

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

**Financial Statements
June 30, 2012**

**with
Independent Auditors' Report**

UNIFIED SCHOOL DISTRICT NO. 375

Financial Statements

Year Ended June 30, 2012

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UNIFIED SCHOOL DISTRICT NO. 375
Financial Statements
Year Ended June 30, 2012
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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, 2012, 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 and auditing standards generally accepted in the United States of America. 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 more fully in Note 1, the District has prepared this financial statement using accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effects on the financial statement of the variances between these statutory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, the financial statements referred to above presents 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, 2012, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

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, schedule of cash receipts and expenditures-agency funds (Schedules 1, 2 and 3 as listed in the table of contents) are presented for analysis and are not a required part of the statutory financial statements. 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 to 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 as a whole.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 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.

December 1, 2012

UNIFIED SCHOOL DISTRICT NO. 375
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ 26,370	\$ 10,454,204	\$ 10,475,218	\$ 5,356	\$ 997	\$ 6,353
Supplemental General	121,668	3,078,243	2,883,527	316,384	200	316,584
Special Revenue:						
At Risk (K-12)	424,278	259,555	469,039	214,794		214,794
Bilingual Education	-	17,625	17,625	-		-
Virtual Education	-	55,125	55,125	-		-
Capital Outlay	1,452,809	904,514	863,984	1,493,339	34,263	1,527,602
Contingency Reserve	924,479	61,558	324,784	661,253		661,253
Driver Training	27,353	17,866	13,871	31,348		31,348
Food Service	145,584	832,460	843,200	134,844		134,844
KPERS Special Retirement Contribution	-	1,076,812	1,076,812	-		-
Inservice	79,888	70,000	53,848	96,040		96,040
Special Education	331,326	1,877,627	1,884,884	324,069		324,069
Vocational Education	308,000	319,788	626,045	1,743	2,921	4,664
Textbook and Student Materials	114,099	192,171	115,008	191,262		191,262
2008 Capital Improvements	2,025,316	743	1,186,299	839,760	32,599	872,359
Gate Receipts	19,124	174,383	159,872	33,635	283	33,918
School Projects	26,160	37,829	44,584	19,405		19,405
Federal Projects:						
Title I Low Income	30,251	220,606	217,886	32,971		32,971
Title II-A Teacher Quality	-	56,688	56,688	-		-
Title III-ESOL	-	755	755	-		-
Character Education	957	6,066	6,973	50		50
Debt Service:						
Bond and Interest	2,352,968	2,871,222	2,711,078	2,513,112		2,513,112
Gifts and Grants	21,112	45,107	62,163	4,056	8,805	12,861
Total Reporting Entity (Excluding Agency Funds)	<u>\$ 8,431,742</u>	<u>\$ 22,630,947</u>	<u>\$ 24,149,268</u>	<u>\$ 6,913,421</u>	<u>\$ 80,068</u>	<u>\$ 6,993,489</u>

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, 2012

Composition of Cash:

Bank of America:

Checking accounts	\$ 2
BofA Government Reserves	175,252

Community Bank:

Checking account	6,961
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Peabody Bank:

Checking accounts	2,289
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Verus Bank:

Checking accounts	(846,594)
Money market accounts	3,783,502

Towanda Bank:

Checking accounts	93,865
Certificate of Deposit	98,000

Kansas Municipal Investment Pool	3,770,343
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Total Cash	<u>7,083,620</u>
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Agency Funds per Statement 4	<u>(90,131)</u>
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Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 6,993,489</u></u>
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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, 2012

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance Favorable (Unfavorable)</u>
General	\$ 10,475,218			\$ 10,475,218	\$ 10,475,218	\$ -
Supplemental General	3,000,000			3,000,000	2,883,527	116,473
Special Revenue:						
At Risk (K-12)	589,151			589,151	469,039	120,112
Bilingual Education	17,625			17,625	17,625	-
Virtual Education	55,125			55,125	55,125	-
Capital Outlay	1,308,000			1,308,000	863,984	444,016
Driver Training	21,103			21,103	13,871	7,232
Food Service	875,759			875,759	843,200	32,559
KPERS Special Retirement Contribution	1,076,812			1,076,812	1,076,812	-
Inservice	66,255			66,255	53,848	12,407
Special Education	1,917,590			1,917,590	1,884,884	32,706
Vocational Education	656,257			656,257	626,045	30,212
Debt Service:						
Bond and Interest	2,711,078			2,711,078	2,711,078	-

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,834,124	\$ 2,905,498	\$ 71,374
Delinquent tax	49,191	102,479	53,288
Federal aid:			
Education jobs fund	-	4,528	4,528
State aid:			
Equalization aid	5,529,580	5,636,202	106,622
Special education aid	1,446,564	1,472,371	25,807
Transfers from:			
Contingency reserve	324,784	324,784	
Reimbursements	-	8,342	8,342
Total Cash Receipts	10,184,243	10,454,204	269,961
Expenditures:			
Instruction	5,545,286	5,387,365	157,921
Student support services	559,500	534,599	24,901
Instructional support services	477,000	326,525	150,475
General administration	309,000	284,152	24,848
School administration	877,500	862,220	15,280
Operations and maintenance	557,500	474,299	83,201
Student transportation services	46,500	45,593	907
Vehicle operating services	334,000	330,281	3,719
Vehicle and maintenance services	84,584	80,613	3,971
Transfer to:			
Special Education Fund	1,446,723	1,594,420	(147,697)
Food Service Fund	-	28,038	(28,038)
Inservice Fund	-	70,000	(70,000)
Contingency Reserve Fund	-	61,558	(61,558)
Vocational Education Fund	-	63,650	(63,650)
Bilingual Education Fund	17,625	17,625	-
Virtual Education Fund	55,125	55,125	-
At Risk Fund (K-12) Fund	164,875	259,155	(94,280)
Legal General Fund Budget	10,475,218	10,475,218	-

UNIFIED SCHOOL DISTRICT NO. 375
General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Receipts Over (Under) Expenditures	(290,975)	(21,014)	269,961
Unencumbered Cash, Beginning	<u>85,343</u>	<u>26,370</u>	<u>(58,973)</u>
Unencumbered Cash, Ending	<u><u>\$ (205,632)</u></u>	<u><u>\$ 5,356</u></u>	<u><u>\$ 210,988</u></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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,296,966	\$ 2,430,476	\$ 133,510
Delinquent tax	35,967	80,474	44,507
Motor vehicle tax	175,560	180,484	4,924
State aid:			
Equalization aid	325,941	260,752	(65,189)
Other	-	78,051	78,051
Reimbursements	-	48,006	48,006
Total Cash Receipts	<u>2,834,434</u>	<u>3,078,243</u>	<u>243,809</u>
Expenditures:			
Instruction	1,041,500	1,060,210	(18,710)
Student support services	108,500	145,332	(36,832)
Instruction support services	202,500	262,491	(59,991)
General administration	18,000	171	17,829
Operations and maintenance	1,129,500	1,114,944	14,556
Transfer to:			
At Risk (K-12) Fund	200,000	-	200,000
Special Education Fund	100,000	216,509	(116,509)
Vocational Education Fund	200,000	83,870	116,130
Total Expenditures	<u>3,000,000</u>	<u>2,883,527</u>	<u>116,473</u>
Receipts Over (Under) Expenditures	(165,566)	194,716	360,282
Unencumbered Cash, Beginning	<u>165,566</u>	<u>121,668</u>	<u>(43,898)</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 316,384</u>	<u>\$ 316,384</u>

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
State grant	\$ -	\$ 400	\$ 400
Transfers from:			
General Fund	164,875	259,155	94,280
Supplemental General Fund	<u>200,000</u>	<u>-</u>	<u>(200,000)</u>
Total Cash Receipts	364,875	259,555	(105,320)
Expenditures:			
Instruction	<u>589,151</u>	<u>469,039</u>	<u>120,112</u>
Receipts Over (Under) Expenditures	(224,276)	(209,484)	14,792
Unencumbered Cash, Beginning	<u>424,276</u>	<u>424,278</u>	<u>2</u>
Unencumbered Cash, Ending	<u><u>\$ 200,000</u></u>	<u><u>\$ 214,794</u></u>	<u><u>\$ 14,794</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Bilingual Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfer from General Fund	\$ 17,625	\$ 17,625	\$ -
Expenditures:			
Instruction	<u>17,625</u>	<u>17,625</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 375
 Virtual Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfer from General Fund	\$ 55,125	\$ 55,125	\$ -
Expenditures:			
Instruction	<u>55,125</u>	<u>55,125</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem tax	\$ 712,276	\$ 731,376	\$ 19,100
Delinquent tax	12,065	28,408	16,343
Motor vehicle tax	64,105	66,296	2,191
E-rate	-	45,209	45,209
Interest	-	10,796	10,796
Insurance claims	-	7,498	7,498
Miscellaneous	-	14,931	14,931
Total Cash Receipts	788,446	904,514	116,068
Expenditures:			
Instruction	700,000	423,790	276,210
Student support services	10,000	-	10,000
Instruction support services	5,000	-	5,000
General administration	13,000	2,884	10,116
Central services	5,000	-	5,000
Operations and maintenance	200,000	153,638	46,362
Transportation	250,000	125,826	124,174
Facility acquisition and service	125,000	50,012	74,988
Building improvements	-	107,834	(107,834)
Total Expenditures	1,308,000	863,984	444,016
Receipts Over (Under) Expenditures	(519,554)	40,530	560,084
Unencumbered Cash, Beginning	1,444,876	1,452,809	7,933
Unencumbered Cash, Ending	\$ 925,322	\$ 1,493,339	\$ 568,017

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, 2012

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 61,558
Expenditures:	
Transfer to General Fund	<u>324,784</u>
Receipts Over (Under) Expenditures	(263,226)
Unencumbered Cash, Beginning	<u>924,479</u>
Unencumbered Cash, Ending	<u><u>\$ 661,253</u></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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 4,736	\$ 6,016	\$ 1,280
Student fees	-	11,850	11,850
Total Cash Receipts	4,736	17,866	13,130
Expenditures:			
Instruction	21,103	13,871	7,232
Receipts Over (Under) Expenditures	(16,367)	3,995	20,362
Unencumbered Cash, Beginning	27,367	27,353	(14)
Unencumbered Cash, Ending	\$ 11,000	\$ 31,348	\$ 20,348

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, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 7,171	\$ 8,647	\$ 1,476
Federal aid	302,756	335,130	32,374
Charges for services	423,009	460,645	37,636
Transfer from General Fund	-	28,038	28,038
Total Cash Receipts	<u>732,936</u>	<u>832,460</u>	<u>99,524</u>
Expenditures:			
Operation and maintenance	26,500	3,836	22,664
Food service operation	849,259	839,364	9,895
Total Expenditures	<u>875,759</u>	<u>843,200</u>	<u>32,559</u>
Receipts Over (Under) Expenditures	(142,823)	(10,740)	132,083
Unencumbered Cash, Beginning	<u>142,823</u>	<u>145,584</u>	<u>2,761</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 134,844</u>	<u>\$ 134,844</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
State contributions	\$ 1,076,812	\$ 1,076,812	\$ -
Expenditures:			
Instruction	491,882	491,882	-
Student support	90,765	90,765	-
Instructional support	90,765	90,765	-
General administration	75,638	75,638	-
School administration	90,765	90,765	-
Other supplemental services	40,340	40,340	-
Operations and maintenance	90,765	90,765	-
Student transportation services	70,595	70,595	-
Food service	35,297	35,297	-
Total Expenditures	<u>1,076,812</u>	<u>1,076,812</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfer from General Fund	\$ -	\$ 70,000	\$ 70,000
Expenditures:			
Instructional support services	<u>66,255</u>	<u>53,848</u>	<u>12,407</u>
Receipts Over (Under) Expenditures	(66,255)	16,152	82,407
Unencumbered Cash, Beginning	<u>66,255</u>	<u>79,888</u>	<u>13,633</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 96,040</u></u>	<u><u>\$ 96,040</u></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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Other	\$ -	\$ 55,445	\$ 55,445
Medicare	-	11,253	11,253
Transfer from General Fund	1,446,723	1,594,420	147,697
Transfer from Supplemental General Fund	100,000	216,509	116,509
Total Cash Receipts	<u>1,546,723</u>	<u>1,877,627</u>	<u>330,904</u>
Expenditures:			
Instruction	1,716,486	1,698,381	18,105
Student transportation services	201,104	186,503	14,601
Total Expenditures	<u>1,917,590</u>	<u>1,884,884</u>	<u>32,706</u>
Receipts Over (Under) Expenditures	(370,867)	(7,257)	363,610
Unencumbered Cash, Beginning	<u>345,163</u>	<u>331,326</u>	<u>(13,837)</u>
Unencumbered Cash, Ending	<u>\$ (25,704)</u>	<u>\$ 324,069</u>	<u>\$ 349,773</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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Federal aid:			
Carl Perkins	\$ -	\$ 12,320	\$ 12,320
Other	150,000	159,948	9,948
Transfer from General Fund	-	63,650	63,650
Transfer from Supplemental General Fund	200,000	83,870	(116,130)
Total Cash Receipts	<u>350,000</u>	<u>319,788</u>	<u>(30,212)</u>
Expenditures:			
Instruction	<u>656,257</u>	<u>626,045</u>	<u>30,212</u>
Receipts Over (Under) Expenditures	(306,257)	(306,257)	-
Unencumbered Cash, Beginning	<u>306,257</u>	<u>308,000</u>	<u>1,743</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 1,743</u></u>	<u><u>\$ 1,743</u></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, 2012

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 192,171
Expenditures:	
Textbook purchases	<u>115,008</u>
Receipts Over (Under) Expenditures	77,163
Unencumbered Cash, Beginning	<u>114,099</u>
Unencumbered Cash, Ending	<u><u>\$ 191,262</u></u>

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

	<u>Actual</u>
Cash Receipts:	
Interest	\$ 688
Other	<u>55</u>
Total Cash Receipts	743
 Expenditures:	
Facility expenditures	<u>1,186,299</u>
 Receipts Over (Under) Expenditures	(1,185,556)
 Unencumbered Cash, Beginning	<u>2,025,316</u>
 Unencumbered Cash, Ending	<u><u>\$ 839,760</u></u>

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, 2012

	Title I Low Income	Title II-A Teacher Quality	Title III ESOL Literacy	Character Education
Cash Receipts:				
Federal aid	\$ 220,479	\$ 56,688	\$ 755	\$ 5,223
Other	127			843
Total Cash Receipts	220,606	56,688	755	6,066
Expenditures:				
Instruction and supplies	217,886	56,688	755	6,973
Receipts Over (Under) Expenditures	2,720	-	-	(907)
Unencumbered Cash, Beginning	30,251	-	-	957
Unencumbered Cash, Ending	\$ 32,971	\$ -	\$ -	\$ 50

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, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 2,565,239	\$ 2,612,088	\$ 46,849
Delinquent tax	44,385	81,046	36,661
Motor vehicle tax	174,497	178,088	3,591
Total Cash Receipts	<u>2,784,121</u>	<u>2,871,222</u>	<u>87,101</u>
Expenditures:			
Interest	1,406,078	1,406,078	-
Principal	1,305,000	1,305,000	-
Total Expenditures	<u>2,711,078</u>	<u>2,711,078</u>	<u>-</u>
Receipts Over (Under) Expenditures	73,043	160,144	87,101
Unencumbered Cash, Beginning	<u>2,396,007</u>	<u>2,352,968</u>	<u>(43,039)</u>
Unencumbered Cash, Ending	<u><u>\$ 2,469,050</u></u>	<u><u>\$ 2,513,112</u></u>	<u><u>\$ 44,062</u></u>

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, 2012

	<u>Actual</u>
Cash Receipts:	
Donations and interest	\$ 45,107
Expenditures:	
Scholarships	<u>62,163</u>
Receipts Over (Under) Expenditures	(17,056)
Unencumbered Cash, Beginning	<u>21,112</u>
Unencumbered Cash, Ending	<u><u>\$ 4,056</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, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
Art Club	\$ 228	\$ -	\$ 85	\$ 143
Athletic Fundraising	23,333	81,650	79,944	25,039
Band	-	449	449	-
B.E.S.T. Robotics	3,410	4,712	5,934	2,188
Boy's State	639	-	639	-
Chorus	-	432	432	-
Counselors	13	-	-	13
Crimestoppers	66	-	-	66
Danz Team	-	698	853	(155)
Drama/Forensics	-	2,094	2,094	-
Drama/Mamas	320	192	-	512
FCA	1,430	320	200	1,550
FCCLA	3,099	1,800	1,304	3,595
Junior Class	2,257	4,859	4,494	2,622
Library	87	33	-	120
Memorial Fund	2,558	570	1,000	2,128
Madrigals	-	325	325	-
Musical/Play	4,888	6,841	5,433	6,296
National Honor Society	260	1,053	707	606
Renaissance	233	1,003	542	694
Sales Tax	-	15,036	15,036	-
Scholars Bowl	-	660	660	-
Science Club	650	-	344	306
Senior Class	2,470	3,002	2,470	3,002
Skills USA	148	202	91	259
Sophomore Class	1,103	723	450	1,376
Spanish Club	1,823	-	164	1,659
Sports Physicals	-	1,502	1,502	-
Students Against Drunk Driving	607	8,094	6,325	2,376
STUCO	7,782	4,637	6,179	6,240
Target	5,733	359	2,483	3,609
Thor Scholarship	-	2,000	750	1,250

UNIFIED SCHOOL DISTRICT NO. 375
School Activity Funds
Statement of Cash Receipts and Disbursements - Actual
Year Ended June 30, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Middle School:				
Book Reviewers	436	1,250	1,189	497
CMS Student Activities	1,081	4,164	2,593	2,652
Music	288	-	288	-
Sales Tax	18	2,064	2,082	-
STUCO	4,630	2,414	5,331	1,713
Yearbook	987	4,170	3,639	1,518
Benton Grade School:				
Amazon	30	37	56	11
Benton Grade School Activities	720	1,932	2,652	-
PTO	554	-	554	-
STUCO	79	2,933	2,325	687
Wolk Creek	135	-	135	-
Yearbook	1,812	9,687	9,909	1,590
Greenwich Elementary School:				
Yearbook	(177)	2,317	1,686	454
STUCO	257	180	236	201
Greenwich Elementary School Act	109	4,603	4,786	(74)
Oil Hill Grade School:				
Entrepreneur Club	1,719	669	406	1,982
Student Council	9,469	5,660	5,455	9,674
Towanda Grade School:				
STUCO	375	2,330	2,362	343
Towanda Grade School Activities	4,131	5,971	6,713	3,389
Total	\$ 89,790	\$ 193,627	\$ 193,286	\$ 90,131

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, 2012

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances</u>	<u>Ending Cash Balance</u>
Gate receipts:						
Athletics	\$ 9,223	\$ 114,536	\$ 102,217	\$ 21,542	\$ -	\$ 21,542
Concessions	<u>9,901</u>	<u>59,847</u>	<u>57,655</u>	<u>12,093</u>	<u>283</u>	<u>12,376</u>
Total gate receipts	19,124	174,383	159,872	33,635	283	33,918
School projects:						
Circle High School	18,997	37,829	37,421	19,405	-	19,405
Circle Middle School	<u>7,163</u>	<u>-</u>	<u>7,163</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total school projects	26,160	37,829	44,584	19,405	-	19,405
Total	<u>\$ 45,284</u>	<u>\$ 212,212</u>	<u>\$ 204,456</u>	<u>\$ 53,040</u>	<u>\$ 283</u>	<u>\$ 53,323</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, 2012

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 2012:

Governmental Funds

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

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2012

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, 2012

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, 2012

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	\$ 259,155
General Fund	Inservice Fund	K.S.A. 72-6428	70,000
General Fund	Special Education Fund	K.S.A. 72-6428	1,594,420
General Fund	Food Service Fund	K.S.A. 72-6428	28,038
General Fund	Vocational Education Fund	K.S.A. 72-6428	63,650
General Fund	Bilingual Education Fund	K.S.A. 72-6428	17,625
General Fund	Virtual Education Fund	K.S.A. 72-6428	55,125
Contingency Reserve Fund	General Fund	K.S.A. 72-6429	324,784
Supplemental General Fund	Special Education Fund	K.S.A. 72-6433	216,509
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6433	83,870

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 8.57% 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, 2012, 2011, and 2010 were \$298,635,383, \$188,864,532, and \$248,468,186 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, 2012, 2011, and 2010 were \$1,076,812, \$580,181, and \$599,723, respectively.

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2012

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, 2012, with payment under the above formulas would be \$53,850.

6. Deposits and Investments

Deposits

At June 30, 2012, the carrying amount of the District deposits, including certificates of deposit, was \$3,138,843. The bank balance was \$3,856,011. 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 \$3,106,011 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.

Investments

At June 30, 2012, the District had the following investments:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Rating</u>
BofA Government Reserves	\$ 175,252	S&P AAA
Kansas Municipal Investment Pool	3,769,529	S&P Aar/ S1+

UNIFIED SCHOOL DISTRICT NO. 375

Notes to Financial Statements

June 30, 2012

6. Deposits and Investments (continued)

Investments (continued)

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.

Kansas statutes authorize the District to invest in U.S. Treasury bills and notes, repurchase agreements and the State Municipal Investment Pool. All investments must be insured, registered or held by the District or its agent in the District's name. The District's investments are categorized to give an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered, or for which the securities are held by the District or its agent in the District's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the dealer bank's trust department or agent in the District's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the dealer bank. Of the three risk categories, the investments classified in Risk Category 1 have the least risk to the municipality. At June 30, 2012, the District held investments in the State Municipal Investment Pool and BOFA totaling \$3,786,781, a Category 1 investment.

7. Lease Commitments

As of June 30, 2012, the district was subject to copier operating leases with Image Quest or De Lage. 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>
Four copiers	63 month term	\$ 558 per month
Six copiers	63 month term	\$ 2,526 per month
Three copiers	63 month term	\$ 941 per month
Five copiers	63 month term	\$ 643 per month
Three copiers	63 month term	\$ 477 per month
One copier	63 month term	\$ 59 per month

UNIFIED SCHOOL DISTRICT NO. 375
Notes to Financial Statements
June 30, 2012

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.

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, 2012 are as follows:

<u>June 30,</u>	<u>Benefits</u>
2013	\$ 87,275
2014	100,000
2015	107,000
2016	107,000

10. Subsequent Events

Subsequent events have been evaluated through December 1, 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.

UNIFIED SCHOOL DISTRICT NO. 375
Notes to Financial Statements
Year Ended June 30, 2012

12. Long-term Debt

Changes in long-term liabilities for the District for the year ended June 30, 2012 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	\$ 9,540,000	\$ -	\$ 85,000	\$ -	\$ 9,455,000	\$ 368,920
Series 2007	3.25% to 5.00%	1/15/2007	10,800,000	9/1/2025	10,210,000	-	525,000	-	9,685,000	463,300
Series 2008	3.25% to 5.00%	12/1/2008	9,465,000	9/1/2024	9,465,000	-	110,000	-	9,355,000	460,045
Series 2009	3.00% to 3.15%	2/1/2006	3,715,000	9/1/2023	3,150,000	-	585,000	-	2,565,000	113,813
Total General Obligation Bonds					32,365,000	-	1,305,000	-	31,060,000	1,406,078
Capital Leases:										
Energy Solutions System	5.50%	8/12/2002	\$ 548,487	5/5/2017	271,070	-	39,148	-	231,922	15,474
Fieldturf Financial	3.77%	6/1/2007	743,730	6/1/2015	392,076	-	94,678	-	297,398	13,156
Bobcat	4.54%	10/18/2011	27,012	10/18/2012	-	24,467	3,670	-	20,797	-
Total Capital Leases					663,146	24,467	137,496	-	550,117	28,630
Total Contractual Indebtedness					33,028,146	24,467	1,442,496	-	31,610,117	1,434,708
Compensated Absences	N/A	N/A	N/A	N/A	54,738	-	-	(888)	53,850	-
Total Long-term Debt					<u>\$ 33,082,884</u>	<u>\$ 24,467</u>	<u>\$ 1,442,496</u>	<u>\$ (888)</u>	<u>\$ 31,663,967</u>	<u>\$ 1,434,708</u>

Annual Debt Service Requirements

	2013	2014	2015	2016	2017	2018-2022	2023-thereafter	Total
Principal:								
General obligation bonds	\$ 1,425,000	\$ 1,555,000	\$ 1,700,000	\$ 1,855,000	\$ 2,015,000	\$ 12,970,000	\$ 9,540,000	\$ 31,060,000
Capital leases	160,488	145,825	143,251	48,881	51,672	-	-	550,117
Interest:								
General obligation bonds	1,362,214	1,310,637	1,248,720	1,181,731	1,110,124	4,057,706	720,481	10,991,613
Capital leases	23,715	16,631	10,218	5,740	2,949	-	-	59,253
Total Principal and Interest	<u>\$ 2,971,417</u>	<u>\$ 3,028,093</u>	<u>\$ 3,102,189</u>	<u>\$ 3,091,352</u>	<u>\$ 3,179,745</u>	<u>\$ 17,027,706</u>	<u>\$ 10,260,481</u>	<u>\$ 42,660,983</u>

PETERSON, PETERSON & GOSS, L.C.

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JOHN B. GOSS, C.P.A.

PRINCIPALS
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**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, 2012, and have issued our report thereon dated December 1, 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's 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 the District's internal control over financial reporting. Accordingly, we do not express an opinion of the effectiveness of the District's 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 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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Control Over Financial Reporting (continued)

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 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.

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.

December 1, 2012

PETERSON, PETERSON & GOSS, L.C.

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

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

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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, 2012. 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, 2012.

Internal Control Over Compliance

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, 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 the District's internal control over compliance.

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

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

This report is intended 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.

December 1, 2012

UNIFIED SCHOOL DISTRICT NO. 375
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

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:

Child Nutrition Cluster:

School Breakfast Program – 10.533

National School Lunch Program – 10.555

Cash for Commodities – 10.555

Team Nutrition Grant – 10.574

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, 2012

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Entity ID Number</u>	<u>Federal Expenditures</u>	<u>Award Amount by Cluster</u>
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$ 51,602	
National School Lunch Program	10.555	3530-3500	234,652	
Cash for Commodities	10.555	3530-3500	48,155	
Team Nutrition Grant	10.574	3526-3020	<u>350</u>	
Total Child Nutrition Cluster				334,759
U.S. Department of Education:				
Passed-through Kansas Department of Education:				
Character Education Initiative	84.215	3592-3070	6,180	6,180
Title I, Low Income	84.010	3532-3520	217,886	217,886
Safe and Supportive Schools Continuum	84.184	3799-3110	16,000	16,000
Title II-A, Improving Teacher Quality	84.367	3526-3860	56,688	56,688
Youth Risk Behavior	93.938	3592-3070	400	400
Education Jobs Fund	84.410	3551-3551	4,528	4,528
U.S. Department of Education:				
Passed-through South Central Kansas Education Service Center:				
Title V, Innovative Programs	84.298	N/A	12,320	12,320
Title III, English Language Acquisition Grant	84.365	N/A	755	755
U.S. Department of Health and Human Services:				
Passed-through Kansas Health Policy Authority:				
Medicaid	93.778	N/A	14,128	11,253
Waste Tire Grant	93.778	N/A	2,023	2,023
Welfare Assistance	93.778	N/A	2,846	<u>2,846</u>
Total Federal Awards Expended				<u><u>\$ 665,638</u></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 accompanying schedule of expenditure of federal awards includes the federal grant activity of the District and is presented on the cash basis and budget laws of the State of Kansas. 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* . Because the Schedule presents only a selected portion of the operation of the District, it is not intended to and does not present the financial position of the district.

UNIFIED SCHOOL DISTRICT NO. 375
Summary of Prior Audit Findings
Year Ended June 30, 2012

There were no audit findings for federal award programs for the year ended June 30, 2012