

UNIFIED SCHOOL DISTRICT NO. 365

Garnett, Kansas

Financial Statements

For the Year Ended June 30, 2013

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UNIFIED SCHOOL DISTRICT NO. 365
 Financial Statements
 For the Year Ended June 30, 2013

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 365
Garnett, Kansas

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances of the Unified School District No. 365, Garnett, Kansas, (the District), as of and for the year ended June 30, 2013 and the related notes to the financial statement.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described in Note 1 of the financial statement, the financial statement is prepared by the District 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.

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

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the “Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles” paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 365, Garnett, Kansas, as of June 30, 2013, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District, as of June 30, 2013, and the aggregate receipts and expenditures for the year then ended in accordance with the financial reporting provisions of the Kansas Municipal Audit and Accounting Guide described in Note 1.

Report on Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the fund summary statement of regulatory basis receipts, expenditures, and unencumbered cash balances (basic financial statement) as a whole. The summary of regulatory basis expenditures-actual and budget, individual fund schedules of regulatory cash receipts and expenditures-actual and budget, schedule of regulatory receipts and expenditures-agency funds, and the schedule of regulatory receipts, expenditures and unencumbered cash-district activity funds (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statements. 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. 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.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas regulatory basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2012, from which such partial information was derived. In our report dated October 23, 2012 on these financial statements we expressed an adverse opinion as to presentation on the basis of generally accepted accounting principles and an unqualified opinion as to presentation on the Kansas regulatory basis of accounting.

Other Reporting Required by Government Auditing Standards

In accordance with “Government Auditing Standards”, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, and grants 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” in considering the District's internal control over financial reporting and compliance.

Mike Houser: Company PA

November 12, 2013

UNIFIED SCHOOL DISTRICT NO. 365
 Summary Statement of Receipts, Expenditures and Unencumbered Cash
 For the Year Ended June 30, 2013

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Fund Types:							
General Funds:							
General	\$ -	\$ -	\$ 7,842,185	\$ 7,842,185	\$ -	\$ 147,260	\$ 147,260
Supplemental General	145,400	-	2,338,923	2,360,000	124,323	-	124,323
Special Purpose Funds:							
At Risk (K-12)	33,825	-	748,410	745,082	37,153	5,741	42,894
Capital Outlay	727,315	-	785,895	530,293	982,917	239,681	1,222,598
Driver Training	30,841	-	26,120	10,215	46,746	-	46,746
Food Service	144,089	-	523,763	550,961	116,891	61,165	178,056
Professional Development	19,630	-	10,000	9,494	20,136	3,950	24,086
Parent Education	-	-	-	-	-	-	-
Special Education	427,627	-	1,917,007	1,794,625	550,009	73	550,082
Vocational Education	55,952	-	330,232	337,845	48,339	20,291	68,630
KPERS Special Retirement Contribution	-	-	560,927	560,927	-	-	-
Gifts and Grants	98,073	-	1,848	5,213	94,708	-	94,708
Textbook Rental and Student Materials Revolving	114,707	-	41,565	17,946	138,326	430	138,756
Federal Funds	983	-	331,612	324,825	7,770	8,977	16,747
Contingency Reserve	470,696	-	-	-	470,696	-	470,696
Reading Recovery	87,566	-	11,250	7,650	91,166	-	91,166
Community College	36,714	-	11,475	5,649	42,540	-	42,540
District Activity	7,055	-	291,229	291,670	6,614	-	6,614
Capital Projects Fund:							
Bond Construction	2,589,477	-	145	2,137,112	452,510	-	452,510
Bus Purchase	-	-	1,100,000	1,119,040	[19,040]	29,100	10,060
Debt Service Fund:							
Bond and Interest	673,934	-	1,522,997	1,158,418	1,038,513	-	1,038,513
Total	\$ 5,663,884	\$ -	\$ 18,395,583	\$ 19,809,150	\$ 4,250,317	\$ 516,668	\$ 4,766,985

Composition of Cash:

Checking Account	\$ 2,463,733
Money Market Accounts	452,510
Certificate of Deposit	<u>1,948,642</u>
Cash Balance	4,864,885
Less: Agency Funds per Schedule 3	<u>[97,900]</u>
Total Reporting Entity (Excluding Agency Funds)	\$ 4,766,985

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Unified School District No. 365 (the District) is a municipal corporation governed by an elected seven-member board. These financial statements include all the accounts for which the District is considered to be financially accountable. The District had no related municipal entities.

Basis of Accounting

Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America. The *Kansas Municipal Audit and Accounting Guide (KMAAG)* regulatory basis of accounting involves the recognition of cash, cash equivalents, marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

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

Departure from Generally Accepted Accounting Principles

The basis of accounting described above results in a financial statement presentation which shows cash receipts (except as noted), 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 accounting principles generally accepted in the United States of America. Capital assets that account for the land, buildings and equipment owned by the District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements. Inventories and prepaid expenses which benefit future periods are recorded as an expenditure during the year of purchase, as required by state statutes.

Regulatory Basis Fund Types

In governmental 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.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Regulatory Basis Fund Types (Continued)

The following types of funds comprise the financial activities of the District for the year ended June 30, 2013:

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

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

Capital Projects Fund – used to account for all resources for the acquisition of capital facilities by the District.

Bond and Interest Fund - used to account for the accumulation of resources, including tax levies, transfers from other funds and payment of general long-term debt.

Fiduciary Fund - used to report assets held in a trustee or agency capacity for others and which therefore cannot be sued to support the government's own programs.

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special purpose funds (unless specifically exempted by statute), principal and interest funds, and business funds. Although directory rather than mandatory, 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 budget was amended for the General and Special Education Funds.

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 regulatory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality 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.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

A legal operating budget is not required for capital project funds, fiduciary funds, and the following special purpose funds: Contingency Reserve, Community College, Reading Recovery, Bus Purchase and Textbook Rental and Student Materials Revolving 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.

Ad Valorem Tax Revenues

The determination of assessed valuations and collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied as of November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10 of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

NOTE 2 - Deposits and Investments

Deposits. K.S.A. 9-1401 establishes the depositories which may be used by the District. 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, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The District has no other policies that would further limit interest rate risk.

The District received \$618,159 in General State Aid and \$51,406 in Supplemental General State aid subsequent to June 30, 2013, and, as required by K.S.A. 72-6417 and 72-6434, the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2013.

Investments. 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. As of June 30, 2013, the District held no such investments.

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 District's deposits may not 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%. The District has no designated "peak periods."

At June 30, 2013, the District's carrying amount of deposits was \$4,864,885 and the bank balance was \$5,172,706. The bank balance was held by five banks resulting in a concentration of credit risk. Of the bank balance, \$1,452,510 was covered by federal depository insurance and the balance of \$3,720,196 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 3 - Long-Term Debt

Following is a detailed listing of the District's long-term debt outstanding at June 30, 2013:

<u>Debt Issue</u>	<u>Date Issued</u>	<u>Interest Rate</u>	<u>Maturity Date</u>	<u>Original Amount</u>	<u>Outstanding Amount</u>
Certificates of Participation					
Series 2010-A QSCB	12/22/2010	6.21%	9/1/2029	\$ 14,485,000	\$ 14,485,000
Leases					
2011 Chevy Traverse	8/4/2011	3.25%	8/7/2014	26,995	10,026
Bus Barn	7/10/2011	2.24%	8/1/2015	93,000	55,855
2012 Chevy Traverse #1	8/2/2012	3.25%	7/9/2015	26,400	18,554
2012 Chevy Traverse #2	8/2/2012	3.25%	7/9/2015	25,400	17,852
2014 Buses	1/31/2013	3.00%	9/30/2022	<u>1,100,000</u>	<u>1,100,000</u>
				<u>\$ 15,756,795</u>	<u>\$ 15,687,287</u>

Following is a summary of changes in long-term debt for the year ended June 30, 2013:

<u>Type of Issue</u>	<u>Beginning Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>	<u>Interest Paid Year Ended 6/30/2013</u>
Certificates of Participation					
Series 2010-A QSCB	<u>\$ 14,485,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,485,000</u>	<u>\$ 900,098</u>
Total	<u>\$ 14,485,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 14,485,000</u>	<u>\$ 900,098</u>

The Series 2010-A QSCB Certificates of Participation (COPS) are payable in full on September 1, 2029 in the amount of \$14,485,000 with interest payable annually to that date of \$900,098. The District is required to make annual sinking fund deposits annually through September 1, 2029 of amounts necessary to satisfy the minimum required accumulated balance under the Lease and Declaration of Trust. The District's annual deposits will consist of (1) the District's expected annual cash deposit in the base amount of \$258,320 (the "Base Cash Deposit") plus (2) the estimated investment earnings on the accumulated balance (the "Investment Earnings"). In the event the District's Base Cash Deposit plus Investment Earnings is insufficient to meet the required accumulated balance on a given September 1st, the District is required to make up the difference with an additional cash deposit to the sinking fund. In the event the accumulated balance exceeds the required accumulated balance on a given September 1st the excess will be withdrawn from the sinking fund. During the year ended June 30, 2013 the District was required to make the annual base deposit in order to meet the required accumulated balance.

The District is subject to Kansas statutes and may issue general obligation bonds for capital improvements upon the approval of a majority of the voters. Remaining debt service requirements for general obligation bonds will be repaid from the Bond and Interest Fund with future tax assessments. Such general obligation indebtedness may not exceed the amount allowed for the District under K.S.A. 72-6761.

The District's statutory limit for such bonded indebtedness is approximately \$9 million at June 30, 2013. The District has received authorization from the State of Kansas to exceed this limit.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 3 - Long-Term Debt (Continued)

Annual payment service requirements to maturity for the above leases:

<u>Year</u>	<u>Capital Leases</u>		
	<u>Principal Due</u>	<u>Interest Due</u>	<u>Total Due</u>
2013-14	\$ 150,319	\$ 24,371	\$ 174,690
2014-15	135,007	31,038	166,045
2015-16	121,339	27,324	148,663
2016-17	103,833	23,869	127,702
2017-18	106,949	20,754	127,703
2018-19	110,158	17,545	127,703
2019-20	113,462	14,240	127,702
2020-21	116,866	10,837	127,703
2021-22	120,372	7,331	127,703
2022-23	123,982	3,719	127,701
	<u>\$ 1,202,287</u>	<u>\$ 181,028</u>	<u>\$ 1,383,315</u>

NOTE 4 - Interfund Transfers

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Authority</u>	<u>Amount</u>
General	Capital Outlay	K.S.A. 72-6428	\$ 383,000
General	Driver Training	K.S.A. 72-6428	10,000
General	Professional Development	K.S.A. 72-6428	10,000
General	Special Education	K.S.A. 72-6428	1,309,072
General	Vocational Education	K.S.A. 72-6428	328,232
General	At Risk (K-12)	K.S.A. 72-6428	748,410
Supplemental General	Food Service	K.S.A. 72-6433	4,450
Supplemental General	Special Education	K.S.A. 72-6433	556,135
Total			<u>\$ 3,349,299</u>

NOTE 5 - 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 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the statutory required employers share. Estimated Kansas contributions to KPERS for the District employees for the years ending June 30, 2013, 2012, and 2011 were \$560,927, \$654,183, and \$387,478, respectively, equal to the required contributions for each year.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Financial Statements
For the Year Ended June 30, 2013

NOTE 6 - Compensated Absences

The District's leave policies are as follows:

Certified employees – Full-time certified employees are granted ten days of leave per schools year. Unused leave to be carried over at the end of the year may not exceed 120 days.

Certified employees can be compensated each June at a rate of \$20 per day of accumulated leave in excess of 110 days. Upon initial retirement under KPERS guidelines, certified employees are compensated at a rate of \$20 per day of accumulated leave to a maximum of 120 days.

Classified employees – Full-time classified employees are granted ten days of vacation of one year of continuous employment. Classified employees with five or more years of employment are granted one additional vacation day, to a maximum of 15 days of vacation each year. Unused vacation days are not permitted to be carried over from year to year. Full-time classified employees are also granted 12 days of sick leave each year. Unused sick leave to be carried over at the end of the year may not exceed 120 days.

Classified employees can be compensated each June at a rate of \$10 per day of accumulated leave in excess of 110 days. Upon initial retirement under KPERS guidelines, classified employees are compensated at a rate of \$20 per day of accumulated leave to a maximum of 120 days.

It is the District's policy to recognize the costs of compensated absences when actually paid.

NOTE 7 - Commitments and Contingencies

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursements of funds received under these programs generally require compliance with terms and conditions specified in the grant agreements and are subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District as of June 30, 2013.

NOTE 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; natural disasters and other events for which the District carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 9 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government 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 this financial statement.

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.

UNIFIED SCHOOL DISTRICT NO. 365
 Summary of Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2013

<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 Budget</u>	<u>Variance Over [Under]</u>
General Funds:						
General	\$ 7,850,045	\$ [7,860]	\$ -	\$ 7,842,185	\$ 7,842,185	\$ -
Supplemental General	2,360,000	-	-	2,360,000	2,360,000	-
Special Purpose Funds:						
At Risk (K-12)	828,103	-	-	828,103	745,082	83,021
Capital Outlay	800,000	-	-	800,000	530,293	269,707
Driver Training	16,045	-	-	16,045	10,215	5,830
Food Service	599,050	-	-	599,050	550,961	48,089
Professional Development	12,000	-	-	12,000	9,494	2,506
Parent Education	-	-	-	-	-	-
Special Education	1,801,764	-	-	1,801,764	1,794,625	7,139
Vocational Education	375,000	-	-	375,000	337,845	37,155
KPERS Special Retirement Contribution	602,258	-	-	602,258	560,927	41,331
Gifts and Grants	8,500	-	-	8,500	5,213	3,287
Federal Funds	350,539	-	-	350,539	324,825	25,714
Debt Service Fund:						
Bond and Interest	1,158,418	-	-	1,158,418	1,158,418	-

UNIFIED SCHOOL DISTRICT NO. 365
General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 1,069,813	\$ 1,141,009	\$ 1,096,557	\$ 44,452
Delinquent taxes	15,949	17,270	19,368	[2,098]
State Aid:				
Equalization aid	5,811,358	5,473,187	5,525,311	[52,124]
Special education aid	1,038,767	1,210,719	1,208,908	1,811
Federal aid	3,464	-	-	-
Transfer in	9,250	-	-	-
Miscellaneous revenue	2,119	-	101	[101]
Total Cash Receipts	<u>7,950,720</u>	<u>7,842,185</u>	<u>\$ 7,850,245</u>	<u>\$ [8,060]</u>
Expenditures				
Instruction	1,884,571	1,800,909	\$ 2,258,315	\$ 457,406
Student support services	161,323	214,712	175,050	[39,662]
Instructional support services	283,011	298,708	304,970	6,262
General administration	224,697	232,349	245,978	13,629
School administration	679,606	707,365	743,900	36,535
Operations and maintenance	1,058,161	1,109,013	950,450	[158,563]
Other support services	79,023	95,895	154,840	58,945
Transportation	592,395	594,520	629,620	35,100
Transfers out	2,401,965	2,788,714	2,386,922	[401,792]
Adjustments to comply with legal max	-	-	[7,860]	[7,860]
Total Expenditures	<u>7,364,752</u>	<u>7,842,185</u>	<u>\$ 7,842,185</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	585,968	-		
Unencumbered Cash, Beginning	<u>[585,968]</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Supplemental General Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over <u>[Under]</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 1,287,557	\$ 1,301,030	\$ 1,394,958	\$ [93,928]
Delinquent taxes	21,435	23,438	23,480	[42]
Motor vehicle tax	137,897	144,339	94,957	49,382
Recreational vehicle tax	-	-	1,793	[1,793]
State aid	<u>1,004,152</u>	<u>870,116</u>	<u>881,130</u>	<u>[11,014]</u>
Total Cash Receipts	<u>2,451,041</u>	<u>2,338,923</u>	<u>\$ 2,396,318</u>	<u>\$ [57,395]</u>
Expenditures				
Instruction	1,905,795	1,799,415	\$ 1,780,000	\$ [19,415]
Operations and maintenance	4,819	-	-	-
Transfers out	<u>439,386</u>	<u>560,585</u>	<u>580,000</u>	<u>19,415</u>
Total Expenditures	<u>2,350,000</u>	<u>2,360,000</u>	<u>\$ 2,360,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	101,041	[21,077]		
Unencumbered Cash, Beginning	<u>44,359</u>	<u>145,400</u>		
Unencumbered Cash, Ending	<u>\$ 145,400</u>	<u>\$ 124,323</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
At Risk (K-12) Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfers in	\$ 828,198	\$ 748,410	\$ 827,857	\$ [79,447]
Total Cash Receipts	<u>828,198</u>	<u>748,410</u>	<u>\$ 827,857</u>	<u>\$ [79,447]</u>
Expenditures				
Instruction	<u>828,423</u>	<u>745,082</u>	\$ 828,103	\$ 83,021
Total Expenditures	<u>828,423</u>	<u>745,082</u>	<u>\$ 828,103</u>	<u>\$ 83,021</u>
Receipts Over [Under] Expenditures	[225]	3,328		
Unencumbered Cash, Beginning	<u>34,050</u>	<u>33,825</u>		
Unencumbered Cash, Ending	<u>\$ 33,825</u>	<u>\$ 37,153</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Capital Outlay Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 238,979	\$ 252,504	\$ 245,765	\$ 6,739
Delinquent taxes	4,627	4,948	4,349	599
Motor vehicle tax	25,098	25,659	18,605	7,054
Recreational vehicle tax	2,606	2,666	329	2,337
Investment income	11,971	11,566	12,000	[434]
Miscellaneous	105,319	105,552	90,023	15,529
Transfer in	-	383,000	-	383,000
Total Cash Receipts	<u>388,600</u>	<u>785,895</u>	<u>\$ 371,071</u>	<u>\$ 414,824</u>
Expenditures				
Property and equipment - instruction	327,498	20,283	\$ 200,000	\$ 179,717
Property and equipment - student support services	-	1,700	-	[1,700]
Property and equipment - school administration	-	16,747	-	[16,747]
Property and equipment - general administration	-	1,872	-	[1,872]
Property and equipment - transportation	19,561	197,534	25,000	[172,534]
Operations and maintenance	67,817	44,504	280,000	235,496
Site improvement services	10,514	39,875	280,000	240,125
Site acquisition services	18,033	19,461	-	[19,461]
Architectural and engineering services	11,662	11,985	15,000	3,015
Building repair and remodeling	11,813	176,332	-	[176,332]
Total Expenditures	<u>466,898</u>	<u>530,293</u>	<u>\$ 800,000</u>	<u>\$ 269,707</u>
Receipts Over [Under] Expenditures	[78,298]	255,602		
Unencumbered Cash, Beginning	<u>805,613</u>	<u>727,315</u>		
Unencumbered Cash, Ending	<u>\$ 727,315</u>	<u>\$ 982,917</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Driver Training Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State aid	\$ 5,358	\$ 5,952	\$ 5,220	\$ 732
Charges for services	8,886	10,168	8,700	1,468
Transfers in	-	10,000	-	10,000
Total Cash Receipts	<u>14,244</u>	<u>26,120</u>	<u>\$ 13,920</u>	<u>\$ 12,200</u>
Expenditures				
Instruction	13,742	9,863	\$ 14,095	\$ 4,232
Vehicle operations and maintenance	<u>21,068</u>	<u>352</u>	<u>1,950</u>	<u>1,598</u>
Total Expenditures	<u>34,810</u>	<u>10,215</u>	<u>\$ 16,045</u>	<u>\$ 5,830</u>
Receipts Over [Under] Expenditures	[20,566]	15,905		
Unencumbered Cash, Beginning	<u>51,407</u>	<u>30,841</u>		
Unencumbered Cash, Ending	<u>\$ 30,841</u>	<u>\$ 46,746</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Food Service Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Federal aid	\$ 335,830	\$ 338,669	\$ 317,712	\$ 20,957
State aid	5,975	6,035	5,522	513
Charges for services	190,696	174,609	214,617	[40,008]
Miscellaneous	848	-	-	-
Transfers in	<u>5,431</u>	<u>4,450</u>	<u>5,000</u>	<u>[550]</u>
Total Cash Receipts	<u>538,780</u>	<u>523,763</u>	<u>\$ 542,851</u>	<u>\$ [19,088]</u>
Expenditures				
Food service operation	521,115	515,790	\$ 599,050	\$ 83,260
Operations and maintenance	<u>32,901</u>	<u>35,171</u>	<u>-</u>	<u>[35,171]</u>
Total Expenditures	<u>554,016</u>	<u>550,961</u>	<u>\$ 599,050</u>	<u>\$ 48,089</u>
Receipts Over [Under] Expenditures	[15,236]	[27,198]		
Unencumbered Cash, Beginning	<u>159,325</u>	<u>144,089</u>		
Unencumbered Cash, Ending	<u>\$ 144,089</u>	<u>\$ 116,891</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Professional Development Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfers in	\$ 15,500	\$ 10,000	\$ -	\$ 10,000
Total Cash Receipts	<u>15,500</u>	<u>10,000</u>	<u>-</u>	<u>10,000</u>
Expenditures				
Instructional support services	7,000	9,494	\$ 12,000	\$ 2,506
Total Expenditures	<u>7,000</u>	<u>9,494</u>	<u>\$ 12,000</u>	<u>\$ 2,506</u>
Receipts Over [Under] Expenditures	8,500	506		
Unencumbered Cash, Beginning	<u>11,130</u>	<u>19,630</u>		
Unencumbered Cash, Ending	<u>\$ 19,630</u>	<u>\$ 20,136</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Parent Education Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Transfers out	<u>9,250</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Total Expenditures	<u>9,250</u>	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	[9,250]	-		
Unencumbered Cash, Beginning	<u>9,250</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Special Education Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Miscellaneous	\$ -	\$ 51,800	\$ -	\$ 51,800
Transfers in	<u>1,567,222</u>	<u>1,865,207</u>	<u>1,784,065</u>	<u>81,142</u>
Total Cash Receipts	<u>1,567,222</u>	<u>1,917,007</u>	<u>\$ 1,784,065</u>	<u>\$ 132,942</u>
Expenditures				
Instruction	1,378,314	1,421,514	\$ 1,500,764	\$ 79,250
Operations and maintenance	<u>175,206</u>	<u>373,111</u>	<u>301,000</u>	<u>[72,111]</u>
Total Expenditures	<u>1,553,520</u>	<u>1,794,625</u>	<u>\$ 1,801,764</u>	<u>\$ 7,139</u>
Receipts Over [Under] Expenditures	13,702	122,382		
Unencumbered Cash, Beginning	<u>413,925</u>	<u>427,627</u>		
Unencumbered Cash, Ending	<u>\$ 427,627</u>	<u>\$ 550,009</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Vocational Education Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Miscellaneous	\$ -	\$ 2,000	\$ -	\$ 2,000
Federal aid	194	-	-	-
Transfers in	<u>375,000</u>	<u>328,232</u>	<u>350,000</u>	<u>[21,768]</u>
Total Cash Receipts	<u>375,194</u>	<u>330,232</u>	<u>\$ 350,000</u>	<u>\$ [19,768]</u>
Expenditures				
Instruction	<u>333,620</u>	<u>337,845</u>	<u>\$ 375,000</u>	<u>\$ 37,155</u>
Total Expenditures	<u>333,620</u>	<u>337,845</u>	<u>\$ 375,000</u>	<u>\$ 37,155</u>
Receipts Over [Under] Expenditures	41,574	[7,613]		
Unencumbered Cash, Beginning	<u>14,378</u>	<u>55,952</u>		
Unencumbered Cash, Ending	<u>\$ 55,952</u>	<u>\$ 48,339</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
KPERs Special Retirement Contribution Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State aid	\$ 654,183	\$ 560,927	\$ 602,258	\$ [41,331]
Total Cash Receipts	<u>654,183</u>	<u>560,927</u>	<u>\$ 602,258</u>	<u>\$ [41,331]</u>
Expenditures				
Instruction	397,881	342,165	\$ 360,000	\$ 17,835
Student support services	35,740	33,656	35,000	1,344
Instructional support services	43,452	39,265	40,000	735
General administration	38,081	33,656	37,000	3,344
School administration	53,986	39,265	50,000	10,735
Operations and maintenance	54,675	44,874	50,258	5,384
Food service	<u>30,368</u>	<u>28,046</u>	<u>30,000</u>	<u>1,954</u>
Total Expenditures	<u>654,183</u>	<u>560,927</u>	<u>\$ 602,258</u>	<u>\$ 41,331</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
 Gifts and Grants Fund
 Schedule of Cash Receipts and Expenditures - Actual and Budget
 Regulatory Basis
 For the Year Ended June 30, 2013
 (With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Contributions and donations	\$ 8,026	\$ 1,848	\$ -	\$ 1,848
Total Cash Receipts	<u>8,026</u>	<u>1,848</u>	<u>\$ -</u>	<u>\$ 1,848</u>
Expenditures				
Instruction	<u>8,291</u>	<u>5,213</u>	<u>\$ 8,500</u>	<u>\$ 3,287</u>
Total Expenditures	<u>8,291</u>	<u>5,213</u>	<u>\$ 8,500</u>	<u>\$ 3,287</u>
Receipts Over [Under] Expenditures	[265]	[3,365]		
Unencumbered Cash, Beginning	<u>98,338</u>	<u>98,073</u>		
Unencumbered Cash, Ending	<u>\$ 98,073</u>	<u>\$ 94,708</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Textbook Rental and Student Materials Revolving Fund *
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2013 and 2012

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Charges for services	\$ 44,942	\$ 41,565
Transfers in	<u>50,000</u>	<u>-</u>
Total Cash Receipts	<u>94,942</u>	<u>41,565</u>
Expenditures		
Instruction	<u>36,301</u>	<u>17,946</u>
Total Expenditures	<u>36,301</u>	<u>17,946</u>
Receipts Over [Under] Expenditures	58,641	23,619
Unencumbered Cash, Beginning	<u>56,066</u>	<u>114,707</u>
Unencumbered Cash, Ending	<u>\$ 114,707</u>	<u>\$ 138,326</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Federal Funds
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013

	<u>Title I</u>	<u>Title II-A Teacher Quality</u>	<u>Character Education</u>	<u>Safe & Supportive Schools</u>	<u>Actual</u>	<u>Budget</u>	<u>Variance Over [Under]</u>
Cash Receipts							
Federal aid	\$ 245,725	\$ 51,887	\$ -	\$ 34,000	\$ 331,612	\$ 350,539	\$ [18,927]
Total Cash Receipts	<u>245,725</u>	<u>51,887</u>	<u>-</u>	<u>34,000</u>	<u>331,612</u>	<u>\$ 350,539</u>	<u>\$ [18,927]</u>
Expenditures							
Instruction	223,126	51,887	1,061	40,306	316,380	\$ 350,539	\$ 34,159
Student support services	<u>8,445</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,445</u>	<u>-</u>	<u>[8,445]</u>
Total Expenditures	<u>231,571</u>	<u>51,887</u>	<u>1,061</u>	<u>40,306</u>	<u>324,825</u>	<u>\$ 350,539</u>	<u>\$ 25,714</u>
Receipts Over [Under] Expenditures	14,154	-	[1,061]	[6,306]	6,787		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>1,061</u>	<u>[78]</u>	<u>983</u>		
Unencumbered Cash, Ending	<u>\$ 14,154</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ [6,384]</u>	<u>\$ 7,770</u>		

UNIFIED SCHOOL DISTRICT NO. 365
 Contingency Reserve Fund *
 Schedule of Cash Receipts and Expenditures - Actual
 Regulatory Basis
 For the Years Ended June 30, 2013 and 2012

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfers in	\$ -	\$ -
Total Cash Receipts	<u>-</u>	<u>-</u>
Expenditures		
Instruction	-	-
Total Expenditures	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	-	-
Unencumbered Cash, Beginning	<u>470,696</u>	<u>470,696</u>
Unencumbered Cash, Ending	<u>\$ 470,696</u>	<u>\$ 470,696</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Reading Recovery Fund *
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2013 and 2012

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Miscellaneous	\$ 18,250	\$ 11,250
Total Cash Receipts	<u>18,250</u>	<u>11,250</u>
 Expenditures		
Instruction	<u>5,845</u>	<u>7,650</u>
Total Expenditures	<u>5,845</u>	<u>7,650</u>
 Receipts Over [Under] Expenditures	 12,405	 3,600
 Unencumbered Cash, Beginning	 <u>75,161</u>	 <u>87,566</u>
 Unencumbered Cash, Ending	 <u>\$ 87,566</u>	 <u>\$ 91,166</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Community College Fund *
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2013 and 2012

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Miscellaneous	\$ 14,981	\$ 11,475
Total Cash Receipts	<u>14,981</u>	<u>11,475</u>
Expenditures		
Instruction	<u>5,700</u>	<u>5,649</u>
Total Expenditures	<u>5,700</u>	<u>5,649</u>
Receipts Over [Under] Expenditures	9,281	5,826
Unencumbered Cash, Beginning	<u>27,433</u>	<u>36,714</u>
Unencumbered Cash, Ending	<u>\$ 36,714</u>	<u>\$ 42,540</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond Construction Fund *
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
For the Years Ended June 30, 2013 and 2012

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Miscellaneous	\$ 7,634	\$ 145
Total Cash Receipts	<u>7,634</u>	<u>145</u>
 Expenditures		
Facility acquisition and construction	<u>10,940,806</u>	<u>2,137,112</u>
Total Expenditures	<u>10,940,806</u>	<u>2,137,112</u>
 Receipts Over [Under] Expenditures	 [10,933,172]	 [2,136,967]
 Unencumbered Cash, Beginning	 <u>13,522,649</u>	 <u>2,589,477</u>
 Unencumbered Cash, Ending	 <u>\$ 2,589,477</u>	 <u>\$ 452,510</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bus Purchase Fund *
Schedule of Cash Receipts and Expenditures - Actual
Regulatory Basis
For the Year Ended June 30, 2013

Cash Receipts	
Lease proceeds	<u>\$ 1,100,000</u>
Total Cash Receipts	<u>1,100,000</u>
Expenditures	
Instruction	<u>1,119,040</u>
Total Expenditures	<u>1,119,040</u>
Receipts Over [Under] Expenditures	[19,040]
Unencumbered Cash, Beginning	<u>-</u>
Unencumbered Cash, Ending	<u>\$ [19,040]</u>

* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 365
Bond and Interest Fund
Schedule of Cash Receipts and Expenditures - Actual and Budget
Regulatory Basis
For the Year Ended June 30, 2013
(With Comparative Actual Amounts for the Year Ended June 30, 2012)

	Prior Year <u>Actual</u>	Current Year		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem taxes	\$ 515,787	\$ 576,185	\$ 560,924	\$ 15,261
Delinquent taxes	8,589	9,877	9,414	463
Motor vehicle tax	48,145	51,191	37,082	14,109
Recreational vehicle tax	4,970	5,144	701	4,443
State aid	76,288	102,755	102,755	-
Miscellaneous	927,239	777,845	777,845	-
Total Cash Receipts	<u>1,581,018</u>	<u>1,522,997</u>	<u>\$ 1,488,721</u>	<u>\$ 34,276</u>
Expenditures				
Principal	435,000	258,320	\$ 258,320	\$ -
Interest	<u>1,081,317</u>	<u>900,098</u>	<u>900,098</u>	<u>-</u>
Total Expenditures	<u>1,516,317</u>	<u>1,158,418</u>	<u>\$ 1,158,418</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	64,701	364,579		
Unencumbered Cash, Beginning	<u>609,233</u>	<u>673,934</u>		
Unencumbered Cash, Ending	<u>\$ 673,934</u>	<u>\$ 1,038,513</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2013

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Anderson County Jr/Sr High School				
AP Government class	\$ 265	\$ 19,770	\$ 19,727	\$ 308
Art Club	483	248	201	530
Band club	6,315	13,772	11,098	8,989
Cheerleaders	2,224	18,843	16,105	4,962
Chess club	473	-	-	473
Choir	1,796	1,689	1,130	2,355
Class of '12	28	-	28	-
Class of '13	1,674	2,152	3,826	-
Class of '14	1,201	14,601	13,449	2,353
Class of '15	625	600	37	1,188
Class of '16	-	820	-	820
Dance	6,171	12,983	13,602	5,552
Drama	3,042	8,186	4,686	6,542
FACS	-	2,093	1,333	760
FCCLA	2,270	2,491	2,131	2,630
FBLA	1,708	3,879	3,803	1,784
FFA	26	23,298	22,225	1,099
Forensics	1,277	-	1,020	257
A-VAC	5,000	7,000	-	12,000
In-house training	3,110	1,773	1,812	3,071
Internationals	540	1,843	1,566	817
Journalism/Newspaper	446	1,040	1,130	356
Junior High cheerleaders	1,037	2,963	3,119	881
Junior High KAY - Pencil account	229	26	130	125
Junior High NHS	-	516	438	78
Junior High science	466	378	359	485
Junior High student council	1,001	5,350	5,263	1,088
Junior High yearbook	2,718	951	260	3,409
KAY	253	671	499	425
National Honor Society	1,308	870	952	1,226
Neosho Community College	-	1,668	1,093	575
Red Black	1,792	929	1,898	823
SAFE	1,035	551	168	1,418
Sales tax	14	1,616	1,538	92
Science club	907	2,643	2,589	961
Strength and conditioning	3,516	5,173	5,463	3,226
Student advocacy	145	13	25	133
Students in need	176	-	-	176
Student council	4,627	32,341	31,201	5,767
TSA	1,200	7,109	6,023	2,286
Voc. Agriculture	-	2,511	609	1,902
Yearbook	9,563	12,158	9,340	12,381
Total Anderson County Jr/Sr High School	<u>68,661</u>	<u>215,518</u>	<u>189,876</u>	<u>94,303</u>

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Agency Funds
Schedule of Receipts and Expenditures
Regulatory Basis
For the Year Ended June 30, 2013

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
Garnett Elementary School				
Emergency fund	\$ 196	\$ 237	\$ -	\$ 433
Kindergarten supplies	-	620	620	-
Spelling bee	-	262	111	151
Staff club	-	322	280	42
Students funds	<u>260</u>	<u>5,935</u>	<u>6,080</u>	<u>115</u>
Total Garnett Elementary School	<u>456</u>	<u>7,376</u>	<u>7,091</u>	<u>741</u>
Greeley Elementary School				
Teacher fund	24	130	140	14
Wildcat Bellringers	50	-	-	50
Emergency coalition	227	-	-	227
Student activities	<u>121</u>	<u>540</u>	<u>485</u>	<u>176</u>
Total Greeley Elementary School	<u>422</u>	<u>670</u>	<u>625</u>	<u>467</u>
Mont Ida Elementary School				
Student fund	<u>-</u>	<u>1,266</u>	<u>960</u>	<u>306</u>
Total Mont Ida Elementary School	<u>-</u>	<u>1,266</u>	<u>960</u>	<u>306</u>
Westphalia Elementary School				
Instrumentals	91	129	148	72
Pep club	2,155	3,368	4,592	931
Special project	<u>488</u>	<u>7,804</u>	<u>7,212</u>	<u>1,080</u>
Total Westphalia Elementary School	<u>2,734</u>	<u>11,301</u>	<u>11,952</u>	<u>2,083</u>
Total Student Organization Funds	<u>\$ 72,273</u>	<u>\$ 236,131</u>	<u>\$ 210,504</u>	<u>\$ 97,900</u>

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
District Activity Funds
Schedule of Receipts, Expenditures and Unencumbered Cash
Regulatory Basis
For the Year Ended June 30, 2013

FUND	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Anderson County Jr/Sr High School							
Gate receipts	\$ 3,301	\$ -	\$ 46,815	\$ 47,916	\$ 2,200	\$ -	\$ 2,200
Art	-	-	5,008	5,008	-	-	-
Band	-	-	293	293	-	-	-
Into to tech (Plastics)	-	-	187	187	-	-	-
School lunch	-	-	76,863	76,726	137	-	137
Textbooks	-	-	16,513	16,470	43	-	43
Production technology	-	-	3,173	2,964	209	-	209
Driver's ed	-	-	10,600	10,452	148	-	148
Musical	1,947	-	1,115	2,001	1,061	-	1,061
Plays	1,057	-	1,910	644	2,323	-	2,323
Petty cash	-	-	2,903	2,903	-	-	-
Library	-	-	260	260	-	-	-
Total Anderson County Jr/Sr High School	<u>6,305</u>	<u>-</u>	<u>165,640</u>	<u>165,824</u>	<u>6,121</u>	<u>-</u>	<u>6,121</u>
Garnett Elementary School							
Adult meals	-	-	1,301	1,301	-	-	-
Student meals	-	-	67,360	67,360	-	-	-
Daily Milk	-	-	744	744	-	-	-
Library fund	-	-	9,928	9,928	-	-	-
Petty cash	-	-	777	777	-	-	-
Textbook rental	-	-	9,400	9,400	-	-	-
Total Garnett Elementary School	<u>-</u>	<u>-</u>	<u>89,510</u>	<u>89,510</u>	<u>-</u>	<u>-</u>	<u>-</u>
Greeley Elementary School							
Textbook	-	-	1,320	1,320	-	-	-
Petty Cash	-	-	300	300	-	-	-
Student meals	-	-	7,820	7,820	-	-	-
Adult meals	-	-	606	606	-	-	-
A la carte/milk	-	-	34	34	-	-	-
Total Greeley Elementary School	<u>-</u>	<u>-</u>	<u>10,080</u>	<u>10,080</u>	<u>-</u>	<u>-</u>	<u>-</u>
Westphalia Elementary							
Petty cash	-	-	300	300	-	-	-
Students meals	-	-	18,562	18,562	-	-	-
Adult meals	-	-	1,408	1,408	-	-	-
Enrollment fees	-	-	4,045	4,045	-	-	-
Athletic	750	-	1,680	1,937	493	-	493
Lib & Int	-	-	4	4	-	-	-
Total Westphalia Elementary	<u>750</u>	<u>-</u>	<u>25,999</u>	<u>26,256</u>	<u>493</u>	<u>-</u>	<u>493</u>
Total District Activity Funds	<u>\$ 7,055</u>	<u>\$ -</u>	<u>\$ 291,229</u>	<u>\$ 291,670</u>	<u>\$ 6,614</u>	<u>\$ -</u>	<u>\$ 6,614</u>

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 365
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Beginning Unencumbered Cash	Receipts	Expenditures	Ending Unencumbered Cash
Passed through Kansas					
Department of Education (KSDE):					
Title I	84.010	\$ -	\$ 245,725	\$ 231,571	\$ 14,154
Title II-A Teacher Quality	84.367	-	52,062	52,062	-
Safe & Drug Free Schools & Communities	84.184	[78]	34,000	40,306	[6,384]
Fund for the Improvement of Education	84.215	1,061	190	1,251	-
Total Passed Through KSDE		983	331,977	325,190	7,770
U.S. Department of Agriculture					
Passed through Kansas					
Department of Education (KSDE):					
School Breakfast	10.553	-	69,482	69,482	-
National School Lunch Program	10.555	-	257,839	257,839	-
Summer Food Service	10.559	-	750	750	-
Team Nutrition Grants	10.574	-	11,347	11,347	-
Total Department of Agriculture Passed Through KSDE		-	339,418	339,418	-
Total		\$ 983	\$ 671,395	\$ 664,608	\$ 7,770

The accompanying notes are an integral part of this schedule.

UNIFIED SCHOOL DISTRICT NO. 365
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Unified School District No. 365. All expenditures of federal financial assistance received directly from federal agencies, if any as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas regulatory basis of accounting which includes cash disbursements, accounts payable and encumbrances.

UNIFIED SCHOOL DISTRICT NO. 365
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued: Unmodified (Regulatory Basis)
Adverse (GAAP)

Internal control over financial reporting:

Material weakness(es) identified? _____ Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weakness(es) identified? _____ Yes X No

Significant deficiency (ies) identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.553 and 10.555	Child Nutrition Cluster

Dollar threshold used to distinguish between type A and type B programs: \$300,000

Auditee qualified as low-risk auditee? X Yes _____ No

UNIFIED SCHOOL DISTRICT NO. 365
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2013

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Cost</u>	<u>Recommendation</u>	<u>Management Response</u>
Not Applicable	2013-1	The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with food service receipting. In this function, one person can collect cash, record the cash receipt into the system and prepare the money for deposit.	Recommended Practices	Not determined	We recommend that separate individuals be assigned to physical control and accounting control of cash receipt transactions.	Agrees

Prior Year Findings

None Noted

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



**INDEPENDENT AUDITOR'S 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
Unified School District No. 365
Garnett, Kansas

We have audited, 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 the Kansas Municipal Audit and Accounting, the financial statements of the Unified School District No. 365, (the District) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's financial statements, and have issued our report thereon dated November 12, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal controls 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 financial statements will not be prevented or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency, identified as Finding 2013-1.

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 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*.

However, we noted certain other matters that we reported to management of the District in a separate letter dated November 12, 2013.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mike Houser: Company PA

November 12, 2013



MIZE & HOUSER
COMPANY P.A.

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

Board of Education
Unified School District No. 365
Garnett, Kansas

Report on Compliance for Each Major Federal Program

We have audited the compliance of the Unified School District No. 365, (the District) 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 the District's major federal programs for the year ended June 30, 2013. The District's major federal financial programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the Kansas Municipal Audit and Accounting Guide. 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 on compliance for each major federal program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal Program

In our opinion, the District complied, in all material respects, with the types of 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, 2013.

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Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program in order to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charge with governance.

Our consideration of the 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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Handwritten signature in black ink that reads "Mike Houser: Company PA". The signature is written in a cursive style.

Lawrence, KS

November 12, 2013