

**BOARD OF EDUCATION
CIRCLE UNIFIED SCHOOL DISTRICT NO. 375
Towanda, Kansas**

**Financial Statements
June 30, 2011**

**with
Independent Auditors' Report**

UNIFIED SCHOOL DISTRICT NO. 375

Financial Statements

Year Ended June 30, 2011

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UNIFIED SCHOOL DISTRICT NO. 375

Financial Statements

Year Ended June 30, 2011

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INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District No. 375
Towanda, Kansas

We have audited the accompanying financial statements of the individual funds of Unified School District No. 375, Towanda, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with the Kansas Municipal Audit Guide, 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. 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 District's policy is to prepare its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas which is a comprehensive basis of accounting other than generally accepted accounting principles.

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 each of the various funds of Unified School District No. 375, Towanda, Kansas, as of June 30, 2011, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 4, 2012, on our consideration of Unified School District No. 375's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 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 read in conjunction with this report in considering the results of our audit.

Our audit was performed for the purpose of forming an opinion on the financial statements of Unified School District No. 375, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements. The schedule of expenditures of federal awards is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements, taken as a whole.

This report is intended solely for the use of the management of Unified School District No. 375, the Kansas Department of Education, and other federal audit agencies and should not be used for any other purpose. This restriction is not intended to limit the distribution of this report which, upon acceptance by Unified School District No. 375, is a matter of public record.

Peterson Peterson & Boss, LC

January 4, 2012

UNIFIED SCHOOL DISTRICT NO. 375
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ (448,838)	\$ 9,867,499	\$ 9,901,161	\$ (482,500)	\$ 7,603	\$ (474,897)
Supplemental General	416,206	2,479,456	2,780,000	115,662	6,152	121,814
Special Revenue:						
At Risk (K-12)	665,420	309,531	550,673	424,278		424,278
Capital Outlay	1,256,652	862,105	665,948	1,452,809	7,696	1,460,505
Contingency Reserve	925,879	-	1,400	924,479		924,479
Driver Training	25,295	15,284	13,226	27,353		27,353
Food Service	171,461	760,518	786,395	145,584		145,584
KPERs Special Retirement Contribution	-	580,181	580,181	-		-
Inservice	68,746	82,389	71,247	79,888		79,888
Special Education	301,797	1,639,224	1,609,695	331,326		331,326
Vocational Education	462,623	426,343	580,966	308,000	2,288	310,288
Textbook and Student Materials	153,993	180,628	220,522	114,099	44,352	158,451
Capital Improvements	12	4	16	-		-
2008 Capital Improvements	2,787,457	92,794	854,935	2,025,316		2,025,316
Gate Receipts	278	76,495	67,550	9,223		9,223
School Projects	20,070	40,008	33,918	26,160		26,160
Federal Projects:						
Title I Low Income	25,279	249,965	244,993	30,251	213	30,464
Title II-A Teacher Quality	-	67,361	67,361	-		-
Title II-D Tech Literacy	-	683	683	-		-
Character Education	-	5,329	4,372	957	1,600	2,557
Safe and Supportive Schools	-	555	555	-		-
Debt Service:						
Bond and Interest	2,091,739	2,785,274	2,524,045	2,352,968		2,352,968
Gifts and Grants	13,340	28,220	20,448	21,112		21,112
Total Reporting Entity (Excluding Agency Funds)	\$ 8,937,409	\$ 20,549,846	\$ 21,580,290	\$ 7,906,965	\$ 69,904	\$ 7,976,869

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

UNIFIED SCHOOL DISTRICT NO. 375
 Summary of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended June 30, 2011

Composition of Cash:	
Bank of America:	
Checking accounts	\$ 2
BofA Government Reserves	175,248
Community Bank:	
Checking account	7,631
Money market account	13,127
Peabody Bank:	
Checking accounts	3,331
Verus Bank:	
Checking accounts	(963,097)
Money market accounts	4,656,595
Towanda Bank:	
Checking accounts	104,801
Certificate of Deposit	98,000
Kansas Municipal Investment Pool	<u>3,980,922</u>
Total Cash	8,076,560
Agency Funds per Statement 4	<u>(99,691)</u>
Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 7,976,869</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Summary of Expenditures - Actual and Budget
 Year Ended June 30, 2011

Funds	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 10,209,336	\$ (308,175)		\$ 9,901,161	\$ 9,901,161	\$ -
Supplemental General	2,780,000			2,780,000	2,780,000	-
Special Revenue:						
At Risk (K-12)	830,500			830,500	550,673	279,827
Capital Outlay	2,001,975			2,001,975	665,948	1,336,027
Driver Training	31,245			31,245	13,226	18,019
Food Service	905,438			905,438	786,395	119,043
KPERS Special Retirement Contribution	701,605			701,605	580,181	121,424
Inservice	98,282			98,282	71,247	27,035
Special Education	1,745,541			1,745,541	1,609,695	135,846
Vocational Education	660,616			660,616	580,966	79,650
Debt Service:						
Bond and Interest	2,524,046			2,524,046	2,524,045	1

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

UNIFIED SCHOOL DISTRICT NO. 375
 General Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 3,019,686	\$ 2,851,978	\$ (167,708)
Delinquent tax	49,545	106,392	56,847
Federal aid:			
ARRA stabilization funds	164,569	164,569	-
Education jobs fund	-	288,160	288,160
State aid:			
Equalization aid	5,478,831	5,239,015	(239,816)
Special education aid	1,188,530	1,205,990	17,460
Reimbursements	-	11,395	11,395
Total Cash Receipts	<u>9,901,161</u>	<u>9,867,499</u>	<u>(33,662)</u>
Expenditures:			
Instruction	5,426,306	5,297,856	128,450
Student support services	459,000	529,252	(70,252)
Instructional support services	419,000	415,380	3,620
General administration	302,000	290,958	11,042
School administration	796,300	853,293	(56,993)
Operations and maintenance	511,500	472,065	39,435
Student transportation services	49,500	45,090	4,410
Vehicle operating services	314,000	316,537	(2,537)
Vehicle and maintenance services	118,200	95,192	23,008
Transfer to:			
Special Education Fund	1,188,530	1,205,990	(17,460)
Vocational Education Fund	180,000	-	180,000
Inservice Fund	-	70,017	(70,017)
At Risk Fund (K-12) Fund	445,000	309,531	135,469
Adjustment to comply with legal maximum	<u>(308,175)</u>	<u>-</u>	<u>(308,175)</u>
Legal General Fund Budget	<u>9,901,161</u>	<u>9,901,161</u>	<u>-</u>

UNIFIED SCHOOL DISTRICT NO. 375
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable <u>(Unfavorable)</u>
Receipts Over (Under) Expenditures	-	(33,662)	(33,662)
Unencumbered Cash, Beginning	<u>-</u>	<u>(448,838)</u>	<u>(448,838)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (482,500)</u>	<u>\$ (482,500)</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
Supplemental General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,073,917	\$ 2,076,447	\$ 2,530
Delinquent tax	37,840	86,661	48,821
Motor vehicle tax	201,421	202,095	674
State aid:			
Equalization aid	16,886	60,499	43,613
Other	-	53,754	53,754
Total Cash Receipts	2,330,064	2,479,456	149,392
Expenditures:			
Instruction	524,930	778,074	(253,144)
Student support services	109,570	106,597	2,973
Instruction support services	195,500	224,571	(29,071)
General administration	1,500	136	1,364
Operations and maintenance	1,137,500	1,057,322	80,178
Transfer to:			
At Risk (K-12) Fund	150,000	-	150,000
Food Service Fund	40,000	-	40,000
Inservice Fund	31,000	-	31,000
Special Education Fund	300,000	350,000	(50,000)
Textbook and Student Materials Fund	50,000	-	50,000
Vocational Education Fund	240,000	263,300	(23,300)
Total Expenditures	2,780,000	2,780,000	-
Receipts Over (Under) Expenditures	(449,936)	(300,544)	149,392
Unencumbered Cash, Beginning	449,936	416,206	(33,730)
Unencumbered Cash, Ending	\$ -	\$ 115,662	\$ 115,662

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

UNIFIED SCHOOL DISTRICT NO. 375
At Risk Fund (K-12)
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Transfer from General Fund	\$ 445,000	\$ 309,531	\$ (135,469)
Transfer from Supplemental General Fund	150,000	-	(150,000)
Total Cash Receipts	595,000	309,531	(285,469)
Expenditures:			
Instruction	830,500	550,673	279,827
Receipts Over (Under) Expenditures	(235,500)	(241,142)	(5,642)
Unencumbered Cash, Beginning	665,418	665,420	2
Unencumbered Cash, Ending	\$ 429,918	\$ 424,278	\$ (5,640)

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

UNIFIED SCHOOL DISTRICT NO. 375
Capital Outlay Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem tax	\$ 722,433	\$ 698,171	\$ (24,262)
Delinquent tax	14,306	31,440	17,134
Motor vehicle tax	72,655	72,917	262
Federal aid:			
Distance Learning RUS Grant	-	2,275	2,275
E-rate	-	5,485	5,485
Interest	-	15,973	15,973
Insurance claims	-	11,671	11,671
Miscellaneous	-	24,173	24,173
Total Cash Receipts	<u>809,394</u>	<u>862,105</u>	<u>52,711</u>
Expenditures:			
Instruction	715,000	213,938	501,062
Student support services	10,000	-	10,000
Instruction support services	5,000	-	5,000
General administration	-	12,263	(12,263)
School administration	-	-	-
Central services	5,000	-	5,000
Operations and maintenance	656,487	154,830	501,657
Transportation	250,000	158,110	91,890
Facility acquisition and service	160,000	27,959	132,041
Building improvements	200,488	98,848	101,640
Total Expenditures	<u>2,001,975</u>	<u>665,948</u>	<u>1,336,027</u>
Receipts Over (Under) Expenditures	(1,192,581)	196,157	1,388,738
Unencumbered Cash, Beginning	<u>1,248,055</u>	<u>1,256,652</u>	<u>8,597</u>
Unencumbered Cash, Ending	<u>\$ 55,474</u>	<u>\$ 1,452,809</u>	<u>\$ 1,397,335</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Expenditures:	
Other	<u>\$ 1,400</u>
Receipts Over (Under) Expenditures	(1,400)
Unencumbered Cash, Beginning	<u>925,879</u>
Unencumbered Cash, Ending	<u>\$ 924,479</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Driver Training Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 5,950	\$ 4,834	\$ (1,116)
Student fees	-	10,450	10,450
Total Cash Receipts	<u>5,950</u>	<u>15,284</u>	<u>9,334</u>
Expenditures:			
Instruction	<u>31,245</u>	<u>13,226</u>	<u>18,019</u>
Receipts Over (Under) Expenditures	(25,295)	2,058	27,353
Unencumbered Cash, Beginning	<u>25,295</u>	<u>25,295</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 27,353</u>	<u>\$ 27,353</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Food Service Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 7,821	\$ 8,901	\$ 1,080
Federal aid	313,829	308,140	(5,689)
Charges for services	373,349	443,477	70,128
Transfer from Supplemental General Fund	40,000	-	(40,000)
Total Cash Receipts	<u>734,999</u>	<u>760,518</u>	<u>25,519</u>
Expenditures:			
Operation and maintenance	26,500	13,889	12,611
Food service operation	878,938	772,506	106,432
Total Expenditures	<u>905,438</u>	<u>786,395</u>	<u>119,043</u>
Receipts Over (Under) Expenditures	(170,439)	(25,877)	144,562
Unencumbered Cash, Beginning	<u>170,439</u>	<u>171,461</u>	<u>1,022</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 145,584</u>	<u>\$ 145,584</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 KPERS Special Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
State contributions	\$ 701,605	\$ 580,181	\$ (121,424)
Expenditures:			
Instruction	400,000	331,055	68,945
Student support	60,000	49,687	10,313
Instructional support	50,016	41,384	8,632
General administration	35,000	28,895	6,105
School administration	50,000	41,370	8,630
Other supplemental services	12,500	10,181	2,319
Operations and maintenance	60,000	49,687	10,313
Student transportation services	24,189	19,903	4,286
Food service	9,900	8,019	1,881
Total Expenditures	<u>701,605</u>	<u>580,181</u>	<u>121,424</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Inservice Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Other (contains \$12,100 state aid)	\$ -	\$ 12,372	\$ 12,372
Transfer from General Fund	31,000	70,017	39,017
Total Cash Receipts	<u>31,000</u>	<u>82,389</u>	<u>51,389</u>
Expenditures:			
Instructional support services	98,282	71,247	27,035
Receipts Over (Under) Expenditures	(67,282)	11,142	78,424
Unencumbered Cash, Beginning	67,282	68,746	1,464
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 79,888</u>	<u>\$ 79,888</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Special Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Other	\$ 15,000	\$ 76,858	\$ 61,858
Medicare	-	6,376	6,376
Transfer from General Fund	1,188,530	1,205,990	17,460
Transfer from Supplemental General Fund	240,000	350,000	110,000
Total Cash Receipts	<u>1,443,530</u>	<u>1,639,224</u>	<u>195,694</u>
Expenditures:			
Instruction	1,613,030	1,467,897	145,133
Student transportation services	132,511	141,798	(9,287)
Total Expenditures	<u>1,745,541</u>	<u>1,609,695</u>	<u>135,846</u>
Receipts Over (Under) Expenditures	(302,011)	29,529	331,540
Unencumbered Cash, Beginning	<u>302,011</u>	<u>301,797</u>	<u>(214)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 331,326</u>	<u>\$ 331,326</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2011

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Federal aid:			
Carl Perkins	\$ -	\$ 13,609	\$ 13,609
Other	-	149,434	149,434
Transfer from General Fund	180,000	-	(180,000)
Transfer from Supplemental General Fund	300,000	263,300	(36,700)
Total Cash Receipts	<u>480,000</u>	<u>426,343</u>	<u>(53,657)</u>
Expenditures:			
Instruction	<u>660,616</u>	<u>580,966</u>	<u>79,650</u>
Receipts Over (Under) Expenditures	(180,616)	(154,623)	25,993
Unencumbered Cash, Beginning	<u>460,009</u>	<u>462,623</u>	<u>2,614</u>
Unencumbered Cash, Ending	<u>\$ 279,393</u>	<u>\$ 308,000</u>	<u>\$ 28,607</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
Textbook and Student Materials Revolving Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 180,628
Expenditures:	
Textbook purchases	<u>220,522</u>
Receipts Over (Under) Expenditures	(39,894)
Unencumbered Cash, Beginning	<u>153,993</u>
Unencumbered Cash, Ending	<u><u>\$ 114,099</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Capital Improvements Fund
 Statement of Cash Receipts and Expenditures - Actual
 Year Ended June 30, 2011

	Actual
Cash Receipts:	
Interest	\$ 4
Expenditures:	
Facility expenditures	16
Receipts Over (Under) Expenditures	(12)
Unencumbered Cash, Beginning	12
Prior year canceled encumbrances	
Unencumbered Cash, Ending	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 375
 2008 Capital Improvements Fund
 Statement of Cash Receipts and Expenditures - Actual
 Year Ended June 30, 2011

	Actual
Cash Receipts:	
Interest	\$ 36,131
Safe Room Grant	56,663
Total Cash Receipts	92,794
Expenditures:	
Facility expenditures	854,935
Receipts Over (Under) Expenditures	(762,141)
Unencumbered Cash, Beginning	2,787,457
Unencumbered Cash, Ending	\$ 2,025,316

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

UNIFIED SCHOOL DISTRICT NO. 375
Federal Projects Funds
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Title I Low Income</u>	<u>Title II-A Teacher Quality</u>	<u>Title II-D Tech Literacy</u>	<u>Character Education</u>	<u>Safe and Supportive Schools</u>
Cash Receipts:					
Federal aid	\$ 201,807	\$ 67,361	\$ 683	\$ 5,329	\$ 555
ARRA - Federal Aid	48,158				
Total Cash Receipts	<u>249,965</u>	<u>67,361</u>	<u>683</u>	<u>5,329</u>	<u>555</u>
Expenditures:					
Instruction and supplies	<u>244,993</u>	<u>67,361</u>	<u>683</u>	<u>4,372</u>	<u>555</u>
Receipts Over (Under) Expenditures	4,972	-	-	957	-
Unencumbered Cash, Beginning	<u>25,279</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 30,251</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 957</u>	<u>\$ -</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Bond and Interest Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2011

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,580,595	\$ 2,551,175	\$ (29,420)
Delinquent tax	33,663	75,381	41,718
Motor vehicle tax	158,292	158,718	426
Total Cash Receipts	2,772,550	2,785,274	12,724
Expenditures:			
Interest	1,444,046	1,444,045	1
Principal	1,080,000	1,080,000	-
Total Expenditures	2,524,046	2,524,045	1
Receipts Over (Under) Expenditures	248,504	261,229	12,725
Unencumbered Cash, Beginning	2,087,500	2,091,739	4,239
Unencumbered Cash, Ending	\$ 2,336,004	\$ 2,352,968	\$ 16,964

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

UNIFIED SCHOOL DISTRICT NO. 375
Gifts and Grants Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2011

	<u>Actual</u>
Cash Receipts:	
Donations and interest	\$ 28,220
Expenditures:	
Scholarships	<u>20,448</u>
Receipts Over (Under) Expenditures	7,772
Unencumbered Cash, Beginning	<u>13,340</u>
Unencumbered Cash, Ending	<u><u>\$ 21,112</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 School Activity Funds
 Statement of Cash Receipts and Disbursements - Actual
 Year Ended June 30, 2011

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
Art Club	\$ 543	\$ 159	\$ 474	\$ 228
Athletic Fundraising	22,514	48,137	47,318	23,333
Band	-	293	293	-
B.E.S.T. Robotics	2,133	10,147	8,870	3,410
Boy's State	564	625	550	639
Chorus	-	504	504	-
Concessions	6,844	41,244	44,152	3,936
Counselors	367	-	354	13
Crimestoppers	66	-	-	66
Drama/Forensics	-	2,219	2,219	-
Drama/Mamas	220	100	-	320
FCA	623	1,669	862	1,430
FCCLA	2,997	499	397	3,099
Junior Class	1,860	4,536	4,139	2,257
Library	537	295	745	87
Memorial Fund	2,837	721	1,000	2,558
Madrigals	-	175	175	-
Musical/Play	4,256	7,936	7,304	4,888
National Honor Society	-	1,032	772	260
Renaissance	1,777	2,372	3,916	233
Sales Tax	-	13,949	13,949	-
Scholars Bowl	-	612	612	-
Science Club	323	408	81	650
Senior Class	789	3,456	1,775	2,470
Skills USA	407	992	1,251	148
Sophomore Class	1,102	451	450	1,103
Spanish Club	1,862	57	96	1,823
Sports Physicals	-	1,502	1,502	-
Students Against Drunk Driving	2,572	4,667	6,632	607
STUCO	11,367	4,271	7,856	7,782
Target	4,030	1,931	228	5,733

UNIFIED SCHOOL DISTRICT NO. 375
School Activity Funds
Statement of Cash Receipts and Disbursements - Actual
Year Ended June 30, 2010

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Middle School:				
Book Reviewers	789	1,114	1,467	436
CMS Student Activities	801	3,766	3,486	1,081
Concessions	5,650	10,432	10,117	5,965
Music	-	688	400	288
Renaissance	2,321	-	2,321	-
Sales Tax	-	2,689	2,671	18
STUCO	5,897	13,883	15,150	4,630
Yearbook	807	3,298	3,118	987
Benton Grade School:				
Amazon	105	28	103	30
Benton Grade School Activities	678	4,051	4,009	720
PTO	1,038	1,300	1,784	554
STUCO	87	2,336	2,344	79
Wolk Creek	135	-	-	135
Yearbook	1,716	9,721	9,625	1,812
Greenwich Elementary School:				
Yearbook	-	1,010	1,187	(177)
STUCO	-	376	119	257
Greenwich Elementary School Activities		2,946	2,837	109
Oil Hill Grade School:				
Entrepreneur Club	1,686	535	502	1,719
Student Council	9,071	5,387	4,989	9,469
Towanda Grade School:				
STUCO	685	1,119	1,429	375
Towanda Grade School Activities	4,894	7,845	8,608	4,131
Total	<u>\$ 106,950</u>	<u>\$ 227,483</u>	<u>\$ 234,742</u>	<u>\$ 99,691</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 District Activity Funds
 Statement of Cash Receipts, Expenditures and Unencumbered Cash
 Year Ended June 30, 2011

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
Gate receipts:						
High School Athletics	\$ 278	\$ 76,495	\$ 67,550	\$ 9,223	\$ -	\$ 9,223
School projects:						
Circle High School	14,971	36,129	32,103	18,997	-	18,997
Circle Middle School	4,423	3,879	1,139	7,163	-	7,163
Towanda Grade School	301	-	301	-	-	-
Oil Hill School	375	-	375	-	-	-
Total school projects	<u>20,070</u>	<u>40,008</u>	<u>33,918</u>	<u>26,160</u>	<u>-</u>	<u>26,160</u>
Total	<u>\$ 20,348</u>	<u>\$ 116,503</u>	<u>\$ 101,468</u>	<u>\$ 35,383</u>	<u>\$ -</u>	<u>\$ 35,383</u>

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

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2011

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Unified School District No. 375 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District'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

Unified School District No. 375 is a municipal corporation governed by an elected seven-member board. The Board of Education (Board) is the basic level of government, which has financial accountability, and control over all activities related to the public school education in the District. The District receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the Board is not included in any other governmental "reporting entity" as defined by GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Boards Statement 14, which are included in the District's reporting entity.

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 District for the fiscal year of 2011:

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 that are restricted by law or administrative action to expenditures for specified purposes.

UNIFIED SCHOOL DISTRICT NO. 375
Notes to Financial Statements
June 30, 2011

1. Summary of Significant Accounting Policies (continued)

Debt Service Fund - to account for the accumulation of resources for, and the payment of, interest and principal on general long-term debt.

Capital Projects Funds -- to account for all resources for the acquisition of capital facilities by the District.

Fiduciary Funds

Trust and Agency Funds - to account for assets held by a governmental unit in a trustee capacity or as an agent for individuals, private organizations, other governmental units and/or other funds.

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. 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 District has approved a waiver from generally accepted accounting principles, allowed by the State of Kansas, which allows the District to report on the statutory basis of accounting.

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, cash disbursements, 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. General fixed assets that account for the land, building and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, capital leases and compensated absences are not presented in the financial statements.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2011

2. Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and the debt service fund. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

All legal annual operating budgets are prepared using the statutory basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

A legal operating budget is not required for capital projects funds, trust and agency funds and the following special revenue funds:

Contingency Reserve Fund
Textbook and Student Materials Revolving Fund
Gifts and Grants Fund
Federal Projects Funds

Spending in funds which are not subject to the legal annual operating budget requirement is controlled by federal regulations, other statutes, or by the use of internal spending limits established by the governing body.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2011

3. Interfund Transfers

Recurring annual transfers between funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At Risk Fund (K-12)	K.S.A. 72-6428	\$ 309,531
General Fund	Inservice Fund	K.S.A. 72-6428	70,017
General Fund	Special Education Fund	K.S.A. 72-6428	1,205,990
Supplemental General Fund	Special Education Fund	K.S.A. 72-6433	350,000
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	263,300

4. 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 benefits 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, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding policy K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas currently contributes 9.17% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$188,864,532, \$248,468,186 and \$242,277,363 respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2011, 2010 and 2009 were \$580,181, \$599,723, and \$572,023. Remaining balance due from the State for year ending June 30, 2011 of \$64,969,692 was received by July 12, 2011.

UNIFIED SCHOOL DISTRICT NO. 375
Notes to Financial Statements
June 30, 2011

5. Compensated Absences

Certified personnel of the District are granted twelve days of sick leave at the beginning of each contract year. Days not used during the contract year may be accumulated to 76 days. Retiring certified personnel who have accumulated sick leave at the end of their last contract year are eligible to receive payment for unused days provided they are eligible to retire under KPERS or Social Security. The Board will pay \$60.00 per day for 2/3 of the retiring employee's accumulated sick leave with a maximum of 50 days. If the employee is retiring under the early retirement provision of the negotiated agreement, an additional \$30.00 per day for 2/3 of the accumulated sick leave, with a maximum of 50 days, will be paid.

Classified staff accrue sick leave each year according to the provisions in the classified handbook. Retiring classified personnel who meet the KPERS retirement requirements, have been employed in the District for at least seven consecutive years prior to retirement and are employed for at least 3.5 hours per day are eligible to be reimbursed for their accumulated sick leave. The Board will pay \$30.00 per day for the retiring employee's accumulated sick leave with a maximum of 50 days.

For financial statement purposes, compensated absences are recognized when paid. The estimated liability at June 30, 2011, with payment under the above formulas would be \$54,738.

6. Deposits and Investments

Deposits

At June 30, 2011, the carrying amount of the District deposits, including certificates of deposit, was \$3,920,389. The bank balance was \$5,066,039. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$750,000 was covered by FDIC insurance and the remaining \$3,170,389 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name and irrevocable letters of credit. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2011

6. Deposits and Investments (continued)

Investments

At June 30, 2011 the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
BofA Government Reserves	\$ 175,248	S&P AAA
Kansas Municipal Investment Pool	3,980,922	S&P Aar/ S1+

The BOFA Government Reserves mutual fund cash shares were held in an investment account with Banc of America Securities LLC. Banc of America Securities LLC is a member of the Securities Investor Protection Corporation (SIPC). SIPC provides protection of up to \$500,000 for the account at Banc of America Securities LLC.

The Kansas Municipal Investment Pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that insured as to principal and interest, by the U.S. Government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities.

7. Lease Commitments

As of June 30, 2011 the district was subject to copier operating leases with Image Quest. The following is a listing of the equipment, terms and payment amounts for those leases.

<u>Equipment Leased</u>	<u>Term of Lease</u>	<u>Payment Amount</u>
Nine copiers	63 month term	\$ 3,337 per month
Six copiers	63 month term	\$ 1,329 per month
Three copiers	60 month term	\$ 477 per month

8. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District manages risk primarily through the purchase of insurance coverage from commercial insurers.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2011

9. Early Retirement

The District provides an early retirement program for certain eligible employees. Teachers and administrators of the District may elect to take early retirement if they meet certain terms and conditions as set forth in the professional agreement between the District and Circle NEA. Those eligible under this plan may receive the benefit for no more than 5 years or it will end upon the retiree's 62nd birthday, whichever occurs first.

Future early retirement benefits at June 30, 2011 are as follows:

<u>June 30,</u>	<u>Benefits</u>
2012	\$ 70,188
2013	90,000
2014	100,000
2015	130,000

10. Subsequent Events

Subsequent events have been evaluated through January 4, 2012, which is the date the financial statements were available to be issued. There were no such events to be disclosed.

11. Compliance with Kansas Statutes

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

Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) requires the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following shows the revenue as required by the Statutes.

UNIFIED SCHOOL DISTRICT NO. 375
GENERAL FUND
STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
Year Ended June 30, 2011

	<u>Budget</u>	<u>Statutory Transactions</u>	<u>Variance Favorable (Unfavorable)</u>
STATUTORY REVENUES:			
Taxes and shared revenue:			
Ad valorem property	\$ 3,019,686	\$ 2,852,166	\$ (167,520)
Delinquent tax	49,545	106,204	56,659
Federal aid:			
ARRA stabilization funds	164,569	164,569	-
Education jobs funds	-	288,160	288,160
State aid:			
Equalization aid	5,478,831	5,288,482	(190,349)
Special education aid	1,188,530	1,205,990	17,460
Reimbursements	-	11,395	11,395
Total Statutory Revenues	9,901,161	9,916,966	15,805
EXPENDITURES:			
Instruction	5,426,306	5,297,856	128,450
Student support services	459,000	529,252	(70,252)
Instructional support services	419,000	415,380	3,620
General administration	302,000	290,958	11,042
School administration	796,300	853,293	(56,993)
Operations and maintenance	511,500	472,065	39,435
Student transportation services	49,500	45,090	4,410
Vehicle operating services	314,000	316,537	(2,537)
Vehicle and maintenance services	118,200	95,192	23,008
Transfers to:			
Special Education Fund	1,188,530	1,205,990	(17,460)
Vocational Education Fund	180,000	-	180,000
Inservice Fund	-	70,017	(70,017)
At Risk (K-12) Fund	445,000	309,531	135,469
Adjustment to comply with legal maximum	(308,175)	-	(308,175)
Legal General Fund Budget	9,901,161	9,901,161	-
Revenue Over (Under) Expenditures	-	15,805	15,805
MODIFIED UNENCUMBERED CASH, July 1, 2010	-	10,565	10,565
MODIFIED UNENCUMBERED CASH, June 30, 2011	\$ -	\$ 26,370	\$ 26,370

UNIFIED SCHOOL DISTRICT NO. 375
 SUPPLEMENTAL GENERAL FUND
 STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET
 Year Ended June 30, 2011

	<u>Budget</u>	<u>Statutory Transactions</u>	<u>Variance Favorable (Unfavorable)</u>
STATUTORY REVENUES:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,073,917	\$ 2,076,514	\$ 2,597
Delinquent tax	37,840	86,661	48,821
Motor vehicle tax	201,421	202,028	607
State aid:			
Equalization aid	16,886	23,909	7,023
Other	-	53,754	53,754
Total Statutory Revenues	<u>2,330,064</u>	<u>2,442,866</u>	<u>112,802</u>
EXPENDITURES:			
Instruction	524,930	778,074	(253,144)
Student support services	109,570	106,597	2,973
Instruction support services	195,500	224,571	(29,071)
General administration	1,500	136	1,364
Operations and maintenance	1,137,500	1,057,322	80,178
Transfers to:			
At Risk (4 yr old) Fund	150,000	-	150,000
Food Service Fund	40,000	-	40,000
Inservice Fund	31,000	-	31,000
Special Education Fund	300,000	350,000	(50,000)
Textbook and Student Materials Fund	50,000	-	50,000
Vocational Education Fund	240,000	263,300	(23,300)
Total Expenditures	<u>2,780,000</u>	<u>2,780,000</u>	<u>-</u>
Revenue Over (Under) Expenditures	(449,936)	(337,134)	112,802
MODIFIED UNENCUMBERED CASH, July 1, 2010	<u>449,936</u>	<u>458,802</u>	<u>8,866</u>
MODIFIED UNENCUMBERED CASH, June 30, 2011	<u>\$ -</u>	<u>\$ 121,668</u>	<u>\$ 121,668</u>

UNIFIED SCHOOL DISTRICT NO. 375
Notes to Financial Statements
Year Ended June 30, 2011

12. Long-term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2011 were as follows:

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
General Obligation Bonds:										
Series 2004	3.25% to 5.00%	12/1/2004	9,900,000	9/1/2019	\$ 9,620,000	\$ -	\$ 80,000	\$ -	\$ 9,540,000	\$ 371,438
Series 2007	3.25% to 5.00%	1/15/2007	10,800,000	9/1/2025	10,675,000	-	465,000	-	10,210,000	483,100
Series 2008	3.25% to 5.00%	12/1/2008	9,465,000	9/1/2024	9,465,000	-	-	-	9,465,000	461,695
Series 2009	3.00% to 3.15%	2/1/2006	3,715,000	9/1/2023	3,685,000	-	535,000	-	3,150,000	127,812
Total General Obligation Bonds					33,445,000	-	1,080,000	-	32,365,000	1,444,045
Capital Leases:										
Energy Solutions System	5.50%	8/12/2002	\$ 548,487	5/5/2017	308,104	-	37,034	-	271,070	17,588
Fieldturf Financial	3.77%	6/1/2007	743,730	6/1/2015	483,256	-	91,180	-	392,076	16,654
Bobcat	5.00%	10/1/2010	27,012	10/18/2011	-	27,012	3,670	-	23,342	-
Total Capital Leases					791,360	27,012	131,884	-	686,488	34,242
Total Contractual Indebtedness					34,236,360	27,012	1,211,884	-	33,051,488	1,478,287
Compensated Absences	N/A	N/A	N/A	N/A	78,574	-	-	(23,836)	54,738	-
Total Long-term Debt					\$ 34,314,934	\$ 27,012	\$ 1,211,884	\$ (23,836)	\$ 33,106,226	\$ 1,478,287

Annual Debt Service Requirements

	2012	2013	2014	2015	2016	2017-2021	2022-thereafter	Total
Principal:								
General obligation bonds	\$ 1,305,000	\$ 1,425,000	\$ 1,555,000	\$ 1,700,000	\$ 1,855,000	\$ 11,945,000	\$ 12,580,000	\$ 32,365,000
Capital leases	157,168	139,691	145,825	143,251	48,881	51,672	-	686,488
Interest:								
General obligation bonds	1,406,078	1,362,214	1,310,637	1,248,720	1,181,731	4,612,924	1,275,387	12,397,691
Capital leases	29,755	22,764	16,631	10,218	5,740	2,949	0	88,057
Total Principal and Interest								
	\$ 2,898,001	\$ 2,949,669	\$ 3,028,093	\$ 3,102,189	\$ 3,091,352	\$ 16,612,545	\$ 13,855,387	\$ 45,537,236

PETERSON, PETERSON & GOSS, L.C.

MEMBERS
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JOHN B. GOSS, C.P.A.

PRINCIPALS
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**MEMBER OF THE
AMERICAN INSTITUTE OF
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**OF COUNSEL
MARVIN W. NYE, C.P.A.**

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE AND ON
INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN
AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Education
Unified School District No. 375
Towanda, Kansas

We have audited the basic financial statements of Unified School District No. 375 as of and for the year ended June 30, 2011, and have issued our report thereon dated January 4, 2012. Our report disclosed that, as discussed in Note 1 to the financial statements, the District 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. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Compliance

As part of obtaining reasonable assurance about whether the District's 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*.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. Accordingly, we do not express an opinion of the effectiveness of the District's internal control over financial reporting.

Internal Control Over Financial Reporting (continued)

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the District's internal control.

This report is intended for the information of the management of Unified School District No. 375 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.

Peterson Peterson & Zoss, LC

January 4, 2012

PETERSON, PETERSON & GOSS, L.C.

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

Board of Education
Unified School District No. 375
Towanda, Kansas

Compliance

We have audited the compliance of Unified School District No. 375 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 each of its major federal programs for the year ended June 30, 2011. The District's major federal programs are 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 each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with generally accepted auditing standards; 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 the District'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 the District's compliance with those requirements.

In our opinion, Unified School District No. 375 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the District 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 the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our 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.

A control deficiency in the District's internal control over compliance 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 noncompliance with a type of compliance requirement on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the District's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the District's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the District's internal control.

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 for the information of the management of Unified School District No. 375, 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.

Peterson Peterson & Goss, LC

January 4, 2012

UNIFIED SCHOOL DISTRICT NO. 375
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 375.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting based on an audit of financial statements performed in accordance with *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of Unified School District No. 375 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance of the major federal award programs for Unified School District No. 375 expresses an unqualified opinion.
6. No audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133, relative to the major federal award programs for Unified School District No. 375, were disclosed during the audit.
7. The programs tested as major programs included:

ARRA - State Fiscal Stabilization Funds – 84.394
Education Jobs Fund – 84.410
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 375 qualified to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

None

C. FINDINGS AND QUESTIONED COSTS – MAJOR FEDERAL AWARD PROGRAMS AUDIT

None

UNIFIED SCHOOL DISTRICT NO. 375
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2011

Federal Grantor/ Pass-through Grantor/ Program Title	Federal CFDA Number	Pass-through Entity ID Number	Federal Expenditures	Award Amount by Cluster
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$ 50,605	
National School Lunch Program	10.555	3530-3500	210,920	
Cash for Commodities	10.555	3530-3500	<u>46,615</u>	
Total Child Nutrition Cluster				308,140
U.S. Department of Education:				
Passed-through Kansas Department of Education:				
Character Education Initiative	84.215	3592-3070	4,372	4,372
Title I, Part A Cluster:				
Title I, Low Income	84.010	3532-3520	196,835	
ARRA - Title I, Low Income	84.389	3532-3525	<u>48,158</u>	
Total Title I, Part A Cluster				244,993
Safe and Supportive Schools Continuum	84.184	3799-3110	555	555
Title II-A, Improving Teacher Quality	84.367	3526-3860	67,361	67,361
Title II-D, Technology Literacy	84.318	3233-3040	683	683
ARRA - State Fiscal Stabilization Funds - 2009	84.394	3790-3790	164,569	164,569
Education Jobs Fund	84.410	3551-3551	288,160	288,160
U.S. Department of Education:				
Passed-through South Central Kansas Education Service Center:				
Title V, Innovative Programs	84.298	N/A	13,609	13,609
U.S. Department of Agriculture:				
Passed-through South Central Kansas Education Service Center:				
Distance Learning and Telemedicine Grants	10.855	RUS-DLT-722-B16	2,275	2,275
U.S. Department of Health and Human Services:				
Passed-through Kansas Health Policy Authority:				
Medicaid	93.778	N/A	6,376	6,376
U.S. Department of Homeland Security Federal Emergency Management Agency:				
Passed-through Kansas Division of Emergency Management:				
ARRA - Hazard Mitigation Grant Program	97.039	N/A	56,663	<u>56,663</u>
Total Federal Awards Expended				<u>\$ 1,157,756</u>

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

UNIFIED SCHOOL DISTRICT NO. 375
Schedule of Expenditures of Federal Awards
Year Ended June 30,2011

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* .

UNIFIED SCHOOL DISTRICT NO. 375
Summary of Prior Audit Findings
Year Ended June 30, 2011

There were no audit findings for federal award programs for the year ended June 30, 2010