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

FINANCIAL STATEMENT
JUNE 30, 2018

BFR

BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying fund summary statement of regulatory basis receipts, expenditures and unencumbered cash balances of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of and for the year ended **June 30, 2018,** and the related notes to the financial statement.

Management's Responsibility for the Financial Statement
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.

Auditors' 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 auditors' 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 auditors consider 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.

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Board of Education
Valley Center Unified School District No. 262

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

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

Adverse Opinion on Accounting Principles Generally Accepted in the United States of America
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 **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of **June 30, 2018**, or changes in financial position and cash flows thereof 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 **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of **June 30, 2018**, 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 basis receipts and expenditures-actual and budget, individual fund schedules of regulatory basis receipts and expenditures-actual, schedule of cash receipts and expenditures-capital projects, agency funds schedules of regulatory basis cash receipts and disbursements and district activity funds schedules of regulatory basis cash receipts, expenditures and unencumbered cash (Regulatory-Required Supplementary Information as listed in the table of contents) are presented for analysis and are not a required part of the basic financial statement, however are required to be presented under the provisions of the *Kansas Municipal Audit and Accounting Guide*. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards*, and is not a required part of the financial statement. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statement.

Board of Education
Valley Center Unified School District No. 262

The information has been subjected to the auditing procedures applied in the audit of the basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statement or to the basic 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, on the basis of accounting described in Note 1.

The 2017 Actual column presented in the individual fund schedules of regulatory basis receipts and expenditures-actual and budget and individual fund schedules of regulatory basis receipts and expenditures-actual (as listed in the table of contents) is also presented for comparative analysis and is not a required part of the 2017 basic financial statement upon which we rendered an unmodified opinion dated October 31, 2017. The 2017 basic financial statement and our accompanying report are not presented herein but are available in electronic form from the web site of the Kansas Department of Administration at the following link http://da.ks.gov/ar/muniserv/. Such 2017 comparative information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 2017 basic financial statement. The 2017 comparative information was subjected to the auditing procedures applied in the audit of the 2017 basic financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the 2017 basic financial statement or to the 2017 basic financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 2017 comparative information is fairly stated in all material respects in relation to the 2017 basic financial statement as a whole, on the basis of accounting described in Note 1.

Other Reporting Required by Government Auditing Standards
In accordance with *Government Auditing Standards*, we have also issued our report dated December 7, 2018, on our consideration of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting and compliance.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 7, 2018

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SUMMARY OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
General Fund	$ 0	$ 0	$ 17,415,402	$ 17,415,402	$ 0	$ 0	$ 0
Special Purpose Funds							
Supplemental General	182,615	0	5,653,631	5,643,815	192,431	0	192,431
At Risk (4 Year Old)	60,032	0	160,200	160,146	60,086	0	60,086
At Risk (K-12)	431,608	0	1,747,156	1,724,984	453,780	0	453,780
Bilingual Education	10,021	0	146,989	117,002	40,008	0	40,008
Virtual Education	25,085	0	150,700	150,729	25,056	0	25,056
Capital Outlay	3,875,236	0	1,363,300	1,638,473	3,600,063	0	3,600,063
Driver Training	31,214	0	18,427	13,773	35,868	0	35,868
Food Service	406,471	0	1,222,389	1,225,152	403,708	0	403,708
Professional Development	120,682	0	99,857	83,761	136,778	0	136,778
Summer School	6,941	0	20,223	19,179	7,985	0	7,985
Special Education	1,448,283	0	4,599,296	4,374,224	1,673,355	0	1,673,355
Career and Postsecondary Education	57,101	0	720,310	706,774	70,637	0	70,637
KPERS Contribution	0	0	1,674,960	1,674,960	0	0	0
Recreation Commission	21,893	0	589,957	589,039	22,811	0	22,811
Recreation Commission Employee Benefits	0	0	84,717	84,717	0	0	0
Federal Funds	212	0	340,038	340,250	0	0	0
Gifts and Grants	20,779	0	30,036	28,689	22,126	0	22,126
Contingency Reserve	1,406,491	0	165,398	165,398	1,406,491	0	1,406,491
Textbook and Student Material Revolving	205,263	0	194,328	187,332	212,259	0	212,259
District Activity Funds	97,399	0	482,369	505,816	73,952	0	73,952
Debt Service Funds							
Bond and Interest	4,019,728	0	6,197,260	6,035,363	4,181,625	0	4,181,625
Special Assessments	9,420	0	0	9,420	0	0	0
Capital Projects	9,816,459	0	106,943	8,713,367	1,210,035	7,311,364	8,521,399
	$ 22,252,933	$ 0	$ 43,183,886	$ 51,607,765	$ 13,829,054	$ 7,311,364	$ 21,140,418

Composition of Cash:		
	Checking and Money Market Accounts	$ 12,915,908
	Investments	8,356,995
		21,272,903
	Agency Funds	(132,485)
		$ 21,140,418

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

Note 1 - Summary of Significant Accounting Policies:

Financial Reporting Entity

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

KMAAG Regulatory Basis of Presentation Fund Definitions:

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

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

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

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

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

Regulatory Basis of Accounting and Departure from Accounting Principles Generally accepted in the United States of America

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

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

Budget and Tax Cycle

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. There were no amendments to the budget for the year ended June 30, 2018.

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 schedules are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

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

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

Federal Funds	Gifts and Grants Fund
Contingency Reserve Fund	Textbook and Student Material Revolving Fund
District Activity Funds	

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

Note 2 - In Substance Receipt in Transit:

The District received $1,427,294 subsequent to June 30, 2018, 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, 2018.

Note 3 - 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. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. KPERS' financial statements are included in its Comprehensive Annual Financial Report which can be found on the KPERS website at www.kpers.org or by writing to KPERS (611 South Kansas, Suite 100, Topeka, KS 66603) or by calling 1-888-275-5737.

Contributions

K.S.A. 74-4919 and K.S.A. 74-49,210 establish the KPERS member-employee contribution rates. KPERS has multiple benefit structures and contribution rates depending on whether the employee is a KPERS 1, KPERS 2 or KPERS 3 member. KPERS 1 members are active and contributing members hired before July 1, 2009. KPERS 2 members were first employed in a covered position on or after July 1, 2009 and KPERS 3 members were first employed in a covered position on or after January 1, 2015. Effective January 1, 2015, Kansas law established the KPERS member-employee contribution rate of 6% of covered salary for KPERS 1, KPERS 2 and KPERS 3 members. Member contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code.

State law provides that the employer contribution rates for KPERS 1, KPERS 2 and KPERS 3 be determined based on the results of each annual actuarial valuation. Kansas law sets a limitation on annual increases in the employer contribution rates. The actuarially determined employer contribution rate (not including the 1% contribution rate with a 0% moratorium for the period of July 1, 2017 through September 30, 2017 for the Death and Disability Program) was 10.81% for the fiscal year ended June 30, 2017. The actuarially determined employer contribution rate was 12.01% for the fiscal year ended June 30, 2018. Per 2016 House Substitute for Senate Bill 161, Section 98(a)(1), state general fund and expanded lottery act revenue funds for employer contributions to KPERS were deferred. The amount deferred for school contributions was $92,917,091 for the fiscal year ended June 30, 2016 and the anticipated repayments per SB249 were nullified per HB2052 during fiscal year 2017.

The State of Kansas contribution to KPERS for all school municipalities for the year ending June 30, 2017, received as of June 30th was $304,596,361. Per 2017 Senate Substitute for House Bill 2052, Section 37(a), state general fund employer contributions to KPERS were decreased by $64,130,234 for the fiscal year ended June 30, 2017. Section 43(17) of the bill also stipulates that repayments of the reduced contributions are to be amortized over twenty years at a level dollar amount commencing in fiscal year 2018. The level dollar amount was computed to be $6.4 million dollars per year.

The State of Kansas is required to contribute the statutory required employer's share except for retired District employees. The District is responsible for the employer's portion of the cost for retired District employees. The District received and remitted amounts equal to the statutory contribution rate, which totaled $1,674,960 for the year ended June 30, 2018.

Net Pension Liability

At June 30, 2018, the District's proportionate share of the collective net pension liability reported by KPERS was $19,439,050. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016, which was rolled forward to June 30, 2017. The District's proportion of the net pension liability was based on the ratio of the District's contributions to KPERS, relative to the total employer and non-employer contributions of the State/School subgroup within KPERS for the fiscal year ended June 30, 2017. Since the KMAAG regulatory basis of accounting does not recognize long-term debt, this liability is not reported in this financial statement.

The complete actuarial valuation report including all actuarial assumptions and methods, and the report on the allocation of the KPERS collective net pension liability to all participating employers are publicly available on the website at www.kpers.org or can be obtained as described above.

Note 4- Subsequent Events:

The District has evaluated subsequent events through December 7, 2018, the date which the financial statement was available to be issued.

Note 5 - Postemployment Benefits:

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

Note 6 - Capital Projects:

At year-end, capital project authorization compared with expenditures from inception are as follows:

	Project Authorization	Expenditures to Date
School Renovations and Improvements	$19,656,995	$18,446,960

Note 7 - Reimbursed Expenses:

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

Note 8 - Interfund Transactions:

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

	Transfer to:											
Transfer from:	Supplemental General	At Risk (4 Year Old)	At Risk (K-12)	Bilingual Education	Virtual Education	Capital Outlay	Professional Development	Summer School	Special Education	Career and Postsecondary Education	Contingency Reserve	Total
General Fund	$ 0	$ 100,200	$ 97,628	$ 0	$ 125,700	$ 25,000	$ 0	$ 0	$ 4,302,362	$ 0	$ 165,398	$ 4,816,288
Supplemental General Fund	0	60,000	1,646,690	145,100	25,000	0	85,000	4,000	207,977	667,100	0	$ 2,840,867
Contingency Reserve Fund	165,398	0	0	0	0	0	0	0	0	0	0	$ 165,398
	$ 165,398	$ 160,200	$ 1,744,318	$ 145,100	$ 150,700	$ 25,000	$ 85,000	$ 4,000	$ 4,510,339	$ 667,100	$ 165,398	$ 7,822,553

Note 9 - Contingencies:

Grant Programs

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

Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The District carries commercial insurance for all risks of loss. Settled claims resulting from these risks have not materially exceeded commercial insurance coverage in any of the past three years.

Note 10 - Deposits & Investments:

As of June 30, 2018, the District had the following investments and maturities:

Investment Type	Fair Value	Maturity Less Than One Year	Rating
U.S. Treasury Notes	$ 8,356,995	$ 8,356,995	S&P AAAf/S 1+

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.

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

Concentration of credit risk. State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405. The District's allocation of investments as of June 30, 2018, is as follows:

Investment Type	Percentage of Investments
U.S. Treasury Notes	100%

Custodial credit risk – deposits. Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at June 30, 2018.

At June 30, 2018, the District's carrying amount of deposits was $12,915,908 and the bank balance was $13,783,115. The bank balance was held by one bank resulting in a concentration of credit risk. Of the bank balance, $250,000 was covered by federal depository insurance and the remaining $13,533,115 was collateralized with securities held by the pledging financial institution's agent in the District's name.

Custodial credit risk – investments. For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

Note 11 - Compensated Absences:

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

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

Note 12 - Advance Refunding of Bond Obligation:

On December 27, 2012, the District issued $9,255,000 in General Obligation Bonds with interest rates ranging from 2.00% to 3.00%. Of the issue, $9,440,283 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 2008 bonds. As of June 30, 2018, $8,480,000 of bonds outstanding are considered defeased and not included in long-term debt below.

On October 28, 2015, the District issued $42,125,000 in General Obligation Bonds with interest rates ranging from 4.00% to 5.00%. Of the issue, $47,255,476 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 2008 bonds. As of June 30, 2018, $42,815,000 of bonds outstanding are considered defeased and not included in long-term debt below.

On December 28, 2017, the District issued $9,705,000 in General Obligation Bonds with interest rates ranging from 2.25% to 4.00%. Of the issue, $9,712,385 was used to purchase U.S. government securities. Those securities were deposited with an escrow agent to provide for the future debt service payments on a portion of the 2016 bonds. As of June 30, 2018, $9,005,000 of bonds outstanding are considered defeased and not included in long-term debt below.

Note 13 - Long-Term Debt:

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

Lease payments are due monthly and annually.

Terms for long-term liabilities for the District for the year ended June 30, 2018, were as follows:

Issue	Interest Rate	Date of Issue	Amount of Issue	Date of Final Maturity
General Obligation Bonds				
2008 Series	4.00 - 5.00	7/15/08	$ 58,880,000	9/1/28
2012 Series	2.00 - 3.00	12/27/12	$ 9,255,000	9/1/28
2013-A Series	3.00	10/1/13	$ 3,015,000	9/1/17
2015 Series	4.00 - 5.00	10/28/15	$ 42,125,000	9/1/33
2016 Series	2.00 - 5.00	7/6/16	$ 18,000,000	9/1/36
2017 Series	2.25 - 4.00	12/28/17	$ 9,705,000	9/1/35
Capital Leases				
Copiers	5.93	8/2/13	$ 79,922	8/2/18
Computer Equipment	3.24	8/1/16	$ 543,210	8/1/19
iPads	2.05	5/14/18	$ 134,870	7/15/21
Chromebooks	5.11	8/1/18	$ 167,056	7/1/21

Changes in long-term liabilities for the District for the year ended June 30, 2018, were as follows:

Issue	Balance Beginning of Year	Additions	Reductions/ Payments	Balance End of Year	Interest Paid
General Obligation Bonds					
2008 Series	$ 5,275,000	$ 0	$ 1,170,000	$ 4,105,000	$ 2,778,713
2012 Series	9,255,000	0	0	9,255,000	0
2013-A Series	1,300,000	0	1,300,000	0	19,500
2015 Series	42,125,000	0	0	42,125,000	0
2016 Series	18,000,000	0	9,005,000	8,995,000	765,650
2017 Series	0	9,705,000	0	9,705,000	0
	75,955,000	9,705,000	11,475,000	74,185,000	3,563,863
Capital Leases					
Copiers	20,816	0	17,754	3,062	757
Computer Equipment	400,845	0	129,378	271,467	12,987
iPads	0	134,870	0	134,870	0
Chromebooks	0	167,056	0	167,056	0
	421,661	301,926	147,132	576,455	13,744
	$ 76,376,661	$ 10,006,926	$ 11,622,132	$ 74,761,455	$ 3,577,607

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

	Principal			Interest			
	General Obligation Bonds	Capital Leases	Total Principal	General Obligation Bonds	Capital Leases	Total Interest	Total Principal and Interest
2019	$ 2,895,000	$ 216,117	$ 3,111,117	$ 2,828,875	$ 9,087	$ 2,837,962	$ 5,949,079
2020	2,535,000	209,358	2,744,358	2,527,150	12,761	2,539,911	5,284,269
2021	2,655,000	74,109	2,729,109	2,405,225	5,645	2,410,870	5,139,979
2022	2,775,000	76,871	2,851,871	2,276,975	2,883	2,279,858	5,131,729
2023	2,910,000	0	2,910,000	2,140,563	0	2,140,563	5,050,563
2024 - 2028	17,435,000	0	17,435,000	9,642,603	0	9,642,603	27,077,603
2029 - 2033	24,175,000	0	24,175,000	6,136,825	0	6,136,825	30,311,825
2034 - 2038	18,805,000	0	18,805,000	1,314,653	0	1,314,653	20,119,653
	$ 74,185,000	$ 576,455	$ 74,761,455	$ 29,272,869	$ 30,376	$ 29,303,245	$ 104,064,700

REGULATORY REQUIRED SUPPLEMENTARY INFORMATION

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	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)
General Fund	$ 17,385,873	$ (100,565)	$ 130,094	$ 17,415,402	$ 17,415,402	$ 0
Special Purpose Funds						
Supplemental General	5,665,398	0	0	5,665,398	5,643,815	(21,583)
At Risk (4 Year Old)	196,000	0	0	196,000	160,146	(35,854)
At Risk (K-12)	2,086,000	0	0	2,086,000	1,724,984	(361,016)
Bilingual Education	160,000	0	0	160,000	117,002	(42,998)
Virtual Education	228,175	0	0	228,175	150,729	(77,446)
Capital Outlay	3,000,000	0	0	3,000,000	1,638,473	(1,361,527)
Driver Training	27,600	0	0	27,600	13,773	(13,827)
Food Service	1,787,350	0	0	1,787,350	1,225,152	(562,198)
Professional Development	139,050	0	0	139,050	83,761	(55,289)
Summer School	27,050	0	0	27,050	19,179	(7,871)
Special Education	4,528,620	0	0	4,528,620	4,374,224	(154,396)
Career and Postsecondary Education	843,285	0	0	843,285	706,774	(136,511)
KPERS Contribution	1,790,345	0	0	1,790,345	1,674,960	(115,385)
Recreation Commission	589,039	0	0	589,039	589,039	0
Recreation Commission Employee Benefits	94,828	0	0	94,828	84,717	(10,111)
Federal Funds	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	340,250	XXXXXXXXXX
Gifts and Grants	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	28,689	XXXXXXXXXX
Contingency Reserve	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	165,398	XXXXXXXXXX
Textbook and Student Material Revolving	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	187,332	XXXXXXXXXX
District Activity Funds	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	505,816	XXXXXXXXXX
Debt Service Funds						
Bond and Interest	6,035,363	0	0	6,035,363	6,035,363	0
Special Assessments	9,420	0	0	9,420	9,420	0
Capital Projects	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	XXXXXXXXXX	8,713,367	XXXXXXXXXX
	$ 44,593,396	$ (100,565)	$ 130,094	$ 44,622,925	$ 51,607,765	$ (2,956,012)

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

General Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 87,698	$ 130,094	$ 0	$ 130,094
County Sources	4,171	0	0	0
State Sources	16,924,085	17,285,308	17,385,873	(100,565)
	17,015,954	17,415,402	$17,385,873	$ 29,529
Expenditures				
Instruction	7,338,883	7,453,904	$ 8,020,253	$ (566,349)
Student Support Services	627,974	565,245	840,000	(274,755)
Instructional Support Staff	446,599	459,944	481,000	(21,056)
General Administration	616,903	634,925	681,000	(46,075)
School Administration	1,285,406	1,363,786	1,368,500	(4,714)
Central Services	0	304,049	307,750	(3,701)
Operations & Maintenance	982,353	999,369	1,051,875	(52,506)
Student Transportation Services	807,433	817,892	909,667	(91,775)
Other Supplemental Services	292,602	0	0	0
Architectural & Engineering Service	3,820	0	5,000	(5,000)
Transfers	4,613,981	4,816,288	3,720,828	1,095,460
Adjustment to Comply with Legal Max	0	0	(100,565)	100,565
Adjustment for Qualifying Budget Credits	0	0	130,094	(130,094)
	17,015,954	17,415,402	$17,415,402	$ 0
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 0	$ 0		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Supplemental General Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 1,743,981	$ 1,931,404	$ 1,757,405	$ 173,999
County Sources	231,551	263,450	265,536	(2,086)
State Sources	3,346,592	3,293,379	3,294,443	(1,064)
Transfers	0	165,398	165,398	0
	5,322,124	5,653,631	$ 5,482,782	$ 170,849
Expenditures				
Instruction	382,268	446,266	$ 811,218	$ (364,952)
Student Support Services	10,841	10,769	11,000	(231)
Instructional Support Staff	64,093	70,556	110,250	(39,694)
General Administration	9,608	17,895	8,000	9,895
School Administration	175,270	200,683	156,100	44,583
Central Services	0	568,995	579,500	(10,505)
Operations & Maintenance	1,377,596	1,487,784	1,672,500	(184,716)
Other Supplemental Services	582,245	0	0	0
Transfers	2,719,421	2,840,867	2,316,830	524,037
	5,321,342	5,643,815	$ 5,665,398	$ (21,583)
Receipts Over (Under) Expenditures	782	9,816		
Unencumbered Cash, Beginning	181,833	182,615		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 182,615	$ 192,431		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

At Risk Fund (4 Year Old)		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Federal Sources	$ 0	$ 0	$ 22,033	$ (22,033)
Transfers	109,000	160,200	116,500	43,700
	109,000	160,200	$ 138,533	$ 43,700
Expenditures				
Instruction	96,631	157,158	$ 196,000	$ (38,842)
Student Support Services	2,349	2,988	0	2,988
	98,980	160,146	$ 196,000	$ (35,854)
Receipts Over (Under) Expenditures	10,020	54		
Unencumbered Cash, Beginning	50,012	60,032		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 60,032	$ 60,086		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

At Risk Fund (K-12)		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 71,525	$ 2,838	$ 0	$ 2,838
Transfers	1,024,700	1,744,318	1,662,891	81,427
	1,096,225	1,747,156	$ 1,662,891	$ 84,265
Expenditures				
Instruction	1,036,905	1,381,775	$ 1,878,000	$ (496,225)
Student Support Services	77,702	342,628	201,000	141,628
Student Transportation Services	2,725	581	7,000	(6,419)
	1,117,332	1,724,984	$ 2,086,000	$ (361,016)
Receipts Over (Under) Expenditures	(21,107)	22,172		
Unencumbered Cash, Beginning	452,715	431,608		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 431,608	$ 453,780		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Bilingual Education Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 1,191	$ 1,889	$ 0	$ 1,889
Transfers	140,820	145,100	150,000	(4,900)
	142,011	146,989	$ 150,000	$ (3,011)
Expenditures				
Instruction	130,818	114,721	$ 158,000	$ (43,279)
Instruction Support Staff	1,190	2,281	2,000	281
	132,008	117,002	$ 160,000	$ (42,998)
Receipts Over (Under) Expenditures	10,003	29,987		
Unencumbered Cash, Beginning	18	10,021		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 10,021	$ 40,008		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Virtual Education Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 210	$ 0	$ 0	$ 0
Transfers	103,500	150,700	208,175	(57,475)
	103,710	150,700	$ 208,175	$ (57,475)
Expenditures				
Instruction	93,777	134,236	$ 162,500	$ (28,264)
Student Support Services	90	0	46,125	(46,125)
Instructional Support Staff	120	1,699	0	1,699
School Administration	11,832	11,865	15,050	(3,185)
Operations & Maintenance	1,600	2,929	4,500	(1,571)
	107,419	150,729	$ 228,175	$ (77,446)
Receipts Over (Under) Expenditures	(3,709)	(29)		
Unencumbered Cash, Beginning	28,794	25,085		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 25,085	$ 25,056		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Capital Outlay Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 1,148,543	$ 855,822	$ 956,365	$ (100,543)
County Sources	112,536	114,574	115,671	(1,097)
State Sources	417,430	367,904	361,326	6,578
Transfers	173,401	25,000	0	25,000
	1,851,910	1,363,300	$ 1,433,362	$ (70,062)
Expenditures				
Instruction	117,914	124,155	$ 125,000	$ (845)
Student Support Services	54,669	51,984	200,000	(148,016)
Instructional Support Staff	0	22,677	100,000	(77,323)
General Administration	0	26	50,000	(49,974)
School Administration	34	5,851	50,000	(44,149)
Central Services	4,054	0	75,000	(75,000)
Operations & Maintenance	51,865	108,756	700,000	(591,244)
Transportation	128,373	328,133	300,000	28,133
Facility Acquisition & Construction Services	1,436,190	996,891	1,400,000	(403,109)
	1,793,099	1,638,473	$ 3,000,000	$ (1,361,527)
Receipts Over (Under) Expenditures	58,811	(275,173)		
Unencumbered Cash, Beginning	3,815,510	3,875,236		
Prior Year Canceled Encumbrances	915	0		
Unencumbered Cash, Ending	$ 3,875,236	$ 3,600,063		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Driver Training Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 12,250	$ 9,595	$ 12,000	$ (2,405)
State Sources	8,832	8,832	10,500	(1,668)
	21,082	18,427	$ 22,500	$ (4,073)
Expenditures				
Instruction	17,193	13,637	$ 27,400	$ (13,763)
School Administration	0	40	0	40
Operations & Maintenance	59	96	200	(104)
	17,252	13,773	$ 27,600	$ (13,827)
Receipts Over (Under) Expenditures	3,830	4,654		
Unencumbered Cash, Beginning	27,384	31,214		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 31,214	$ 35,868		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Food Service Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 567,486	$ 542,769	$ 717,872	$ (175,103)
State Sources	13,630	13,288	11,397	1,891
Federal Sources	689,993	666,332	654,125	12,207
	1,271,109	1,222,389	$ 1,383,394	$ (161,005)
Expenditures				
Operations & Maintenance	70,455	71,315	$ 308,100	$ (236,785)
Food Service Operation	1,141,375	1,153,837	1,479,250	(325,413)
	1,211,830	1,225,152	$ 1,787,350	$ (562,198)
Receipts Over (Under) Expenditures	59,279	(2,763)		
Unencumbered Cash, Beginning	339,998	406,471		
Prior Year Canceled Encumbrances	7,194	0		
Unencumbered Cash, Ending	$ 406,471	$ 403,708		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Professional Development Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 1,400	$ 1,800	$ 0	$ 1,800
State Sources	0	13,057	7,500	5,557
Transfers	76,000	85,000	60,000	25,000
	77,400	99,857	$ 67,500	$ 32,357
Expenditures				
Instruction	14,019	17,875	$ 0	$ 17,875
Instructional Support Staff	59,537	64,925	137,050	(72,125)
Central Services	0	961	2,000	(1,039)
Other Support Services	1,326	0	0	0
	74,882	83,761	$ 139,050	$ (55,289)
Receipts Over (Under) Expenditures	2,518	16,096		
Unencumbered Cash, Beginning	118,164	120,682		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 120,682	$ 136,778		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Summer School Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 19,235	$ 16,223	$ 25,000	$ (8,777)
Transfers	2,000	4,000	0	4,000
	21,235	20,223	$ 25,000	$ (4,777)
Expenditures				
Instruction	18,788	19,179	$ 27,050	$ (7,871)
	18,788	19,179	$ 27,050	$ (7,871)
Receipts Over (Under) Expenditures	2,447	1,044		
Unencumbered Cash, Beginning	4,494	6,941		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 6,941	$ 7,985		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Special Education Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 66,711	$ 72,688	$ 0	$ 72,688
Federal Sources	0	16,269	0	16,269
Transfers	3,953,700	4,510,339	3,115,092	1,395,247
	4,020,411	4,599,296	$ 3,115,092	$ 1,484,204
Expenditures				
Instruction	3,621,354	3,948,054	$ 4,166,620	$ (218,566)
Student Transportation Services	337,157	426,170	362,000	64,170
	3,958,511	4,374,224	$ 4,528,620	$ (154,396)
Receipts Over (Under) Expenditures	61,900	225,072		
Unencumbered Cash, Beginning	1,386,383	1,448,283		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 1,448,283	$ 1,673,355		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Career and Postsecondary Education Fund	Prior Year Actual	Current Year Actual	Current Year Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 72,625	$ 42,501	$ 50,000	$ (7,499)
State Sources	7,287	10,709	8,384	2,325
Federal Sources	0	0	16,235	(16,235)
Transfers	645,130	667,100	725,000	(57,900)
	725,042	720,310	$ 799,619	$ (79,309)
Expenditures				
Instruction	585,087	638,209	$ 705,500	$ (67,291)
Student Support Services	1,716	4,443	0	4,443
Instruction Support Staff	88,412	50,648	121,785	(71,137)
Transportation	4,752	13,474	16,000	(2,526)
	679,967	706,774	$ 843,285	$ (136,511)
Receipts Over (Under) Expenditures	45,075	13,536		
Unencumbered Cash, Beginning	12,026	57,101		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 57,101	$ 70,637		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

KPERS Contribution Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
State Sources	$ 0	$ 1,674,960	$ 1,790,345	$ (115,385)
Transfers	1,105,151	0	0	0
	1,105,151	1,674,960	$ 1,790,345	$ (115,385)
Expenditures				
Instruction	704,587	1,030,314	$ 1,141,431	$ (111,117)
Student Support Services	48,064	75,232	77,863	(2,631)
Instructional Support Staff	33,438	58,849	54,170	4,679
General Administration	28,855	46,844	46,745	99
School Administration	99,143	148,942	160,611	(11,669)
Central Services	40,734	65,538	65,990	(452)
Operations & Maintenance	69,069	113,799	111,892	1,907
Student Transportation Services	51,377	89,097	83,231	5,866
Food Service Operation	29,884	46,345	48,412	(2,067)
	1,105,151	1,674,960	$ 1,790,345	$ (115,385)
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 0	$ 0		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Recreation Commission Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 500,320	$ 518,492	$ 497,128	$ 21,364
County Sources	69,142	71,465	72,285	(820)
	569,462	589,957	$ 569,413	$ 20,544
Expenditures				
Community Service Operations	564,207	589,039	$ 589,039	$ 0
	564,207	589,039	$ 589,039	$ 0
Receipts Over (Under) Expenditures	5,255	918		
Unencumbered Cash, Beginning	16,638	21,893		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 21,893	$ 22,811		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Recreation Commission Employee Benefit Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 73,309	$ 77,570	$ 88,039	$ (10,469)
County Sources	8,983	7,147	7,470	(323)
	82,292	84,717	$ 95,509	$ (10,792)
Expenditures				
Community Service Operations	82,292	84,717	$ 94,828	$ (10,111)
	82,292	84,717	$ 94,828	$ (10,111)
Receipts Over (Under) Expenditures	0	0		
Unencumbered Cash, Beginning	0	0		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 0	$ 0		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Bond and Interest Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 2,590,655	$ 2,711,354	$ 2,476,643	$ 234,711
County Sources	359,664	298,355	374,211	(75,856)
State Sources	2,891,574	3,187,551	3,134,869	52,682
	5,841,893	6,197,260	$ 5,985,723	$ 211,537
Expenditures				
Debt Service	5,554,587	$ 6,035,363	$ 6,035,363	$ 0
	5,554,587	6,035,363	$ 6,035,363	$ 0
Receipts Over (Under) Expenditures	287,306	161,897		
Unencumbered Cash, Beginning	3,732,422	4,019,728		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 4,019,728	$ 4,181,625		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Special Assessments Fund		Current Year		
	Prior Year Actual	Actual	Budget	Variance - Over (Under)
Cash Receipts				
Local Sources	$ 0	$ 0	$ 0	$ 0
	0	0	$ 0	$ 0
Expenditures				
Site Improvement Services	68	9,420	$ 9,420	$ 0
	68	9,420	$ 9,420	$ 0
Receipts Over (Under) Expenditures	(68)	(9,420)		
Unencumbered Cash, Beginning	9,488	9,420		
Prior Year Canceled Encumbrances	0	0		
Unencumbered Cash, Ending	$ 9,420	$ 0		

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Federal Funds

	Prior Year Actual	Current Year Actual
Cash Receipts		
Federal Sources	$ 407,030	$ 340,038
	407,030	340,038
Expenditures		
Instruction	393,139	325,390
Student Support Services	4,625	0
Instructional Support Staff	8,266	12,040
Other Support Services	0	2,820
	406,030	340,250
Receipts Over (Under) Expenditures	1,000	(212)
Unencumbered Cash, Beginning	(788)	212
Prior Year Canceled Encumbrances	0	0
Unencumbered Cash, Ending	$ 212	$ 0

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Gifts and Grants Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	$ 31,587	$ 30,036
	31,587	30,036
Expenditures		
Instruction	21,557	27,563
Instructional Support Staff	13	1,126
	21,570	28,689
Receipts Over (Under) Expenditures	10,017	1,347
Unencumbered Cash, Beginning	10,762	20,779
Prior Year Canceled Encumbrances	0	0
Unencumbered Cash, Ending	$ 20,779	$ 22,126

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Contingency Reserve Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Transfers	$ 0	$ 165,398
	0	165,398
Expenditures		
Transfers	0	165,398
	0	165,398
Receipts Over (Under) Expenditures	0	0
Unencumbered Cash, Beginning	1,406,491	1,406,491
Prior Year Canceled Encumbrances	0	0
Unencumbered Cash, Ending	$ 1,406,491	$ 1,406,491

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - ACTUAL REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

Textbook and Student Material Revolving Fund

	Prior Year Actual	Current Year Actual
Cash Receipts		
Local Sources	$ 180,206	$ 194,328
	180,206	194,328
Expenditures		
Instruction	81,017	184,335
Student Support Services	25,982	2,997
	106,999	187,332
Receipts Over (Under) Expenditures	73,207	6,996
Unencumbered Cash, Beginning	131,878	205,263
Prior Year Canceled Encumbrances	178	0
Unencumbered Cash, Ending	$ 205,263	$ 212,259

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF CASH RECEIPTS AND EXPENDITURES - CAPITAL PROJECTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018
(With Comparative Actual Totals for the Prior Year Ended June 30, 2017)

	Prior Year Actual	Current Year Actual
Cash Receipts		
Interest	$ 49,811	$ 106,943
Bond Proceeds	19,500,241	0
	19,550,052	106,943
Expenditures		
New Building Acquisition and Construction	9,733,593	8,713,367
	9,733,593	8,713,367
Receipts Over (Under) Expenditures	9,816,459	(8,606,424)
Unencumbered Cash, Beginning	0	9,816,459
Prior Year Canceled Encumbrances	0	0
Unencumbered Cash, Ending	$ 9,816,459	$ 1,210,035

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School Revolving	$ 0	$ 1,425	$ 1,425	$ 0
Class of 2017	1,431	142	1,573	0
Class of 2018	1,186	2,075	1,721	1,540
Class of 2019	2,726	7,190	9,130	786
Class of 2020	722	2,345	727	2,340
Class of 2021	0	1,639	651	988
Student Services	1,429	2,367	1,882	1,914
Pepsi	1,981	1,745	2,133	1,593
Library/Media	302	284	37	549
Sales Tax	644	2,496	2,802	338
Band Activity	409	5,034	4,288	1,155
Broadcasting	649	0	180	469
Buzz Barn	1,000	0	0	1,000
Choir Activities	2,611	8,000	7,960	2,651
Counselor Activity	1,683	4,310	4,706	1,287
Crime Stoppers	635	0	150	485
Field Trip	673	302	230	745
Gifted	812	0	183	629
Girls Club	7	0	0	7
Kansas Beef Council	0	0	315	(315)
Math Department	254	340	520	74
Musical	3,574	8,737	8,321	3,990
Vending DECA	5,953	6,292	8,386	3,859
Hornet Print & Design	0	1,140	0	1,140
Hornet Food Pantry	0	1,200	30	1,170
Auto Parts	419	1,931	1,461	889
Band Cleaning/Rental	0	680	680	0
Woods Project	849	5,909	5,362	1,396
Yearbook	3,635	3,232	3,034	3,833
	33,584	68,815	67,887	34,512

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
High School (Continued)				
PE Uniforms	(1,658)	0	0	(1,658)
Art Club	677	500	366	811
Chess Club	906	205	763	348
DECA	193	10,676	8,740	2,129
Drama Club	1,226	6,505	6,252	1,479
FBLA	2,118	6,146	8,033	231
FCA	365	0	365	0
FCCLA	2,627	620	711	2,536
Friendship Club	1,175	102	658	619
HOSA	1,265	0	709	556
Letterwomen's Club	1,648	443	820	1,271
National Forensics	6,190	10,453	6,401	10,242
National Honor Society	691	1,221	1,168	744
Robotics	4,098	2,775	1,290	5,583
SADD	779	200	149	830
Scholars Bowl	717	300	370	647
Science Club	419	0	0	419
Skills USA/TSA	1,494	330	464	1,360
Spanish Club	402	427	548	281
Student Council	537	7,751	4,877	3,411
Varsity Club	205	0	0	205
Spanish Travels	0	0	0	0
SHOW	312	0	292	20
GSA	213	100	22	291
SAFE	1,600	1,800	729	2,671
Environment Club	312	162	0	474
	62,095	119,531	111,614	70,012

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Middle School				
Student Services	1,374	1,975	3,331	18
Faculty Services	0	931	701	230
PE Activity Account	0	2,603	2,594	9
Choir Activity Account	0	1,825	1,669	156
Bus Trips	0	31	24	7
Sales Tax	26	1,158	793	391
Fundraiser	214	449	257	406
Student Council	577	639	1,501	(285)
Video Yearbook	179	691	598	272
Academic Activities	(15)	0	0	(15)
Leadership Program	0	2,093	2,006	87
Band Fundraiser	1,166	5,807	5,479	1,494
SHOW Account	796	1,911	2,268	439
Art	0	200	0	200
Concessions	594	8,301	8,074	821
	4,911	28,614	29,295	4,230

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Intermediate School				
Faculty Services	390	610	625	375
Student Services	1,625	10,858	11,674	809
PE Account	4,178	3,827	3,390	4,615
Stuco	2,713	5,964	6,289	2,388
Robotics	0	12,945	10,560	2,385
Sales Tax	0	642	642	0
	8,906	34,846	33,180	10,572

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Abilene Elementary				
Revolving Acct	0	1,356	1,355	1
Faculty Services	5,558	945	1,206	5,297
Student Services	8,002	996	1,060	7,938
Gifts & Grants	1,326	500	90	1,736
	14,886	3,797	3,711	14,972

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
West Elementary				
Revolving	(57)	0	40	(97)
Faculty Account	46	1,032	404	674
Student	11,384	1,349	1,561	11,172
PE	767	4,479	4,319	927
Sales Tax	15	27	29	13
Owls	154	0	128	26
	12,309	6,887	6,481	12,715

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Wheatland Elementary				
Revolving	6	0	0	6
Faculty Services	2,467	366	766	2,067
Student Services	15,084	16,528	18,906	12,706
Sales Tax	113	51	113	51
	17,670	16,945	19,785	14,830

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
AGENCY FUNDS
SCHEDULE OF CASH RECEIPTS AND CASH DISBURSEMENTS
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Scholarship and Memorials				
Ireland Scholarship	1,500	1	750	751
Dawson Scholarship	4,600	3	200	4,403
	6,100	4	950	5,154
Total Agency Funds	$ 126,877	$ 210,624	$ 205,016	$ 132,485

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
DISTRICT ACTIVITY FUNDS
SCHEDULE OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
REGULATORY BASIS
FOR THE YEAR ENDED JUNE 30, 2018

Fund	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Encumbrances and Accounts Payable	Ending Cash Balance
School Projects							
Athletics	$ 53,261	$ 0	$ 386,499	$ 400,006	$ 39,754	$ 0	$ 39,754
Middle School	36	0	346	156	226	0	226
Middle School Athletics	24,193	0	74,843	74,572	24,464	0	24,464
Intermediate School	1,064	0	2,105	1,958	1,211	0	1,211
Abilene Elementary	1,596	0	3,179	2,365	2,410	0	2,410
West Elementary	7,331	0	6,576	9,144	4,763	0	4,763
Wheatland Elementary	3,000	0	3,204	5,630	574	0	574
Activity Advertising	6,918	0	5,617	11,985	550	0	550
Total District Activity Funds	$ 97,399	$ 0	$ 482,369	$ 505,816	$ 73,952	$ 0	$ 73,952

FEDERAL AWARD INFORMATION

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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*

INDEPENDENT AUDITORS' REPORT

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statement of **Valley Center Unified School District No. 262, Valley Center, Kansas**, as of and for the year ended **June 30, 2018**, and the related notes to the financial statement, which collectively comprise **Valley Center Unified School District No. 262, Valley Center, Kansas'** basic financial statement, and have issued our report thereon dated December 7, 2018. In our report, our opinion on the financial statement was unmodified based on the prescribed basis of accounting that demonstrates compliance with the *Kansas Municipal Audit and Accounting Guide* which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control. Accordingly, we do not express an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control.

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

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Board of Education
Valley Center Unified School District No. 262

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **Valley Center Unified School District No. 262, Valley Center, Kansas'** financial statement is free from 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.*

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 result 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.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 7, 2018

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BUSBY FORD & REIMER, LLC

CERTIFIED PUBLIC ACCOUNTANTS

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

We have audited the compliance of **Valley Center Unified School District No. 262, Valley Center, Kansas,** with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of **Valley Center Unified School District No. 262, Valley Center, Kansas'** major federal programs for the year ended **June 30, 2018. Valley Center Unified School District No. 262, Valley Center, Kansas'** major federal financial programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of **Valley Center Unified School District No. 262, Valley Center, Kansas'** 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations (CFR)* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *Kansas Municipal Audit and Accounting Guide*. Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of **Valley Center Unified School District No. 262, Valley Center, Kansas'** compliance.

Board of Education
Valley Center Unified School District No. 262

Opinion on Each Major Federal Program
In our opinion, **Valley Center Unified School District No. 262, Valley Center, Kansas** 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, 2018**.

Report on Internal Control Over Compliance
Management of **Valley Center Unified School District No. 262, Valley Center, Kansas** is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **Valley Center Unified School District No. 262, Valley Center, Kansas'** internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weakness 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 the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Busby Ford & Reimer, LLC

Busby Ford & Reimer, LLC
December 7, 2018

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grant Title	Federal CFDA No.	Program Amount	Unencumbered Cash 7-1-17	Receipts	Expenditures	Unencumbered Cash 6-30-18
(Passes Through Kansas Department of Education)						
Department of Agriculture						
Child Nutrition Cluster-Cluster						
School Breakfast Program	10.553	$ 111,836				
National School Lunch Program	10.555	538,931				
Summer Food Service Program for Children	10.559	15,565				
		666,332	$ 0	$ 666,332	$ 666,332	$ 0
Department of Education						
Title I Grants to Local Education Agencies	84.010	270,220	0	270,220	270,220	0
Special Education Grants to States	84.027	16,269	0	16,269	16,269	0
Career and Technical Education - Basic Grants to States	84.048	16,235	0	16,235	16,235	0
Supporting Effective Instruction State Grants	84.367	53,583	0	53,583	53,583	0
		356,307	0	356,307	356,307	0
Total Federal Awards		$ 1,022,639	$ 0	$ 1,022,639	$ 1,022,639	$ 0

The accompanying notes are an integral part of this schedule.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Note 1 - Basis of Presentation:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of **Valley Center Unified School District No. 262, Valley Center, Kansas**, and is prepared on the basis of accounting as described in Note 1 of the notes to the financial statement. The information in this schedule is presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

Note 2 - Indirect Cost Rate:

The District has elected not to use the 10% de minimis cost rate allowed under Section 200.414(f) of the Uniform Guidance.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

SUMMARY OF AUDIT RESULTS

1. The independent auditors' report expresses an unmodified opinion on the financial statement of **Valley Center Unified School District No. 262, Valley Center, Kansas**.

2. No significant deficiencies or material weaknesses were reported in the Report On Internal Control Over Financial Reporting And On Compliance And Other Matters Based On An Audit Of Financial Statements Performed In Accordance With *Government Auditing Standards*.

3. No instances of noncompliance material to the financial statement of **Valley Center Unified School District No. 262, Valley Center, Kansas,** were disclosed during the audit.

4. No significant deficiencies or material weakness were reported in the Report On Compliance For Each Major Program And On Internal Control Over Compliance Required By The Uniform Guidance.

5. The independent auditors' report on compliance for the major federal award programs for **Valley Center Unified School District No. 262, Valley Center, Kansas,** expresses an unmodified opinion on all major federal programs.

6. There were no audit findings relative to the major federal award programs for **Valley Center Unified School District No. 262, Valley Center, Kansas**.

7. The programs tested as major programs were:

Child Nutrition Cluster-Cluster	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559

8. The threshold for distinguishing Types A and B programs was $750,000.

9. **Valley Center Unified School District No. 262, Valley Center, Kansas,** was determined not to be a low-risk auditee.

VALLEY CENTER UNIFIED SCHOOL DISTRICT NO. 262
SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2018

There are no prior audit findings.