

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Independent Audit Report

July 1, 2008 to June 30, 2009

MAPES & MILLER

Certified Public Accountants

Norton, Kansas

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Financial Statements

For the Year Ended June 30, 2009

TABLE OF CONTENTS

FINANCIAL SECTION

Page
Number

Independent Auditor's Report	1
STATEMENT 1	
Summary of Cash Receipts, Expenditures, and Unencumbered Cash	3
Composition of Cash	4
STATEMENT 2	
Summary of Expenditures – Actual and Budget (Budgeted Funds Only)	5
STATEMENT 3	
Statement of Cash Receipts and Expenditures – Actual and Budget	
General	6
Supplemental General	8
At Risk (4 Year Old)	9
At Risk (K-12)	10
Capital Outlay	11
Driver Training	12
Food Service	13
Professional Development	14
Special Education	15
Vocational Education	16
KPERs Special Retirement Contribution	17
Recreation Commission	18
Federal Funds	19
Statement of Cash Receipts and Expenditures – Actual	
Textbook and Student Material Revolving	20
Contingency Reserve	20
Gifts and Grants	20
STATEMENT 4	
Statement of Cash Receipts and Cash Disbursements - Actual	
Agency Funds	21
STATEMENT 5	
Statement of Cash Receipts, Expenditures, and Unencumbered Cash	
District Activity Funds	22
Notes to the Financial Statements	23

MAPES & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

Members of American Institute of Certified Public Accountants
and the Kansas Society of Certified Public Accountants

JOHN D. MAPES, CPA
DENIS W. MILLER, CPA

THOMAS CARPENTER, CPA
DON TILTON, CPA

INDEPENDENT AUDITOR'S REPORT

418 E. Holme
Norton, KS 67654-1412
(785) 877-5833
FAX - (785) 877-5442
email - mmcpas@ruraltel.net

To the Board of Education
Unified School District No. 269
Palco, Kansas 67657

711 3rd Street
P.O. Box 266
Phillipsburg, KS 67661-0266
(785) 543-6561
FAX - (785) 543-6563
email - mmpburg@ruraltel.net

We have audited the accompanying financial statements of Unified School District No. 269, Palco, Kansas, as of and for the year ended June 30, 2009. 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.

503 Main St.
P.O. Box 508
Stockton, KS 67669-0508
(785) 425-6764
FAX - (785) 425-6765
email - mmstkn@ruraltel.net

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. 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.

230 Main St.
P.O. Box 412
Quinter, KS 67752-0412
(785) 754-2111
FAX - (785) 754-2112
email - mapes@ruraltel.net

As described more fully in Note 1, the District has prepared these financial statements in conformity with the 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 effect on the financial statements of the variances between the regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

117 N. Main St.
P.O. Box 73
WaKeeney, KS 67672-0073
(785) 743-5512
FAX - (785) 743-5513
email - mapeswak@ruraltel.net

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 269, Palco, Kansas, as of June 30, 2009, or changes in financial position for the year then ended.

306 N. Pomeroy
Hill City, KS 67642-1720
(785) 421-2163
FAX - (785) 421-2164
email - mapeshc@ruraltel.net

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 269, Palco, Kansas as of June 30, 2009, and their respective cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

To the Board of Education
Unified School District No. 269
Page Two

This report is intended solely for the information and use of the governing body and management of Unified School District No. 269, Palco, Kansas, and for filing with the Kansas Department of Administration, Division of Accounts and Reports and other Federal and State Agencies to whose jurisdiction the District is subject, and should not be used for any other purpose. This restriction is not intended to limit distribution of this report, which, upon acceptance by the Board of Education, is a matter of public record.

Mapes & Miller

Certified Public Accountants

February 8, 2010

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 1

Page 1

Summary of Cash Receipts, Expenditures, and Unencumbered Cash
For the Fiscal Year Ended June 30, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Governmental Type Funds:							
General	\$ (11,495)	1,286	1,739,614	1,772,838	(43,433)	33,638	(9,795)
Supplemental General	47,356	14	494,436	491,800	50,006	2,663	52,669
Special Revenue							
At Risk (4 Year Old)	0	0	5,000	5,000	0	0	0
At Risk (K-12)	0	0	86,240	86,240	0	30	30
Capital Outlay	391,987	0	458,857	86,663	764,181	53,092	817,273
Driver Training	3,331	0	892	2,313	1,910	0	1,910
Food Service	36,949	21	120,391	114,348	43,013	383	43,396
Professional Development	5,000	0	2,875	2,875	5,000	65	5,065
Special Education	45,000	16	290,869	247,436	88,449	0	88,449
Vocational Education	4,367	0	30,886	34,441	812	200	1,012
KPERS Special Retirement Contribution Fund	0	0	90,347	90,347	0	0	0
Recreation Commission	0	0	45,136	45,000	136	0	136
Federal Funds	0	552	43,086	42,562	1,076	11,578	12,654
Textbook and Student Material Revolving	0	36	5,210	4,782	464	2,140	2,604
Contingency Reserve	101,407	0	75,840	0	177,247	0	177,247
Gifts and Grants	12,369	0	25,485	37,854	0	6,840	6,840
District Activity	3,711	0	20,148	17,859	6,000	0	6,000
 Total Reporting Entity (Excluding Agency Funds)	\$ <u>639,982</u>	<u>1,925</u>	<u>3,535,312</u>	<u>3,082,358</u>	<u>1,094,861</u>	<u>110,629</u>	<u>1,205,490</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Composition of Cash

For the Year Ended June 30, 2009

STATEMENT 1

Page 2

Midwest Community Bank, Palco, Kansas	
NOW Account	\$ 1,199,490
Checking Accounts	<u>48,207</u>
 Total Cash	 1,247,697
 Agency Funds per Statement 4	 <u>(42,207)</u>
 Total Reporting Entity (Excluding Agency Funds)	 \$ <u><u>1,205,490</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 2

Palco, Kansas

Summary of Expenditures - Actual and Budget
(Budgeted Funds Only)

For the Year Ended June 30, 2009

Description	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Over (Under)
Governmental Type Funds:						
General	\$ 1,770,097	(11,417)	14,158	1,772,838	1,772,838	0
Supplemental General	531,029	0	0	531,029	491,800	(39,229)
Special Revenue						
At Risk (4 Year Old)	5,000	0	0	5,000	5,000	0
At Risk (K-12)	105,000	0	0	105,000	86,240	(18,760)
Capital Outlay	766,740	0	0	766,740	86,663	(680,077)
Driver Training	2,313	0	0	2,313	2,313	0
Food Service	129,040	0	0	129,040	114,348	(14,692)
Professional Development	7,000	0	0	7,000	2,875	(4,125)
Special Education	302,020	0	0	302,020	247,436	(54,584)
Vocational Education	34,367	0	0	34,367	34,441	74
KPERS Special Retirement Contribution Fund	96,329	0	0	96,329	90,347	(5,982)
Recreation Commission	45,000	0	0	45,000	45,000	0

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 1

General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 6,992	132	6,860
Current Tax	875,291	894,857	(19,566)
Delinquent Tax	9,502	10,491	(989)
General State Aid	575,358	612,279	(36,921)
State Machinery & Equipment State Aid	285	0	285
Special Education Aid	172,288	252,338	(80,050)
Mineral Tax	85,442	0	85,442
Other Revenue - Local Sources	298	0	298
Reimbursed Expenses	<u>14,158</u>	<u>0</u>	<u>14,158</u>
 Total Cash Receipts	 <u>1,739,614</u>	 <u>1,770,097</u>	 <u>(30,483)</u>
Expenditures:			
Instruction	576,131	631,019	(54,888)
Student Support Services	4,801	6,300	(1,499)
Instructional Support Staff	13,978	15,810	(1,832)
General Administration	129,151	151,080	(21,929)
School Administration	177,486	190,250	(12,764)
Operations and Maintenance	229,769	198,607	31,162
Student Transportation Services	99,805	106,050	(6,245)
Transfer to Special Education	290,869	285,000	5,869
Transfer to Contingency Reserve	75,840	0	75,840
Transfer to Capital Outlay	36,847	0	36,847
Transfer to Vocational Education	20,000	30,000	(10,000)
Transfer to At Risk (4 Year Old)	5,000	5,000	0
Transfer to At Risk (K-12)	86,240	105,000	(18,760)
Transfer to Food Service	24,046	39,981	(15,935)
Transfer to Professional Development	2,875	5,000	(2,125)
Transfer to Driver Training	0	1,000	(1,000)
Adjustment to Comply with Legal Max Legal General Fund Budget	<u>0</u>	<u>(11,417)</u>	<u>11,417</u>
 Total Legal General Fund Budget	 1,772,838	 1,758,680	 14,158

(Continued)

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 2

General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

(Continued)	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Adjustment for Qualifying Budget Credits:			
Reimbursed Expenses	\$ <u>0</u>	<u>14,158</u>	<u>(14,158)</u>
 Total Expenditures	 <u>1,772,838</u>	 <u>1,772,838</u>	 <u>0</u>
 Cash Receipts Over (Under) Expenditures	 (33,224)		
Unencumbered Cash, Beginning	(11,495)		
Prior Year Cancelled Encumbrances	<u>1,286</u>		
 Unencumbered Cash, Ending	 \$ <u><u>(43,433)</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 3

Supplemental General Fund

Statement of Cash Receipts and Expenditures-Actual and Budget

For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 5,121	2,043	3,078
Current Tax	471,603	482,127	(10,524)
Delinquent Tax	6,055	6,789	(734)
Motor Vehicle Tax	11,115	11,702	(587)
Machinery & Equipment State Aid	218	0	218
Recreational Vehicle Tax	<u>324</u>	<u>297</u>	<u>27</u>
Total Cash Receipts	<u>494,436</u>	<u>502,958</u>	<u>(8,522)</u>
Expenditures:			
Instruction	400,996	372,954	28,042
Instructional Support Staff	4,000	5,000	(1,000)
General Administration	1,978	6,025	(4,047)
Operations and Maintenance	84,826	120,050	(35,224)
Student Transportation Services	0	7,000	(7,000)
Transfer to Special Education	<u>0</u>	<u>20,000</u>	<u>(20,000)</u>
Total Expenditures	<u>491,800</u>	<u>531,029</u>	<u>(39,229)</u>
Cash Receipts Over (Under) Expenditures	2,636		
Unencumbered Cash, Beginning	47,356		
Prior Year Cancelled Encumbrances	<u>14</u>		
Unencumbered Cash, Ending	<u>\$ 50,006</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 4

At Risk Fund (4 Year Old)

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General	\$ <u>5,000</u>	<u>5,000</u>	<u>0</u>
 Expenditures:			
Instruction	<u>5,000</u>	<u>5,000</u>	<u>0</u>
 Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
 Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 5

At Risk Fund (K-12)

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Transfer from General	\$ <u>86,240</u>	<u>105,000</u>	<u>(18,760)</u>
Expenditures:			
Instruction	74,693	93,520	(18,827)
Instructional Support Staff	<u>11,547</u>	<u>11,480</u>	<u>67</u>
Total Expenditures	<u>86,240</u>	<u>105,000</u>	<u>(18,760)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>0</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 6

Capital Outlay Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	Actual	Budget	Variance Over (Under)
Cash Receipts:			
Tax in Process	\$ 3,314	1,100	2,214
Current Tax	356,369	364,210	(7,841)
Delinquent Tax	3,712	4,390	(678)
Motor Vehicle Tax	4,892	4,928	(36)
Machinery & Equipment State Aid	109	0	109
Recreational Vehicle Tax	147	125	22
Other Revenue - Local Sources	53,467	0	53,467
Transfer from General	36,847	0	36,847
	<u>458,857</u>	<u>374,753</u>	<u>84,104</u>
Total Cash Receipts			
Expenditures:			
Instruction	12,453	118,740	(106,287)
Student Support Services	0	25,000	(25,000)
Instructional Support Staff	0	25,000	(25,000)
General Administration	0	7,500	(7,500)
School Administration	0	7,500	(7,500)
Central Services	0	7,500	(7,500)
Operations and Maintenance	179	75,000	(74,821)
Transportation	0	300,000	(300,000)
Facilities Acquisition and Construction	74,031	200,500	(126,469)
	<u>86,663</u>	<u>766,740</u>	<u>(680,077)</u>
Total Expenditures			
Cash Receipts Over (Under) Expenditures	372,194		
Unencumbered Cash, Beginning	<u>391,987</u>		
Unencumbered Cash, Ending	\$ <u>764,181</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 7

Driver Training Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State Aid	\$ 342	1,296	(954)
Other Revenue - Local Sources	550	0	550
Transfer from General	<u>0</u>	<u>1,000</u>	<u>(1,000)</u>
Total Cash Receipts	<u>892</u>	<u>2,296</u>	<u>(1,404)</u>
Expenditures:			
Instruction	<u>2,313</u>	<u>2,313</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	(1,421)		
Unencumbered Cash, Beginning	<u>3,331</u>		
Unencumbered Cash, Ending	\$ <u>1,910</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 8

Food Service Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Federal Aid	\$ 55,312	34,585	20,727
State Aid	1,080	843	237
Food Service	32,280	28,915	3,365
Interest on Idle Funds	7,673	20,000	(12,327)
Reimbursed Expenses	0	100	(100)
Transfer from General	<u>24,046</u>	<u>39,981</u>	<u>(15,935)</u>
Total Cash Receipts	<u>120,391</u>	<u>124,424</u>	<u>(4,033)</u>
Expenditures:			
Operations and Maintenance	230	5,000	(4,770)
Food Service Operation	<u>114,118</u>	<u>124,040</u>	<u>(9,922)</u>
Total Expenditures	<u>114,348</u>	<u>129,040</u>	<u>(14,692)</u>
Cash Receipts Over (Under) Expenditures	6,043		
Unencumbered Cash, Beginning	36,949		
Cancelled Prior Year Encumbrances	<u>21</u>		
Unencumbered Cash, Ending	\$ <u><u>43,013</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 3

Palco, Kansas

Page 9

Professional Development Fund

Statement of Cash Receipts and Expenditures-Actual and Budget

For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
State Aid	\$ 0	1,000	(1,000)
Transfer from General	<u>2,875</u>	<u>5,000</u>	<u>(2,125)</u>
Total Cash Receipts	<u>2,875</u>	<u>6,000</u>	<u>(3,125)</u>
Expenditures:			
Instructional Support Staff	<u>2,875</u>	<u>7,000</u>	<u>(4,125)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>5,000</u>		
Unencumbered Cash, Ending	\$ <u>5,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 10

Special Education Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	<u>Variance Over (Under)</u>
Cash Receipts:			
Transfer from General	\$ 290,869	285,000	5,869
Transfer from Supplemental General	<u>0</u>	<u>20,000</u>	<u>(20,000)</u>
Total Cash Receipts	<u>290,869</u>	<u>305,000</u>	<u>(14,131)</u>
Expenditures:			
Instruction	233,119	302,020	(68,901)
Student Support Services	<u>14,317</u>	<u>0</u>	<u>14,317</u>
Total Expenditures	<u>247,436</u>	<u>302,020</u>	<u>(54,584)</u>
Cash Receipts Over (Under) Expenditures	43,433		
Unencumbered Cash, Beginning	45,000		
Cancelled Prior Year Encumbrances	<u>16</u>		
Unencumbered Cash, Ending	\$ <u><u>88,449</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 11

Vocational Education Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Other Revenue - Local Sources	\$ 10,886	0	10,886
Transfer from General	<u>20,000</u>	<u>30,000</u>	<u>(10,000)</u>
Total Cash Receipts	<u>30,886</u>	<u>30,000</u>	<u>886</u>
Expenditures:			
Instruction	33,926	34,267	(341)
Operations and Maintenance	<u>515</u>	<u>100</u>	<u>415</u>
Total Expenditures	<u>34,441</u>	<u>34,367</u>	<u>74</u>
Cash Receipts Over (Under) Expenditures	(3,555)		
Unencumbered Cash, Beginning	<u>4,367</u>		
Unencumbered Cash, Ending	\$ <u><u>812</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 12

KPERS Special Retirement Contribution Fund

Statement of Cash Receipts and Expenditures-Actual and Budget

For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
State of Kansas	\$ <u>90,347</u>	<u>96,329</u>	<u>0</u>
Expenditures:			
Instruction	57,822	62,000	(4,178)
General Administration	2,710	3,000	(290)
School Administration	10,842	12,000	(1,158)
Student Transportation	7,228	7,329	(101)
Food Service	<u>11,745</u>	<u>12,000</u>	<u>(255)</u>
Total Expenditures	<u>90,347</u>	<u>96,329</u>	<u>(5,982)</u>
Cash Receipts Over (Under) Expenditures	0		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u>0</u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 3

Page 13

Recreation Commission Fund

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Actual</u>	<u>Budget</u>	Variance Over (Under)
Cash Receipts:			
Current Tax	\$ 44,860	45,485	(625)
Delinquent Tax	274	0	274
State Machinery & Equipment State Aid	<u>2</u>	<u>0</u>	<u>2</u>
Total Cash Receipts	<u>45,136</u>	<u>45,485</u>	<u>(349)</u>
Expenditures:			
Community Service Operations	<u>45,000</u>	<u>45,000</u>	<u>0</u>
Cash Receipts Over (Under) Expenditures	136		
Unencumbered Cash, Beginning	<u>0</u>		
Unencumbered Cash, Ending	\$ <u><u>136</u></u>		

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Federal Funds

STATEMENT 3

Page 14

Statement of Cash Receipts and Expenditures-Actual and Budget
For the Year Ended June 30, 2009

	<u>Title I</u>	<u>Title II Part A</u>	<u>Title II Part D</u>	<u>Title VI Part B</u>	<u>Totals</u>	<u>Budget*</u>	<u>Variance Over (Under)</u>
Cash Receipts:							
Federal Aid	\$ <u>23,045</u>	<u>8,170</u>	<u>220</u>	<u>11,651</u>	<u>43,086</u>	<u>42,006</u>	<u>1,080</u>
Expenditures:							
Instruction	<u>22,521</u>	<u>8,170</u>	<u>220</u>	<u>11,651</u>	<u>42,562</u>	<u>42,006</u>	<u>556</u>
Cash Receipts Over (Under) Expenditures	524	0	0	0	524		
Unencumbered Cash, Beginning	0	0	0	0	0		
Prior Year Cancelled Encumbrances	<u>552</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>552</u>		
Unencumbered Cash, Ending	\$ <u><u>1,076</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>1,076</u></u>		

* Federal Funds are not required by statute to be budgeted. This statement is for informational purposes only.

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

UNIFIED SCHOOL DISTRICT NO. 269
Palco, Kansas
Any Non-budgeted Fund
Statement of Cash Receipts and Expenditures
Actual
For the Year Ended June 30, 2009

	<u>Textbook and Student Material Revolving Fund</u>	<u>Contingency Reserve Fund</u>	<u>Gifts and Grants Fund</u>
Cash Receipts:			
Rental Fees and Books	\$ 5,210	0	0
Contributions/Donations	0	0	25,485
Transfer from General	<u>0</u>	<u>75,840</u>	<u>0</u>
 Total Cash Receipts	 <u>5,210</u>	 <u>75,840</u>	 <u>25,485</u>
Expenditures:			
Instruction - Textbooks	4,782	0	0
Instruction - Property	<u>0</u>	<u>0</u>	<u>37,854</u>
 Total Expenditures	 <u>4,782</u>	 <u>0</u>	 <u>37,854</u>
 Cash Receipts Over (Under) Expenditures	 428	 75,840	 (12,369)
Unencumbered Cash, Beginning	0	101,407	12,369
Prior Year Cancelled Encumbrances	<u>36</u>	<u>0</u>	<u>0</u>
 Unencumbered Cash, Ending	 <u>\$ 464</u>	 <u>177,247</u>	 <u>0</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

STATEMENT 4

Palco, Kansas

Agency Funds

Statement of Cash Receipts and Cash Disbursements - Actual
For the Year Ended June 30, 2009

Fund	Beginning Cash Balance	Cash Receipts	Cash Disburse- ments	Ending Cash Balance
Student Organization Funds:				
High School:				
FFA	\$ 2,877	9,141	4,619	7,399
KAYS	1,227	4,447	5,153	521
Student Council	3,139	22,415	21,467	4,087
Class of 2008	308	140	448	0
Class of 2009	4,558	342	3,448	1,452
Class of 2010	6,246	5,521	8,609	3,158
Class of 2011	4,017	2,782	1,128	5,671
Class of 2012	0	6,410	1,888	4,522
Yearbook	2,555	7,716	6,861	3,410
Athletic Club	2,017	575	574	2,018
Cheerleaders	176	2,268	1,814	630
PHS Vocational	37	183	220	0
PHS Football Club	1,757	1,620	1,478	1,899
PHS Basketball	925	1,495	2,218	202
PHS Band	137	0	137	0
Junior High:				
Athletic Club	3,359	3,605	3,328	3,636
Cheerleaders	230	793	496	527
Eighth Grade	2,864	8,325	8,309	2,880
Sales Tax	164	3,058	3,027	195
 Total Student Organization Funds	 \$ <u>36,593</u>	 <u>80,836</u>	 <u>75,222</u>	 <u>42,207</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

STATEMENT 5

District Activity Funds

Statement of Cash Receipts, Expenditures and Unencumbered Cash
For the Year Ended June 30, 2009

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Athletics:							
High School	\$ 3,507	0	17,659	15,350	5,816	0	5,816
Junior High	0	0	2,489	2,305	184	0	184
All School Play	<u>204</u>	<u>0</u>	<u>0</u>	<u>204</u>	<u>0</u>	<u>0</u>	<u>0</u>
 Total District Activity Funds	 \$ <u>3,711</u>	 <u>0</u>	 <u>20,148</u>	 <u>17,859</u>	 <u>6,000</u>	 <u>0</u>	 <u>6,000</u>

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

UNIFIED SCHOOL DISTRICT NO. 269

Palco, Kansas

Notes to the Financial Statements

June 30, 2009

1. Summary of Significant Accounting Policies

Unified School District No. 269, Palco, Kansas operates as a unified school district in accordance with the laws of the State of Kansas. The District is operated by an elected board of education and provides the following services: education, culture and recreation.

The accompanying basic financial statements comply with the provisions of Governmental Accounting Standards Board (GSAB) Statement No. 39, "determining whether certain organizations are component units," in that the financial statements include all organizations, activities and functions for which the District is financially accountable. Financial accountability is defined as the appointment of a voting majority of a component unit's board and either the District's ability to impose its will over a component unit, or the possibility that the component unit will provide a financial benefit or impose a financial burden on the District. On that basis, the reporting entity of the District includes the services of the District only (i.e., there are no component units).

Fund Accounting

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.

The following types of funds comprise the financial activities of the District for the fiscal year ended June 30, 2009:

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 (other than special assessments or major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Fiduciary Funds:

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

Reimbursed Expenditures. Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria: 1) the related disbursement was made in the current year on behalf of the payee, 2) the item paid for was directly identifiable as having been used by or provided to the payee, and 3) the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

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 is charged in the fund from which the transfer is made.

The District has adopted a resolution that is in compliance with Kansas Statutes, waiving the requirement for application of generally accepted accounting principles and allowing the municipality to revert to the statutory basis of accounting.

Departure from the United States of America Generally Accepted Accounting Principles. The basis of presentation 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 generally accepted accounting principles of 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 of the United States of America. General fixed assets that account for the land, building, and equipment owned by the municipality are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are presented in the Statement of Changes in Long-term Debt.

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), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

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

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

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

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

A legal operating budget is not required for fiduciary funds and the following special revenue funds: Federal Funds, Textbook and Student Material Revolving, Contingency Reserve, Gifts and Grants, and District Activity Funds.

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

3. **Property Taxes**

Property taxes are levied November 1st of the calendar year. A lien is placed on the property when the taxes are levied. The taxes are due 1/2 on December 20th and 1/2 the following May 10th. Any taxes unpaid at the due dates are considered delinquent. Collection of current year property tax by the County Treasurer is not completed, apportioned nor distributed to the various subdivisions until the succeeding year: such procedure being in conformity with governing state statutes. Consequently, current year property taxes receivable are not available as a resource that can be used to finance the current year operation of the District and therefore are not susceptible to accrual.

It is not practicable to apportion delinquent taxes held by the County Treasurer at the end of the audit period and, further, the amounts thereof are not material to the financial statements taken as a whole.

4. **Inventories and Prepaid Expense**

Inventories and prepaid expenses, which benefit future periods, are recorded as an expenditure during the year of purchase.

5. **Compensated Absences**

Sick Leave

All full-time employees of Unified School District No. 269 are allowed twelve days a year sick leave, cumulative to fifty-five days, except for bus drivers who are allowed twelve days of sick leave per year non-accumulative. The District, upon an employee's termination, does not pay unused sick leave. No sick leave was payable as of June 30, 2009.

Vacation Pay

The superintendent is allowed twenty days of vacation a year. Other twelve-month employees are allowed two weeks of vacation a year after the first year of service. Vacation pay of \$0 was payable as of June 30, 2009.

6. Defined Benefit Pension Plan

Plan Description

Unified School District No. 269, Palco, Kansas participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined pension plan as provided by K.S.A. 74-4901, et. seq. KPERS provide retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issue 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 Avenue, Suite 100; Topeka, KS 66603-3803) or by calling 1-888-275-5737.

Fund Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4 percent of covered salary. Member-employee 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 6.07 percent 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, 2009, 2008, and 2007 were \$242,277,363, \$220,815,154, and \$192,425,626, respectively, equal to the required contributions for each year.

7. Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the District 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 District under this program.

8. Deposits and Investments

At June 30, 2009, the District had no investments.

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 municipality is located and the banks provide an acceptable rate of return on the 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.

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.

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 not designated any "peak periods" with eligible depositories. All deposits were legally secured at June 30, 2009.

At June 30, 2009, the District's carrying amount of deposits was \$1,247,697 and the bank balance was \$1,567,293. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, \$1,567,293 was covered by federal depository insurance.

9. Interfund Transfers

Operating transfers were as follows:

	From	To	Statutory Authority	Amount
General		Capital Outlay	K.S.A. 72-6428	\$ 36,847
General		Special Education	K.S.A. 72-6428	290,869
General		Vocational Education	K.S.A. 72-6428	20,000
General		Contingency Reserve	K.S.A. 72-6428	75,840
General		At Risk (4 Year Old)	K.S.A. 72-6428	5,000
General		At Risk (K-12)	K.S.A. 72-6428	86,240
General		Food Service	K.S.A. 72-6428	24,046
General		Professional Development	K.S.A. 72-6428	2,875

10. 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 for which the District purchases commercial insurance.

During the year ended June 30, 2009, the District did not reduce insurance coverage from levels in place during the prior year. No settlements have exceeded coverage levels in place during the past three fiscal years.

11. Compliance with Kansas Statutes

Budget Compliance

K.S.A. 79-2935 states that it is unlawful for expenditures to exceed the District's published budget. It appears that expenditures in the Vocational Education fund have exceeded the respective published budget amount. This appears to be a violation of K.S.A. 79-2935.

Cash Basis Violation

K.S.A. 10-1113 requires that no indebtedness be created for a fund in excess of available monies in that fund. The General Fund has a negative ending unencumbered cash balance of \$43,433 for the year ending June 30, 2009. This is due to the late distribution of special education services aid. The special education services payment of \$46,322 was received on July 1, 2009. Expenditures by school districts in excess of current revenues due to late general aid are exempted by K.S.A. 10-1116(a). However, there is no such statutory exemption for expenditures by school districts in excess of current revenues due to the late distribution of special education aid. Thus, the General Fund is in violation of K.S.A 10-1113.

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

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

In addition, the General Fund Statement also includes special education aid for the fiscal year ended June 30, 2009, as confirmed by the Kansas State Department of Education. Inclusion of the special education aid is not required by the statutes but has been included in this statement to be in conformity with the budget laws of Kansas.

STATUTORY REVENUES AND EXPENDITURES – STATUTORY AND BUDGET
For the Year Ended June 30, 2009

GENERAL FUND

	Statutory Transactions	Budget	Variance Over (Under)
Statutory Revenues:			
Tax in Process	\$ 6,992	132	6,860
Current Tax	875,291	894,857	(19,566)
Delinquent Tax	9,502	10,491	(989)
General State Aid	563,863	612,279	(48,416)
Machinery & Equipment State Aid	285	0	285
Special Education Aid	218,610	252,338	(33,728)
Mineral Tax	85,442	0	85,442
Other Revenue - Local Sources	298	0	298
Reimbursed Expenses	14,158	0	14,158
 Total Statutory Revenues	1,774,441	1,770,097	4,344
 Expenditures:			
Instruction	576,131	631,019	(54,888)
Student Support Services	4,801	6,300	(1,499)
Instructional Support Staff	13,978	15,810	(1,832)
General Administration	129,151	151,080	(21,929)
School Administration	177,486	190,250	(12,764)
Operations and Maintenance	229,769	198,607	31,162
Student Transportation Services	99,805	106,050	(6,245)
Transfer to Special Education	290,869	285,000	5,869
Transfer to Contingency Reserve	75,840	0	75,840
Transfer to Capital Outlay	36,847	0	36,847
Transfer to Vocational Education	20,000	30,000	(10,000)
Transfer to At Risk (4 Year Olds)	5,000	5,000	0
Transfer to At Risk (K-12)	86,240	105,000	(18,760)
Transfer to Food Service	24,046	39,981	(15,935)
Transfer to Professional Development	2,875	5,000	(2,125)
Transfer to Driver Training	0	1,000	(1,000)
Adjustment to Comply with Legal Max Legal General Fund Budget	0	(11,417)	11,417
 Legal General Fund Budget	1,772,838	1,758,680	14,158
 Adjustment for Qualifying Budget Credits:			
Reimbursed Expenses	\$ 0	14,158	(14,158)
 Total Expenditures	1,772,838	1,772,838	0
 Cash Receipts Over (Under) Expenditures	1,603		
Modified Unencumbered Cash, Beginning	0		
Prior Year Cancelled Encumbrances	1,286		
 Modified Unencumbered Cash, Ending	\$ 2,889		

MAPES & MILLER

CERTIFIED PUBLIC ACCOUNTANTS

A PARTNERSHIP OF PROFESSIONAL CORPORATIONS

Members of American Institute of Certified Public Accountants
and the Kansas Society of Certified Public Accountants

JOHN D. MAPES, CPA
DENIS W. MILLER, CPA

THOMAS CARPENTER, CPA
DON TILTON, CPA

February 8, 2010

418 E. Holme
Norton, KS 67654-1412
(785) 877-5833
FAX - (785) 877-5442
email - mmcpas@ruraltel.net

To the Board of Education
Unified School District No. 269
Palco, KS 67657

711 3rd Street
P.O. Box 266
Phillipsburg, KS 67661-0266
(785) 543-6561
FAX - (785) 543-6563
email - mmoburg@ruraltel.net

We have audited the financial statements of Unified School District No. 269 for the year ended June 30, 2009, and have issued our report thereon dated February 8, 2010.

503 Main St.
P.O. Box 508
Stockton, KS 67769-0508
(785) 425-6764
FAX - (785) 425-6765
email - mmstkn@ruraltel.net

In planning and performing our audit of the financial statements of Unified School District No. 269, Palco, Kansas, as of and for the year ended June 30, 2009, in accordance with auditing standards generally accepted in the United States of America, we considered Unified School District No. 269's internal control over financial reporting (internal control) 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 Unified School District No. 269's internal control. Accordingly, we do not express an opinion on the effectiveness of Unified School District No. 269's internal control.

230 Main St.
P.O. Box 412
Quinter, KS 67752-0412
(785) 754-2111
FAX - (785) 754-2112
email - mapes@ruraltel.net

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with the basis of accounting prescribed by the cash basis and budget laws of the State of Kansas, such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

117 N. Main St.
P.O. Box 73
WaKeeney, KS 67672-0073
(785) 743-5512
FAX - (785) 743-5513
email - mapeswak@ruraltel.net

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

306 N. Pomeroy
Hill City, KS 67642-1720
(785) 421-2163
FAX - (785) 421-2164
email - mapeshc@ruraltel.net

Our consideration of internal control was for the limited purpose described in the first paragraph 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 that we consider to be material weaknesses, as defined above.

Professional standards require that we provide you with the following information related to our audit.

Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated September 22, 2008, our responsibility, as described by professional standards, is to express an opinion about whether the financial statements prepared by management with your oversight are fairly presented, in all material respects, in conformity with the accounting practices prescribed by the cash basis and budget laws of the State of Kansas. Our audit of the financial statements does not relieve you or management of your responsibilities.

Significant Audit Findings

Qualitative Aspects of Accounting Practices

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Unified School District No. 269 are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during year ended June 30, 2009. We noted no transactions entered into by Unified School District No. 269 during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them differ significantly from those expected. No estimates were made by management for the year ended June 30, 2009.

The disclosures in the financial statements are neutral, consistent, and clear. Certain financial statement disclosures can be particularly sensitive because of their significance to financial statement users. For the year ended June 30, 2009, there were no sensitive disclosures that were included in the financial statements.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

Corrected and Uncorrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. The attached schedule summarizes uncorrected misstatements of the financial statements. Management has determined that their effects are immaterial, both individually and in the aggregate, to the financial statements taken as a whole. In addition, none of the misstatements detected as a result of the audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Management Representations

We have requested certain representations from management that are included in the management representation letter dated February 8, 2010.

Management Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Other Audit Findings or Issues

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the governmental unit's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

We also noted other matters relating to the accounting procedures and system of internal control utilized by the District in maintaining its financial records in accordance with cash basis and budget laws of the State of Kansas.

The following matters as discussed below were considered during our audit of the financial statements as of June 30, 2009, and these comments do not modify the opinion expressed in our audit report on such financial statements and are not considered material weaknesses or significant deficiencies:

1. K.S.A. 10-816 requires checks outstanding for two years or more to be cancelled and restored to the fund originally charged. We noted several checks outstanding for more than two years. We recommend they be cancelled as noted above.

This communication is intended solely for the information and use of the governing body and management of the District, others within the organization and is not intended to be and should not be used by anyone other than these specified parties.

Mapes & Miller
Certified Public Accountants