

**VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
VALLEY CENTER, KANSAS**

**FINANCIAL STATEMENT
JUNE 30, 2012**

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
TABLE OF CONTENTS
JUNE 30, 2012

	<u>Page</u>
Independent Auditors' Report	1 – 3
Financial Statement	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	4
Notes to Financial Statement	5 – 12
Supplementary Information	
Summary of Expenditures - Actual and Budget	13
Statement of Cash Receipts and Expenditures - Actual and Budget	
General Fund	14
Supplemental General Fund	15
At Risk Fund (4 Year Old)	16
At Risk Fund (K-12)	17
Bilingual Education Fund	18
Capital Outlay Fund	19
Driver Training Fund	20
Food Service Fund	21
Professional Development Fund	22
Summer School Fund	23
Special Education Fund	24
Vocational Education Fund	25
KPERs Contribution Fund	26
Recreation Commission Fund	27
Recreation Commission Employee Benefit Fund	28
Bond and Interest Fund	29
Special Assessments Fund	30
Statement of Cash Receipts and Expenditures - Actual	
Federal Funds	31
Gifts & Grants Fund	32
Contingency Reserve Fund	33
Textbook and Student Material Revolving Fund	34
Title I Network Fund	35
Statement of Cash Receipts and Expenditures - Capital Projects	36
Statement of Cash Receipts and Cash Disbursements	
Agency Funds	37 – 44
Statement of Cash Receipts, Expenditures, and Unencumbered Cash	
District Activity Funds	45
Federal Award Information	
Independent Auditors' Report on Internal Control Over Financial Reporting and On Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	46 – 47
Independent Auditors' Report on Compliance with Requirements that could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	48 – 49
Schedule of Expenditures of Federal Awards	50
Notes to Schedule of Expenditures of Federal Awards	51
Schedule of Findings and Questioned Costs	52
Schedule of Prior Year Findings and Questioned Costs	53



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

**Board of Education
Valley Center Unified School District No. 262
Valley Center, Kansas**

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of and for the year ended **June 30, 2012**.

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

Our responsibility is to express an opinion on the financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit and Accounting Guide*; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards and guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Board of Education
Valley Center Unified School District No. 262

As described in Note 1 of the financial statement, the financial statement is prepared by **Valley Center Unified School District No. 262, Valley Center, Kansas** to meet the requirements of the State of Kansas on the basis of the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

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

In our opinion, because of the significance of the matter discussed in the preceding paragraph the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of **June 30, 2012**, or the changes in its financial position and cash flows for the year then ended.


In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of **June 30, 2012**, and the aggregate cash receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2012, on our consideration of **Valley Center Unified School District No. 262, Valley Center, Kansas**' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, individual funds schedules of cash receipts and expenditures-actual, and schedule of cash receipts and disbursements-agency funds (Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the regulatory financial statement. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement taken as a whole.

**Board of Education
Valley Center Unified School District No. 262**

The 2011 Actual columns presented in the individual fund schedules of cash receipts and expenditures-actual and budget and schedule of cash receipts and disbursements-agency funds (Supplementary Information as listed in the table of contents) are also presented for comparative analysis and are not a required part of the 2011 financial statement upon which we rendered an unqualified opinion dated November 9, 2011. The 2011 financial statements and our accompanying report are not presented herein, but are available in electronic form from the web site of the Kansas Department of Administration, Office of Management Analysis and Standards at the following link <http://da.ks.gov/ar/muniserv/>. Such 2011 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2011 financial statement. The 2011 comparative information was subjected to the auditing procedures applied in the audit of the 2011 financial statement and certain additional procedures, including comparing and reconciling such statement to the 2011 financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2011 comparative information is fairly stated in all material respects in relation to the 2011 financial statements as a whole.


Busby Ford & Reimer, LLC
November 5, 2012

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Unencumbered Cash Balance	Prior Year		Expenditures	Unencumbered Cash Balance	Add		Ending Cash Balance
		Encumbrances	Canceled			Outstanding Encumbrances and Accounts Payable	Ending Cash Balance	
General Fund	\$ 0	\$ 0	\$ 0	\$ 15,447,256	\$ 0	\$ 455,192	\$ 455,192	
Special Purpose Funds								
Supplemental General	57,907	0	0	4,120,750	204,611	90,298	294,909	
At Risk (4 Year Old)	10,020	0	0	92,749	10,771	0	10,771	
At Risk (K-12)	254,085	436	0	1,112,934	349,945	23,586	373,531	
Bilingual Education	90	0	0	92,911	679	0	679	
Capital Outlay	4,255,301	88,491	0	889,521	4,109,860	397,311	4,507,171	
Driver Training	96,314	0	0	17,298	98,736	35	98,771	
Food Service	380,305	0	0	1,231,738	383,691	594	384,285	
Professional Development	102,600	0	0	60,573	132,027	5,715	137,742	
Summer School	40,402	37	0	34,439	45,150	0	45,150	
Special Education	589,185	0	0	3,202,450	755,958	4,521	760,479	
Vocational Education	324	198	0	399,500	1,231	15,074	16,305	
KPERS Contribution	0	0	0	1,214,571	0	0	0	
Recreation Commission	0	0	0	510,000	4,921	0	4,921	
Recreation Commission Employee Benefits	0	0	0	77,103	0	0	0	
Federal Funds	500	0	0	491,410	444	80,990	81,434	
Gifts and Grants	8,244	0	0	22,833	52,410	3,490	55,900	
Contingency Reserve	1,406,491	0	0	0	1,406,491	0	1,406,491	
Textbook and Student Material								
Revolving	244,732	889	0	173,640	209,231	10,118	219,349	
Title I Network	0	0	0	0	0	0	0	
District Activity Funds	99,269	0	0	281,909	85,299	0	85,299	
Debt Service Funds								
Bond and Interest	1,222,029	0	0	4,258,195	2,896,555	0	2,896,555	
Special Assessments	9,850	0	0	69	9,785	0	9,785	
Capital Projects	402,094	3,396,823	0	4,126,522	0	1,195,931	1,195,931	
	\$ 9,179,742	\$ 3,486,874	\$ 3,948,841	\$ 37,857,662	\$ 10,757,795	\$ 2,282,855	\$ 13,040,650	
Composition of Cash:								
				Checking and Money Market Accounts				
				Savings Accounts				
				Certificates of Deposit				
				Agency Funds				
				\$ 11,911,263				
				1,222,608				
				11,061				
				13,144,932				
				(104,282)				
				\$ 13,040,650				

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

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

Valley Center Unified School District No. 262 is a municipal corporation established under State of Kansas statutes designed to meet educational requirements at the primary and secondary levels in and around Valley Center, Kansas. The District is governed by an elected seven-member Board of Education. The District's financial statements include all funds over which the Board of Education exercises financial responsibility. Financial responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters.

KMAAG Regulatory Basis of Presentation Fund Definitions:

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

Special Purpose Funds-To account for the proceeds of specific receipts (other than major capital projects) that are restricted by law or administrative action to expenditure for specific purposes.

Capital Projects Fund-To account for the financial resources segregated for the acquisition or construction of major capital facilities and improvements.

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

Agency Funds-To account for resources held in a trustee or agency capacity for others which therefore cannot be used to support the government's own programs.

Regulatory Basis of Accounting

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

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

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Departure from Accounting Principles Generally Accepted in the United States of America

The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expense, liabilities such as deferred revenue, matured principal and interest payable, and reservations of the fund balance are not presented. Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with accounting principles generally accepted in the United States of America. General fixed assets that account for the land, buildings, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Budget and Tax Cycle

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), and debt service funds. 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 of the proposed budget and notice of public hearing on the budget on or before August 5th.
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. There were no amendments for the year ended June 30, 2012.

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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

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

Federal Funds
Contingency Reserve Fund
Title I Network Fund

Gifts and Grants Fund
Textbook and Student Material Revolving Fund
District Activity 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.

Note 2 - Compensated Absences:

All permanent full-time employees are eligible for vacation and/or sick leave benefits in varying annual amounts depending on position and length of service.

It is the policy of the District to record vacation and sick leave benefits as expenditures when paid.

Note 3 - On-Behalf Payments for Fringe Benefits and Salaries:

The District recognizes as revenues and expenses contributions made by the State of Kansas to the Kansas Public Employees Retirement System (KPERS) on behalf of the District's employees. For the year ended June 30, 2012, the State made contributions of \$1,214,571. These contributions are recorded in the KPERS Contribution Fund as receipts and expenditures.

Note 4 - Reimbursed Expenses:

The District records reimbursable expenditures in the fund that makes the disbursement and records reimbursements as revenue to the fund. For purposes of budgetary comparisons, the expenditures are properly offset by the reimbursements.

Note 5 - Postemployment Benefits:

As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Note 6 - Deposits:

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

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

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

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the Government's deposits may be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2012.

At June 30, 2012, the District's carrying amount of deposits was \$13,144,932 and the bank balance was \$13,458,626. The bank balance is held by two banks. Of the bank balance, \$261,130 was covered by depository insurance, and the remaining \$13,197,496 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Note 7 - Interfund Transactions:

Operating transfers in accordance with K.S.A. 72-7063 were as follows:

	Transfer to:									
	At Risk (4 Year Old)	At Risk (K-12)	Bilingual Education	Capital Outlay	Food Service	Professional Development	Summer School	Special Education	Vocational Education	Total
Transfer from:										
General Fund	\$ 0	\$ 315,400	\$ 85,000	\$ 176,972	\$ 0	\$ 83,867	\$ 0	\$ 2,743,630	\$ 399,500	\$ 3,804,369
Supplemental										
General Fund	93,500	890,600	8,500	0	105,000	6,133	5,000	615,000	0	1,723,733
	<u>\$ 93,500</u>	<u>\$ 1,206,000</u>	<u>\$ 93,500</u>	<u>\$ 176,972</u>	<u>\$ 105,000</u>	<u>\$ 90,000</u>	<u>\$ 5,000</u>	<u>\$ 3,358,630</u>	<u>\$ 399,500</u>	<u>\$ 5,528,102</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Note 8 - Defined Benefit Pension Plan:

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing, multiple-employer, defined benefit pension plan as provided by K.S.A. 74-4901, et seq. KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas Ave., Suite 100, Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at a minimum of 4% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 9.77% of covered payroll for the year ended June 30, 2012. These contribution requirements are established by KPERS and are periodically revised. Kansas contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$253,834,044 and \$248,468,186 respectively, equal to the required contributions for each year.

Note 9 - Capital Projects:

The capital project was completed during the year. Remaining funds of \$1,700,000 were transferred to the Bond and Interest Fund. At year-end, capital project authorization compared with expenditures from inception are as follows:

	<u>Project Authorization</u>	<u>Expenditures to Date</u>
School Construction and Improvements	<u>\$60,994,248</u>	<u>\$60,994,248</u>

Note 10 - Contingencies:

Grant Programs

The District participates in various federal and state grant programs. These grant programs are often subject to additional audits by agents of the granting agency, the purpose of which is to ensure compliance with the specific conditions of the grant. Any liability for reimbursement which may arise as a result of these audits cannot be reasonably determined at this time, although it is believed the amount, if any, would not be material.

Risk Management

The 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 carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 201

Note 11 - Termination Benefits:

The District had an early retirement program adopted on an annual basis. Under the program, a full-time employee must be at least 57 years of age with 15 or more years with the District and have 20 or more service credits under the KPERS to elect retirement under the program. Benefits include monthly payments of an amount equal to a percentage (25% to 27% depending on years of service with the District) of the employee's final basis contract annual salary and continues for a maximum of eight years or until the person becomes eligible for full social security benefits. The District discontinued the program on July 1, 2007 but is obligated to continue making payments to retirees through August of 2016.

It is the policy of the District to record these benefits as expenditures when paid. Payments under the program for the year ended June 30, 2012 were \$253,837.

Note 12 - Subsequent Events:

The District has evaluated subsequent events through November 5, 2012, the date which the financial statements were available to be issued.

Note 13 - Advance Refunding of Bond Obligation:

On July 1, 2003, the District issued \$11,130,000 in General Obligation Bonds with interest rates ranging from 2.00% to 5.00%. Of the issue, \$6,638,673 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 1996 bonds. As a result, this portion of the 1996 bonds is considered defeased and not included in long-term debt below.

On April 1, 2004, the District issued \$3,835,000 in General Obligation Bonds with interest rates ranging from 2.00% to 3.60%. Of the issue, \$3,709,817 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 1997 bonds. As a result, this portion of the 1997 bonds is considered defeased and not included in long-term debt below.

On July 15, 2008, the District issued \$58,880,000 in General Obligation Bonds with interest rates ranging from 4.00% to 5.00%. Of the issue, \$1,337,593 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 2003 bonds. As a result, this portion of the 2003 bonds is considered defeased and not included in long-term debt below.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Note 14 - Long-Term Debt:

Principal payments are due annually for general obligation bonds on September 1. Interest payments are due semi-annually on March 1 and September 1.

Terms for long-term liabilities for the District for the year ended June 30, 2012 were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds				
2003 Series	2.00 - 5.00	7/1/03	11,130,000	11/1/11
2004 Series	2.00 - 3.60	4/1/04	3,835,000	11/1/17
2008 Series	4.00 - 5.00	7/15/08	58,880,000	9/1/28

Changes in long-term liabilities for the District for the year ended June 30, 2012 were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds					
2003 Series	\$ 6,255,000	\$ 0	\$ 670,000	\$ 5,585,000	\$ 254,275
2004 Series	2,890,000	0	350,000	2,540,000	89,408
2008 Series	58,880,000	0	0	58,880,000	2,894,512
	<u>\$ 68,025,000</u>	<u>\$ 0</u>	<u>\$ 1,020,000</u>	<u>\$ 67,005,000</u>	<u>\$ 3,238,195</u>

Current maturities of long-term debt and interest for the next five years and in five year increments through maturity are as follows:

	Principal	Interest	
	General Obligation Bonds	General Obligation Bonds	Total Principal and Interest
2013	\$ 1,565,000	\$ 3,181,120	\$ 4,746,120
2014	1,645,000	3,108,275	4,753,275
2015	1,730,000	3,039,986	4,769,986
2016	1,960,000	2,972,164	4,932,164
2017	2,205,000	2,893,235	5,098,235
2018 - 2022	16,130,000	12,568,099	28,698,099
2023 - 2027	26,940,000	7,315,188	34,255,188
2028 - 2032	<u>14,830,000</u>	<u>751,906</u>	<u>15,581,906</u>
	<u>\$ 67,005,000</u>	<u>\$ 35,829,973</u>	<u>\$ 102,834,973</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO FINANCIAL STATEMENT
JUNE 30, 2012

Note 15 - Beginning Unencumbered Cash:

For prior periods K.S.A. 72-6417(d) and 72-6434(d) required the school district to record any payment of general state aid that was due to be paid during the month of June and was paid to the school district after June 30, as a receipt for the school year ending June 30. The previous statutory basis of accounting required the payment to be recorded when received. For years ending on or after June 30, 2012, the current regulatory basis includes such payments as received for the school year ending June 30. Beginning unencumbered cash has been restated to reflect such payments for June 30, 2011. The following reconciles the balances previously reported with the restated amounts:

	6/30/2011		6/30/2011
	Balance		Balance
	Previously	July State Aid	Balance
	Reported	Payment	Restated
General Fund	\$ (1,248,178)	\$ 1,248,178	\$ 0
Supplemental General Fund	<u>(73,799)</u>	<u>131,706</u>	<u>57,907</u>
	<u>\$ (1,321,977)</u>	<u>\$ 1,379,884</u>	<u>\$ 57,907</u>

SUPPLEMENTARY INFORMATION

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2012

Fund	Certified Budget	Adjustment to		Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Favorable (Unfavorable)
		Comply with Legal Max					
General Fund	\$ 15,607,620	\$ (161,199)	\$	835	\$ 15,447,256	\$ 15,447,256	\$ 0
Special Purpose Funds							
Supplemental General	4,120,750	0	0	0	4,120,750	4,120,750	0
At Risk (4 Year Old)	100,100	0	0	0	100,100	92,749	7,351
At Risk (K-12)	1,246,773	0	0	0	1,246,773	1,112,934	133,839
Bilingual Education	94,575	0	0	0	94,575	92,911	1,664
Capital Outlay	1,950,000	0	0	0	1,950,000	889,521	1,060,479
Driver Training	45,575	0	0	0	45,575	17,298	28,277
Food Service	1,956,175	0	0	0	1,956,175	1,231,738	724,437
Professional Development	102,600	0	0	0	102,600	60,573	42,027
Summer School	52,402	0	0	0	52,402	34,439	17,963
Special Education	3,494,646	0	0	0	3,494,646	3,202,450	292,196
Vocational Education	408,800	0	0	0	408,800	398,791	10,009
KPERS Contribution	1,327,511	0	0	0	1,327,511	1,214,571	112,940
Recreation Commission	510,000	0	0	0	510,000	510,000	0
Recreation Commission Employee Benefits	79,000	0	0	0	79,000	77,103	1,897
Federal Funds	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	491,410	XXXXXXX
Gifts and Grants	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	22,833	XXXXXXX
Contingency Reserve	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	0	XXXXXXX
Textbook and Student Material							
Revolving	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	173,640	XXXXXXX
Title I Network	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	0	XXXXXXX
District Activity Funds	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	281,909	XXXXXXX
Debt Service Funds							
Bond and Interest	4,258,296	0	0	0	4,258,296	4,258,195	101
Special Assessments	9,849	0	0	0	9,849	69	9,780
Capital Projects	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	XXXXXXX	4,126,522	XXXXXXX
	\$ 35,364,672	\$ (161,199)	\$	835	\$ 35,204,308	\$ 37,857,662	\$ 2,442,960

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>General Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 2,001,671	\$ 2,017,605	\$ 1,967,277	\$ 50,328
County Sources	0	454	0	454
State Sources	12,136,732	13,422,521	13,640,343	(217,822)
Federal Sources	696,685	6,676	0	6,676
	<u>14,835,088</u>	<u>15,447,256</u>	<u>\$ 15,607,620</u>	<u>\$ (160,364)</u>
Expenditures				
Instruction	6,560,150	6,334,307	\$ 6,504,579	\$ 170,272
Student Support Services	536,898	558,012	583,500	25,488
Instructional Support Staff	612,552	443,110	435,310	(7,800)
General Administration	538,147	616,078	600,605	(15,473)
School Administration	1,076,517	1,143,422	1,123,250	(20,172)
Operations & Maintenance	1,237,877	1,442,284	1,455,500	13,216
Student Transportation Services	897,151	959,642	1,043,400	83,758
Other Supplemental Services	132,843	145,082	145,600	518
Architectural & Engineering Services		950		(950)
Transfers	3,242,953	3,804,369	3,715,876	(88,493)
Adjustment to Comply with Legal Max	0	0	(161,199)	(161,199)
Adjustment for Qualifying Budget Credits	0	0	835	835
	<u>14,835,088</u>	<u>15,447,256</u>	<u>\$ 15,447,256</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Supplemental General Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 1,686,100	\$ 1,989,430	\$ 1,849,779	\$ 139,651
County Sources	237,220	234,750	243,358	(8,608)
State Sources	2,216,829	2,043,274	1,969,706	73,568
	<u>4,140,149</u>	<u>4,267,454</u>	<u>\$ 4,062,843</u>	<u>\$ 204,611</u>
Expenditures				
Instruction	868,268	672,011	\$ 927,670	\$ 255,659
Student Support Services	1,071	3,600	1,000	(2,600)
Instructional Support Staff	208,304	35,048	45,000	9,952
General Administration	118,090	140,454	123,200	(17,254)
School Administration	179,519	176,200	198,700	22,500
Operations & Maintenance	746,706	734,057	1,157,000	422,943
Other Supplemental Services	258,647	635,647	496,000	(139,647)
Transfers	1,883,028	1,723,733	1,172,180	(551,553)
	<u>4,263,633</u>	<u>4,120,750</u>	<u>\$ 4,120,750</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(123,484)	146,704		
Unencumbered Cash, Beginning	181,391	57,907		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 57,907</u>	<u>\$ 204,611</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>At Risk Fund (4 Year Old)</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Transfers	<u>\$ 85,600</u>	<u>\$ 93,500</u>	<u>\$ 90,080</u>	<u>\$ 3,420</u>
	<u>85,600</u>	<u>93,500</u>	<u>\$ 90,080</u>	<u>\$ 3,420</u>
Expenditures				
Instruction	<u>86,350</u>	<u>92,749</u>	<u>\$ 100,100</u>	<u>\$ 7,351</u>
	<u>86,350</u>	<u>92,749</u>	<u>\$ 100,100</u>	<u>\$ 7,351</u>
Receipts Over (Under) Expenditures	(750)	751		
Unencumbered Cash, Beginning	10,770	10,020		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 10,020</u>	<u>\$ 10,771</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>At Risk Fund (K-12)</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 3,865	\$ 2,358	\$ 0	\$ 2,358
Transfers	<u>1,167,687</u>	<u>1,206,000</u>	<u>993,000</u>	<u>213,000</u>
	<u>1,171,552</u>	<u>1,208,358</u>	<u>\$ 993,000</u>	<u>\$ 215,358</u>
Expenditures				
Instruction	771,913	978,770	\$ 1,083,900	\$ 105,130
Student Support Services	44,048	43,036	46,873	3,837
Instructional Support Staff	32,491	37,523	53,600	16,077
School Administration	66,158	44,759	47,900	3,141
Student Transportation Services	0	2,679	0	(2,679)
Operations & Maintenance	<u>14,646</u>	<u>6,167</u>	<u>14,500</u>	<u>8,333</u>
	<u>929,256</u>	<u>1,112,934</u>	<u>\$ 1,246,773</u>	<u>\$ 133,839</u>
Receipts Over (Under) Expenditures	242,296	95,424		
Unencumbered Cash, Beginning	10,407	254,085		
Prior Year Canceled Encumbrances	<u>1,382</u>	<u>436</u>		
Unencumbered Cash, Ending	<u>\$ 254,085</u>	<u>\$ 349,945</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Bilingual Education Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Federal Sources	\$ 1,918	\$ 0	\$ 0	\$ 0
Transfers	88,800	93,500	94,500	(1,000)
	<u>90,718</u>	<u>93,500</u>	<u>\$ 94,500</u>	<u>\$ (1,000)</u>
Expenditures				
Instruction	90,555	92,665	\$ 94,575	\$ 1,910
School Administration	172	246	0	(246)
	<u>90,727</u>	<u>92,911</u>	<u>\$ 94,575</u>	<u>\$ 1,664</u>
Receipts Over (Under) Expenditures	(9)	589		
Unencumbered Cash, Beginning	99	90		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 90</u>	<u>\$ 679</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Capital Outlay Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 591,204	\$ 405,712	\$ 351,018	\$ 54,694
County Sources	60,547	60,360	62,558	(2,198)
Federal Sources	31,961	12,545	0	12,545
Transfers	167,600	176,972	0	176,972
	<u>851,312</u>	<u>655,589</u>	<u>\$ 413,576</u>	<u>\$ 242,013</u>
Expenditures				
Instruction	0	33,875	\$ 150,000	\$ 116,125
Student Support Services	0	49,066	100,000	50,934
Instructional Support Staff	0	0	100,000	100,000
General Administration	520	0	100,000	100,000
School Administration	16,232	18,093	75,000	56,907
Central Services	0	12,938	75,000	62,062
Operations & Maintenance	0	76,893	250,000	173,107
Transportation	379,358	49,502	500,000	450,498
Other Support Services	0	74,532	100,000	25,468
Facility Acquisition & Construction Services	<u>262,136</u>	<u>574,622</u>	<u>500,000</u>	<u>(74,622)</u>
	<u>658,246</u>	<u>889,521</u>	<u>\$ 1,950,000</u>	<u>\$ 1,060,479</u>
Receipts Over (Under) Expenditures	193,066	(233,932)		
Unencumbered Cash, Beginning	4,058,532	4,255,301		
Prior Year Canceled Encumbrances	<u>3,703</u>	<u>88,491</u>		
Unencumbered Cash, Ending	<u>\$ 4,255,301</u>	<u>\$ 4,109,860</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Driver Training Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 19,340	\$ 11,730	\$ 0	\$ 11,730
State Sources	6,586	7,990	6,586	1,404
	<u>25,926</u>	<u>19,720</u>	<u>\$ 6,586</u>	<u>\$ 13,134</u>
Expenditures				
Instruction	21,978	17,123	\$ 39,875	\$ 22,752
School Administration	420	140	0	(140)
Operations & Maintenance	317	35	5,700	5,665
	<u>22,715</u>	<u>17,298</u>	<u>\$ 45,575</u>	<u>\$ 28,277</u>
Receipts Over (Under) Expenditures	3,211	2,422		
Unencumbered Cash, Beginning	93,103	96,314		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 96,314</u>	<u>\$ 98,736</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Food Service Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Favorable
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	(Unfavorable)
Cash Receipts				
Local Sources	\$ 611,846	\$ 592,700	\$ 691,335	\$ (98,635)
State Sources	12,357	13,418	9,956	3,462
Federal Sources	478,985	524,006	478,984	45,022
Transfers	155,248	105,000	396,000	(291,000)
	<u>1,258,436</u>	<u>1,235,124</u>	<u>\$ 1,576,275</u>	<u>\$ (341,151)</u>
Expenditures				
Operations & Maintenance	60,712	48,578	\$ 431,775	\$ 383,197
Food Service Operation	1,184,771	1,183,160	1,524,400	341,240
	<u>1,245,483</u>	<u>1,231,738</u>	<u>\$ 1,956,175</u>	<u>\$ 724,437</u>
Receipts Over (Under) Expenditures	12,953	3,386		
Unencumbered Cash, Beginning	367,352	380,305		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 380,305</u>	<u>\$ 383,691</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Professional Development Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	<u>Prior Year Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfers	\$ 100,000	\$ 90,000	\$ 0	\$ 90,000
	<u>100,000</u>	<u>90,000</u>	<u>\$ 0</u>	<u>\$ 90,000</u>
Expenditures				
Instructional	1,623	18,828	\$ 0	\$ (18,828)
Instructional Support Staff	30,224	40,684	99,600	58,916
Other Support Services	<u>1,810</u>	<u>1,061</u>	<u>3,000</u>	<u>1,939</u>
	<u>33,657</u>	<u>60,573</u>	<u>\$ 102,600</u>	<u>\$ 42,027</u>
Receipts Over (Under) Expenditures	66,343	29,427		
Unencumbered Cash, Beginning	36,232	102,600		
Prior Year Canceled Encumbrances	<u>25</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 102,600</u>	<u>\$ 132,027</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Summer School Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 12,730	\$ 34,150	\$ 12,000	\$ 22,150
Transfers	30,000	5,000	0	5,000
	<u>42,730</u>	<u>39,150</u>	<u>\$ 12,000</u>	<u>\$ 27,150</u>
Expenditures				
Instruction	<u>38,335</u>	<u>34,439</u>	<u>\$ 52,402</u>	<u>\$ 17,963</u>
	<u>38,335</u>	<u>34,439</u>	<u>\$ 52,402</u>	<u>\$ 17,963</u>
Receipts Over (Under) Expenditures	4,395	4,711		
Unencumbered Cash, Beginning	36,007	40,402		
Prior Year Canceled Encumbrances	<u>0</u>	<u>37</u>		
Unencumbered Cash, Ending	<u>\$ 40,402</u>	<u>\$ 45,150</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Special Education Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Federal Sources	\$ 24,386	\$ 10,593	\$ 0	\$ 10,593
Transfers	<u>2,942,846</u>	<u>3,358,630</u>	<u>2,906,000</u>	<u>452,630</u>
	<u>2,967,232</u>	<u>3,369,223</u>	<u>\$ 2,906,000</u>	<u>\$ 463,223</u>
Expenditures				
Instruction	2,707,765	2,933,637	\$ 3,085,046	\$ 151,409
Student Transportation Services	<u>290,165</u>	<u>268,813</u>	<u>409,600</u>	<u>140,787</u>
	<u>2,997,930</u>	<u>3,202,450</u>	<u>\$ 3,494,646</u>	<u>\$ 292,196</u>
Receipts Over (Under) Expenditures	(30,698)	166,773		
Unencumbered Cash, Beginning	530,405	589,185		
Prior Year Canceled Encumbrances	<u>89,478</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 589,185</u>	<u>\$ 755,958</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Vocational Education Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Transfers	\$ 388,200	\$ 399,500	\$ 408,476	\$ (8,976)
	<u>388,200</u>	<u>399,500</u>	<u>\$ 408,476</u>	<u>\$ (8,976)</u>
Expenditures				
Instruction	376,870	387,839	\$ 387,800	\$ (39)
Student Support Services	0	2,849	8,000	5,151
Instruction Support Staff	11,334	8,103	13,000	4,897
Operations & Maintenance	67	0	0	0
	<u>388,271</u>	<u>398,791</u>	<u>\$ 408,800</u>	<u>\$ 10,009</u>
Receipts Over (Under) Expenditures	(71)	709		
Unencumbered Cash, Beginning	372	324		
Prior Year Canceled Encumbrances	<u>23</u>	<u>198</u>		
Unencumbered Cash, Ending	<u>\$ 324</u>	<u>\$ 1,231</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>KPERS Contribution Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
State Sources	\$ 698,689	\$ 1,214,571	\$ 1,327,511	\$ (112,940)
	<u>698,689</u>	<u>1,214,571</u>	<u>\$ 1,327,511</u>	<u>\$ (112,940)</u>
Expenditures				
Instruction	450,540	766,047	\$ 833,341	\$ 67,294
Student Support Services	26,288	49,754	55,312	5,558
Instructional Support Staff	19,154	38,000	42,613	4,613
General Administration	18,279	31,777	34,733	2,956
School Administration	59,314	111,554	123,866	12,312
Other Supplemental Services	21,500	38,166	41,896	3,730
Operations & Maintenance	42,091	73,708	80,686	6,978
Student Transportation Services	41,589	65,818	70,452	4,634
Food Service Operation	19,934	39,747	44,612	4,865
	<u>698,689</u>	<u>1,214,571</u>	<u>\$ 1,327,511</u>	<u>\$ 112,940</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Recreation Commission Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 429,751	\$ 455,280	\$ 449,816	\$ 5,464
County Sources	<u>59,899</u>	<u>59,641</u>	<u>61,825</u>	<u>(2,184)</u>
	<u>489,650</u>	<u>514,921</u>	<u>\$ 511,641</u>	<u>\$ 3,280</u>
Expenditures				
Community Service Operations	<u>507,761</u>	<u>510,000</u>	<u>\$ 510,000</u>	<u>\$ 0</u>
	<u>507,761</u>	<u>510,000</u>	<u>\$ 510,000</u>	<u>\$ 0</u>
Receipts Over (Under) Expenditures	(18,111)	4,921		
Unencumbered Cash, Beginning	18,111	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 4,921</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Recreation Commission Employee</u> <u>Benefit Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	<u>Prior Year</u> <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ 66,897	\$ 68,361	\$ 70,292	\$ (1,931)
County Sources	<u>8,685</u>	<u>8,742</u>	<u>9,070</u>	<u>(328)</u>
	<u>75,582</u>	<u>77,103</u>	<u>\$ 79,362</u>	<u>\$ (2,259)</u>
Expenditures				
Community Service Operations	<u>75,582</u>	<u>77,103</u>	<u>\$ 79,000</u>	<u>\$ 1,897</u>
	<u>75,582</u>	<u>77,103</u>	<u>\$ 79,000</u>	<u>\$ 1,897</u>
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Bond and Interest Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 2,167,478	\$ 2,233,643	\$ 3,849,519	\$ (1,615,876)
County Sources	290,260	295,800	307,045	(11,245)
State Sources	1,829,138	1,703,278	1,703,278	0
Transfer From Capital Projects	0	1,700,000	1,703,278	(3,278)
	<u>4,286,876</u>	<u>5,932,721</u>	<u>\$ 7,563,120</u>	<u>\$ (1,630,399)</u>
Expenditures				
Debt Service	<u>4,901,345</u>	<u>4,258,195</u>	<u>\$ 4,258,296</u>	<u>\$ 101</u>
	<u>4,901,345</u>	<u>4,258,195</u>	<u>\$ 4,258,296</u>	<u>\$ 101</u>
Receipts Over (Under) Expenditures	(614,469)	1,674,526		
Unencumbered Cash, Beginning	1,836,498	1,222,029		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	<u>\$ 1,222,029</u>	<u>\$ 2,896,555</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Special Assessments Fund</u>	<u>Current Year</u>			Variance - Favorable (Unfavorable)
	Prior Year Actual	Actual	Budget	
Cash Receipts				
Local Sources	\$ 10	\$ 4	\$ 0	\$ 4
	<u>10</u>	<u>4</u>	<u>0</u>	<u>4</u>
Expenditures				
Site Improvement Services	0	69	\$ 9,849	\$ 9,780
	<u>0</u>	<u>69</u>	<u>\$ 9,849</u>	<u>\$ 9,780</u>
Receipts Over (Under) Expenditures	10	(65)		
Unencumbered Cash, Beginning	9,840	9,850		
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>		
Unencumbered Cash, Ending	<u>\$ 9,850</u>	<u>\$ 9,785</u>		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Federal Funds</u>		
	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 500	\$ 235
Federal Sources	<u>611,201</u>	<u>491,119</u>
	<u>611,701</u>	<u>491,354</u>
Expenditures		
Instruction	553,952	422,294
Student Support Services	143	0
Instructional Support Staff	<u>65,990</u>	<u>69,116</u>
	<u>620,085</u>	<u>491,410</u>
Receipts Over (Under) Expenditures	(8,384)	(56)
Unencumbered Cash, Beginning	8,884	500
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 500</u>	<u>\$ 444</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

Gifts and Grants Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 5,890	\$ 66,999
	<u>5,890</u>	<u>66,999</u>
Expenditures		
Instruction	1,402	22,833
Instructional Support Staff	<u>280</u>	<u>0</u>
	<u>1,682</u>	<u>22,833</u>
Receipts Over (Under) Expenditures	4,208	44,166
Unencumbered Cash, Beginning	4,036	8,244
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 8,244</u>	<u>\$ 52,410</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

Contingency Reserve Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers	\$ 0	\$ 0
	<u>0</u>	<u>0</u>
Expenditures		
Instruction	<u>0</u>	<u>0</u>
	<u>0</u>	<u>0</u>
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, Beginning	1,406,491	1,406,491
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 1,406,491</u>	<u>\$ 1,406,491</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

<u>Textbook and Student Material</u> <u>Revolving Fund</u>		Prior Year	Current Year
		<u>Actual</u>	<u>Actual</u>
Cash Receipts			
Local Sources		\$ 118,961	\$ 137,250
		<u>118,961</u>	<u>137,250</u>
Expenditures			
Instruction		67,878	44,754
Student Support Services		<u>72,387</u>	<u>128,886</u>
		<u>140,265</u>	<u>173,640</u>
Receipts Over (Under) Expenditures		(21,304)	(36,390)
Unencumbered Cash, Beginning		264,428	244,732
Prior Year Canceled Encumbrances		<u>1,608</u>	<u>889</u>
Unencumbered Cash, Ending		<u>\$ 244,732</u>	<u>\$ 209,231</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

Title I Network Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 0	\$ 0
	<u>0</u>	<u>0</u>
Expenditures		
Instruction	89	0
	<u>89</u>	<u>0</u>
Receipts Over (Under) Expenditures	(89)	0
Unencumbered Cash, Beginning	89	0
Prior Year Canceled Encumbrances	<u>0</u>	<u>0</u>
Unencumbered Cash, Ending	<u>\$ 0</u>	<u>\$ 0</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - CAPITAL PROJECTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012
(With Comparative Actual Totals for the Prior Year Ended June 30, 2011)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	\$ 176,994	\$ 110,904
State Sources	76,722	25,494
Federal Sources	575,415	191,207
	<u>829,131</u>	<u>327,605</u>
Expenditures		
Facility Acquisition & Construction		
Services	17,457	8,618
Architectural & Engineering Services	488,991	138,664
New Building Acquisition & Construction	2,750,985	973,730
Site Improvements	9,000	0
Building Improvements	2,189,253	926,981
Other Services	2,218,955	378,529
Transfer To Bond and Interest	0	1,700,000
	<u>7,674,641</u>	<u>4,126,522</u>
Receipts Over (Under) Expenditures	(6,845,510)	(3,798,917)
Unencumbered Cash, Beginning	7,098,211	402,094
Prior Year Canceled Encumbrances	<u>149,393</u>	<u>3,396,823</u>
Unencumbered Cash, Ending	<u>\$ 402,094</u>	<u>\$ 0</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School				
Revolving Account	\$ 0	\$ 551	\$ 551	\$ 0
Kansas Beef Council	0	250	250	0
Math Department	(31)	626	641	(46)
Skills USA/TSA	2,174	127	923	1,378
Character Counts	65	21	86	0
Pepsi	5,584	5,855	6,892	4,547
Seminar Activity	(49)	49	0	0
Scrap Metal/Goodwill	54	0	0	54
Field Trip	144	(144)	0	0
Pep Club	126	622	611	137
Auto Parts	0	2,390	2,026	364
FBLA	3,367	3,138	4,240	2,265
Woods Project	0	2,867	2,917	(50)
Art Club	164	0	0	164
Girls Club	945	0	146	799
Student Services	1,160	2,820	2,167	1,813
Library/Media	482	72	124	430
State Sales Tax	2,011	9,733	10,244	1,500
Bus/Transportation	190	70	260	0
All School Play	3,467	4,074	3,652	3,889
Band Activity	(4)	12,466	12,462	0
Buzz Barn	1,165	1,389	1,567	987
Chess Club	1,435	5,451	3,826	3,060
Choir Activities	4,020	7,801	8,014	3,807
Fine Arts	0	500	0	500
Contest/Inst/Vocal	1,765	0	0	1,765
Creative Writing Club	101	0	0	101
Crime Stoppers	705	0	0	705
Drama Club	468	55	44	479
Educational Memorial				
Fund	276	0	150	126
FCA	187	50	227	10
French Club	129	(129)	0	0
German Club	233	(233)	0	0
Gifted	2,185	100	122	2,163
Journalism	3,897	2,521	1,888	4,530
Marketing Club	760	9,783	10,543	0
Musical	1,866	5,683	4,749	2,800

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash		Cash		Ending Cash
	Balance	Cash Receipts	Disbursements	Balance	
High School (Continued)					
National Forensics League	\$ (7)	\$ 14,693	\$ 13,422	\$ 1,264	
National Honor Society	634	2,536	2,116	1,054	
Office Club	110	466	478	98	
Radio Club	792	100	0	892	
SADD	656	1,800	952	1,504	
Scholars Bowl	1,080	720	863	937	
Science Club	22	439	117	344	
Spanish Club	1,334	1,771	1,385	1,720	
Student Council	(88)	7,405	5,941	1,376	
TATU	317	(317)	0	0	
Varsity Club	777	0	230	547	
FCCLA	2,246	195	696	1,745	
History Club	1,041	0	0	1,041	
Counselor Activity	2,001	2,461	2,528	1,934	
Women's Locker Room	2,519	1,084	875	2,728	
Friendship Club	278	1,698	1,428	548	
Class of 2011	967	(967)	0	0	
Class of 2012	1,722	1,575	1,506	1,791	
Class of 2013	1,104	6,787	6,646	1,245	
Class of 2014	1,064	3,302	1,608	2,758	
Class of 2015	0	1,201	607	594	
	<u>57,610</u>	<u>125,507</u>	<u>120,720</u>	<u>62,397</u>	

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Middle School				
Faculty Services	\$ 928	\$ 17	\$ 929	\$ 16
Student Services	3,731	4,099	7,723	107
Fundraiser	97	17,801	16,113	1,785
Student Council	26	0	0	26
Faculty Courtesy	235	280	320	195
Grants	462	1,518	1,415	565
Principal Acct	245	0	225	20
Video Production	339	921	451	809
Leadership Program	848	1,449	1,085	1,212
FCA	0	80	0	80
Friendship Club	0	424	342	82
	<u>6,911</u>	<u>26,589</u>	<u>28,603</u>	<u>4,897</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash		Cash		Ending Cash
	Balance	Cash Receipts	Disbursements		Balance
Intermediate School					
Revolving	\$ 0	\$ 3,523	\$ 3,523	\$	0
Faculty Services	0	534	479		55
Student Services	0	2,033	786		1,247
PE Account	0	4,598	3,612		986
Stuco	0	2,950	1,926		1,024
Courtesy Committee	0	483	342		141
Sales Tax	0	705	0		705
	<u>0</u>	<u>14,826</u>	<u>10,668</u>		<u>4,158</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash		Cash		Ending Cash
	Balance	Cash Receipts	Disbursements		Balance
Abilene Elementary					
Faculty Services	\$ 2,460	\$ 3,636	\$ 1,743	\$	4,353
Student Services	7,977	2,764	2,069		8,672
Courtesy Committee	232	480	660		52
Sales Tax	243	644	886		1
	<u>10,912</u>	<u>7,524</u>	<u>5,358</u>		<u>13,078</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash		Cash		Ending Cash
	Balance	Cash Receipts	Disbursements	Balance	
West Elementary					
Revolving	\$ 155	\$ 540	\$ 540	\$ 155	
Faculty Account	160	1,376	1,209	327	
Student	1,315	9,178	8,260	2,233	
PE	1,034	3,033	2,713	1,354	
Sales Tax	0	540	540	0	
Clubs	163	0	128	35	
Owls	222	0	0	222	
	<u>3,049</u>	<u>14,667</u>	<u>13,390</u>	<u>4,326</u>	

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

<u>Fund</u>	<u>Beginning Cash</u> <u>Balance</u>	<u>Cash Receipts</u>	<u>Cash</u> <u>Disbursements</u>	<u>Ending Cash</u> <u>Balance</u>
Wheatland Elementary				
Revolving	\$ 0	\$ 1,196	\$ 1,196	\$ 0
Faculty Services	484	968	917	535
Student Services	7,538	5,138	5,310	7,366
Sales Tax	94	647	673	68
Clubs	534	783	832	485
	<u>8,650</u>	<u>8,732</u>	<u>8,928</u>	<u>8,454</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Scholarship and Memorials				
Ireland Scholarship	\$ 5,465	\$ 0	\$ 0	\$ 5,465
Dawson Scholarship	5,665	0	0	5,665
	<u>11,130</u>	<u>0</u>	<u>0</u>	<u>11,130</u>
 Total Agency Funds	 <u>\$ 98,262</u>	 <u>\$ 183,019</u>	 <u>\$ 176,999</u>	 <u>\$ 104,282</u>

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262

DISTRICT ACTIVITY FUNDS

STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH

REGULATORY BASIS

FOR THE YEAR ENDED JUNE 30, 2012

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add		Ending Cash Balance
						Outstanding Encumbrances and Accounts Payable	Ending Cash Balance	
School Projects								
High School	\$ 3,061	\$ 0	\$ 0	\$ 1,529	\$ 1,532	\$ 0	\$ 1,532	
High School Athletics	84,965	0	257,993	267,901	75,057	0	75,057	
Middle School	147	0	1,370	1,431	86	0	86	
Intermediate School	0	0	0	0	0	0	0	
Abilene Elementary	2,905	0	5,039	5,088	2,856	0	2,856	
West Elementary	4,936	0	1,461	1,391	5,006	0	5,006	
Wheatland Elementary	3,255	0	2,076	4,569	762	0	762	
Total District Activity Funds	\$ 99,269	\$ 0	\$ 267,939	\$ 281,909	\$ 85,299	\$ 0	\$ 85,299	

FEDERAL AWARD INFORMATION



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

**Board of Education
Valley Center Unified School District No. 262
Valley Center, Kansas**

We have audited the financial statements of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of and for the year ended **June 30, 2012**, and have issued our report thereon dated November 5, 2012. In our report, our opinion on the financial statement was unqualified based on the prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of **Valley Center Unified School District No. 262, Valley Center, Kansas**, is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

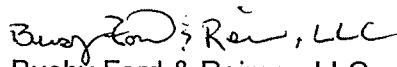
**Board of Education
Valley Center Unified School District No. 262**

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Valley Center Unified School District No. 262, Valley Center, Kansas'** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Board of Education and management of **Valley Center Unified School District No. 262, Valley Center, Kansas**, and for filing with the Kansas Department of Administration, Office of Management Analysis and Standards, The Kansas Department of Education, and other federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Busby Ford & Reimer, LLC
November 5, 2012



BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

**INDEPENDENT AUDITORS' REPORT ON
COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL
EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

**Board of Education
Valley Center Unified School District No. 262
Valley Center, Kansas**

Compliance

We have audited **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance with the types of compliance requirements described in the *OMB Circular A-133, Compliance Supplement* that could have a direct and material effect on each of **Valley Center Unified School District No. 262, Valley Center, Kansas'** major federal programs for the year ended **June 30, 2012**. **Valley Center Unified School District No. 262, Valley Center, Kansas'** major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of **Valley Center Unified School District No. 262, Valley Center, Kansas'** management. Our responsibility is to express an opinion on **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance with those requirements.

In our opinion, **Valley Center Unified School District No. 262, Valley Center, Kansas** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended **June 30, 2012**.

**Board of Education
Valley Center Unified School District No. 262**

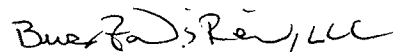
Internal Control Over Compliance

Management of **Valley Center Unified School District No. 262, Valley Center, Kansas** is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

This report is intended solely for the information and use of the Board of Education and management of **Valley Center Unified School District No. 262, Valley Center, Kansas**, and for filing with the Kansas Department of Administration, Office of Management Analysis and Standards, The Kansas Department of Education, and other federal and state audit agencies, and is not intended to be and should not be used by anyone other than these specified parties.


Busby Ford & Reimer, LLC
November 5, 2012

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012

Grant Title	Federal CFDA No.	Program Amount	Unencumbered Cash		Receipts	Expenditures	Unencumbered Cash	
			7-1-11	6-30-12			6-30-12	6-30-12
Department of Education FIE Earmark Grants (Passes Through Kansas Department of Education)	84.215	\$ 141,480	\$ 0	\$ 0	\$ 141,480	\$ 141,480	\$ 0	\$ 0
Department of Agriculture Child Nutrition Cluster-Cluster								
National School Breakfast Program	10.553	84,023						
National School Lunch Program	10.555	439,983						
		524,006	0	524,006		524,006	0	0
Department of Education Title I, Part A Cluster-Cluster								
Title I Grants to Local Education Agencies	84.010	301,151	0	301,151		301,151	0	0
Teacher Quality/Title II-A	84.367	42,597	0	42,597		42,597	0	0
Education Jobs Fund	84.410	6,676	0	6,676		6,676	0	0
		350,424	0	350,424		350,424	0	0
(Passes Through Educational Services and Staff Development Association of Central Kansas)								
Department of Education								
Career and Technical Education-Basic Grants to States (Passes Through Kansas Department of Social and Rehabilitation Services)	84.048	5,891	0	5,891		5,891	0	0
Department of Health and Human Services Medicaid-Cluster								
Medicaid (Passes Through Kansas Department of Emergency Management)	93.778	23,138	0	23,138		23,138	0	0
Department of Homeland Security Hazard Mitigation Grant	97.039	191,207	0	191,207		191,207	0	0
Total Federal Financial Assistance		\$ 1,236,146	\$ 0	\$ 1,236,146		\$ 1,236,146	\$ 0	\$ 0

**VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2012**

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Valley Center Unified School District No. 262, Valley Center, Kansas**, and is prepared on the basis of accounting as described in Note 1 of the notes to the financial statement. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."

**VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an adverse opinion on the financial statement of **Valley Center Unified School District No. 262, Valley Center, Kansas**.
2. No significant deficiencies or material weaknesses were reported in the Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of **Valley Center Unified School District No. 262, Valley Center, Kansas**, were disclosed during the audit.
4. No significant deficiencies or material weakness were reported in the Independent Auditors' Report on Compliance With Requirements That Could Have a Direct and Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The independent auditors' report on compliance for the major federal award programs for **Valley Center Unified School District No. 262, Valley Center, Kansas**, expresses an unqualified opinion on all major federal programs.
6. There were no audit findings relative to the major federal award programs for **Valley Center Unified School District No. 262, Valley Center, Kansas**.
7. The programs tested as major programs were:

Child Nutrition Cluster-Cluster	
National School Breakfast Program	10.553
National School Lunch Program	10.555
Title I, Part A Cluster-Cluster	
Title I Grants to Local Education Agencies	84.010
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. **Valley Center Unified School District No. 262, Valley Center, Kansas**, was determined not to be a low-risk auditee.

**VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2012**

There are no prior audit findings.