the responsibility of the Cooperative's management. Our responsibility is to express an opinion on the Cooperative's 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 South Central Kansas Special Education Cooperative's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on South Central Kansas Special Education Cooperative's compliance with those requirements.

In our opinion, South Central Kansas Special Education Cooperative, Pratt, Kansas complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2012.

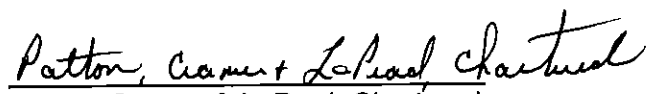
Internal Control Over Compliance

The management of South Central Kansas Special Education Cooperative 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 South Central Kansas Special Education Cooperative internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of South Central Kansas Special Education Cooperative 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 would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of management, Board of Education, others within the entity, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.


Patton, Cramer & LaPrad, Chartered
Certified Public Accountants

September 28, 2012

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30 2012

	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Outstanding Encumbrances</u>	<u>Cash Balance</u>
General Fund	\$ 3,836,595	\$ -	\$ 9,579,822	\$ 10,156,242	\$ 3,260,175	\$ 10,114	\$ 3,270,289
Special Revenue Funds							
Federal Funds	-	-	1,376,162	1,376,162	-	64	64
Pre-K Pilot Program	<u>176</u>	<u>-</u>	<u>389,296</u>	<u>389,438</u>	<u>34</u>	<u>14,765</u>	<u>14,799</u>
Totals	<u>\$ 3,836,771</u>	<u>\$ -</u>	<u>\$ 11,345,280</u>	<u>\$ 11,921,842</u>	<u>\$ 3,260,209</u>	<u>\$ 24,943</u>	<u>\$ 3,285,152</u>

Composition of Cash

Petty Cash	\$ 2,500
Checking Account	248,904
Time Deposit Account	<u>3,033,748</u>
Total Cash	<u>\$ 3,285,152</u>

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2012

GENERAL FUND

	2011		2012	
	Actual	Actual	Budgeted	Favorable (Unfavorable)
Cash Receipts				
USD Contributions	\$ 2,161,302	\$ 2,422,012	\$ 2,421,712	\$ 300
State Aid	6,131,724	6,740,139	6,180,000	560,139
Federal Aid	-	16,459	17,500	(1,041)
Medicare and Other	406,008	392,439	331,426	61,013
Interest on Idle Funds	19,146	8,773	23,000	(14,227)
Total Cash Receipts	<u>\$ 8,718,180</u>	<u>\$ 9,579,822</u>	<u>\$ 8,973,638</u>	<u>\$ 606,184</u>
Expenditures				
Instruction				
Salaries and Benefits	\$ 6,252,352	\$ 7,771,472	\$ 6,994,680	\$ (776,792)
Support	166,346	159,932	291,360	131,428
Student Support				
Student Services	996,395	1,099,781	1,124,294	24,513
Instruction Staff	54,466	65,114	63,000	(2,114)
General Administration	502,295	589,310	733,608	144,298
Operations and Maintenance	222,160	395,822	358,805	(37,017)
Student Transportation	91,975	74,811	87,000	12,189
Total Expenditures	<u>8,285,989</u>	<u>10,156,242</u>	<u>\$ 9,652,747</u>	<u>\$ (503,495)</u>
Receipts Over (Under)				
Expenditures	432,191	(576,420)		
Unencumbered Cash, July 1	<u>3,404,404</u>	<u>3,836,595</u>		
Unencumbered Cash, June 30	<u>\$ 3,836,595</u>	<u>\$ 3,260,175</u>		

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
STATEMENT OF CASH RECEIPTS
AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

FEDERAL FUNDS

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Federal Aid		
EHC Flow thru V1-B	\$ 1,434,393	\$ 1,320,362
EHC Discretionary	63,064	55,800
ARRA Part B	<u>902,179</u>	<u>-</u>
Total Cash Receipts	<u>2,399,636</u>	<u>1,376,162</u>
Expenditures		
Instruction		
Salaries and Benefits	2,336,572	1,320,362
Support	<u>63,064</u>	<u>55,800</u>
Total Expenditures	<u>2,399,636</u>	<u>1,376,162</u>
Revenue Over (Under)		
Expenditures	<u>-</u>	<u>-</u>
Unencumbered Cash, July 1	-	-
Unencumbered Cash, June 30	<u>\$ -</u>	<u>\$ -</u>

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
STATEMENT OF CASH RECEIPTS
AND EXPENDITURES
FOR THE YEAR ENDED JUNE 30, 2012

PRE-K PILOT PROGRAM

	<u>2011</u>	<u>2012</u>
Cash Receipts		
Kansas Department of Education	<u>\$ 380,758</u>	<u>\$ 389,296</u>
Total Cash Receipts	<u>380,758</u>	<u>389,296</u>
Expenditures		
Instruction		
Salaries and Benefits	333,984	346,821
Support	23,491	37,189
Student Support		
Student Services	<u>23,107</u>	<u>5,428</u>
Total Expenditures	<u>380,582</u>	<u>389,438</u>
Revenue Over (Under)		
Expenditures	<u>176</u>	<u>(142)</u>
Unencumbered Cash, July 1	-	176
Unencumbered Cash, June 30	<u><u>\$ 176</u></u>	<u><u>\$ 34</u></u>

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. Summary of Significant Accounting Policies

Reporting Entity

The South Central Kansas Special Education Cooperative, Pratt, Kansas was formed on April 19, 1982 by an inter-local agreement among eight Unified School Districts for the purpose of providing special education, media services and in-service training for the students and faculty of the member Districts. The Cooperative later expanded and now services fifteen Unified School Districts.

For financial reporting purposes, there are no appointive boards or commissions that are controlled by or dependent on the Cooperative. Control or dependence is determined on the basis of financial accountability, budget adoption, taxing authority, funding and appointment of respective governing boards.

A. FUND ACCOUNTING

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

The following type of funds comprise the financial activities of the South Central Kansas Special Education Cooperative, Pratt, Kansas for the year ended June 30, 2012.

Governmental Funds

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

Special Revenue Funds - to account for the proceeds for specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expend for specified purposes.

B. BASIS OF PRESENTATION

The financial statements are presented to indicate compliance with the cash basis and budget laws of Kansas. Revenues are recognized when cash is received and also include inter-fund transfers. Expenditures include disbursements, accounts payable, transfers and encumbrances--that is, commitments related to unperformed (executory) contracts for goods or services.

C. DEPARTURE FROM GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The basis of presentation described above results in a statement of receipts on the cash basis and expenditures on a modified accrual basis further modified by the inclusion of encumbrances. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable, and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. An additional departure from generally accepted accounting principles is that inter-fund transfers are treated as receipts and expenditures for purposes of these statements while under generally accepted accounting principles, transfers are treated as changes in fund balances but not as receipts or expenditures. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. Also a statement of general fixed assets is not included as a part of these financial statements.

D. USE OF ESTIMATES

The preparation of financial statements in accordance with the cash basis and budget laws of the state of Kansas requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amount of revenue and expenses during the reporting period. Actual results could differ from those estimates.

2. Deposits and Investments

As of June 30, 2012 the Cooperative had the following investments:

<u>Investment Type</u>	<u>Investment Fair Value</u>	<u>Maturities (in Years)</u>		
		<u>Less than 1</u>	<u>1-2</u>	<u>Rating</u>
Guaranteed Investment Contracts Secured by U.S. Treasury and Agencies	\$3,033,748	\$3,033,748	\$0	N/A

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 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. The rating of the Cooperative's investment 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 not be returned to it. State statutes require the Cooperative's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the Cooperative's carrying amount of deposits was \$3,285,152 and the bank balance was \$4,179,051. The bank balance was held by one bank, resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance, \$3,679,051 was collateralized with securities held by the pledging financial institutions' agents in the Cooperative's name.

Custodial credit risk - investment. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the Cooperative will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured. The Cooperative has no investments subject to custodial credit risk.

3. 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 KSA 74-4901, et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death 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 (400 SW 8th Avenue, Suite 200, Topeka, KS 66603-3925) or by calling 1-800-228-0366.

Funding Policy

KSA 74-4919 establishes the KPERs member-employee contribution rate at 4.0% of covered salary for grandfathered employees, and 6% of covered salary for participants after July 1, 2009. The contribution rate for employed KPERs retirees who have retired from a different KPERs employer is 18.69% for a licensed retiree. 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. State law sets a limitation on annual increases in the contribution rates. For fiscal year 2011 the State of Kansas contributes 9.77% of covered payroll. Kansas contributions to KPERs for school municipality employees for the years ending June 30, 2012, 2011, and 2010 were \$298,635,383 \$253,834,044 and \$248,486,166 respectively, equal to the statutory required contributions for each year.

4. Compensated Absences

The Cooperative allows vacation for all full-time year-round employees. Vacation pay can be accumulated up to 40 days. All full-time year-round employees accrue fifteen days of

sick leave a year which can accumulate up to 75 days. Unused sick leave is not paid to terminating employees. The Cooperative estimates that its unrecorded accumulated sick leave liability is immaterial to the statements taken as a whole.

5. Risk Management

The Cooperative is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, error 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.

6. Contingencies and Commitments

In the normal course of operations, the Cooperative participates in various federal and state grant programs. The 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.

7. Early Retirement Plan

Licensed teachers who have served the last 10 years full time in the cooperative and meet KPERS retirement requirements are eligible to receive health insurance benefits after retirement for no more than 10 years or until they are eligible for Medicare and/or Medicaid.

Licensed teachers who have served at least 20 years experience and meet KPERS retirement requirements are eligible at retirement to receive a one time payment of \$50.00 for each unused Sick Leave day and Personal day, up to a maximum of \$3,950.00.

8. Other Post Employment 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 Cooperative 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 Cooperative under this program.

9. Termination Benefits

The Cooperative provides no termination benefits for its employees.

SUPPLEMENTAL INFORMATION

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
 PRATT, KANSAS
 SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
 FOR THE YEAR ENDED JUNE 30, 2012

	<u>Federal CFDA Number</u>	<u>Expenditures</u>
U.S Department of Education		
Passed through Kansas Department of Education		
Education of Handicapped Children - Discretionary	* 84.027	\$ 55,800
Education of Handicapped Children	* 84.027	1,230,887
Early Childhood Aid	* 84.173	<u>89,475</u>
Cluster Total		1,376,162
Meal Costs	10.558	16,459
Food Assistance	10.560	<u>150</u>
Total		<u><u>\$ 1,392,771</u></u>

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
NOTES TO SCHEDULE OF FEDERAL FINANCIAL ASSISTANCE
JUNE 30, 2012

1. Basis of Accounting

The Supplementary Schedule of Expenditures of Federal Awards is prepared on the accrual basis of accounting, including encumbrances. Expenditures are recorded in the accounting period in which the related fund liability is incurred. Encumbrances are included.

2. Reporting Entity

The South Central Kansas Special Education Cooperative for purposes of the Supplementary Schedule of Expenditures of Federal Awards includes all funds of the Cooperative as defined in Note 1 of the Notes to Financial Statements.

3. Major Programs

In accordance with OMB Circular A-133, major programs are determined using a risk-based approach. Programs in the accompanying Schedule 1 denoted with an asterisk (*) are determined by the independent auditor to be major programs.

4. Contingencies

The Cooperative receives funds under various federal grant programs and such awards are to be expended in accordance with the provisions of the various grants. Compliance with the grants is subject to audit by various government agencies which may impose sanctions in the event of non-compliance. Management believes that they have complied with all aspects of the various grant provisions and the results of adjustments, if any, relating to such audits would not have any material financial impact.

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2012

There are no prior audit findings.

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012

Summary of Auditor's Results

1. The opinions expressed in the independent accounts' report were:
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimer
2. The independent accountants' report on internal control over financial reporting described:
 Significant deficiency noted considered a material weakness? ☐ Yes ☒ No
 Significant deficiency noted that are not considered to be a material weakness ☒ Yes ☐ No
3. Noncompliance considered material to the financial statements was disclosed by the audit? ☐ Yes ☒ No
4. The independent accountants' report on internal control over compliance with requirements applicable to major federal awards programs described:
 Significant deficiency noted considered a material weakness? ☐ Yes ☒ No
 Significant deficiency noted that are not considered to be a material weakness? ☐ Yes ☒ No
5. The opinion expressed in the independent accounts' report on compliance with requirements applicable to major federal awards was:
☒ Unqualified ☐ Qualified ☐ Adverse ☐ Disclaimed
6. The audit disclosed findings required to be reported by OMB Circular A-133? ☐ Yes ☒ No
7. The Organization's major programs were:
- | Cluster/Program | CFDA Number |
|-----------------------------------|-------------|
| Education of Handicapped Children | 84.027 |
| Early Childhood Aid | 84.173 |
8. The threshold to distinguish between Type A and Type B programs as those terms are defined in OMB Circular A-133 was \$300,000.
 The Organization qualified as a low-risk auditee as that term is defined in OMB Circular A-133? ☒ Yes ☐ No

Findings Required to be Reported by Government Auditing Standards

Reference Number	Findings	Questioned Costs
------------------	----------	------------------

No findings required to be reported by Government Auditing Standards

Findings Required to be Reported by OMB Circular A-133

Reference Number	Findings	Questioned Costs
------------------	----------	------------------

No findings required to be reported by OMB Circular A-133.

SOUTH CENTRAL KANSAS SPECIAL EDUCATION COOPERATIVE
PRATT, KANSAS
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2012

No corrective action plan is required since
there are no findings or questioned costs.