

**SOUTHWEST KANSAS
EDUCATIONAL CONSORTIUM
INTERLOCAL #625**

**FINANCIAL STATEMENTS
For the Fiscal Year Ended June 30, 2012**

**VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants
Larned, Kansas 67550**

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625
Financial Statements
For the Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

Southwest Kansas Educational Consortium
Interlocal #625
Meade, KS 67864

We have audited the accompanying financial statements of Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas, as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Consortium's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial (and summarized) comparative financial information has been derived from the Consortium's June 30, 2011 financial statements and, in our report dated January 23, 2012, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the guidance in the Kansas Municipal Audit Guide. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As discussed more fully in Note 1, Southwest Kansas Educational Consortium Interlocal #625, Meade, 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 Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas as of June 30, 2012, the changes in its financial position, or where applicable, its cash flows for the year then ended.

In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of Southwest Kansas Educational Consortium Interlocal #625, Meade, Kansas, as of June 30, 2012 and its cash receipts and expenditures, and budget to actual comparisons for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

The schedules presented as additional information in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. The additional schedules have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on them.

VONFELDT, BAUER & VONFELDT, CHTD.
Certified Public Accountants

February 25, 2013

Southwest Kansas Educational Consortium
Interlocal #625
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2012

| Funds | Beginning Unencumbered Cash Balance | Prior Year Cancelled Encumbrances | Cash Receipts |
|--|---|---|--------------------------|
| Governmental Type Funds: | | | |
| General Fund | \$ 169,336.84 | \$ 0.00 | \$ 540,295.39 |
| Special Revenue Funds: | | | |
| Capital Outlay Fund | <u>69.22</u> | <u>0.00</u> | <u>0.00</u> |
| Total Reporting Entity (Memorandum Only) | <u>\$ 169,406.06</u> | <u>\$ 0.00</u> | <u>\$ 540,295.39</u> |

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

| <u>Expenditures</u> | <u>Ending Unencumbered Cash Balance</u> | <u>Encumbrances and Accounts Payable</u> | <u>Ending Cash Balance</u> |
|----------------------|---|--|--------------------------------|
| \$ 504,905.21 | \$ 204,727.02 | \$ 0.00 | \$ 204,727.02 |
| <u>0.00</u> | <u>69.22</u> | <u>0.00</u> | <u>69.22</u> |
| <u>\$ 504,905.21</u> | <u>\$ 204,796.24</u> | <u>\$ 0.00</u> | <u>\$ 204,796.24</u> |

Southwest Kansas Educational Consortium
Interlocal #625
Summary of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2012

| | |
|---|----------------------|
| Balance to be accounted for: | <u>\$ 204,796.24</u> |
| Composition of Cash: | |
| Petty Cash Account: | |
| Checking Account - Fowler State Bank, Fowler, Kansas (Reconciled) | \$ 500.00 |
| Other Board Account: | |
| NOW Account - Fowler State Bank, Fowler, Kansas | 231,319.89 |
| Less Outstanding Checks | <u>(27,023.65)</u> |
| Total Reporting Entity | <u>\$ 204,796.24</u> |

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

Southwest Kansas Educational Consortium
 Interlocal #625
 Summary of Expenditures - Actual and Budget
 (Budgeted Funds Only)
 For the Year Ended June 30, 2012

| <u>Funds</u> * | <u>Certified Budget</u> | <u>Adjustment for Qualifying Budget Credits</u> | <u>Total Budget for Comparison</u> | <u>Expenditures Chargeable to Current Year</u> | <u>Variance - Over (Under)</u> |
|--------------------------|-----------------------------|---|--|--|--|
| Governmental Type Funds: | | | | | |
| General Fund | \$ 543,160.00 | \$ 0.00 | \$ 543,160.00 | \$ 504,905.21 | \$ (38,254.79) |
| Special Revenue Fund: | | | | | |
| Capital Outlay | 69.00 | 0.00 | 69.00 | 0.00 | (69.00) |

* - These funds are exempt from the budget law per Kansas statute.

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

Southwest Kansas Educational Consortium
Interlocal #625
GENERAL FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|----------------------|----------------------|----------------------|--------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Local Sources: | | | | |
| Payment from Districts | \$ 333,450.00 | \$ 347,624.00 | \$ 340,000.00 | \$ 7,624.00 |
| Interest on Idle Funds | 2,604.44 | 1,653.04 | 3,500.00 | (1,846.96) |
| Reimbursed Expenses | 58,901.23 | 31,501.91 | 48,604.00 | (17,102.09) |
| E-Rate Reimbursement | <u>137,881.57</u> | <u>159,516.44</u> | <u>130,000.00</u> | <u>29,516.44</u> |
| Total Cash Receipts | <u>532,837.24</u> | <u>540,295.39</u> | <u>\$ 522,104.00</u> | <u>\$ 18,191.39</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Salaries | 148,230.92 | 149,958.13 | 174,500.00 | (24,541.87) |
| Employee Benefits | 18,717.07 | 21,542.12 | 33,200.00 | (11,657.88) |
| Purchased Professional Services | 207,055.54 | 197,667.32 | 220,000.00 | (22,332.68) |
| Other Purchased Services | 0.00 | 0.00 | 500.00 | (500.00) |
| Supplies | 5,321.06 | 5,610.09 | 4,000.00 | 1,610.09 |
| Property (Equip & Furn) | 190.08 | 26,344.45 | 500.00 | 25,844.45 |
| Other | 0.00 | 0.00 | 500.00 | (500.00) |
| General Administration: | | | | |
| Salaries | 41,000.00 | 43,500.00 | 41,000.00 | 2,500.00 |
| Employee Benefits | 9,824.87 | 5,063.67 | 6,860.00 | (1,796.33) |
| Purchased Professional Services | 3,839.00 | 4,025.00 | 4,000.00 | 25.00 |
| Other Purchased Services | 15,192.60 | 15,561.20 | 16,600.00 | (1,038.80) |
| Supplies | 4,349.21 | 756.83 | 4,000.00 | (3,243.17) |
| Property (Equip & Furn) | 500.51 | 0.00 | 1,000.00 | (1,000.00) |
| Other | 2,090.21 | 3,599.47 | 5,000.00 | (1,400.53) |
| Operations & Maintenance: | | | | |
| Salaries | 0.00 | 22,916.67 | 0.00 | 22,916.67 |
| Purchased Professional Services | 24,189.88 | 0.00 | 25,000.00 | (25,000.00) |
| Purchased Property Services | 553.25 | 4,788.76 | 1,000.00 | 3,788.76 |
| Other Purchased Services | 1,358.00 | 1,238.00 | 1,500.00 | (262.00) |
| Supplies | <u>2,799.87</u> | <u>2,333.50</u> | <u>4,000.00</u> | <u>(1,666.50)</u> |
| Total Expenditures | <u>485,212.07</u> | <u>504,905.21</u> | <u>\$ 543,160.00</u> | <u>\$ (38,254.79)</u> |
| Receipts Over (Under) Expenditures | 47,625.17 | 35,390.18 | | |
| Unencumbered Cash, Beginning | <u>121,711.67</u> | <u>169,336.84</u> | | |
| Unencumbered Cash, Ending | <u>\$ 169,336.84</u> | <u>\$ 204,727.02</u> | | |

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

Southwest Kansas Educational Consortium
Interlocal #625
CAPITAL OUTLAY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|----------------------|-----------------|-----------------|--------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| None | \$ 0.00 | \$ 0.00 | \$ 0.00 | \$ 0.00 |
| Total Cash Receipts | <u>0.00</u> | <u>0.00</u> | <u>\$ 0.00</u> | <u>\$ 0.00</u> |
| Expenditures | | | | |
| Instruction: | | | | |
| Property (Equip & Furn) | <u>4,781.83</u> | <u>0.00</u> | <u>69.00</u> | <u>(69.00)</u> |
| Total Expenditures | <u>4,781.83</u> | <u>0.00</u> | <u>\$ 69.00</u> | <u>\$ (69.00)</u> |
| Receipts Over (Under) Expenditures | (4,781.83) | 0.00 | | |
| Unencumbered Cash, Beginning | <u>4,851.05</u> | <u>69.22</u> | | |
| Unencumbered Cash, Ending | <u>\$ 69.22</u> | <u>\$ 69.22</u> | | |

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

SOUTHWEST KANSAS EDUCATIONAL CONSORTIUM
INTERLOCAL #625
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

Note 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. REPORTING ENTITY

The Southwest Kansas Educational Consortium was established in accordance with Article 29 - Interlocal Corporation K.S.A.12.2901-12.2908 and 72.8230 on December 28, 1989. The Consortium was formed to establish and maintain a two-way interactive educational television service among the respective member school districts. The Governing Board is composed of one school district board member from each of the member districts. The Board constitutes an on-going entity and is the level of government which has governance responsibilities over all activities allowed under Kansas Statute. The Board receives funding from local, state and federal government sources and must comply with the accompanying requirements of these funding source entities. Board members are elected by the representing school districts and have decision making authority, the power to designate management, the responsibility to significantly influence operations and primary accountability for all fiscal matters. A primary government is a legal entity or body politic and includes all funds, organizations, institutions, departments and offices that are not legally separate. Such legally separate entities are referred to as component units. Southwest Kansas Educational Consortium has no component units as of June 30, 2012.

B. 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 types of funds comprise the financial activities of Southwest Kansas Educational Consortium for the fiscal 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 of specific revenue sources (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

C. BASIS OF ACCOUNTING

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, with disbursements being adjusted for prior year's 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 Consortium has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the Consortium to use the statutory basis of accounting.

C. BASIS OF ACCOUNTING (Cont'd.)

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 and 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 generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, long-term debt such as general obligation bonds, revenue bonds, capital leases, temporary notes, and compensated absences are not presented in the financial statements.

D. CASH AND INVESTMENTS

Cash balances from all funds are combined and invested to the extent available. Cash and investments consist of a checking account and interest bearing checking account. Earnings from these investments are allocated to designated funds. Cash and investments are stated at cost.

E. COMPENSATED ABSENCES

Vacation Policy:

The District grants all full-time twelve month employees vacation days. Accrued vacation time is not paid to these employees in the event of termination. These days are non-accumulative past June 30th, therefore, there is no potential liability for vacation leave as of June 30, 2012.

Sick Leave:

At the beginning of the school year, each employee will be credited with ten days of sick leave, the unused portion of which shall accumulate up to a maximum of sixty days. The employee may use all or any portion of their leave for personal illness or disability. Accumulated sick days are not paid in the event of termination, therefore, there is no potential liability for sick leave as of June 30, 2012.

Personal Leave:

At the beginning of the school year, each employee will be credited with five days of personal leave, non-cumulative. The employee must have personal leave approved or denied by the administration and are to be used for personal matters that cannot be taken care of at any other time than school contracted time. Personal days are not paid in the event of termination, therefore, there is no potential liability for personal leave as of June 30, 2012.

F. COMPARATIVE DATA

Comparative totals for the prior year have been presented in the accompany individual fund financial statements in order to provide an understanding of changes in the Consortium's financial position and operation. Some prior year balances have been reclassified to conform with the current year presentation.

G. TOTAL COLUMNS (MEMORANDUM ONLY)

Total Columns on the Summary of Receipts, Expenditures and Unencumbered Cash are captioned "Memorandum Only" to indicate that they are presented only to aid in financial analysis. Interfund eliminations have not been made in the aggregation of this data; and it is, therefore, not comparable to a consolidation.

H. REIMBURSED EXPENSES

Southwest Kansas Educational Consortium, Meade, Kansas, records reimbursable expenditures (or expense) in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures (or expenses) are properly offset by the reimbursements.

I. ESTIMATES

The preparation of financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

Note 2 - BUDGETARY INFORMATION

The Consortium prepares a budget annually of receipts and expenditures for use by the Board and management. The Consortium is not required to publish a budget as it is not a tax levying unit. Therefore, the Consortium is not subject to budgetary law.

Note 3 - COMPLIANCE WITH KANSAS STATUTES

Management is aware of no statutory violations for the period covered by the audit.

Note 4 - DEPOSITS

K.S.A. 9-1401 establishes the depositories which may be used by the Consortium. The statute requires banks eligible to hold the Consortium's funds have a main or branch bank in the county in which the Consortium is located, or in an adjoining county if such institution has been designated as an official depository, 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 Consortium has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the Consortium's investments of idle funds to time deposits, open accounts, and certificates of deposit with the allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The Consortium has no investment policy that would further limit its investment choices.

Concentration of Credit Risk: State statutes place no limit on the amount the Consortium 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 Consortium's deposits may not be returned to it. State statutes require the Consortium's deposits in financial institutions to be entirely covered by federal depository insurance, bank guarantee bonds, 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%. There were no designated "peak periods" during the year. All deposits were legally secured at June 30, 2012.

At June 30, 2012 the Consortium's carrying amount of deposits was \$204,796.24 and the bank balance was \$231,584.14. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$231,584.14 was covered by federal depository insurance.

Note 5 - DEFINED BENEFIT PENSION PLAN

Plan description. The District contributes to 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 66603-3803) or by calling 1-888-275-5737.

Funding Policy: K.S.A. 74-4919 establishes the KPERS member-employer contribution rate at 4% for Tier 1 employees and 6% for Tier 2 employees 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 amounts necessary to achieve the actuarially determined contribution rate. The State of Kansas currently contributes 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. The State of 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.

Note 6 - RISK MANAGEMENT

The Consortium is exposed to various risks of losses related to torts; thefts of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Consortium obtains coverage from commercial insurance companies in order to effectively manage risk. There have been no significant reductions in coverage from the prior year and settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years. The Consortium does not participate in a public entity risk pool.

Note 7 - LEASE COMMITMENTS

Operating Leases

A five year lease agreement for video equipment and services expired as of June 30, 2008 and no new long term contracts were entered into during the year ended June 30, 2012. Video services were continued on a month-by-month basis. For the reporting period, rent expenditures were \$197,347.32. These expenditures were made from the General Fund.

Note 8 - SUBSEQUENT EVENTS

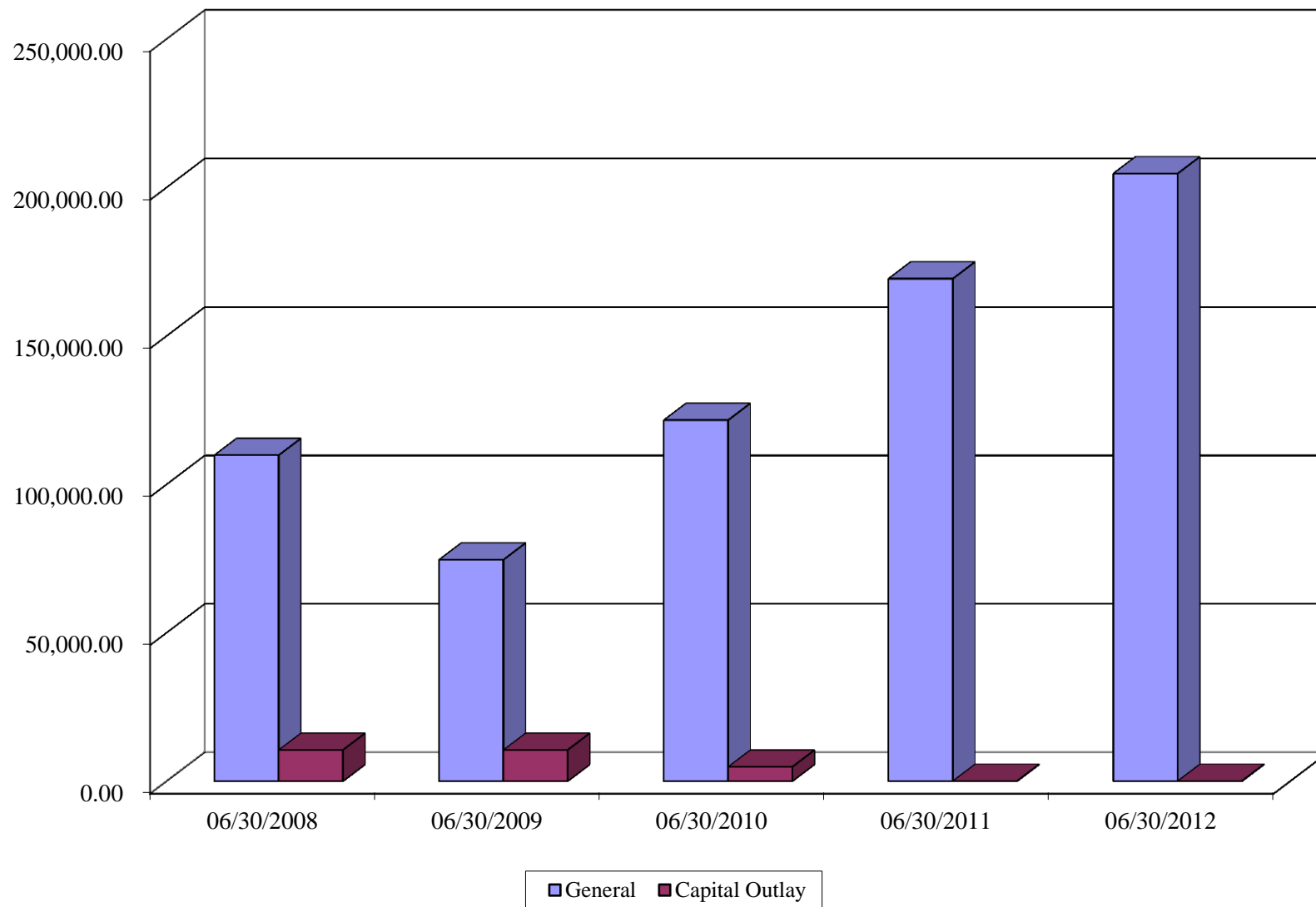
The Consortium has evaluated events subsequent to year end through February 25, 2013, and does not believe any events have occurred which effect the financial statements as presented.

Southwest Kansas Educational Consortium
 Interlocal #625
 OTHER PUBLIC ACTIVITIES
 PETTY CASH FUNDS
 Receipts, Disbursements and Balances

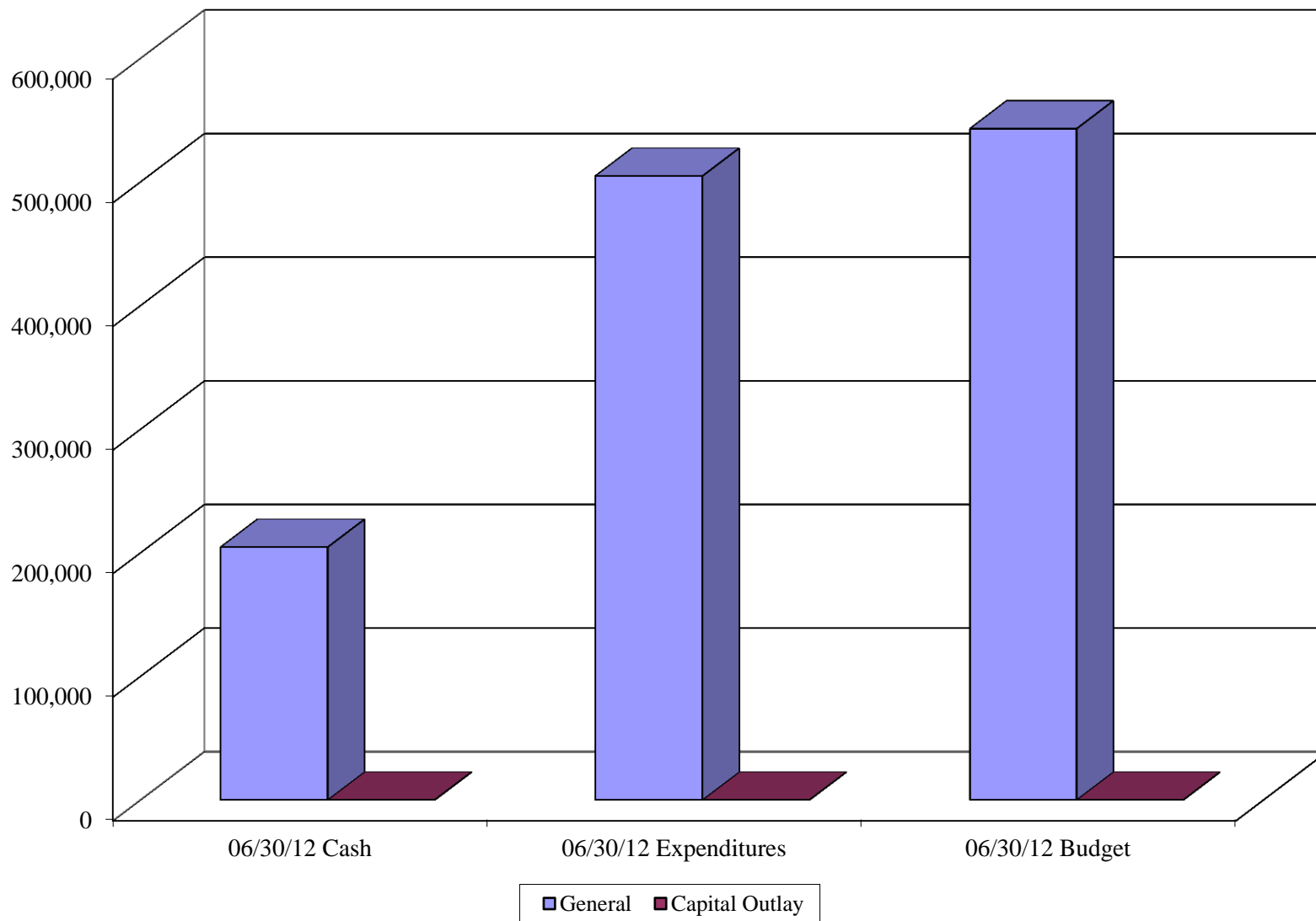
July 1, 2011 to June 30, 2012

| | Actual |
|---|-----------|
| Balance to be accounted for 07/01/11 | \$ 500.00 |
| Receipts | |
| Reimbursements from S.W.K.E.C #625 | 235.75 |
| Total Receipts | 235.75 |
| Disb., Encumbrances, & Transfers | |
| Reimbursable Items | 235.75 |
| Total Disb., Encumbrances, & Transfers | 235.75 |
| Balance to be accounted for 06/30/12 | \$ 500.00 |
| CASH ACCOUNTED FOR: | |
| Checking Account - Fowler State Bank, Fowler, Kansas (Reconciled) | \$ 500.00 |

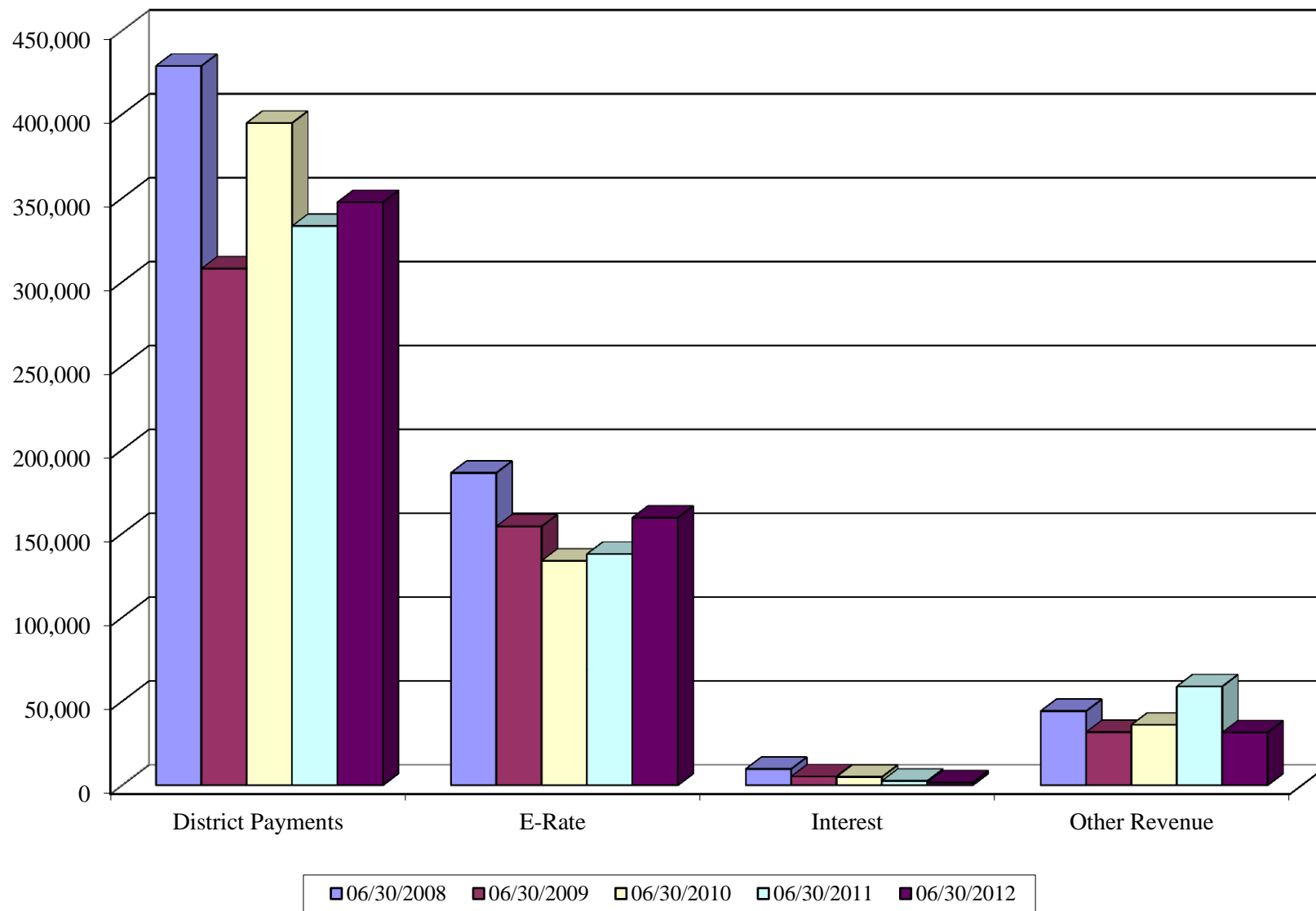
SWKEC #625 Unencumbered Cash Balance



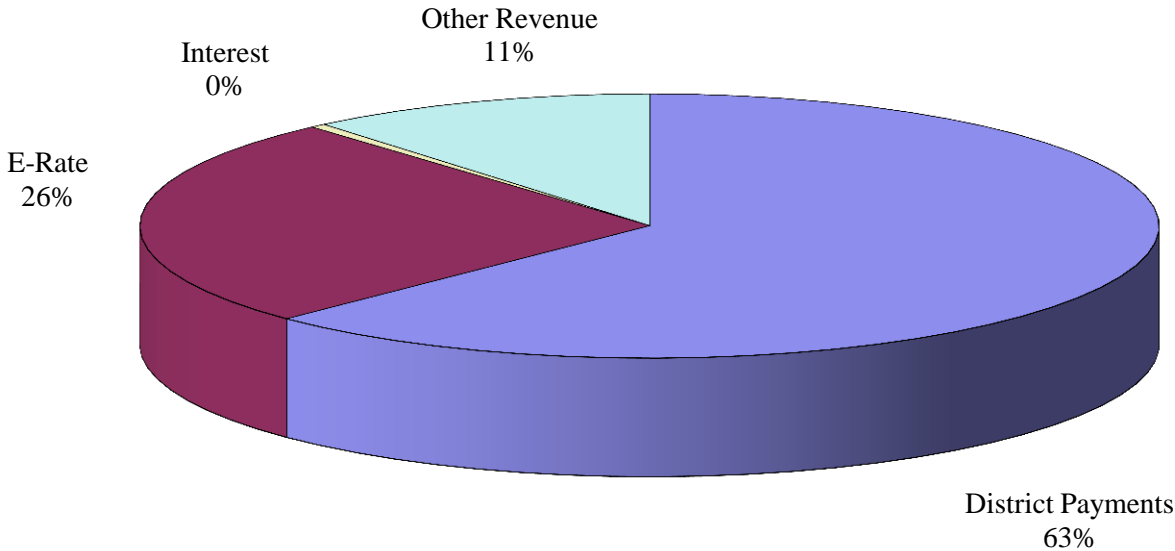
SWKEC #625 Unencumbered Cash Compared to Expenditures



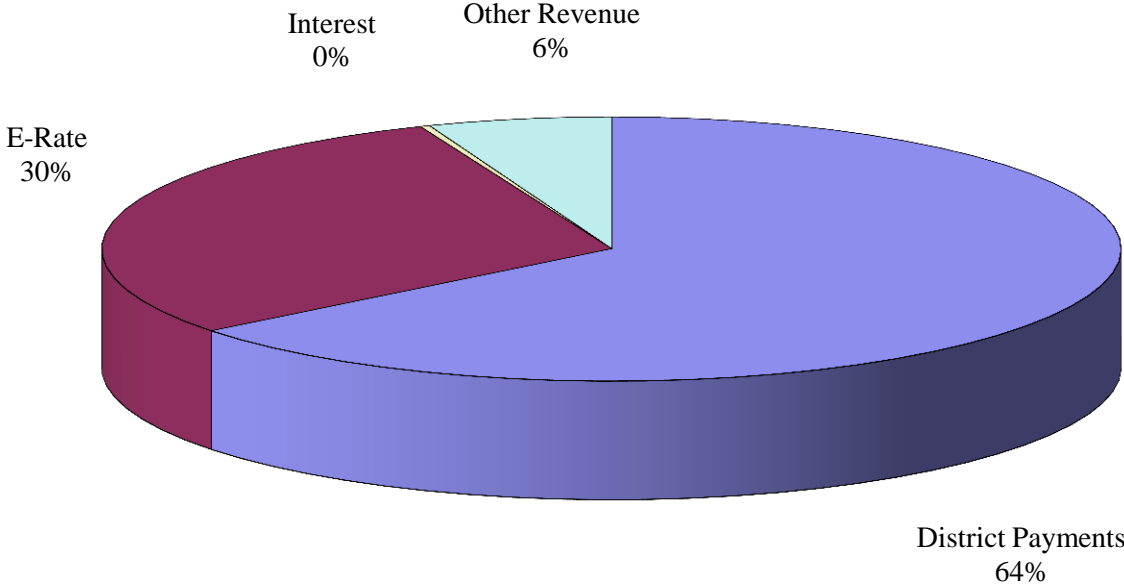
SWKEC #625 General Fund Revenues



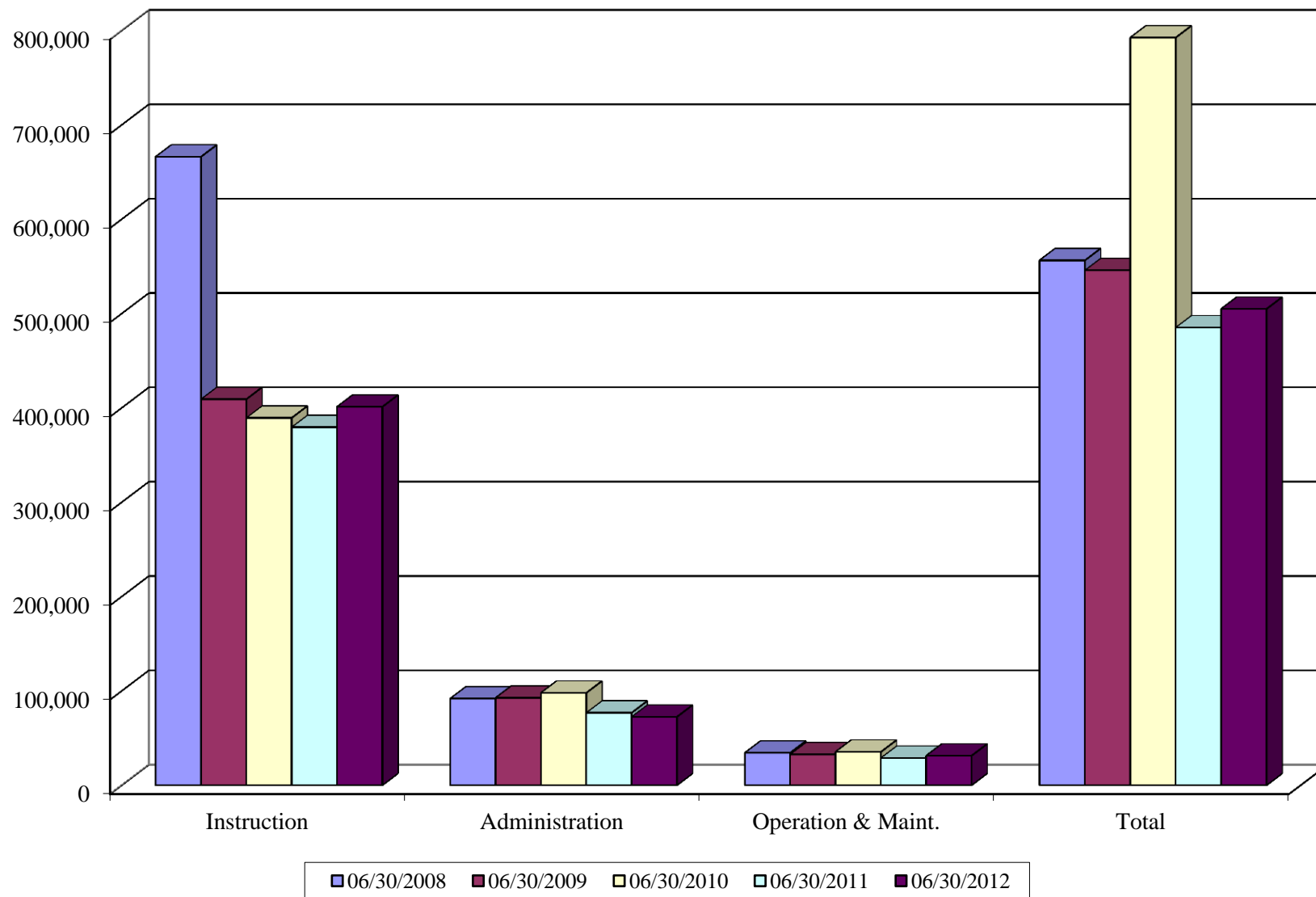
SWKEC #625
General Fund Revenues
For the Fiscal Year Ending 06/30/2011



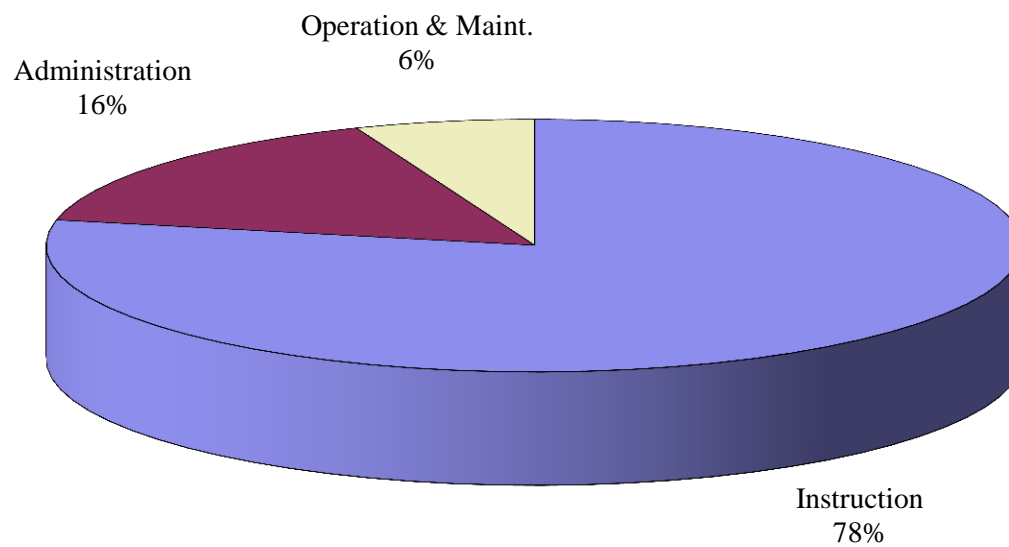
SWKEC #625
General Fund Revenues
For the Fiscal Year Ending 06/30/2012



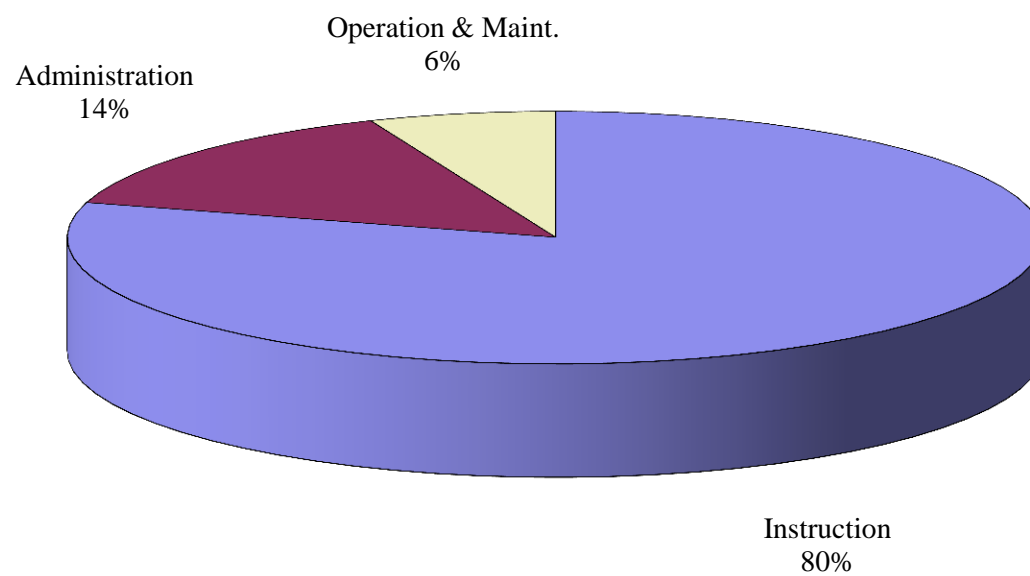
SWKEC #625 General Fund Expenditures



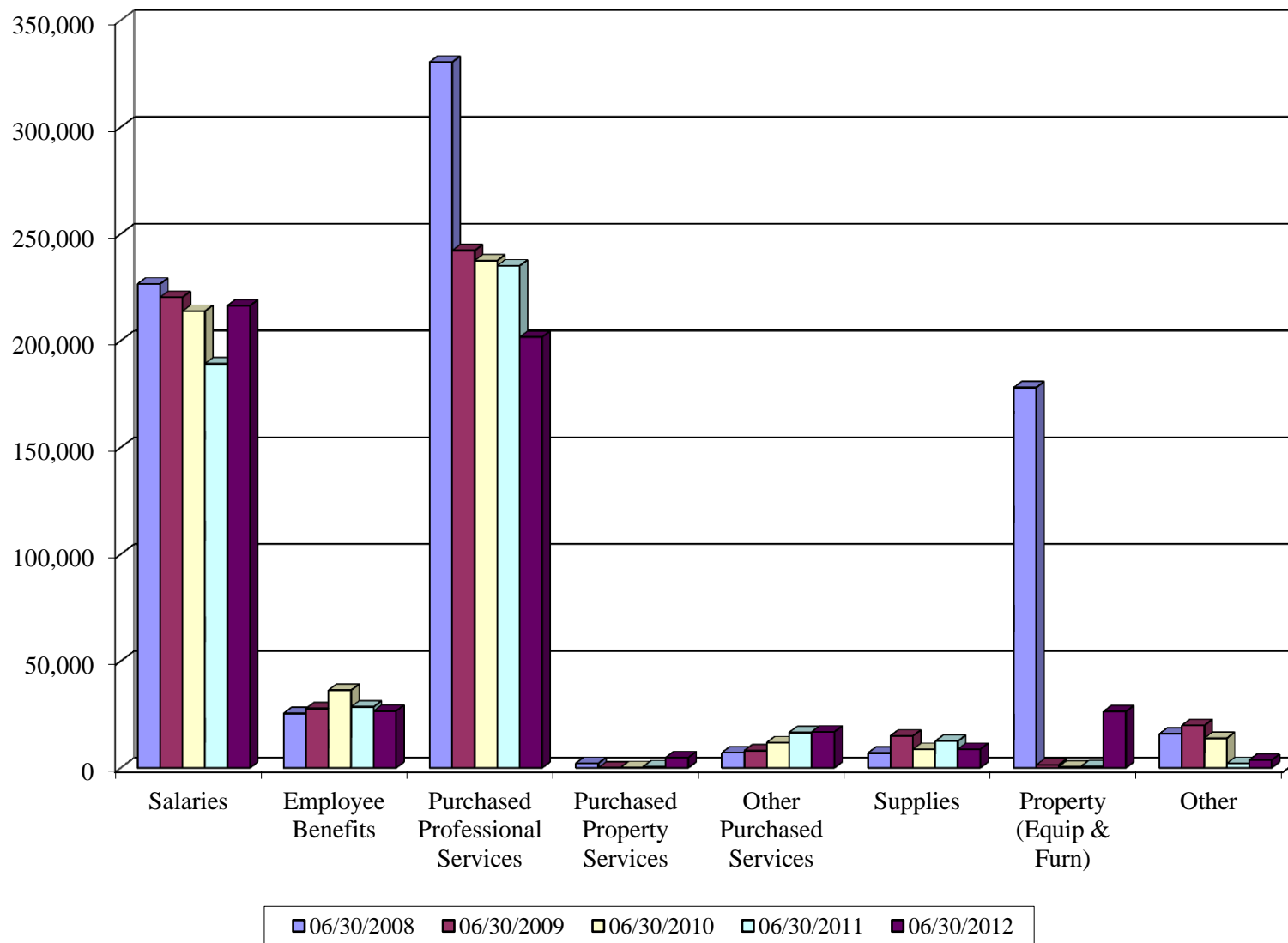
SWKEC #625
General Fund Expenditures
For the Fiscal Year Ending 06/30/2011



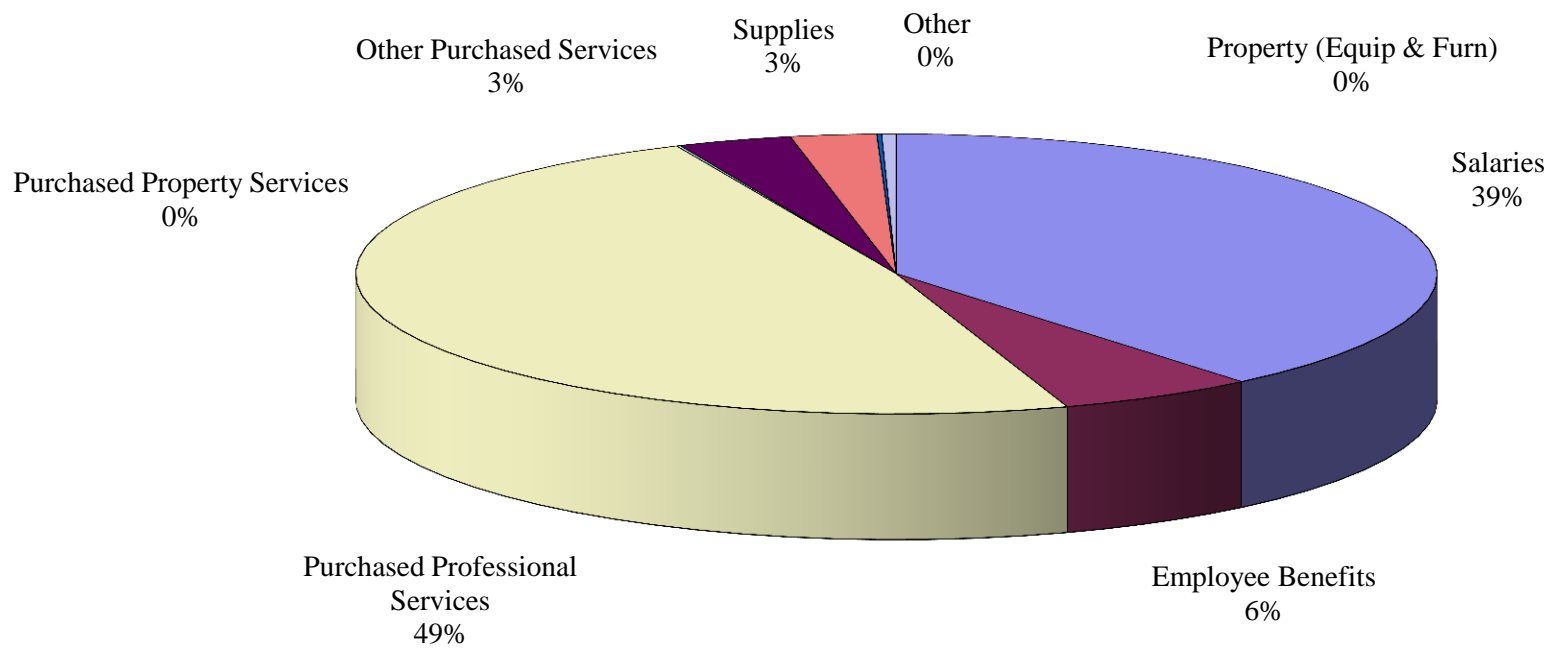
SWKEC #625
General Fund Expenditures
For the Fiscal Year Ending 06/30/2012



SWKEC #625 General Fund Expenditures



SWKEC #625
General Fund Expenditures
For the Fiscal Year Ending 06/30/2011



SWKEC #625
General Fund Expenditures
For the Fiscal Year Ending 06/30/2012

