EDUCATIONAL SERVICES AND STAFF DEVELOPMENT ASSOCIATION OF CENTRAL KANSAS INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622

Hutchinson, Kansas

Financial Statements
June 30, 2012

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Financial Statements
Regulatory Basis
Year Ended June 30, 2012
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Educational Services and Staff Development
Association of Central Kansas
Interlocal Unified School District No. 622
Hutchinson, Kansas

We have audited the accompanying fund summary statement of regulatory basis cash receipts, expenditures, and unencumbered cash balances of Interlocal Unified School District No. 622, Hutchinson, Kansas, as of and for the year ended June 30, 2012 and the related notes to the financial statement.

Management's Responsibility for the Financial Statement
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.

Auditor's Responsibility
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*. Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is 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 audit opinion.

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles
As described in Note 1 of the financial statement, the financial statement is prepared by the Interlocal Unified School District No. 622 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.

Adverse Opinion on U.S. Generally Accepted Accounting Principles
In our opinion, because of the significance of the matter discussed in the "Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles" 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 the Interlocal Unified School District No. 622 as of June 30, 2012, or changes in financial position and cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting
In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the Interlocal Unified School District No. 622 as of June 30, 2012, and the aggregate 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.

Report on Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis cash receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory basis cash receipts and expenditures-actual and budget, schedule of regulatory basis cash receipts and disbursements-agency funds (Schedules 1 and 2 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the Kansas Municipal Audit and Accounting Guide. 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 basic financial statement. The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic 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 basic financial statement as a whole, on the basis of accounting described in Note 1.

Peterson Peterson & Ross, LC

February 9, 2014

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	$ 63,480	$ 2,212,146	$ 707,180	$ 1,568,446	$ -	$ 1,568,446
Special purpose:						
New Media	9,315	255,175	264,490	-	-	-
Learning Centers	293,896	2,834,225	3,033,992	94,129	1,264	95,393
Governance	41,690	523,880	562,356	3,214	-	3,214
Technology	37,478	477,400	514,840	38	-	38
Virtual Learning	3,938	384,230	386,632	1,536	632	2,168
Finance	61,439	844,112	879,998	25,553	-	25,553
Professional Development	994,290	1,673,702	2,527,434	140,558	-	140,558
Thinking Historically Grant	9,600	-	-	9,600	-	9,600
Teaching American History Grant	37,022	411,793	448,815	-		-
Federal Funds:						
Title IIA	11,000	-	-	11,000	-	11,000
Title III ESL	4,241	25,768	25,768	4,241	-	4,241
Carl Perkins	16,802	122,358	122,358	16,802	-	16,802
Title IV	897	-	655	242	-	242
Total Primary Government	1,585,088	9,764,789	9,474,518	1,875,359	1,896	1,877,255
Related Municipal Entity						
Health Insurance Group	12,094,089	17,839,015	17,570,568	12,362,536	-	12,362,536
Total Reporting Entity	$ 13,679,177	$ 27,603,804	$ 27,045,086	$ 14,237,895	$ 1,896	$ 14,239,791

Composition of Cash:	
Checking Accounts - Bank of Kansas	$ 68,714
Checking Accounts - Central Bank and Trust	1,808,541
Total Primary Government	1,877,255
Related Municipal Entity	
Certificates of Deposit - Central Bank and Trust	9,500,000
Repurchase Agreement - Central Bank and Trust	2,862,536
Total Related Municipal Entity	12,362,536
Total Reporting Entity	$ 14,239,791

See notes to financial statements.

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Summary of Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

Funds		Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
General and other Special Purpose Funds	*	$ 8,876,922	$ 8,876,922	$ -

* The interlocal does a budget for the entire entity.

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
Membership fees	$ 344,815	$ 2,305,419	$ (1,960,604)
Interest income	2,914	-	2,914
Other	35,005	-	35,005
Transfer from:			
Finance	97,985	-	97,985
Professional Development	804,927	-	804,927
Teaching American History Grant	169,865	-	169,865
Title IV	655	-	655
Learning Center	755,980	-	755,980
Total cash receipts	2,212,146	2,305,419	(93,273)
Expenditures:			
General administration	24,518	707,180	(682,662)
Rent	108,000	-	108,000
Contractual services	53,753	-	53,753
Repairs and maintenance	30,395	-	30,395
Leases	162,455	-	162,455
Transfer to:			
New Media	180,774	-	180,774
Professional Development	144,311	-	144,311
Governance	2,974	-	2,974
Total expenditures	707,180	$ 707,180	$ -
Receipts over (under) expenditures	1,504,966		
Unencumbered cash, beginning	63,480		
Unencumbered cash, ending	$ 1,568,446		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
New Media Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
Workshop fees	$ 1,965	$ 255,175	$ 1,965
Consulting	830	-	830
Other	21,585	-	21,585
Transfers from:			-
General	180,774	-	180,774
Governance	1,090	-	1,090
Virtual	44,421	-	44,421
Technology	4,510	-	(250,665)
Total cash receipts	255,175	255,175	-
Expenditures:			
Administration	252,728	264,490	(11,762)
Equipment	11,762	-	11,762
	264,490	$ 264,490	$ -
Receipts over (under) expenditures	(9,315)		
Unencumbered cash, beginning	9,315		
Unencumbered cash, ending	$ -		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Learning Centers Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
District assessments	$ 2,681,567	$ 2,834,225	$ (152,658)
Tutoring and tuition	21,841	-	21,841
Consulting	660	-	660
Copier program	1,680	-	1,680
Workshop fees	70	-	70
Other	119,461	-	119,461
Transfers from:			
Governance	8,887	-	8,887
Professional development	59	-	59
Total cash receipts	2,834,225	2,834,225	-
Expenditures:			
Administation	1,537,637	3,033,992	(1,496,355)
Materials	60,996	-	60,996
Contractual services	77,810	-	77,810
Equipment	26,163	-	26,163
Rent	127,991	-	127,991
Travel	17,665	-	17,665
Transfers to:			-
General	755,980	-	755,980
Technology	95,636	-	95,636
Virtual learning	5,872	-	5,872
Governance	328,242	-	328,242
Total expenditures	3,033,992	$ 3,033,992	$ -
Receipts over (under) expenditures	(199,767)		
Unencumbered cash, beginning	293,896		
Unencumbered cash, ending	$ 94,129		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Governance Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
Membership fees	$ 55,600	$ 523,880	$ (468,280)
Workshop fees	5,015	-	5,015
Consulting	64,730	-	64,730
Other	16,591	-	16,591
Transfers from:			
General	2,974	-	2,974
Professional Development	50,728	-	50,728
Learning Centers	328,242	-	328,242
Total cash receipts	523,880	523,880	-
Expenditures:			
Administration	480,704	562,356	(81,652)
Contractual services	2,783	-	2,783
Repairs and maintenance	4,792	-	4,792
Transfers from			-
Technology	9,689	-	9,689
Virtual	3,651	-	3,651
Finance	59,856	-	59,856
New Media	881	-	881
Total expenditures	562,356	$ 562,356	$ -
Receipts over (under) expenditures	(38,476)		
Unencumbered cash, beginning	41,690		
Unencumbered cash, ending	$ 3,214		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Technology Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
Consulting	20,150	$ 477,400	(457,250)
Workshop fees	121,199	-	121,199
Other	21,126	-	21,126
Transfers from:			
Virtual	67,587	-	67,587
Finance	55,797	-	55,797
Learning Center	95,636	-	95,636
Professional Development	86,216	-	86,216
Governance	9,689	-	9,689
Total cash receipts	477,400	477,400	-
Expenditures:			
Administration	329,387	514,840	(185,453)
Contractual services	11,528	-	11,528
Equipment	164,551	-	164,551
Transfers to:			
Title III	4,864	-	4,864
New Media	4,510	-	4,510
Total expenditures	514,840	$ 514,840	$ -
Receipts over (under) expenditures	(37,440)		
Unencumbered cash, beginning	37,478		
Unencumbered cash, ending	$ 38		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Virtual Learning Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
District assessments	$ 186,732	$ 384,230	$ (197,498)
Consulting	47,808	-	47,808
Other	82,600	-	82,600
Transfers from:			
Learning Center	5,872	-	5,872
Professional Development	57,567	-	57,567
Governance	3,651	-	3,651
Total cash receipts	384,230	384,230	-
Expenditures:			
Administration	272,382	386,632	(114,250)
Contractual services	1,973	-	1,973
Equipment	269	-	269
Transfers to:			
New Media	44,421	-	44,421
Technology	67,587	-	67,587
Total expenditures	386,632	$ 386,632	$ -
Receipts over (under) expenditures	(2,402)		
Unencumbered cash, beginning	3,938		
Unencumbered cash, ending	$ 1,536		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Finance Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
District assessment	$ 209	$ 844,112	$ (843,903)
Consulting	112,056	-	112,056
Copier program	506,768	-	506,768
Workshop fees	8,753	-	8,753
Other	149,259	-	149,259
Transfers from:			
Professional Development	7,211	-	7,211
Governance	59,856	-	59,856
Total cash receipts	844,112	844,112	-
Expenditures:			
Administration	257,589	879,998	(622,409)
Contractual	9,582	-	9,582
Lease payments	420,570	-	420,570
Equipment	38,475	-	38,475
Transfer to:			
Technology	55,797	-	55,797
General	97,985	-	97,985
Total expenditures	879,998	$ 879,998	$ -
Receipts over (under) expenditures	(35,886)		
Unencumbered cash, beginning	61,439		
Unencumbered cash, ending	$ 25,553		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Professional Development Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
Year Ended June 30, 2012

	Actual	Budget	Variance Over (Under)
Cash receipts:			
Membership fees	$ 5,650	$ 1,673,702	$ (1,668,052)
Consulting	950,472	-	950,472
Copier program	5,327	-	5,327
Workshop fees	259,817	-	259,817
Facility rental	11,589	-	11,589
Grants	50,457	-	50,457
Other	246,079	-	246,079
Transfer from General	144,311	-	144,311
Total cash receipts	1,673,702	1,673,702	-
Expenditures:			
Administration	1,120,312	2,527,434	(1,407,122)
Materials	187,975	-	187,975
Contractual services	6,701	-	6,701
Equipment	17,895	-	17,895
Travel	187,806	-	187,806
Transfers to:			
General	804,927	-	804,927
Finance	7,211	-	7,211
Technology	86,216	-	86,216
Title III	17	-	17
Carl Perkins	20	-	20
Learning Centers	59	-	59
Governance	50,728	-	50,728
Virtual	57,567	-	57,567
Total expenditures	2,527,434	$ 2,527,434	$ -
Receipts over (under) expenditures	(853,732)		
Unencumbered cash, beginning	994,290		
Unencumbered cash, ending	$ 140,558		

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Thinking Historically Grant Fund
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
Year Ended June 30, 2012

	Actual
Unencumbered cash, beginning	$ 9,600
Unencumbered cash, ending	$ 9,600

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Teaching American History Grant Fund
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
Year Ended June 30, 2012

	Actual
Cash receipts:	
Grants	$ 411,793
Expenditures:	
Administration	216,587
Materials	13,832
Contractual services	17,863
Equipment	22,817
Travel	7,851
Transfer to General Fund	169,865
Total expenditures	448,815
Receipts over (under) expenditures	(37,022)
Unencumbered cash, beginning	37,022
Unencumbered cash, ending	$ -

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Federal Funds
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
Year Ended June 30, 2012

	Title IIA	Title III ESL	Carl Perkins	Title IV
Cash receipts:				
Federal Funds	$ -	$ 16,615	$ 122,338	$ -
Other	-	3,750	-	-
Transfer from:				
Governance Fund	-	522	-	-
Professional Development Fund	-	17	20	-
Technology Fund	-	4,864	-	-
Total receipts	-	25,768	122,358	-
Expenditures:				
Direct services	-	24,801	116,531	-
Transfer to Finance	-	967	5,827	655
Total expenditures	-	25,768	122,358	655
Receipts over (under) expenditures	-	-	-	(655)
Unencumbered cash, beginning	11,000	4,241	16,802	897
Unencumbered cash, ending	$ 11,000	$ 4,241	$ 16,802	$ 242

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

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Related Municipal Entity
Health Insurance Group
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
Year Ended June 30, 2012

	Actual
Cash receipts:	
Interest	$ 136,485
Premiums and fees collected	17,702,530
Total cash receipts	17,839,015
Expenditures:	
Other	119,157
Claims incurred and fees paid	17,451,411
Total expenditures	17,570,568
Receipts over (under) expenditures	268,447
Unencumbered cash, beginning	12,094,089
Unencumbered cash, ending	$ 12,362,536

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

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Educational Services and Staff Development Association of Central Kansas, Interlocal Unified School District No. 622 (the Interlocal) is presented to assist in understanding the Interlocal's financial statements. The financial statements and notes are representations of the Interlocal's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

The Interlocal is an unified school district established as a cooperative to provide staff development services to participating unified school districts. In addition, the Interlocal formed a health benefit insurance group available to itself and participating districts. The Interlocal cannot levy taxes, but receives its revenue from federal and state aid and contracting participating unified school districts for staff development services. The Interlocal annually prepares a formal budget, which is filed with the Kansas State Department of Education. These financial statements present Unified School District No. 622 (the Interlocal) and its component unit. The related municipal entity is included in the Interlocal's reporting entity because of the significance of its operational and financial relationship with the Interlocal.

The related municipal entity's section of the financial statements includes the financial data of the Health Insurance Group. This related municipal entity is reported separately to emphasize that it is legally separate from the Interlocal. The governing body of this related municipal entity is appointed by the Interlocal.

Health Insurance Group

On October 1, 1993, the Interlocal formed a health insurance group for itself and participating districts. Blue Cross and Blue Shield serves as the third party administrator, handling claims and collecting premiums. The Interlocal serves as a flow through entity for these funds only.

1. Summary of Significant Accounting Policies (continued)

Basis of Presentation

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 the Interlocal for the fiscal year of 2013:

General Fund – the chief operating fund. Used to account for all resources except those required to be accounted for in another fund.

Special Purpose Funds – used to account for the proceeds of specific tax levies and other specific revenue sources (other than Capital Project and tax levies for long-term debt) that are intended for specified purposes.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. 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 balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues 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 Interlocal 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 Interlocal to use the regulatory basis of accounting.

1. Summary of Significant Accounting Policies (continued)

Budget

The Interlocal is required to file an annual budget with the Kansas State Board of Education for the general and capital outlay funds only. All other funds are internally budgeted. This budget is not required to be published.

2. Defined Benefit Pension Plan

Plan description. The Interlocal 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, etc. 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 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establish the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. 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 statutory required employers share.

The difference between the Plan's actuarial value of Plan assets and the actuarial accrued liability (the unfunded accrued actuarial liability) reported in the Plan's audited financial statements as of June 30, 2012 and 2011 was approximately $9.2 billion and $8.2 billion, which represents a funded status of approximately 59% and 62%, respectively. In the event of a plan termination or employer withdrawal, an employer may be liable for a portion of the plan's unfunded vested benefits. The Interlocal represents less than 5% of the total contributions into this multi-employer plan.

3. Compensated Absences

Vacation

Full time employees are granted paid vacation according to the following provisions:
1 – 5 years service = 10 days per year vacation
6 – 10 years service = 15 days per year vacation
+ 11 years service = 20 days per year vacation

Vacation time may accumulate to 40 days. Days in excess of this limit must be used within the next fiscal year. Between October 1st and March 1st, an employee may request the organization buy-back unused vacation days that are in excess of the 40 day limit at the percentage indicated in the table below. Terminated or retiring employees shall have the option of being paid a percentage of his/her daily rate for that year, less appropriate payroll deductions, for any unused vacation days as indicated below. The maximum number of days that can be reimbursed shall not exceed 40.

Yrs of Service	**Earned Vac. Days**	**Separation Reimbursement Rate**
1-5	10	50%
6-10	15	70%
+11	20	90%

Sick Leave

Full-time employees are granted 10 days of leave per year with the ability to accumulate up to 70 days of sick leave if the days are not used in the current year. Terminated or retiring employees are compensated for their unused sick leave at the rate of $15.00 per day.

4. Deposits and Investments

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Interlocal's deposits may not be returned to it. State statutes require the Interlocal'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.

4. Deposits and Investments (continued)

Deposits

At June 30, 2012, the carrying amounts of the Interlocal's deposits were $14,239,791. The bank balances were $14,267,192. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, $9,500,000 was covered by FDIC insurance via CDARS and the remaining amount was collateralized by pledged securities held under joint custody receipts issued by third-party banks in the Interlocal's name. The third-party banks holding the pledged securities are independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the Interlocal, the pledging bank and the independent third-party banks holding the pledged securities.

Investments

Kansas statutes authorize the Interlocal to invest in U.S. Treasury bills and notes, repurchase agreements and the State Treasurer's investment pool. All investments must be insured, registered, or held by the Interlocal or its agent in the Interlocal's name. The Interlocal's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the Interlocal or its agent in the Interlocal's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the Interlocal's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the Interlocal. At June 30, 2012, all the Interlocal investments were categorized as Risk Category 1.

5. Interfund Transactions

Operating transfers were as follows:

From	To	Amount
General	Professional Development	$144,311
General	New Media	180,774
General	Governance	2,974
Learning Centers	General	755,980
Learning Centers	Virtual Learning	5,872
Learning Centers	Technology	95,636
Learning Centers	Governance	328,242
Governance	Finance	59,856
Governance	Virtual Learning	3,651
Governance	New Media	881

5. Interfund Transactions (continued)

From	To	Amount
Governance	Technology	9,689
Virtual Learning	New Media	44,421
Virtual Learning	Technology	67,587
Finance	General	97,985
Finance	Technology	55,797
Professional Development	Carl Perkins	20
Professional Development	Title III	17
Professional Development	General	804,927
Professional Development	Technology	86,216
Professional Development	Learning Center	59
Professional Development	Professional Development	145
Professional Development	Finance	7,211
Professional Development	Governance	50,728
Professional Development	Virtual	57,567
Technology	Title III	4,864
Technology	New Media	4,510
Teaching American History	General	169,865
Title IV	General	655

6. Lease Commitments

As of June 30, 2012, the Interlocal leased office space under various non-cancelable operating leases. Future minimum lease payments required under the operating leases are as follows:

Year Ended June 30,	Amount
2013	129,743
2014	117,459
2015	88,094
Total minimum lease payments	$335,296

The Interlocal also has several month-to-month leases for various locations that are considered as operating leases with either party able to cancel with appropriate notice.

7. Compliance with Kansas Statutes

Management is not aware of any statutory violations for the period.

8. Risk Management

The Interlocal continues to carry commercial insurance for all other risks of loss, including property, liability, crime, inland marine, automobile, and workers compensation. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

9. Subsequent Events

Subsequent events have been evaluated through February 9, 2014, which is the date the financial statement was available to be issued. There were no such events identified to be disclosed.

EDUCATIONAL SERVICES AND STAFF DEVELOPMENT
ASSOCIATION OF CENTRAL KANSAS
INTERLOCAL UNIFIED SCHOOL DISTRICT NO. 622
Notes to Financial Statement
Year Ended June 30, 2012

10. Long-term Debt

Changes in long-term debt for the year ended June 30, 2012 are reflected below. In the addition the future annual debt service requirements are disclosed.

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Capital Leases:										
Copiers - 4023482	7.00%	9/29/2008	58,408	8/29/2013	27,691		12,247		15,444	1,577
Copiers - 4023517	7.00%	12/5/2008	71,770	11/5/2013	37,628		14,782		22,846	2,197
Total Capital Leases					$ 65,319	$ -	$ 27,029	$ -	$ 38,290	$ 3,774

Annual Debt Service Requirements

	2013	2014	Total
Principal:			
Capital Leases	$ 29,049	$ 9,241	$ 38,290
Interest:			
Capital Leases	1,772	144	1,916
Total Principal and Interest	$ 30,821	$ 9,385	$ 40,206