

**BANK QUALIFIED
BOOK-ENTRY ONLY**

In the opinion of Bond Counsel, under existing law and assuming continued compliance with certain requirements of the Internal Revenue Code of 1986, as amended (the "Code"), the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes, is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations and is exempt from Kansas income taxation. The Bonds have been designated as "qualified tax-exempt obligations" within the meaning of Section 265(b)(3) of the Code. See "TAX MATTERS - Opinion of Bond Counsel" herein.

\$5,120,000*

**UNIFIED SCHOOL DISTRICT NO. 356
SUMNER COUNTY, KANSAS (CONWAY SPRINGS)
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011**

Dated: June 1, 2011**Due: March 1 and September 1, as shown
on the inside cover hereof**

The Series 2011 General Obligation Refunding Bonds (the "Bonds" or the "Series 2011 Bonds") will be issued by the Unified School District No. 356, Sumner County, Kansas (Conway Springs) (the "District" or the "Issuer"), as fully registered bonds, without coupons, and, when issued, will be registered in the name of Cede & Co., as registered owner and nominee for The Depository Trust Company ("DTC"), New York, New York. DTC will act as securities depository for the Bonds. Purchases of the Bonds will be made in book-entry form, in the denominations of \$5,000 or any integral multiple thereof (the "Authorized Denomination"). Purchasers will not receive certificates representing their interests in Bonds purchased. So long as Cede & Co. is the registered owner of the Bonds, as nominee of DTC, references herein to the Bond owners or registered owners shall mean Cede & Co., as aforesaid, and shall not mean the Beneficial Owners (as herein defined) of the Bonds. Principal will be payable upon presentation and surrender of the Bonds by the registered owners thereof at the principal payment office of the Treasurer of the State of Kansas, Topeka, Kansas, as bond registrar and paying agent (the "Paying Agent" and "Bond Registrar"). Interest payable on each Bond shall be paid to the persons who are the registered owners of the Bonds as of the close of business on the fifteenth day (whether or not a business day) of the calendar month preceding each interest payment date by check or draft of the Paying Agent mailed to such registered owner or, in the case of an interest payment to a registered owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer. So long as DTC or its nominee, Cede & Co., is the Owner of the Bonds, such payments will be made directly to DTC. DTC is expected, in turn, to remit such principal and interest to the DTC Participants (herein defined) for subsequent disbursement to the Beneficial Owners. Principal of the Bonds will be payable semiannually on each March 1 and September 1, beginning on September 1, 2011 through September 1, 2015, then annually on March 1, thereafter, and semiannual interest will be payable on March 1 and September 1, beginning on September 1, 2011.

The Bonds and the interest thereon will constitute general obligations of the District, payable from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District. See "THE BONDS – Security for the Bonds" herein.

The Bonds maturing on March 1, 2019 will be subject to redemption prior to maturity at the option of the District on March 1, 2018 and any date thereafter, in whole or in part, at the redemption price of par, plus accrued interest to the date of redemption as more fully described herein. See "THE BONDS-Redemption Provisions" herein.

The Bonds are offered when, as and if issued by the District, subject to the approval of legality by Gilmore & Bell, P.C., Wichita, Kansas, Bond Counsel. It is expected that the Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 7, 2011.

George K. Baum & Company

The date of this Official Statement is _____, 2011

**Preliminary, subject to change*

\$5,120,000*
UNIFIED SCHOOL DISTRICT NO. 356
SUMNER COUNTY, KANSAS (CONWAY SPRINGS)
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

MATURITY SCHEDULE

<u>Stated</u> <u>Maturity</u>	<u>Principal</u> <u>Amount</u>	<u>Interest</u> <u>Rate</u>	<u>Yield</u>	<u>CUSIP</u> <u>Number</u>
9/1/2011	\$65,000			
3/1/2012	40,000			
9/1/2012	495,000			
3/1/2013	245,000			
9/1/2013	520,000			
3/1/2014	260,000			
9/1/2014	540,000			
3/1/2015	270,000			
9/1/2015	325,000			
3/1/2016	275,000			
3/1/2017	300,000			
3/1/2018	320,000			
3/1/2019	335,000			
3/1/2020	355,000			
3/1/2021	375,000			
3/1/2022	400,000			

(All plus accrued interest, if any)

IN CONNECTION WITH THIS OFFERING, THE UNDERWRITER MAY OVERALLOT OR EFFECT TRANSACTIONS WHICH STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME.

THE BONDS HAVE NOT BEEN REGISTERED WITH THE SECURITIES AND EXCHANGE COMMISSION UNDER THE SECURITIES ACT OF 1933, AS AMENDED. THE BONDS ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE SECURITIES AND EXCHANGE COMMISSION. THE REGISTRATION, QUALIFICATION OR EXEMPTION OF THE BONDS IN ACCORDANCE WITH THE APPLICABLE SECURITIES LAW PROVISIONS OF THE JURISDICTIONS IN WHICH THESE SECURITIES HAVE BEEN REGISTERED, QUALIFIED OR EXEMPTED SHOULD NOT BE REGARDED AS A RECOMMENDATION THEREOF. NEITHER THESE JURISDICTIONS NOR ANY OF THEIR AGENCIES HAVE GUARANTEED OR PASSED UPON THE SAFETY OF THE BONDS AS AN INVESTMENT, UPON THE PROBABILITY OF ANY EARNINGS THEREON OR UPON THE ACCURACY OR ADEQUACY OF THIS OFFICIAL STATEMENT. ANY REPRESENTATION TO THE CONTRARY MAY BE A CRIMINAL OFFENSE.

THIS PRELIMINARY OFFICIAL STATEMENT CONTAINS STATEMENTS THAT ARE "FORWARD-LOOKING STATEMENTS" AS DEFINED IN THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995. WHEN USED IN THIS OFFICIAL STATEMENT, THE WORDS "ESTIMATE," "INTEND," "EXPECT" AND SIMILAR EXPRESSIONS ARE INTENDED TO IDENTIFY FORWARD-LOOKING STATEMENTS. SUCH STATEMENTS ARE SUBJECT TO RISKS AND UNCERTAINTIES THAT COULD CAUSE ACTUAL RESULTS TO DIFFER MATERIALLY FROM THOSE CONTEMPLATED IN SUCH FORWARD-LOOKING STATEMENTS. READERS ARE CAUTIONED NOT TO PLACE UNDUE RELIANCE ON THESE FORWARD-LOOKING STATEMENTS, WHICH SPEAK ONLY AS OF THE DATE HEREOF.

IN MAKING AN INVESTMENT DECISION INVESTORS MUST RELY ON THEIR OWN EXAMINATION OF THE ISSUER AND THE TERMS OF THE OFFERING, INCLUDING THE MERITS AND RISKS INVOLVED.

**Preliminary, subject to change*

**UNIFIED SCHOOL DISTRICT NO. 356
SUMNER COUNTY, KANSAS (CONWAY SPRINGS)**

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(620) 456-2961
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Eddie D. Allen, Member
Don Burford, Member
Bill Dalbom, Member
Kerry Schneck, Member
Tim Taton, Member

ADMINISTRATIVE OFFICERS

SUPERINTENDENT

Clay Murphy

BOARD CLERK

Judy A. Andra

TREASURER

Julie Vancuren

UNDERWRITER

George K. Baum & Co.
Wichita, Kansas

BOND COUNSEL

Gilmore & Bell, P.C.
Wichita, Kansas

FINANCIAL ADVISOR

Ranson Financial Consultants, L.L.C.
Wichita, Kansas

TRUSTEE

UMB Bank, n.a.
Kansas City, Missouri

VERIFICATION AGENT

Causey Demgen & Moore Inc.
Denver, Colorado

No dealer, broker, salesman or other person has been authorized by the District or Underwriter to give any information or to make any representations with respect to the Bonds other than those contained in this Official Statement, and, if given or made, such other information or representations must not be relied upon as having been authorized by any of the foregoing. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy the Bonds by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information set forth herein concerning the District has been furnished by the District and other sources which are believed to be reliable, but such information is not guaranteed as to accuracy or completeness, and is not to be construed as a representation, by the Underwriter. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the District since the date hereof. This Official Statement does not constitute a contract between the District or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

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\$5,120,000*
UNIFIED SCHOOL DISTRICT NO. 356
SUMNER COUNTY, KANSAS (CONWAY SPRINGS)
GENERAL OBLIGATION REFUNDING BONDS
SERIES 2011

INTRODUCTION

General Matters

The purpose of this Official Statement is to furnish information relating to the Unified School District No. 356 Sumner, County, Kansas (Conway Springs) (the "Issuer" or the "District"), and the General Obligation Refunding Bonds, Series 2011 (the "Bonds" or the "Series 2011 Bonds"), of the District, dated June 1, 2011, to be issued in the principal amount of \$5,120,000*.

The Appendices to this Official Statement are integral parts of this document, to be read in their entirety.

The District is a unified school district duly organized and existing under the laws of the State of Kansas. Additional information regarding the District is contained in *APPENDIX A* to this Official Statement.

The material contained on the cover page, in the body and in the Appendices to this Official Statement are to be read in their entirety. All financial and other information presented herein has been compiled by the Underwriter. The presentation of information herein, including tables of receipts from various taxes, is intended to show recent historic information, and is not intended to indicate future or continuing trends in the financial position or other affairs of the District. No representation is made that past experience, as might be shown by such financial or other information, will necessarily continue or be repeated in the future. Bond Counsel has participated in the preparation of this Official Statement as described under the section captioned "LEGAL MATTERS."

Definitions

Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in "APPENDIX C – SUMMARY OF FINANCING DOCUMENTS."

Continuing Disclosure

The Securities and Exchange Commission (the "SEC") has promulgated amendments to Rule 15c2-12 (the "Rule"), requiring continuous secondary market disclosure. In the Bond Resolution, hereinafter defined, the Issuer has covenanted to provide annually certain financial information and operating data and other information necessary to comply with the Rule, and to transmit the same to the Municipal Securities Rulemaking Board. This covenant is for the benefit of and is enforceable by the Beneficial Owners of the Bonds. The Issuer has complied with all previous undertakings under the Rule. For more information regarding the Issuer's continuing disclosure undertaking, see "*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – THE CONTINUING DISCLOSURE INSTRUCTIONS*".

Additional Information

Additional information regarding the District or the Bonds may be obtained from the District at the address set forth in the preface to this Official Statement, or from the Financial Advisor, Ranson Financial Consultants, L.L.C., 200 W. Douglas, Suite 600, Wichita, Kansas 67202 (316) 264-3400.

THE BONDS

Authority for the Bonds

The Bonds are being issued pursuant to and in full compliance with the Constitution and statutes of the State of Kansas (the "State"), including K.S.A. 10-101 *et seq.*, K.S.A. 10-427 *et seq.* and K.S.A. 10-620 *et seq.*, all as amended and supplemented from time to time (the "Act") and a resolution adopted by the governing body of the District on May 9, 2011 (the "Bond Resolution").

**Preliminary, subject to change*

Security for the Bonds

The Bonds shall be general obligations of the District payable as to both principal and interest from ad valorem taxes which may be levied without limitation as to rate or amount upon all the taxable tangible property, real and personal, within the territorial limits of the District. The full faith, credit and resources of the District are hereby irrevocably pledged for the prompt payment of the principal of and interest on the Bonds as the same become due.

Description of the Bonds

The Bonds shall consist of fully registered book-entry-only bonds in the denomination of \$5,000 or any integral multiples thereof (the "Authorized Denomination") and shall be numbered in such manner as the Bond Registrar shall determine. All of the Bonds shall be dated June 1, 2011, shall become due in the amounts, on the Stated Maturities and shall bear interest at the rates per annum set forth on the inside cover page of this Official Statement. The Bonds shall be subject to redemption and payment prior to their Stated Maturities as hereinafter set forth under "THE BONDS – Redemption Provisions". The Bonds shall bear interest (computed on the basis of twelve 30-day months) from the later of the Dated Date or the most recent March 1 and September 1, commencing September 1, 2011, (collectively the "Interest Payment Dates") to which interest has been paid on the Interest Payment Dates in the manner hereinafter set forth.

Designation of Paying Agent and Bond Registrar

The District will at all times maintain a paying agent and bond registrar meeting the qualifications set forth in the Bond Resolution. The District reserves the right to appoint a successor paying agent or bond registrar. No resignation or removal of the paying agent or bond registrar shall become effective until a successor has been appointed and has accepted the duties of paying agent or bond registrar. Every paying agent or bond registrar appointed by the District shall at all times meet the requirements of Kansas law and shall be approved by the Bond Insurer.

The Treasurer of the State of Kansas, Topeka, Kansas (the "Bond Registrar" and "Paying Agent") has been designated by the District as paying agent for the payment of principal of and interest on the Bonds and bond registrar with respect to the registration, transfer and exchange of Bonds.

Method and Place of Payment of the Bonds

The principal of or Redemption Price and interest on the Bonds shall be payable in any coin or currency which, on the respective dates of payment thereof, is legal tender for the payment of public and private debts. The principal or Redemption Price of each Bond shall be paid at Maturity to the Person in whose name such Bond is registered on the Bond Register at the Maturity thereof, upon presentation and surrender of such Bond at the principal payment office of the Paying Agent.

The interest payable on each Bond on any Interest Payment Date shall be paid to the Owner of such Bond as shown on the Bond Register at the close of business on the fifteenth day (whether or not a business day) of the month preceding an Interest Payment Date (the "Record Date" for such interest) (a) by check or draft mailed by the Paying Agent to the address of such Owner shown on the Bond Register or at such other address as is furnished to the Paying Agent in writing by such Owner; or (b) in the case of an interest payment to Cede & Co. or any Owner of \$500,000 or more in aggregate principal amount of Bonds, by electronic transfer to such Owner upon written notice given to the Bond Registrar by such Owner, not less than 15 days prior to the Record Date for such interest, containing the electronic transfer instructions including the bank, address, ABA routing number and account number to which such Owner wishes to have such transfer directed.

Notwithstanding the foregoing, any Defaulted Interest with respect to any Bond shall cease to be payable to the Owner of such Bond on the relevant Record Date and shall be payable to the Owner in whose name such Bond is registered at the close of business on the Special Record Date for the payment of such Defaulted Interest, which Special Record Date shall be fixed as hereinafter specified. The District shall notify the Paying Agent in writing of the amount of Defaulted Interest proposed to be paid on each Bond and the date of the proposed payment (which date shall be at least 30 days after receipt of such notice by the Paying Agent) and shall deposit with the Paying Agent an amount of money equal to the aggregate amount proposed to be paid in respect of such Defaulted Interest. Following receipt of such funds the Paying Agent shall fix a Special Record Date for the payment of such Defaulted Interest which shall be not more than 15 nor less than 10 days prior to the date of the proposed payment. The Paying Agent shall notify the District of such Special Record Date and shall cause notice of the proposed payment of such Defaulted Interest and the Special Record Date therefor to be mailed, by first class mail, postage prepaid, to each Owner of a Bond entitled to such notice not less than 10 days prior to such Special Record Date.

SO LONG AS CEDE & CO., REMAINS THE REGISTERED OWNER OF THE BONDS, THE PAYING AGENT SHALL TRANSMIT PAYMENTS TO THE SECURITIES DEPOSITORY, WHICH SHALL REMIT SUCH PAYMENTS IN ACCORDANCE WITH ITS NORMAL PROCEDURES. See "THE BONDS – Book-Entry Bonds; Securities Depository."

Payments Due on Saturdays, Sundays and Holidays

In any case where a bond payment date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Book-Entry Bonds: Securities Depository

The Bonds shall initially be registered to Cede & Co., the nominee for the Securities Depository, and no Beneficial Owner will receive certificates representing their respective interests in the Bonds, except in the event the Bond Registrar issues replacement bonds. It is anticipated that during the term of the Bonds, the Securities Depository will make book-entry transfers among its Participants and receive and transmit payment of principal of, premium, if any, and interest on, the Bonds to the Participants until and unless the Bond Registrar authenticates and delivers replacement bonds to the Beneficial Owners as described in the following paragraphs.

(a) If the District determines (1) that the Securities Depository is unable to properly discharge its responsibilities, or (2) that the Securities Depository is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, or (3) that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds; or

(b) if the Bond Registrar receives written notice from Participants having interest in not less than 50% of the Bonds outstanding, as shown on the records of the Securities Depository (and certified to such effect by the Securities Depository), that the continuation of a book-entry system to the exclusion of any Bonds being issued to any Owner other than Cede & Co. is no longer in the best interests of the Beneficial Owners of the Bonds, then the Bond Registrar shall notify the Owners of such determination or such notice and of the availability of certificates to owners requesting the same, and the Bond Registrar shall register in the name of and authenticate and deliver replacement bonds to the Beneficial Owners or their nominees in principal amounts representing the interest of each, making such adjustments as it may find necessary or appropriate as to accrued interest and previous calls for redemption; provided, that in the case of a determination under (a)(1) or (a)(2) of this paragraph, the District, with the consent of the Bond Registrar, may select a successor securities depository in accordance with the following paragraph to effect book-entry transfers.

In such event, all references to the Securities Depository herein shall relate to the period of time when at least one Bond is registered in the name of the Securities Depository or its nominee. Upon the issuance of replacement bonds, all references herein to obligations imposed upon or to be performed by the Securities Depository shall be deemed to be imposed upon and performed by the Bond Registrar, to the extent applicable with respect to such replacement bonds. If the Securities Depository resigns and the District, the Bond Registrar or Owners are unable to locate a qualified successor of the Securities Depository, then the Bond Registrar shall authenticate and cause delivery of replacement bonds to Owners, as provided herein. The Bond Registrar may rely on information from the Securities Depository and its Participants as to the names and addresses of the principal amounts held by the Beneficial Owners of the Bonds. The cost of printing, registration, authentication, and delivery of replacement bonds shall be paid for by the District.

In the event the Securities Depository resigns, is unable to properly discharge its responsibilities, or is no longer qualified to act as a securities depository and registered clearing agency under the Securities and Exchange Act of 1934, as amended, the District may appoint a successor Securities Depository provided the Bond Registrar receives written evidence satisfactory to the Bond Registrar with respect to the ability of the successor Securities Depository to discharge its responsibilities. Any such successor Securities Depository shall be a securities depository which is a registered clearing agency under the Securities and Exchange Act of 1934, as amended, or other applicable statute or regulation that operates a securities depository upon reasonable and customary terms. The Bond Registrar upon its receipt of a Bond or Bonds for cancellation shall cause the delivery of the Bonds to the successor Securities Depository in appropriate denominations and form as provided in the Bond Resolution.

Registration, Transfer and Exchange of Bonds

As long as any of the Bonds remain Outstanding, each Bond when issued shall be registered in the name of the Owner thereof on the Bond Register. Bonds may be transferred and exchanged only on the Bond Register as hereinafter provided. Upon surrender of any Bond at the principal office of the Bond Registrar, the Bond Registrar shall transfer or exchange such Bond for a new Bond or Bonds in any Authorized Denomination of the same Stated Maturity and in the same aggregate principal amount as the Bond that was presented for transfer or exchange. Bonds presented for transfer or exchange shall be accompanied by a

written instrument or instruments of transfer or authorization for exchange, in a form and with guarantee of signature satisfactory to the Bond Registrar, duly executed by the Owner thereof or by the Owner's duly authorized agent.

In all cases in which the privilege of transferring or exchanging Bonds is exercised, the Bond Registrar shall authenticate and deliver Bonds in accordance with the provisions of the Bond Resolution. The District shall pay the fees and expenses of the Bond Registrar for the registration, transfer and exchange of Bonds. Any additional costs or fees that might be incurred in the secondary market, other than fees of the Bond Registrar, are the responsibility of the Owners of the Bonds. In the event any Owner fails to provide a correct taxpayer identification number to the Paying Agent, the Paying Agent may make a charge against such Owner sufficient to pay any governmental charge required to be paid as a result of such failure.

The District and the Bond Registrar shall not be required (a) to register the transfer or exchange of any Bond that has been called for redemption after notice of such redemption has been mailed by the Paying Agent and during the period of 15 days next preceding the date of mailing of such notice of redemption; or (b) to register the transfer or exchange of any Bond during a period beginning at the opening of business on the day after receiving written notice from the District of its intent to pay Defaulted Interest and ending at the close of business on the date fixed for the payment of Defaulted Interest.

Mutilated, Lost, Stolen or Destroyed Bonds

If (a) any mutilated Bond is surrendered to the Bond Registrar or the Bond Registrar receives evidence to its satisfaction of the destruction, loss or theft of any Bond, and (b) there is delivered to the Bond Registrar such security or indemnity as may be required by the Bond Registrar, then, in the absence of notice to the Bond Registrar that such Bond has been acquired by a bona fide purchaser, the District shall execute and the Bond Registrar shall authenticate and deliver, in exchange for or in lieu of any such mutilated, destroyed, lost or stolen Bond, a new Bond of the same Stated Maturity and of like tenor and principal amount. If any such mutilated, destroyed, lost or stolen Bond has become or is about to become due and payable, the District, in its discretion, may pay such Bond instead of issuing a new Bond. Upon the issuance of any new Bond under these provisions, the District may require the payment by the Owner of a sum sufficient to cover any tax or other governmental charge that may be imposed in relation thereto and any other expenses (including the fees and expenses of the Paying Agent) connected therewith.

Nonpresentation of Bonds

If any Bond is not presented for payment when the principal thereof becomes due at maturity and if funds sufficient to pay such Bond have been made available to the Paying Agent, all liability of the District to the Owner thereof for the payment of such Bond shall forthwith cease, determine and be completely discharged, and thereupon it shall be the duty of the Paying Agent to hold such funds, without liability for interest thereon, for the benefit of the Owner of such Bond, who shall thereafter be restricted exclusively to such funds for any claim of whatever nature on his part under the Bond Resolution or on, or with respect to, said Bond. If any Bond is not presented for payment within four (4) years following the date when such Bond becomes due at Maturity, the Paying Agent shall repay to the District the funds theretofore held by it for payment of such Bond, and such Bond shall, subject to the defense of any applicable statute of limitation, thereafter be an unsecured obligation of the District, and the Owner thereof shall be entitled to look only to the District for payment, and then only to the extent of the amount so repaid to it by the Paying Agent, and the District shall not be liable for any interest thereon and shall not be regarded as a trustee of such money.

Redemption Provisions

Optional Redemption. At the option of the District, the Bonds or portions thereof maturing on March 1, 2019 may be called for redemption and payment prior to maturity on March 1, 2018, and any date thereafter, in whole or in part (selection of maturities and the amount of Bonds of each maturity to be redeemed to be determined by the District) at the redemption price of the par amount, plus accrued interest thereon to the redemption date.

Notice of Redemption. Notice of such redemption shall be given by the Bond Registrar, acting on behalf of the District, by mailing a notice of redemption of said Bonds on a specified date, said notice to be given by United States first class mail addressed to the Owner of each Bond to be redeemed, each of said notices to be mailed at least 30 days prior to the date fixed for redemption. The failure of any owner of any Bond to be redeemed to receive such written notice shall not affect or invalidate the redemption of said Bond.

All official notices of redemption shall be dated and shall contain the following information: (a) the Redemption Date; (b) the Redemption Price; (c) if less than all Outstanding Bonds are to be redeemed, the identification (and, in the case of partial redemption of any Bonds, the respective principal amounts) of the Bonds to be redeemed; (d) a statement that on the Redemption Date the Redemption Price will become due and payable upon each such Bond or portion thereof called for redemption and that interest thereon shall cease to accrue from and after the Redemption Date; and (e) the place where such Bonds are to be surrendered for payment of the Redemption Price, which shall be the principal office of the Paying Agent. The failure of any Owner to receive notice given as heretofore provided or an immaterial defect therein shall not invalidate any redemption.

So long as DTC is effecting book-entry transfers of the Bonds, the Paying Agent shall provide the notices specified above to DTC. It is expected that DTC will, in turn, notify the DTC Participants and that the DTC Participants, in turn, will notify or cause to be notified the Beneficial Owners of a Bond (having been mailed notice from the Paying Agent, a DTC Participant or otherwise) to notify the Beneficial Owner of the Bond so affected, shall not affect the validity of the redemption of such Bond.

Effect of Call for Redemption. Prior to any Redemption Date, the Issuer shall deposit with the Paying Agent an amount of money sufficient to pay the Redemption Price of all the Bonds or portions of Bonds that are to be redeemed on such Redemption Date. Official notice of redemption having been given as aforesaid, the Bonds or portions of Bonds to be redeemed shall become due and payable on the Redemption Date, at the Redemption Price therein specified, and from and after the Redemption Date (unless the Issuer defaults in the payment of the Redemption Price) such Bonds or portion of Bonds shall cease to bear interest.

Selection of Bonds to be Redeemed. Bonds shall be redeemed only in an Authorized Denomination. When less than all of the Bonds are to be redeemed and paid prior to their Stated Maturity, such Bonds shall be redeemed in such manner as the Issuer shall determine, Bonds of less than a full Stated Maturity shall be selected by the Bond Registrar in minimum Authorized Denomination in such equitable manner as the Bond Registrar may determine. In the case of a partial redemption of Bonds by lot when Bonds of denominations greater than a minimum Authorized Denomination are then Outstanding, then for all purposes in connection with such redemption each minimum Authorized Denomination of face value shall be treated as though it were a separate Bond of a minimum Authorized Denomination. If it is determined that one or more, but not all, of the minimum Authorized Denomination value represented by any Bond is selected for redemption, then upon notice of intention to redeem such minimum Authorized Denomination, the Owner or the Owner's duly authorized agent shall forthwith present and surrender such Bond to the Bond Registrar: (1) for payment of the Redemption Price and interest to the Redemption Date of such minimum Authorized Denomination value called for redemption, and (2) for exchange, without charge to the Owner thereof, for a new Bond or Bonds of the aggregate principal amount of the unredeemed portion of the principal amount of such Bond. If the Owner of any such Bond fails to present such Bond to the Paying Agent for payment and exchange as aforesaid, such Bond shall, nevertheless, become due and payable on the redemption date to the extent of the minimum Authorized Denomination value called for redemption (and to that extent only).

THE DEPOSITORY TRUST COMPANY

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered bonds registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each scheduled maturity of the Bonds, and will be deposited with DTC.

DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation and Emerging Markets Clearing Corporation, (NSCC, FICC and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: "AAA." The DTC Rules applicable to its Direct Participants and Indirect Participants (collectively, the "Participants") are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations

providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Bond documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Issuer or Paying Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC nor its nominee, the Paying Agent, or the Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Issuer or Paying Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as securities depository with respect to the Bonds at any time by giving reasonable notice to the Issuer or Paying Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Bond certificates are required to be printed and delivered.

The Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed, registered in the name of DTC's partnership nominee, Cede & Co. (or such other name as may be requested by an authorized representative of DTC), and delivered to DTC (or a successor securities depository), to be held by it as securities depository for Direct Participants. If, however, the system of book-entry-only transfers has been discontinued and a Direct Participant has elected to withdraw its Bonds from DTC (or such successor securities depository), Bond certificates may be delivered to Beneficial Owners in the manner described in the Bond Resolution.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Issuer believes to be reliable, but the Issuer takes no responsibility for the accuracy thereof.

THE REFUNDING PLAN

Proceeds of the Bonds will be applied to pay the costs and expenses incurred in connection with the issuance of the Bonds, and refund certain outstanding maturities of the District's General Obligation Refunding Bonds, Series 2001 and General Obligation Bonds, Series 2001 B (the "Refunded Bonds").

Series 2001 Bonds

As of June 1, 2011, \$2,190,000 of the Issuer's General Obligation Refunding Bonds, Series 2001 remain outstanding. \$1,780,000 of these bonds will be redeemed in accordance with the following schedule:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$455,000	09/01/2012	4.600%	09/01/2011	100%
490,000	09/01/2013	4.700%	09/01/2011	100%
520,000	09/01/2014	4.800%	09/01/2011	100%
315,000	09/01/2015	4.900%	09/01/2011	100%

Series 2001 B Bonds

As of June 1, 2011, \$3,320,000 of the Issuer's General Obligation Bonds, Series 2001 B remain outstanding. \$3,120,000 of these bonds will be redeemed in accordance with the following schedule:

<u>Principal Amount</u>	<u>Maturity Date</u>	<u>Interest</u>	<u>Redemption Date</u>	<u>Redemption Price</u>
\$215,000	03/01/2013	4.750%	03/01/2012	100%
235,000	03/01/2014	4.750%	03/01/2012	100%
255,000	03/01/2015	4.750%	03/01/2012	100%
270,000	03/01/2016	4.750%	03/01/2012	100%
295,000	03/01/2017	4.750%	03/01/2012	100%
320,000	03/01/2018	4.750%	03/01/2012	100%
340,000	03/01/2019	4.750%	03/01/2012	100%
370,000	03/01/2020	4.750%	03/01/2012	100%
395,000	03/01/2021	4.750%	03/01/2012	100%
425,000	03/01/2022	4.750%	03/01/2012	100%

An escrow fund (the "Escrow Fund") will be established pursuant to the terms of an Escrow Trust Agreement (the "Escrow Agreement") between the District and UMB Bank, n.a., Kansas City, Missouri (the "Escrow Agent"). See "APPENDIX C – SUMMARY OF FINANCING DOCUMENTS – The Escrow Trust Agreement" for a discussion of the manner in which the Escrow Fund is administered.

The mathematical accuracy of the computations provided to the District regarding the adequacy of the maturing principal and interest from the Escrowed Securities to be purchased with the proceeds of the Series 2011 Bonds, together with any uninvested funds to be held by the Escrow Agent, in accordance with the Escrow Agreement, to provide for the payment of the principal and interest on the Refunded Bonds through and including the stated maturity have been verified by Causey Demgen & Moore, Inc., Certified Public Accountant, Denver, Colorado

SOURCES AND USES OF FUNDS

The following table itemizes the sources and uses of funds available from the sale of the Bonds:

Sources of Funds:

Principal Amount of the Bonds*	\$5,120,000.00
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Total

Uses of Funds:

Redemption Account	
Costs of Issuance	
Underwriter's Discount	
Deposit to Debt Service Account	

Total

* Preliminary, subject to change.

RISK FACTORS AND INVESTMENT CONSIDERATIONS

A PROSPECTIVE PURCHASER OF THE BONDS DESCRIBED HEREIN SHOULD BE AWARE THAT THERE ARE CERTAIN RISKS ASSOCIATED WITH THE BONDS WHICH MUST BE RECOGNIZED. THE FOLLOWING STATEMENTS REGARDING CERTAIN RISKS ASSOCIATED WITH THE OFFERING SHOULD NOT BE CONSIDERED AS A COMPLETE DESCRIPTION OF ALL RISKS TO BE CONSIDERED IN THE DECISION TO PURCHASE THE BONDS. PROSPECTIVE PURCHASERS OF THE BONDS SHOULD ANALYZE CAREFULLY THE INFORMATION CONTAINED IN THIS OFFICIAL STATEMENT AND ADDITIONAL INFORMATION IN THE FORM OF THE COMPLETE DOCUMENTS SUMMARIZED HEREIN, COPIES OF WHICH ARE AVAILABLE AND MAY BE OBTAINED FROM THE DISTRICT OR THE UNDERWRITER.

Legal Matters

Various state and federal laws, regulations and constitutional provisions apply to the obligations created by the Bonds. There is no assurance that there will not be any change in, interpretation of, or addition to such applicable laws, provisions and regulations which would have a material effect, either directly or indirectly, on the Issuer or the taxing authority of the Issuer.

Limitations on Remedies Available to Owners of Bonds

The enforceability of the rights and remedies of the owners of Bonds, and the obligations incurred by the Issuer in issuing the Bonds, are subject to the following: the federal Bankruptcy Code and applicable bankruptcy, insolvency, reorganization, moratorium, or similar laws relating to or affecting the enforcement of creditors' rights generally, now or hereafter in effect; usual equity principles which may limit the specific enforcement under state law of certain remedies; the exercise by the United States of America of the powers delegated to it by the United States Constitution; and the reasonable and necessary exercise, in certain unusual situations, of the police power inherent in the State of Kansas and its governmental subdivisions in the interest of serving a legitimate and significant public purpose. Bankruptcy proceedings, or the exercise of powers by the federal or state government, if initiated, could subject the owners of the Bonds to judicial discretion and interpretation of their rights in bankruptcy and otherwise, and consequently may involve risks of delay, limitation or modification of their rights.

State Aid

As described in "APPENDIX A – FINANCIAL INFORMATION – Property Tax Levies and Collections – School District Funding Formula." and the sections following in APPENDIX A, the State provides a substantial portion of the money for the operation of school districts in the State. As with other states, declining State revenues have resulted in reductions in the amount of State aid to school districts for operating purposes. However, the District is obligated to levy unlimited ad valorem taxes to provide for debt service payments on the Bonds regardless of the amount of State aid received.

Taxation of Interest on the Bonds

An opinion of Bond Counsel will be obtained to the effect that interest earned on the Bonds is excludable from gross income for federal income tax purposes under current provisions of the Internal Revenue Code of 1986, as amended (the "Code"), and applicable rulings and regulations under the Code; however, an application for a ruling has not been made and an opinion of counsel is not binding upon the Internal Revenue Service. There can be no assurance that the present provisions of the Code, or the rules and regulations thereunder, will not be adversely amended or modified, thereby rendering the interest earned on the Bonds includable in gross income for federal income tax purposes.

The Issuer has covenanted in the Bond Resolution and in other documents and certificates to be delivered in connection with the issuance of the Bonds to comply with the provisions of the Code, including those which require the Issuer to take or omit to take certain actions after the issuance of the Bonds. Because the existence and continuation of the excludability of the interest on the Bonds depends upon events occurring after the date of issuance of the Bonds, the opinion of Bond Counsel described under "TAX MATTERS" assumes the compliance by the Issuer with the provisions of the Code described above and the regulations relating thereto. No opinion is expressed by Bond Counsel with respect to the excludability of the interest on the Bonds in the event of noncompliance with such provisions. The failure of the Issuer to comply with the provisions described above may cause the interest on the Bonds to become includable in gross income as of the date of issuance.

Premium on Bonds

Any person who purchases a Bond in excess of its principal amount, whether during the initial offering or in a secondary market transaction, should consider that the Bonds are subject to redemption at par under the various circumstances described under "THE BONDS - Redemption Provisions."

No Additional Interest or Mandatory Redemption upon Event of Taxability

The Bond Resolution does not provide for the payment of additional interest or penalty on the Bonds or the mandatory redemption thereof if the interest thereon becomes includable in gross income for federal income tax purposes. Likewise, the Bond Resolution does not provide for the payment of any additional interest or penalty on the Bonds if the interest thereon becomes includable in gross income for Kansas income tax purposes.

Suitability of Investment

The tax exempt feature of the Bonds is more valuable to high tax bracket investors than to investors who are in low tax brackets, and so the value of the interest compensation to any particular investor will vary with individual tax rates. Each prospective investor should carefully examine this Official Statement, including the Appendices hereto, and its own financial condition to make a judgment as to its ability to bear the economic risk of such an investment, and whether or not the Bonds are an appropriate investment.

Market for the Bonds

Bond Rating. The Bonds have been assigned the financial rating set forth in the section hereof entitled "BOND RATINGS." There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

Secondary Market. There is no assurance that a secondary market will develop for the purchase and sale of the Bonds. It is the present practice of the Underwriter, however, to make a secondary market as dealers in issues of municipal bonds which the Underwriter distributes. The Underwriter intends to continue this practice with respect to the Bonds, but is not obligated to do so. Prices of bonds traded in the secondary market, though, are subject to adjustment upward and downward in response to changes in the credit markets. From time to time it may be necessary for the Underwriter to suspend indefinitely secondary market trading in the Bonds as a result of the financial condition or market position of the Underwriter, prevailing market conditions, lack of adequate current financial information about the Issuer, or a material adverse change in the financial condition of the Issuer, whether or not the Bonds are in default as to principal and interest payments, and other factors which in the opinion of the Underwriter may give rise to uncertainty concerning prudent secondary market practices.

BOND RATINGS

Standard & Poor's Ratings Services, a division of the McGraw-Hill Companies, Inc. has assigned an independent rating of "AA-" to the Bonds. Such ratings reflect only the view of such rating agency, and an explanation of the significance of such rating may be obtained therefrom. No such rating constitutes a recommendation to buy, sell, or hold any bonds, including the Bonds, or as to the market price or suitability thereof for a particular investor. The Issuer furnished such rating agency with certain information and materials relating to the Bonds that have not been included in this Official Statement. Generally, rating agencies base their ratings on the information and materials so furnished and on investigations, studies and assumptions by the rating agencies. There is no assurance that a particular rating will remain in effect for any given period of time or that it will not be revised, either downward or upward, or withdrawn entirely, if in the judgment of the agency originally establishing such rating, circumstances so warrant. Any downward revision or withdrawal of any rating may have an adverse affect on the market price of the Bonds.

ABSENCE OF LITIGATION

The Issuer, in the ordinary course of business, is a party to various legal proceedings. In the opinion of management of the Issuer, any judgment rendered against the Issuer in such proceedings would not materially adversely effect the financial position of the Issuer.

There is no controversy, suit or other proceeding of any kind pending or threatened wherein or whereby any question is raised or may be raised, questioning, disputing or affecting in any way the legal organization of the District or its boundaries, or the right or title of any of its officers to their respective offices, or the legality of any official act or the constitutionality or validity of the indebtedness represented by the Bonds or the validity of said Bonds, or any of the proceedings had in relation to the authorization, issuance or sale thereof, or the levy and collection of a tax to pay the principal and interest thereof.

LEGAL MATTERS

Approval of Bonds

All matters incident to the authorization and issuance of the Bonds are subject to the approval of Gilmore & Bell, P.C., Wichita, Kansas (“Bond Counsel”). The factual and financial information appearing herein has been supplied or reviewed by certain officials of the District and its certified public accountants, as referred to herein. Bond Counsel has not participated in the preparation of the Official Statement and therefore expresses no opinion as to the accuracy or sufficiency thereof, except for the matters appearing in the sections of this Official Statement captioned “THE BONDS,” “LEGAL MATTERS,” “TAX MATTERS,” and “*APPENDIX C – SUMMARY OF FINANCING DOCUMENTS.*” Payment of the legal fee of Bond Counsel is contingent upon the delivery of the Bonds.

Certain Relationships

Bond Counsel has represented the Underwriter in transactions unrelated to the issuance of the Bonds, but is not representing the Underwriter in connection with the issuance of the Bonds.

TAX MATTERS

General

The following is a summary of the material federal and State income tax consequences of holding and disposing of the Bonds. This summary is based upon laws, regulations, rulings and judicial decisions now in effect, all of which are subject to change (possibly on a retroactive basis). This summary does not discuss all aspects of federal income taxation that may be relevant to investors in light of their personal investment circumstances or describe the tax consequences to certain types of holders subject to special treatment under the federal income tax laws (for example, dealers in securities or other persons who do not hold the Bonds as a capital asset, tax-exempt organizations, individual retirement accounts and other tax deferred accounts, and foreign taxpayers), and, except for the income tax laws of the State of Kansas, does not discuss the consequences to an owner under state, local or foreign tax laws. The summary does not deal with the tax treatment of persons who purchase the Bonds in the secondary market at a premium or a discount. Prospective investors are advised to consult their own tax advisors regarding federal, state, local and other tax considerations of holding and disposing of the Bonds.

Tax Matters Applicable to the Bonds

Sale, Exchange or Retirement of Bonds. Upon the sale, exchange or retirement (including redemption) of a Bond, an owner of the Bond generally will recognize gain or loss in an amount equal to the difference between the amount of cash and the fair market value of any property received on the sale, exchange or retirement of the Bond (other than in respect of accrued and unpaid interest) and such owner’s adjusted tax basis in the Bond. To the extent the Bonds are held as a capital asset, such gain or loss will be capital gain or loss and will be long-term capital gain or loss if the Bond has been held for more than 12 months at the time of sale, exchange or retirement.

Reporting Requirements. In general, information reporting requirements will apply to certain payments of principal, interest and premium paid on Bonds, and to the proceeds paid on the sale of Bonds, other than certain exempt recipients (such as corporations and foreign entities). A backup withholding tax will apply to such payments if the owner fails to provide a taxpayer identification number or certification of foreign or other exempt status or fails to report in full dividend and interest income. The amount of any backup withholding from a payment to an owner will be allowed as a credit against the owner’s federal income tax liability.

Opinion of Bond Counsel

Federal Tax Exemption. In the opinion of Bond Counsel, under existing law, the interest on the Bonds (including any original issue discount properly allocable to an owner thereof) is excluded from gross income for federal income tax purposes. Interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed on individuals and corporations but is taken into account in determining adjusted current earnings for the purpose of computing the alternative minimum tax imposed on certain corporations. The opinions set forth in this paragraph are subject to the condition that the Issuer comply with all requirements of the Code that must be satisfied subsequent to the issuance of the Bonds in order that interest thereon be, or continue to be, excluded from gross income for federal income tax purposes. The Issuer has covenanted to comply with all such requirements. Failure to comply with certain of such requirements may cause interest on the Bonds to be included in gross income for federal income tax purposes retroactive to the date of issuance of the Bonds.

Bank Qualification. The Bonds are “qualified tax-exempt obligations” for purposes of Code §265(b)(3), and, in the case of certain financial institutions (within the meaning of Code §265(b)(5)), a deduction is allowed for 80% of that portion of such financial institutions' interest expense allocable to interest on the Bonds.

Kansas Tax Exemption. The interest on the Bonds is excluded from computation of Kansas adjusted gross income.

[**Original Issue Discount.** In the opinion of Bond Counsel, under existing law, the original issue discount in the selling price of each Bond purchased in the original offering at a price less than the principal amount thereof, to the extent properly allocable to each owner of such Bond, is excludable from gross income for federal income tax purposes with respect to such owner. The original issue discount is the excess of the stated redemption price at maturity of such Bond over its initial offering price to the public (excluding underwriters and intermediaries) at which price a substantial amount of the Bonds were sold. Under Code § 1288, original issue discount on tax-exempt bonds accrues on a compound basis. The amount of original issue discount that accrues to an owner during any accrual period generally equals: (a) the issue price of such Bond plus the amount of original issue discount accrued in all prior accrual periods, multiplied by (b) the yield to maturity on such Bond (determined on the basis of compounding at the close of each accrual period and properly adjusted for the length of the accrual period), minus (c) any interest payable on such Bond during such accrual period. The amount of original issue discount so accrued in a particular accrual period will be considered to be received ratably on each day of the accrual period, will be excludable from gross income for federal income tax purposes, and will increase the owner's tax basis in such Bond. Owners of any Bonds purchased at an original issue discount should consult with their tax advisors regarding the determination and treatment of original issue discount for federal income tax purposes and the state and local tax consequences of owning such Bonds.]

[**Original Issue Premium.** An amount equal to the excess of the purchase price of a Bond over its stated principal amount at maturity constitutes premium on such Bond. An owner of a Bond must amortize any premium over such Bond's term using constant yield principles, based on the Bond's yield to maturity. As premium is amortized, the owner's basis in such Bond and the amount of tax-exempt interest received will be reduced by the amount of amortizable premium properly allocable to such owner. This will result in an increase in the gain (or decrease in the loss) to be recognized for federal income tax purposes on sale or disposition of such Bond prior to its maturity. Even though the owner's basis is reduced, no federal income tax deduction is allowed. Owners of any Bonds purchased at a premium, whether at the time of initial issuance or subsequent thereto, should consult their individual tax advisors with respect to the determination and treatment of premium for federal income tax purposes and with respect to state and local tax consequences of owning such Bonds.]

No Other Opinions. Bond Counsel expresses no opinion regarding other federal, state or local tax consequences arising with respect to the Bonds.

Other Tax Consequences

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers, including, without limitation, financial institutions, property and casualty insurance companies, individual recipients of Social Security or Railroad Retirement benefits, certain S corporations with "excess net passive income," foreign corporations subject to the branch profits tax, life insurance companies, and taxpayers who may be deemed to have incurred or continued indebtedness to purchase or carry or have paid or incurred certain expenses allocable to the Bonds. Bond Counsel expresses no opinion regarding these tax consequences. Purchasers of Bonds should consult their tax advisors as to the applicability of these tax consequences and other federal income tax consequences of the purchase, ownership and disposition of the Bonds, including the possible application of state, local, foreign and other tax laws.

VERIFICATION OF ESCROW

The accuracy of (a) the mathematical computations of the adequacy of cash and certain Escrowed Securities to be held by the Escrow Agent pursuant to the Escrow Agreement, together with the interest to be earned thereon, to pay the principal of, premium if any, and interest due and to become due on the Refunded Certificates to and including the applicable optional redemption date or date of final maturity, and (b) the computations supporting the conclusion of Special Tax Counsel that the Certificates are not "arbitrage bonds" under Section 148 of the Code, will be verified by Causey Demgen & Moore Inc., Denver, Colorado. Such verification of the accuracy of the computations shall be passed upon from information supplied by the Underwriter and on interpretations of the Code provided by Special Tax Counsel.

FINANCIAL ADVISOR

Ranson Financial Consultants, L.L.C. serves as financial advisor (the "Financial Advisor") to Unified School District No. 356 (Conway Springs). The Financial Advisor has participated in the preparation of this Official Statement, but has not verified all of the factual information contained herein, nor has it conducted a detailed investigation of the affairs of the College for the purpose of passing upon the accuracy or completeness of this Official Statement. The Financial Advisor's fee is contingent upon the actual issuance and delivery of the Certificates.

UNDERWRITING

The Bonds have been sold by the Issuer to George K Baum & Co., Wichita, Kansas (the "Underwriter") at the purchase price of 100% of the principal amount of the Bonds plus a net original issue premium of \$_____ less an underwriter's discount of \$_____. The Bond Purchase Agreement provides that the Underwriter will purchase all of the Bonds if any are purchased. The obligation of the Underwriter to accept delivery of the Bonds is subject to various conditions contained in the Bond Purchase Agreement.

The Bonds will be offered to the public initially at the prices determined to produce the yields set forth on the inside cover page of this Official Statement. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices other than the price stated on the inside cover page hereof and may change the initial offering price from time to time subsequent to the date hereof. In connection with the offering, the Underwriter may over allot or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

TRUSTEE

The Trustee, UMB Bank, N.A., Kansas City, Missouri, may be removed at any time upon written request of the Owners of a majority in aggregate principal amount of Outstanding Bonds. Upon removal or substitution of the Trustee, a bank or trust company having a combined capital (exclusive of borrowed capital) and surplus of at least \$3,000,000 will be so appointed and will be subject to the supervision or examination by a federal or state banking authority.

AUTHORIZATION OF OFFICIAL STATEMENT

The preparation of this Official Statement and its distribution has been authorized by the governing body of the District as of the date on the cover page hereof. This Official Statement is submitted in connection with the issuance of the Bonds and may not be reproduced or used as a whole or in part for any other purpose. This Official Statement does not constitute a contract between the District or the Underwriter and any one or more of the purchasers, Owners or Beneficial Owners of the Bonds.

**UNIFIED SCHOOL DISTRICT NO. 356
SUMNER COUNTY, KANSAS (CONWAY SPRINGS)**

By: _____
President, Board of Education

APPENDIX A
INFORMATION CONCERNING THE DISTRICT

APPENDIX A

INFORMATION CONCERNING THE DISTRICT

The Issuer is a Unified School District organized and existing under and pursuant to the Constitution and laws of the State of Kansas. The District became unified in 1965. The District is governed by a seven-member Board of Education which sets policy governing educational and administrative operations. The Board members, one elected at large and six from districts, serve staggered four year terms..

The current members of the Board of Education and their terms of office are as follows:

<u>Member</u>	<u>Term Expires</u>
Rick Worley, President	06/2013
Bruce Harrington, Vice President	06/2015
Eddie D. Allen	06/2015
Don Burford	06/2013
Bill Dalbom	06/2015
Kerry Schneck	06/2013
Tim Taton	06/2015

Location

The District is situated in Sumner and Sedgwick counties in South Central Kansas. The District office is located in Conway Springs, Kansas, which is located approximately 30 miles southwest of the metropolitan area of Wichita, Kansas. The City of Wichita is a prominent economic and social center within south central Kansas. Residents of the District enjoy the many employment and economic benefits this area provides.

Administration

Mr. Clay Murphy is currently serving as Superintendent of Schools for the District. He was born and raised in the District and graduated from Conway Springs High School in 1984. He returned to the District in 1995 as Principal of the High School and served in that position until becoming Superintendent in July, 2001. Prior to joining the District, Mr. Murphy served as High School Principal and Activities Director during the 1994-1995 school year for Sumner County USD No. 509. Mr. Murphy's teaching experience includes serving as a Social Studies Teacher and Coach at Butler County USD No. 396 from 1988-1994. Mr. Murphy obtained a B.A. in Social Science/Political Science from Friends University in 1988, a M.E.D. in Educational Administration from Wichita State University in 1994 and added his district level certification from Wichita State University in 1996.

Educational Facilities

The District presently operated three attendance centers consisting of the following:

<u>Facility</u>	<u>Grades</u>
Kyle Trueblood Elementary School	K – 5
Conway Springs Middle School	6 -8
Conway Springs High School	9 – 12

Enrollment

<u>Year</u>	<u>Total</u>
2005/06	558.1
2006/07	566.7
2007/08	556.9
2008/09	528.4
2009/10	518.8

Pension and Employee Retirement Plans

The School District participates in the Kansas Public Employees Retirement System (KPERS) established in 1962, as an instrumentality of the State, pursuant to K.S.A. § 74-4901 et seq., to provide retirement and related benefits to public employees in Kansas. KPERS is governed by a board of trustees consisting of nine members, including four members appointed by the Governor subject to confirmation by the State Senate, one appointed by

the President of the Senate, one appointed by the Speaker of the House of Representatives, two elected by members and retirants of the retirement system, which must be members of such system, and the State Treasurer. Members of the board of trustees serve four-year terms and elect a chairperson annually. The board of trustees appoints an Executive Director to serve as the managing officer of KPERS and employs a staff of approximately 95 people.

As of June 30, 2006, KPERS served over 250,000 members and more than 1,450 participating employers, including the State, school districts, counties, cities, public libraries, hospitals and other governmental units. KPERS administers the following three statewide, defined benefit retirement plans for public employees: (a) Kansas Public Employees Retirement System; (b) Kansas Police and Firemen’s Retirement System; and (c) Kansas Retirement System for Judges. These three plans are separate and distinct with different membership groups, actuarial assumptions, experience, contribution rates and benefit options. The Kansas Public Employees Retirement System is the largest of the three plans, accounting for more than 95% of the members. The Kansas Public Employees Retirement System is further divided into two separate groups, as follows:

- a) *State/School Group* - includes members employed by the State, school districts, community colleges, vocational-technical schools and educational cooperatives. The State of Kansas makes all employer contributions for this group, 85% of which comes from the State General Fund. State legislation enacted in 2003 made certain pre-1962 Board employees (which are part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the State/School Group.
- b) *Local Group* - all participating cities, counties, library boards, water districts and political subdivisions are included in this group. Local employers contribute at a different rate than the State/School Group rate. State legislation enacted in 2003 made certain pre-1962 employees of the University of Kansas Hospital Authority (which are a part of a small group of pre-1962 Board and University of Kansas Hospital Authority employees known as the “TIAA Group”), special members of the Local Group.

KPERS is a qualified, governmental, Section 401(a) defined benefit pension plan, and has received IRS determination letters attesting to the plan’s qualified status dated October 14, 1999 and March 5, 2001. KPERS is also a “contributory” defined benefit plan, meaning that employees make contributions to the plan. This contrasts it from noncontributory pension plans (more common in the private sector), which are funded solely by employer contributions. The School District’s employees annually contribute: (a) 4% of their gross salary to the plan if such employees are KPERS Tier 1 members (covered employment prior to July 1, 2009), or (b) 6% of their gross salary to the plan if such employees are KPERS Tier 2 members (covered employment on or after July 1, 2009). The State’s contribution for school employees varies from year to year based upon the annual actuarial valuation and appraisal made by KPERS, subject to legislative caps on percentage increases. Currently, the State’s contribution is 9.17% of the employee’s gross salary, for the period beginning July 1, 2010, through June 30, 2011. Effective July 1, 2011, the rate increases to 9.77%.

Employee relations

The District has approximately 80 employees. Employee relations are characterized as good.

DEBT STRUCTURE OF THE SCHOOL DISTRICT

General Obligation Debt

As of June 1, 2011, the following general obligation bonds are outstanding:

<u>Description of Indebtedness</u>	<u>Series</u>	<u>Dated Date</u>	<u>Original Principal Amount</u>	<u>Amount Outstanding</u>
GO Ref Bonds*	2001	05/01/2001	\$4,315,000	\$410,000
GO Bonds*	2001B	12/15/2001	4,350,000	200,000
GO Bonds**	2011	06/01/2011	5,120,000	<u>5,120,000</u>
		Total		<u>\$5,730,000</u>

* Issues being partially refunded by the Series 2011 Bonds.

** This issue and subject to change.

Overlapping and Underlying Indebtedness

The following table sets forth overlapping and underlying indebtedness as of December 28, 2010 and the percent attributable (on the basis of assessed valuation) to the District:

<u>Taxing Jurisdiction</u>	<u>Assessed Valuation</u>	<u>Total Outstanding General Obligation Indebtedness</u>	<u>Percent Applicable to Issuer</u>	<u>Net Amount Applicable to Issuer</u>
Sumner County	\$ 178,346,691	\$2,592,225	10.41%	\$ 269,850
Sedgwick County	4,279,583,271	73,935,000	00.43%	317,920
City of Conway Springs	6,425,466	1,864,842	100.00%	1,864,842
City of Viola	649,455	0	100.00%	0
Total				<u>\$2,452,612</u>

Source: Sumner & Sedgwick County Clerks

Debt Summary

The following table summarizes certain key statistics with respect to the District's general obligation debt:

Equalized Assessed Tangible Valuation.....	\$21,165,962
Estimated Actual Valuation*.....	\$132,287,262
Legal limitation of Bonded Debt (1)	\$3,174,894
Outstanding General Obligation Bonds**.....	\$5,730,000
Overlapping General Obligation Debt.....	\$2,452,612
Direct Debt per Capita.....	\$243
Direct Debt and Overlapping Debt per Capita.....	\$348
Direct Debt as a percentage of Equalized Assessed Tangible Valuation.....	27.07%
Direct Debt & Overlapping Debt as a percentage of Equalized Assessed Tangible Valuation	38.66%
Direct Debt as a percentage of Estimated Actual Valuation.....	4.33%
Direct Debt & Overlapping Debt as a percentage of Estimated Actual Valuation	6.19%

* Estimated based upon an average assessment ratio of 16%.

** Includes this issue and subject to change.

(1) On September 11, 2001 the Kansas State Board of Education issued an order granting authority for the District to exceed the general obligation debt limitation for state school districts.

Lease Obligations / Certificates of Participation

The District currently does not have any outstanding lease obligations or certificates of participation.

Future Indebtedness

The District does not currently have any plans to issue additional general obligation bonds.

Debt Payment Record

The District has always met principal and interest payments on all outstanding bonds when due and payable.

FINANCIAL INFORMATION

Assessed Valuation

The following table shows the assessed valuation of the District during the following years:

<u>Year</u>	<u>Real Property</u>	<u>Personal Property</u>	<u>State Assessed Utilities</u>	<u>Motor Vehicle Valuation</u>	<u>Equalized Assessed Valuation</u>
2010	\$12,629,917	\$3,345,100	\$2,597,712	\$2,593,233	\$21,165,962
2009	12,618,089	3,374,160	2,439,197	2,642,788	21,074,234
2008	12,583,630	3,349,643	2,336,325	2,777,234	21,046,832
2007	12,468,527	3,350,446	2,176,281	2,717,095	20,712,349
2006	12,360,686	3,401,200	1,972,071	2,693,292	20,427,249

Source: County Clerk

Estimated Actual Valuation

Based on assessed values provided by the County Clerk's Office and estimated average assessment percentages the following table provides the estimated actual valuation of all taxable tangible property in the District in the years indicated:

<u>Year</u>	<u>Estimated Actual Valuation*</u>
2010	\$132,287,262
2009	131,713,962
2008	131,542,700
2007	129,452,181
2006	127,670,306

* Estimated based upon an average assessment ratio of 16%.

Major Taxpayers

The following table sets forth the ten largest taxpayers in the District by assessed valuation in the most recent tax collection period:

<u>Business</u>	<u>Assessed Valuation</u>
Haviland Telephone	\$948,061
Individual	624,836
Wheatland Electric	409,937
Farmers Coop Grain	356,868
Chisholm Pipeline	279,533
KLO LLC	178,994
Union Pacific	178,128
D J Engineering, Inc.	173,850
Sumner-Cowley Electric	170,418
Kansas Gas Service	134,987

Source: County Clerk

Property Tax Levies and Collections

Tax Collections:

Tax statements are mailed November 1 each year and may be paid in full or one-half on or before December 20 with the remaining one-half due on or before May 10 of the following year. Taxes that are unpaid on the due dates are considered delinquent and accrue interest at the rate of 12% per annum until paid or until the property is sold for taxes. Real estate bearing unpaid taxes is advertised for sale on or before August 1 of each year and is sold by the

County for taxes and all legal charges on the first Tuesday in September. Properties that are sold and not redeemed within two years after the tax sale are subject to foreclosure sale, except homestead properties which are subject to foreclosure sale after three years.

Personal taxes are due and may be paid in the same manner as real estate taxes, with the same interest applying to delinquencies. If personal taxes are not paid when due, and after written notice, warrants are issued and placed in the hands of the Sheriff for collection. If not paid on or before October 1, legal judgment is entered and the delinquent tax becomes a lien on the property. Unless renewed, a non-enforced lien expires five years after it is entered.

Motor vehicle taxes are collected periodically throughout the year concurrently with the renewal of motor vehicle tags based upon the value of such vehicles. Such tax receipts are distributed to all taxing subdivisions, including the State of Kansas, in proportion to the number of mills levied within each taxpayer's tax levy unit.

The District may levy taxes in accordance with the requirements of its adopted budget and within the restrictions of the State school finance formula. Property tax levies are based on the adopted budget of the District and the assessed valuations provided by the county appraiser.

Tax Collection Record:

The following table sets forth tax collection information for the District for the years indicated:

<u>Year</u>	<u>Total Tax Levied</u>	<u>Current Collections</u>	<u>Current Tax Collected As Percent of Total Tax Levied</u>
2010/11	\$1,097,390	\$1,068,042	97.33%
2009/10	1,092,999	1,023,402	93.63%
2008/09	1,064,725	994,579	93.41%
2007/08	1,017,235	1,012,085	99.49%
2006/07	1,059,257	1,012,725	95.61%

Source: County Clerk & County Treasurer

Property Tax Levies:

The following table shows the District's mill levies by fund (per \$1000 of assessed valuation) for each of the years set forth below:

<u>Year</u>	<u>General Fund</u>	<u>Supplemental General Fund</u>	<u>Capital Outlay Fund</u>	<u>Bond & Interest</u>	<u>Misc. Funds</u>	<u>Total Levy</u>
2010/11	20.000	20.172	0.000	21.367	4.000	65.539
2009/10	20.000	21.238	0.000	21.311	3.985	66.534
2008/09	20.000	18.552	0.000	21.819	4.000	64.371
2007/08	20.000	16.122	0.000	23.458	4.000	63.580
2006/07	20.000	15.929	0.000	26.664	4.000	66.593

Source: County Clerk

Property Valuations

The determination of assessed valuation and the collection of property taxes for all political subdivisions in the state of Kansas is the responsibility of the various counties under the direction of state statutes. The Sumner County Appraiser's office determines the assessed valuation that is to be used as a basis for the mill levy on property located in the District.

All property in the state of Kansas has been reevaluated as a result of a bill passed by the 1985 session of the Kansas Legislature requiring county appraisers to reassess property for tax purposes, with an effective date of January 1, 1989. In conjunction with the November 1986 general election, Kansas voters approved a proposition to modify the state constitution with respect to classification of property for ad valorem taxation. For taxable years

1989 through 1992, real and personal property was divided into classes and assessed at different percentages of fair market value. Land devoted to agricultural use was valued on the basis of its agricultural income or productivity and assessed at 30% of the value so obtained; commercial and industrial machinery and equipment was assessed at 20% of its fair market value; residential property and vacant lots were assessed at 12% of fair market value; and all other property was assessed at 30% of fair market value. Farm machinery and equipment, merchants' and manufacturers' inventories, and livestock were exempt from property taxation.

In conjunction with the November, 1992 general election, Kansas voters approved a proposition to further modify the state constitution with respect to classification of property for ad valorem taxation. The modified classification provisions shall be effective for assessment and taxation of property on and after January 1, 1993 and each year thereafter. Property is divided into two classes, real property and personal property. Real property is divided into seven subclasses; there are six subclasses of personal property. The real property (Class 1) subclasses are: (i) real property used for residential purposes including multi-family mobile or manufactured homes and the real property on which such homes are located, assessed at 11.5%, (ii) agricultural land, valued on the basis of agricultural income or productivity, assessed at 30%, (iii) vacant lots, assessed at 12%, (iv) real property, owned and operated by a not-for-profit organization not subject to federal income taxation, pursuant to Section 501 of the Internal Revenue Code, assessed at 12%, (v) public utility real property, except railroad real property, assessed at the average rate that all other commercial and industrial property is assessed, assessed at 33%, (vi) real property used for commercial and industrial purposes and buildings and other improvements located on land devoted to agricultural use, assessed at 25%, and (vii) all other urban and real property not otherwise specifically classified, assessed at 30%. Tangible personal property (Class 2) subclasses are: (i) mobile homes used for residential purposes, assessed at 11.5%, (ii) mineral leasehold interests, except oil leasehold interests, the average daily production from which is 5 barrels or less, and natural gas leasehold interests, the average daily production from which is 100 mcf or less, which shall be assessed at 25%, assessed at 30%, (iii) public utility tangible personal property, including inventories thereof, except railroad personal property, including inventories thereof, which shall be assessed at the average rate all other commercial and industrial property is assessed, assessed at 33%, (iv) all categories of motor vehicles not defined and specifically valued and taxed pursuant to law enacted prior to January 1, 1985, assessed at 20%, (v) commercial and industrial machinery and equipment which if its economic life is 7 years or more, shall be valued at its retail cost, when new, less seven-year straight-line depreciation, or which, if its economic life is less than 7 years, shall be valued at its retail cost when new, less straight-line depreciation over its economic life, except that, the value so obtained for such property, notwithstanding its economic life and as long as such property is being used, shall not be less than 20% of the retail cost when new of such property, assessed at 25%, and (vi) all other tangible personal property not otherwise specifically classified, assessed at 30%. All property used exclusively for state, county, municipal, literary, educational, scientific, religious, benevolent and charitable purposes, farm machinery and equipment, merchants' and manufacturers' inventories, other than public utility inventories included in subclass (3) of class 2, livestock, and all household goods and personal effects not used for the production of income, shall be exempted from property taxation.

Machinery and Equipment Tax Exemption

The 2006 Kansas Legislature passed House Bill 2583, which exempts from property taxation all commercial and industrial machinery and equipment acquired after July 1, 2006. The exemption also includes railroad and telecommunication equipment acquired after that date. Over time, this exemption will decrease the types of property included in assessed valuation of Kansas cities and counties.

Accounting, Budgeting and Auditing Procedures

The District follows a statutory basis of accounting designed to show compliance with cash-basis and budget laws of the State for all tax supported funds of the District, including the General Fund.

The District's fiscal year is mandated to run from July 1 to June 30. An annual budget for the coming eighteen months is required to be prepared by the District, for all funds not exempt from the budget requirement. A computation of estimated receipts and disbursements is prepared and presented to the governing body of the District prior to August 1. A public hearing is held and a final budget adopted prior to August 25th.

Kansas law prohibits governmental units from creating indebtedness unless there are funds on hand in the proper accounts and unencumbered by previous action with which to pay such indebtedness. An exception to this cash-basis operation is made where provision has been made for payment of obligations by bonds or other specific debt obligations authorized by law.

The financial records of the District are audited annually by a firm of independent certified public accountants in accordance with generally accepted auditing standards. In recent years, the annual audit has been performed by Chad A. Andra, LLC, CPA., Wellington, Kansas. Copies of the audit reports for the past five (5) years are on file in the Clerk's office and are available for review. The audited financial statements for the Fiscal Year ended June 30, 2010 are attached hereto as *Appendix B*.

School District Funding Formula

Overview. In 1992 the Kansas Legislature made significant changes to the method of funding primary and secondary public education in the state. These changes were made in response to a lawsuit brought forth by several school districts. The Governor of the State of Kansas signed this legislation (the "Kansas School Finance Plan" or the "Plan") into law in early 1992. A number of modifications were made to the Plan in subsequent sessions of the Kansas Legislature. The primary effects of the Plan were to shift the majority of responsibility for funding primary and secondary public education to the state, equalize statewide property tax rates for education, and equalize the per-pupil spending of school districts. The Plan, however, did not impact a school district's obligation to provide for the payment of the principal of and interest on its existing and future general obligation bonded indebtedness. Various amendments to the Plan have been made by the Kansas Legislature. Litigation was instituted in 1999 against the State, which resulted in various court decisions and subsequent legislative changes to the Plan. The Plan, including amendments adopted by the 2010 Kansas Legislature, is summarized below.

Funding for the Plan. Funding for the Plan involved implementing a number of changes to the property, sales and income tax structures in the state. The following is a brief summary of these changes.

Local Effort Property Taxes: In an effort to provide a uniform property tax rate for education across the state, a fixed general fund mill levy was implemented. Each district was required to levy taxes for its general fund at the following rates

<u>School Year(s)</u>	<u>Mill Levy</u>
1992/1993	32
1993/1994	33
1994/1997	35
1997/1998	27
1998/2010	20

The Plan was also modified to exclude the first \$20,000 of appraised valuation of each parcel of residential property from the general fund mill levy. All other taxable tangible property within a district is subject to this uniform tax rate. ***The District's Bond and Interest Fund, from which principal and interest payments are financed, is exempt from this tax limitation.***

The effect of the Plan's property tax equalization effort was to cause the majority of districts to experience significant declines in their property tax rates, while a small number of districts with higher assessed valuations experienced increases. To make up the revenue lost by lowering property taxes in the majority of Kansas school districts, several revenue enhancements were adopted or increased to provide a source of funds for state financial aid to school districts, including changes to State sales and income taxes.

Sales and Use Tax. The statewide sales and use tax was increased from 4.25% to 4.90% effective July 1, 1992. Additionally, several goods and services which had previously been exempt were now made subject to the tax or taxed at a reduced rate of 2.50%. Effective July 1, 2002, the statewide sales and use tax was increased to 5.30%. Effective July 1, 2010, the statewide sales and use tax was increased by 1%; 0.6% of which will sunset on June 30, 2013.

Income Taxes. Several changes were made to individual and corporate income tax rates and levels of income at which the taxes became effective. The net effect of these changes was to slightly decrease individual income taxes in the lower income levels while increasing rates for higher levels of income. Additionally, certain deductions to taxable income that had previously been allowed, such as federal income taxes, were removed.

General Fund Operations. The Plan, as amended, provides that all school districts are permitted to spend a base of \$4,433 per pupil in their general fund for the 2008-2009 school year (the "Base State Aid"). The Base State Aid increases to \$4,492 in school year 2009-10 and thereafter. Subsequent legislation passed in 2009 reduced these

pupil amounts to \$4,400 for the 2008-2009 school year and \$4,218 for the 2009-2010 school year. This amount was further reduced by executive order to \$4,012 for the 2009-2010 school year. The Base State Aid has been increased in steps from an original amount of \$3,600 in 1992. Revenue to support this spending is provided to districts through state financial aid ("SFA"). Total SFA is calculated each year by multiplying the Base State Aid by the weighted number of pupils in the district. The weighted number of pupils is calculated by adding certain "weighting" factors to the district's full-time enrollment. The weighting factors modify the number of pupils, thereby adjusting the SFA. Generally, weighting factors are available for special education students; the opening of new facilities; students considered "at-risk" and "non-proficient"; students transported over certain distances; students in districts with very low, very high, or declining enrollments; and students in special programs such as bilingual and vocational education, virtual education and preschool.

The amount of SFA that a district actually receives each year from the State is offset by the district's local revenue generating effort. The local effort generally includes the fixed general fund property tax levy, motor vehicle tax collections and any remaining fund balances. If the local effort is insufficient to generate the Base State Aid, then the balance of funds needed is provided by the state. If the local effort generates in excess of the Base State Aid, then the surplus must be remitted to the state.

The District's general state aid entitlement is paid monthly from the state school district finance fund during July through May according to the amount needed to meet operating expenses with the balance paid in June. Any amount not so paid in June shall be paid on July 1 or as soon thereafter as funds are available for such payment, which shall be recorded and accounted by the district as received on June 30.

Funds and Accounts. Several different fund categories are created and authorized by the Plan, including: (a) the general fund from which operating expenses are paid, (b) the supplemental general fund (Local Option Budget), (c) the contingency reserve fund, which may not exceed 10% of the general fund budget for school years 2008-09 through 2011-12 and 6% of the general fund thereafter, (d) program-weighted funds for expenditures for program-weighted items such as vocational education and bilingual education, (e) categorical funds such as special education, food service, driver training, virtual school, etc., (f) a special liability expense fund, (g) a special reserve fund, (h) a textbook and student materials revolving fund, and (i) tuition reimbursement fund. Transfers made from the general fund to any other fund is considered an operating expense. The district may transfer money from the general fund to any categorical fund of the district and may transfer money in the general fund to a program weighted fund, subject to certain conditions.

Supplemental General Fund. In order to provide additional funding for operations, the Plan also allows a district to create a supplemental general fund. The supplemental general fund can be used for the same purposes as the general fund. The supplemental general fund is financed through a local option budget ("LOB") which may equal up to 31% of the District's 2008-09 General Fund Budget Authority (as calculated prior to the 2009 legislative budget adjustments using \$4,433 state financial aid authorized in 2008, times the weighted enrollment, plus 2008-09 state special education aid). The LOB represents an ad valorem tax on all taxable tangible property in the District. Additional state aid is available, based on relative levels of assessed valuation, to assist districts in funding the supplemental general fund. If a district adopts a LOB in excess of 25%, and the resolution authorizing the LOB so provides, monies attributable to the LOB in excess of 25% may be transferred to the district's capital improvement fund and capital outlay fund. In each school year, a district that has adopted a LOB is eligible for entitlement to an amount of supplemental general state aid determined by a formula that takes into account the district's assessed value per pupil ("AVPP") and other factors. Amounts in the supplemental general fund may not be expended nor transferred to the general fund for the purpose of making payments under lease-purchase agreement involving the acquisition of land or buildings. Any district that has adopted a LOB in excess of 30% may also, subject to notice and protest, make a cost of living adjustment to such levy.

Each LOB must be approved by the District's governing body and may, under circumstances, be subject to notice and protest and/or referendum. Any LOB in excess of 30% of the state financial aid of the district in the current school year shall not be effective unless approved by a majority of the qualified electors of the district.

Capital Outlay Funds. The Plan authorizes any district to initiate a capital outlay levy in an amount not to exceed 8 mills (exception for existing levies in greater amounts) for a period of not to exceed 5 years upon all taxable tangible property within the district. Prior to instituting such capital outlay levy, the board of education of the district shall adopt a resolution declaring an intent to institute the levy, which resolution shall be published and is subject to protest petition. A capital outlay levy may be reauthorized in the same manner during the last levy period. Funds generated by such levy, and funds transferred from the general fund of the district, are deposited into a capital outlay

fund. Moneys in the capital outlay fund may be expended for land acquisition, making capital improvements and acquisition of school buses and equipment for the district. A district may issue general obligation capital outlay bonds in an amount determined by formula that will be repaid from funds derived from the current capital outlay levy.

In addition, there is established in the State treasury the school district capital outlay state aid fund. Any district that levies a capital outlay levy is eligible to receive moneys from the school district capital outlay state aid fund based on a state aid percentage factor determined on a formula inversely related to the AVPP as compared to the median AVPP of all districts in the State. Each year, the State Board of Education determines the AVPP of each district, rounded to the nearest \$1,000. The median AVPP for all districts is calculated and a percentage factor (the "state aid computation percentage") is assigned to the AVPP. For each \$1,000 AVPP above or below the state median AVPP, the factor changes by 1.0 percentage point inversely to AVPP. The state computation percentage is 44%. The District's state aid computation percentage is 43% which is multiplied by the district's capital outlay mill levy, not to exceed 8 mills. 2009 and 2010 Legislation eliminated funding for school district capital outlay state aid for 2009-12 school years.

Lease Purchase Agreements. K.S.A. 72-8225 authorizes school districts to enter into lease purchase agreements for a term not to exceed 10 years, subject to annual appropriation requirements of the cash-basis law. Any lease purchase agreement entered into by a school district which involves the acquisition of land or buildings, is for a term exceeding the current fiscal year and provides for annual payments which in the aggregate exceed \$100,000, requires that the district publish a resolution declaring its intent to enter such agreement once each week for two consecutive weeks in a newspaper of general circulation within the district. An election shall be required if 5% of the qualified voters in the district file a petition with the county election officer within 30 days of the last publication of the resolution.

Capital Improvement Fund. There is established in the State Treasury the school district Capital Improvement Fund ("CIF"). The CIF is intended to assist districts on making principal and interest payments on voted general obligation bond issues. Each school district that is obligated to make payments from its bond and interest fund is entitled to receive state aid from the CIF in an amount inversely related to its AVPP. Each year the State Board of Education determines the AVPP of each district, rounded to the nearest \$1,000. The median AVPP for all districts is calculated and a percentage factor (the "state aid computation percentage") is assigned to the AVPP. For each \$1,000 AVPP above or below the state median AVPP, the factor changes by 1.0 percentage point inversely to AVPP. The percentage assigned to a district is its "state aid percentage factor." The factor may not exceed 100%. The state aid computation factor is 5% for contractual bond obligations incurred by school districts prior to July 1, 1992 and 25% for contractual bond obligations incurred after July 1, 1992.

Any school district that receives payments from the CIF and has experienced at least a five percent per year or 50 pupil decline in enrollment (whichever is greater) for the previous three years must seek a recommendation from the Joint Committee on State Building Construction prior to issuing bonds for the construction of a new building. If the Joint Committee recommends against the issuance of bonds and the district proceeds to issue bonds, the district is not entitled to receive payments from the CIF for those bonds.

The District's entitlement of state aid from the CIF each year is determined by applying the state aid percentage factors to the bond and interest fund payment obligation for that year. It is anticipated that this source of state funding will pay approximately 46% of the District's debt service on the Bonds for the school year 2010-2011. No assurance can be given that state assistance will continue in future years. However, the District is obligated to levy unlimited ad valorem taxes to provide for debt service payments on the Bonds, regardless of any State aid.

REGIONAL, ECONOMIC AND DEMOGRAPHIC INFORMATION

General

Unified School District No. 356 is located in Sumner County of South Central Kansas. The City of Conway Springs is located in Sumner County approximately 26 miles southwest of the metropolitan area of Wichita, Kansas. Sumner County is known for its wheat, oats, and barley production. The City has a modern system of sewers and sewage disposal facilities, waterworks system, city hall, city library, municipal swimming pool, and a network of hard surface, well maintained streets. Conway Springs operates under a Mayor-Council form of government and has a population of approximately 1,193.

Municipal Services and Utilities

Electric service is provided to the City of Wheatland Electric. KPL Gas Service Company is the natural gas supplier and the water supply is provided by the City of Conway Springs.

Transportation and Communication Facilities

The City is located on Kansas State Highway No. 49, approximately seven miles south of Kansas State Highway No. 42 and nine miles north of U.S. Highway No. 160. The railroad serving the community is Union Pacific. The nearest airline is located in Wichita, 26 miles from the City.

Labor Force

The following table sets forth labor force figures for Sumner County and the State of Kansas:

SUMNER COUNTY

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2009	11,810	10,814	996	8.4%
2008	11,650	11,133	517	4.4%
2007	11,789	11,289	500	4.2%
2006	11,972	11,408	564	4.7%
2005	12,269	11,536	733	6.0%

STATE OF KANSAS

<u>Year</u>	<u>Total Labor Force</u>	<u>Employed</u>	<u>Unemployed</u>	<u>Unemployed Rate</u>
2009	1,518,924	1,416,942	101,982	6.6%
2008	1,493,751	1,427,860	65,891	4.4%
2007	1,480,252	1,419,695	60,557	4.4%
2006	1,470,192	1,405,922	64,270	4.4%
2005	1,465,098	1,390,298	74,800	5.5%

Source: Kansas Statistical Abstract

Agriculture

The following table lists the total value of field crops, livestock/poultry and cattle/milk produced in Sumner County for the years listed.

<u>Year</u>	<u>Total Value of Field Crops (\$000)</u>	<u>Total Value Of Livestock/Poultry (\$000)</u>	<u>Total Value of Cattle/Milk (\$000)</u>	<u>Total (\$000)</u>
2007	\$50,711	\$23,972	N/A	\$74,683
2006	90,204	N/A	\$16,638	106,842
2005	72,005	N/A	15,864	87,869
2004	81,287	N/A	15,275	96,562
2003	73,451	N/A	17,503	90,954

Source: Kansas Statistical Abstract

Retail Sales Tax Collections

The following table lists the State of Kansas sales tax collections for the years indicated for sales occurring in Sumner County, Kansas:

<u>Year</u>	<u>Sales Tax Collections</u>	<u>Per Capita Sales Tax</u>
2009	\$8,280,945	\$366.64
2008	8,789,160	356.21
2007	8,192,637	320.34
2006	7,786,335	311.44
2005	7,396,250	290.77

Source: Kansas Statistical Abstract

Financial and Banking Institutions

There are currently one banks with one location in Sumner County. For the years listed, bank deposits of the County's banks are as follows:

<u>Year</u>	<u>Total Bank Deposits (\$000)</u>
2009	\$409,000
2008	409,000
2007	393,000
2006	386,000
2005	380,000

Source: Kansas Statistical Abstract

Population

The following table shows the approximate population of the District and Sumner County in the years indicated:

<u>Year</u>	<u>Sumner County Population</u>
2009	23,488
2008	23,668
2007	23,757
2006	24,038
2005	24,404

Source: Kansas Statistical Abstract

Personal Income

The Sumner County total personal income and per capita personal income and the State of Kansas per capita personal income are listed for the years indicated in the following table.

<u>Year</u>	<u>Sumner County Personal Income (\$000)</u>	<u>Sumner County Per Capita Personal Income</u>	<u>State of Kansas Per Capita Personal Income</u>
2008	\$891,949	\$37,686	\$38,886
2007	807,484	33,989	37,414
2006	801,085	33,326	35,764
2005	730,579	29,937	33,136
2004	711,945	28,668	31,922

Source: Kansas Statistical Abstract

APPENDIX B

**FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS
FOR THE FISCAL YEAR ENDED JUNE 30, 2010**

**CONWAY SPRINGS
UNIFIED SCHOOL DISTRICT NO. 356
CONWAY SPRINGS, KANSAS**

**FINANCIAL STATEMENTS
JUNE 30, 2010**

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CHAD A. ANDRA, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

INDEPENDENT AUDITOR'S REPORT

Board of Education
Conway Springs Unified School District No. 356
Conway Springs, Kansas

We have audited the accompanying financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of and for the year ended **June 30, 2010**. 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. The prior year partial (and summarized) comparative information has been derived from the District's 2009 financial statements and, in our report dated November 5, 2009, we express an unqualified opinion on the financial statements taken as a whole.

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 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.

As described more fully in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, 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 these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

In our opinion, 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 **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of **June 30, 2010**, or the changes in its financial position for the year then ended.

**Board of Education
Conway Springs Unified School District No. 356**

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, as of **June 30, 2010**, and its cash receipts and expenditures, and budgetary comparisons for the year then ended, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 5, 2010 on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*, and is not a required part of the financial statements of the District. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or the financial statements themselves, 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 statements taken as a whole, on the basis of accounting described in Note 1.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC
November 5, 2010

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**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SUMMARY OF CASH RECEIPTS, CASH EXPENDITURES,
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Fund</u>	Beginning Unencumbered <u>Cash Balance</u>	Prior Year Canceled <u>Encumbrances</u>	Cash <u>Receipts</u>
General Fund	\$ (469,611)	\$ -	\$ 4,097,209
Special Revenue Funds			
Supplemental General	(104,367)	-	1,084,318
Adult Supplemental Education	8,802	-	12,900
At-risk	-	-	265,996
Capital Outlay	389,853	-	301,896
Driver Training	19,045	-	7,300
Food Service	74,631	-	301,816
Special Education	160,000	-	681,637
Vocational Education	-	-	171,387
KPERs	-	-	113,735
Recreation Commission	51,732	-	86,819
REAP Federal Grant - SRSA	-	-	40,600
Grants	500	-	750
Drug Free Grants	-	-	1,606
Title I	-	-	82,131
Title II	-	-	18,886
Memorial/Gift	-	-	382
Contingency Reserve	440,484	-	-
Textbook Rental and Student Mat.	14,543	-	33,553
Band Special Fund	16,327	-	18,500
Carl Perkins	-	-	3,842
District Activity Funds	40,806	-	101,877
Debt Service Fund			
Bond and Interest Fund	745,305	-	871,433
	<u>\$ 1,388,050</u>	<u>\$ -</u>	<u>\$ 8,298,573</u>

Composition of Cash:

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

<u>Expenditures</u>	Ending Unencumbered <u>Cash Balance</u>	Add Outstanding Encumbrances and Accounts <u>Payable</u>	Ending <u>Cash Balance</u>
\$ 3,943,553	\$ (315,955)	\$ -	\$ (315,955)
1,065,000	(85,049)	-	(85,049)
14,421	7,281	-	7,281
265,996	-	-	-
48,533	643,216	-	643,216
5,425	20,920	-	20,920
301,158	75,289	-	75,289
597,096	244,541	-	244,541
171,387	-	-	-
226,401	(112,666)	-	(112,666)
133,000	5,551	-	5,551
40,600	-	-	-
1,250	-	-	-
1,606	-	-	-
82,131	-	-	-
18,886	-	-	-
82	300	-	300
-	440,484	-	440,484
19,171	28,925	-	28,925
9,618	25,209	-	25,209
3,842	-	-	-
99,299	43,384	-	43,384
873,262	743,476	-	743,476
<u>\$ 7,921,717</u>	<u>\$ 1,764,906</u>	<u>\$ -</u>	<u>\$ 1,764,906</u>
Checking and Money Market Accounts			\$ 1,779,544
Less: Agency Funds			14,638
			<u>\$ 1,764,906</u>

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**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max</u>	<u>Adjustment for Qualifying Budget Credits</u>
General Fund	\$ 4,419,620	\$ (507,920)	\$ 32,800
Special Revenue Funds			
Supplemental General	1,065,000	-	-
Adult Supplemental Education	15,000	-	-
At-risk	296,947	-	-
Capital Outlay	403,000	-	3,255
Driver Training	9,733	-	-
Food Service	341,320	-	-
Special Education	843,553	-	-
Vocational Education	172,000	-	-
KPERS	271,047	-	-
Recreation Commission	133,000	-	-
REAP Federal Grant - SRSA	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Grants	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Drug Free Grants	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title I	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Title II	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Memorial/Gift	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Contingency Reserve	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Textbook Rental and Student Mat.	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Band Special Fund	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Carl Perkins	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
District Activity Funds	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX	XXXXXXXXXXXXXX
Debt Service Fund			
Bond and Interest Fund	873,262	-	-
	<u>\$ 8,843,482</u>	<u>\$ (507,920)</u>	<u>\$ 36,055</u>

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

Total Budget for <u>Comparison</u>	Expenditures Chargeable to <u>Current Year</u>	Variance - Over <u>(Under)</u>
\$ 3,944,500	\$ 3,943,553	\$ (947)
1,065,000	1,065,000	-
15,000	14,421	(579)
296,947	265,996	(30,951)
406,255	48,533	(357,722)
9,733	5,425	(4,308)
341,320	301,158	(40,162)
843,553	597,096	(246,457)
172,000	171,387	(613)
271,047	226,401	(44,646)
133,000	133,000	-
xxxxxxxxxxxxxx	40,600	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	1,250	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	1,606	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	82,131	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	18,886	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	82	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	-	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	19,171	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	9,618	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	3,842	xxxxxxxxxxxxxx
xxxxxxxxxxxxxx	99,299	xxxxxxxxxxxxxx
<u>873,262</u>	<u>873,262</u>	<u>-</u>
<u>\$ 8,371,617</u>	<u>\$ 7,921,717</u>	<u>\$ (726,385)</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>General Fund</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 355,085	\$ 361,854	\$ 317,160	\$ 44,694
State Sources	3,876,842	3,541,063	3,401,048	140,015
Federal Sources	-	800	-	800
Federal Sources - ARRA	-	193,492	193,492	-
	<u>4,231,927</u>	<u>4,097,209</u>	<u>3,911,700</u>	<u>185,509</u>
Expenditures				
Instruction	1,943,735	1,529,300	1,846,181	(316,881)
Instruction - ARRA	-	130,977	130,977	-
Student Support Services	132,301	105,320	117,170	(11,850)
Student Suppt. Serv. - ARRA	-	16,535	16,535	-
Instruction Support Staff	169,822	157,094	166,660	(9,566)
Instruct. Suppt. Staff - ARRA	-	8,288	8,288	-
General Administration	95,596	77,255	80,172	(2,917)
General Admin. - ARRA	-	8,385	8,385	-
School Administration	212,932	146,283	174,956	(28,673)
School Admin. - ARRA	-	21,282	21,282	-
Central Services	101,989	119,437	111,226	8,211
Operations & Maintenance	399,561	397,211	447,262	(50,051)
Operations & Maint. - ARRA	-	8,025	8,025	-
Student Transportation Serv.	219,574	130,294	279,522	(149,228)
Other Supplemental Serv.	13,812	13,378	13,378	-
Transfers	1,124,742	1,074,489	989,601	84,888
Adjustment to Comply with Legal Max	-	-	(507,920)	507,920
Adjustment for Qualifying Budget Credits	-	-	32,800	(32,800)
	<u>4,414,064</u>	<u>3,943,553</u>	<u>\$ 3,944,500</u>	<u>\$ (947)</u>
Receipts Over (Under)				
Expenditures	(182,137)	153,656		
Unencumbered Cash,				
Beginning	(287,474)	(469,611)		
Prior Year Canceled				
Encumbrances	-	-		
Unencumbered Cash,				
Ending	<u>\$ (469,611)</u>	<u>\$ (315,955)</u>	See Note 12 (Cash Basis exception)	See Note 13 (Statutory Presentation)

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Supplemental General</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 359,826	\$ 394,888	\$ 354,388	\$ 40,500
County Sources	38,491	44,006	45,123	(1,117)
State Sources	595,025	484,552	632,514	(147,962)
Federal Sources - ARRA	-	160,872	-	160,872
	<u>993,342</u>	<u>1,084,318</u>	<u>1,032,025</u>	<u>52,293</u>
Expenditures				
Instruction	94,150	36,386	118,440	(82,054)
Instruction - ARRA	-	122,504	-	122,504
Student Suppt. Serv. - ARRA	-	7,916	-	7,916
Instruct. Suppt. Staff - ARRA	-	8,410	-	8,410
General Administration	48,412	61,984	61,556	428
General Admin. - ARRA	-	694	-	694
School Administration	200,696	128,870	154,124	(25,254)
School Admin. - ARRA	-	21,348	-	21,348
Central Services	29,969	3,471	34,200	(30,729)
Operations & Maintenance	277,748	292,634	307,950	(15,316)
Transfers	414,025	380,783	388,730	(7,947)
Adjustment for Qualifying Budget Credits	-	-	-	-
	<u>1,065,000</u>	<u>1,065,000</u>	<u>\$ 1,065,000</u>	<u>\$ -</u>
Receipts Over (Under)				
Expenditures	(71,658)	19,318		
Unencumbered Cash, Beginning	(32,709)	(104,367)		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ (104,367)</u>	<u>\$ (85,049)</u>	See Note 12 (Cash Basis exception) See Note 13 (Statutory Presentation)	

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Adult Supplemental Education</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 11,595	\$ 12,900	\$ 15,000	\$ (2,100)
Expenditures				
Instruction	14,177	12,805	13,383	(578)
Instruction Support Staff	1,616	1,616	1,617	(1)
	<u>15,793</u>	<u>14,421</u>	<u>\$ 15,000</u>	<u>\$ (579)</u>
Receipts Over (Under)				
Expenditures	(4,198)	(1,521)		
Unencumbered Cash, Beginning	13,000	8,802		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 8,802</u>	<u>\$ 7,281</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>At-risk</u>	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance - Over (Under)
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Transfers	\$ 240,240	\$ 265,996	\$ 296,947	\$ (30,951)
Expenditures				
Instruction	224,525	253,780	277,399	(23,619)
Student Support Services	15,715	12,216	19,548	(7,332)
	<u>240,240</u>	<u>265,996</u>	<u>\$ 296,947</u>	<u>\$ (30,951)</u>
Receipts Over (Under)				
Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Capital Outlay</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 20,971	\$ 19,449	\$ 13,400	\$ 6,049
County Sources	-	-	-	-
Federal Sources (reimburse.)	3,211	3,255	-	3,255
Transfers	138,205	279,192	-	279,192
	<u>162,387</u>	<u>301,896</u>	<u>13,400</u>	<u>288,496</u>
Expenditures				
Instruction	28,217	-	90,000	(90,000)
Student Support Services	-	-	40,000	(40,000)
Operations and Maintenance	-	-	50,000	(50,000)
Transportation	-	19,995	123,000	(103,005)
Facilities Acquisition & Const.	235,718	28,538	100,000	(71,462)
Adjustment for Qualifying Budget Credits	-	-	3,255	(3,255)
	<u>263,935</u>	<u>48,533</u>	<u>\$ 406,255</u>	<u>\$ (357,722)</u>
Receipts Over (Under)				
Expenditures	(101,548)	253,363		
Unencumbered Cash, Beginning	491,401	389,853		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 389,853</u>	<u>\$ 643,216</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Driver Training</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 4,740	\$ 6,300	\$ 7,584	\$ (1,284)
State Sources	1,520	1,000	2,400	(1,400)
Transfers	-	-	-	-
	<u>6,260</u>	<u>7,300</u>	<u>9,984</u>	<u>(2,684)</u>
Expenditures				
Instruction	6,352	4,666	7,733	(3,067)
Vehicle Operation & Maint.	1,370	759	2,000	(1,241)
	<u>7,722</u>	<u>5,425</u>	<u>\$ 9,733</u>	<u>\$ (4,308)</u>
Receipts Over (Under)				
Expenditures	(1,462)	1,875		
Unencumbered Cash, Beginning	20,507	19,045		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 19,045</u>	<u>\$ 20,920</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Food Service</u>	Prior Year	<u>Current Year</u>		Variance - Over (Under)
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 154,919	\$ 142,413	\$ 224,716	\$ (82,303)
State Sources	3,213	2,877	3,288	(411)
Federal Sources	88,634	99,467	114,686	(15,219)
Transfers	76,420	57,059	70,000	(12,941)
	<u>323,186</u>	<u>301,816</u>	<u>412,690</u>	<u>(110,874)</u>
Expenditures				
Operations and Maintenance	7,461	4,211	12,000	(7,789)
Food Service Operation	291,099	296,947	329,320	(32,373)
	<u>298,560</u>	<u>301,158</u>	<u>\$ 341,320</u>	<u>\$ (40,162)</u>
Receipts Over (Under)				
Expenditures	24,626	658		
Unencumbered Cash, Beginning	50,005	74,631		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 74,631</u>	<u>\$ 75,289</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Special Education</u>	<u>Current Year</u>			Variance - Over (Under)
	Prior Year			
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Local Sources	\$ -	\$ -	\$ -	\$ -
State Sources	-	-	-	-
Transfers	726,536	681,637	839,384	(157,747)
	<u>726,536</u>	<u>681,637</u>	<u>839,384</u>	<u>(157,747)</u>
Expenditures				
Instruction	611,324	525,446	550,000	(24,554)
Student Support Services	9,363	9,863	12,789	(2,926)
Student Transportation Services	65,849	61,787	280,764	(218,977)
	<u>686,536</u>	<u>597,096</u>	<u>\$ 843,553</u>	<u>\$ (246,457)</u>
Receipts Over (Under)				
Expenditures	40,000	84,541		
Unencumbered Cash, Beginning	120,000	160,000		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 160,000</u>	<u>\$ 244,541</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Vocational Education</u>	<u>Current Year</u>			Variance -
	Prior		Budget	Over
	Year	Actual		(Under)
	Actual	Actual	Budget	(Under)
Cash Receipts				
Local Sources	\$ -	\$ -	\$ -	\$ -
Transfers	177,878	171,387	172,000	(613)
	<u>177,878</u>	<u>171,387</u>	<u>172,000</u>	<u>(613)</u>
Expenditures				
Instruction	177,878	171,387	172,000	(613)
Instruction Support Staff	-	-	-	-
Adjustment for Qualifying				
Budget Credits	-	-	-	-
	<u>177,878</u>	<u>171,387</u>	<u>\$ 172,000</u>	<u>\$ (613)</u>
Receipts Over (Under)				
Expenditures	-	-		
Unencumbered Cash,				
Beginning	-	-		
Prior Year Canceled				
Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash,				
Ending	<u>\$ -</u>	<u>\$ -</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>KPERS</u>	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance - Over <u>(Under)</u>
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State Sources	\$ 229,701	\$ 113,735	\$ 271,047	\$ (157,312)
	<u>229,701</u>	<u>113,735</u>	<u>271,047</u>	<u>(157,312)</u>
Expenditures				
Instruction	142,415	144,897	173,470	(28,573)
Student Support Services	9,188	6,792	8,131	(1,339)
Instruction Support Staff	11,485	11,320	13,552	(2,232)
General Administration	6,891	6,792	8,131	(1,339)
School Administration	25,267	24,904	29,815	(4,911)
Central Services	4,594	4,528	5,421	(893)
Operations & Maintenance	13,782	11,320	13,554	(2,234)
Student Transportation Services	9,188	9,056	10,842	(1,786)
Food Service	6,891	6,792	8,131	(1,339)
	<u>229,701</u>	<u>226,401</u>	<u>\$ 271,047</u>	<u>\$ (44,646)</u>
Receipts Over (Under)				
Expenditures	-	(112,666)		
Unencumbered Cash, Beginning	-	-		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ (112,666)</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Recreation Commission</u>	<u>Current Year</u>			Variance -
	Prior Year			Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>(Under)</u>
Cash Receipts				
Local Sources	\$ 78,952	\$ 76,298	\$ 75,182	\$ 1,116
County Sources	9,615	\$ 10,521	\$ 16,006	(5,485)
State Sources	229	-	-	-
	<u>88,796</u>	<u>86,819</u>	<u>91,188</u>	<u>(4,369)</u>
Expenditures				
Community Service Operations	82,000	133,000	133,000	-
	<u>82,000</u>	<u>133,000</u>	<u>\$ 133,000</u>	<u>\$ -</u>
Receipts Over (Under) Expenditures	6,796	(46,181)		
Unencumbered Cash, Beginning	44,936	51,732		
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ 51,732</u>	<u>\$ 5,551</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Bond and Interest</u>	<u>Current Year</u>			Variance -
	Prior Year <u>Actual</u>	<u>Actual</u>	<u>Budget</u>	Over (Under)
Cash Receipts				
Local Sources	\$ 430,739	\$ 400,352	\$ 407,022	\$ (6,670)
County Sources	62,110	60,648	91,743	(31,095)
State Sources	418,559	410,433	671,806	(261,373)
	<u>911,408</u>	<u>871,433</u>	<u>1,170,571</u>	<u>(299,138)</u>
 Expenditures				
Debt Service	865,487	873,262	873,262	-
	<u>865,487</u>	<u>873,262</u>	<u>\$ 873,262</u>	<u>\$ -</u>
 Receipts Over (Under)				
Expenditures	45,921	(1,829)		
 Unencumbered Cash, Beginning	699,384	745,305		
 Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>		
 Unencumbered Cash, Ending	<u>\$ 745,305</u>	<u>\$ 743,476</u>		

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

REAP Federal Grant - SRSA

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 41,080	\$ 40,600
	<u>41,080</u>	<u>40,600</u>
Expenditures		
Instruction	41,080	40,600
Instruction Support Staff	-	-
	<u>41,080</u>	<u>40,600</u>
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Grants</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 500	\$ -
State Sources	-	-
Federal Sources	4,886	750
	<u>5,386</u>	<u>750</u>
 Expenditures		
Instruction	18,776	500
Student Support Services	-	750
	<u>18,776</u>	<u>1,250</u>
 Receipts Over (Under)		
Expenditures	(13,390)	(500)
 Unencumbered Cash, Beginning	13,890	500
 Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash, Ending	<u>\$ 500</u>	<u>\$ -</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Drug Free Grants</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 1,659	\$ 1,606
	1,659	1,606
Expenditures		
Instruction	1,659	1,606
	1,659	1,606
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Prior Year Canceled Encumbrances	-	-
Unencumbered Cash, Ending	\$ -	\$ -

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Title I</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 54,591	\$ 63,738
Federal Sources - ARRA	\$ -	\$ 18,393
	<u>54,591</u>	<u>82,131</u>
Expenditures		
Instruction	48,985	58,183
Instruction - ARRA	-	18,393
General Administration	3,652	3,564
Student Transportation Services	1,954	1,991
	<u>54,591</u>	<u>82,131</u>
Receipts Over (Under) Expenditures	-	-
Unencumbered Cash, Beginning		-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Title II</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 17,741	\$ 17,579
Federal Sources - ARRA	\$ -	\$ 1,307
	<u>17,741</u>	<u>18,886</u>
 Expenditures		
Instruction	17,741	17,579
Instruction - ARRA	-	1,307
	<u>17,741</u>	<u>18,886</u>
 Receipts Over (Under)		
Expenditures	-	-
 Unencumbered Cash, Beginning	-	-
 Prior Year Canceled Encumbrances	-	-
 Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Memorial/Gift</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 96	\$ 382
	<u>96</u>	<u>382</u>
Expenditures		
Instruction	1,255	-
Instruction Support Staff	96	82
	<u>1,351</u>	<u>82</u>
Receipts Over (Under)		
Expenditures	(1,255)	300
Unencumbered Cash, Beginning	1,255	-
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 300</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Contingency Reserve</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfers	\$ 179,488	\$ -
	<u>179,488</u>	<u>-</u>
Expenditures		
Operations and Maintenance	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>
Receipts Over (Under)		
Expenditures	179,488	-
Unencumbered Cash, Beginning	260,996	440,484
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 440,484</u>	<u>\$ 440,484</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

Textbook Rental and Student Mat.

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 33,901	\$ 33,553
	<u>33,901</u>	<u>33,553</u>
Expenditures		
Instruction	45,000	19,171
	<u>45,000</u>	<u>19,171</u>
Receipts Over (Under)		
Expenditures	(11,099)	14,382
Unencumbered Cash, Beginning	25,642	14,543
Prior Year Canceled Encumbrances	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ 14,543</u>	<u>\$ 28,925</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

<u>Band Special Fund</u>	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Local Sources	\$ 20,424	\$ 18,500
	<u>20,424</u>	<u>18,500</u>
 Expenditures		
Instruction	10,599	9,618
	<u>10,599</u>	<u>9,618</u>
 Receipts Over (Under)		
Expenditures	9,825	8,882
 Unencumbered Cash,		
Beginning	6,502	16,327
 Prior Year Canceled		
Encumbrances	<u>-</u>	<u>-</u>
 Unencumbered Cash,		
Ending	<u>\$ 16,327</u>	<u>\$ 25,209</u>

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
FOR THE YEAR ENDED JUNE 30, 2010
(With Comparative Actual Totals for the Prior Year Ended June 30, 2009)

Carl Perkins

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Federal Sources	\$ 4,070	\$ 3,842
	4,070	3,842
Expenditures		
Instruction	4,070	3,842
Instruction Support Staff	-	-
	4,070	3,842
Receipts Over (Under)		
Expenditures	-	-
Unencumbered Cash, Beginning	-	-
Prior Year Canceled Encumbrances	-	-
Unencumbered Cash, Ending	\$ -	\$ -

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

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS
STUDENT ORGANIZATION FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Fund</u>	Beginning Cash <u>Balance</u>	Cash <u>Receipts</u>	Cash <u>Disbursements</u>	Ending Cash <u>Balance</u>
High School				
Class of 2010	\$ 1,622	\$ 12,737	\$ 14,359	\$ -
Class of 2011	782	9,736	8,667	1,851
Class of 2012	235	225	-	460
Class of 2013	-	35	-	35
Cheerleaders	323	6,979	4,853	2,449
PomPon Squad	703	6,195	4,659	2,239
Red Link	653	-	-	653
Scholar Bowl	216	626	767	75
National Honor Society	1,662	2,836	3,326	1,172
Cardinal Council	343	-	50	293
Advanced Biology	171	165	237	99
Cardinalaires	654	3,686	3,710	630
FCCLA	669	532	697	504
STUCO	2,157	13,715	13,693	2,179
	<u>10,190</u>	<u>57,467</u>	<u>55,018</u>	<u>12,639</u>
Middle School				
Cheerleaders	141	870	959	52
Scholar Bowl	232	165	63	334
STUCO	2,101	5,571	6,059	1,613
	<u>2,474</u>	<u>6,606</u>	<u>7,081</u>	<u>1,999</u>
	<u>\$ 12,664</u>	<u>\$ 64,073</u>	<u>\$ 62,099</u>	<u>\$ 14,638</u>

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

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**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
DISTRICT ACTIVITY FUNDS
STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Fund</u>	Beginning Unencumbered Cash Balance	Prior Year Canceled Encumbrances	Cash Receipts
High School			
Athletics	\$ 18,669	\$ -	\$ 59,748
Concessions	3,119	-	13,581
Student Productions	1,304	-	-
Band Activity	517	-	1,775
School Beautification	17	-	58
Take Charge of Education	34	-	-
Memorials	3,295	-	810
Piano Festival	-	-	512
	<u>26,955</u>	<u>-</u>	<u>76,484</u>
Middle School			
Athletics	6,061	-	9,084
Band Dept.	286	-	579
Music Dept.	578	-	262
School Benefit	1,412	-	-
Science Olympiad	266	-	-
Landscaping	131	-	-
	<u>8,734</u>	<u>-</u>	<u>9,925</u>
Elementary School			
Textbook	395	-	-
School Benefit	355	-	3,349
PTO	4,186	-	11,899
Flower	181	-	220
	<u>5,117</u>	<u>-</u>	<u>15,468</u>
	<u>\$ 40,806</u>	<u>\$ -</u>	<u>\$ 101,877</u>

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

<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
\$ 58,152	\$ 20,265	\$ -	\$ 20,265
13,545	3,155	-	3,155
-	1,304	-	1,304
1,368	924	-	924
75	-	-	-
-	34	-	34
2,805	1,300	-	1,300
400	112	-	112
<u>76,345</u>	<u>27,094</u>	<u>-</u>	<u>27,094</u>
9,331	5,814	-	5,814
591	274	-	274
242	598	-	598
-	1,412	-	1,412
-	266	-	266
-	131	-	131
<u>10,164</u>	<u>8,495</u>	<u>-</u>	<u>8,495</u>
395	-	-	-
3,426	278	-	278
8,859	7,226	-	7,226
110	291	-	291
<u>12,790</u>	<u>7,795</u>	<u>-</u>	<u>7,795</u>
<u>\$ 99,299</u>	<u>\$ 43,384</u>	<u>\$ -</u>	<u>\$ 43,384</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies:

Reporting Entity

Conway Springs Unified School District No. 356 is a municipal corporation established under State of Kansas statutes designed to meet educational requirements at the primary and secondary levels in and around Conway Springs, Kansas. The District is governed by an elected seven-member Board of Education. Except for the Conway Springs Recreation Commission, the District's financial statements include all funds over which the Board of Education exercises oversight responsibility. Oversight responsibility includes appointment of governing body members, designation of management, the ability to significantly influence operations and accountability for fiscal matters. The Conway Springs Recreation Commission, a separate municipality, is considered a component unit because the board is appointed by the District. Conway Springs Recreation Commission reports separately and has not been included as part of the District's financial statements.

Basis of Presentation - Fund Accounting

A fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purposes 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 year:

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 a specified purpose.

Debt Service Funds - to account for the accumulation of resources for, and the payment of, interest and principal of general long-term debt.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities. Currently, there are no capital projects.

Fiduciary Funds

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

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, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

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

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

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

Budgetary Information

Kansas statutes require that an annual operating budget be legally adopted for the general fund, special revenue funds (unless specifically exempted by statute), and 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 on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25th.

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

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

All legal annual operating budgets are prepared using the statutory basis of accounting in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 1 - Summary of Significant Accounting Policies: (Continued)

A legal operating budget is not required for capital projects funds, fiduciary funds, permanent funds and the following special revenue funds:

REAP Federal Grant - SRSA	Memorial /Gift
Grants	Contingency Reserve
Drug Free Grants	Textbook Rental and Student Mat.
Title I	Band Special Fund
Title II	Carl Perkins
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.

Reimbursed Expenses

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.

Note 2 - Deposits and Investments:

As of June 30, 2010, the District held no investments. All district funds were held in checking accounts and a money market account at two local banks.

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 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 investments 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.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 2 - Deposits and Investments: (Continued)

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%. All deposits were legally secured at June 30, 2010.

At June 30, 2010, the District's carrying amount of deposits was \$1,779,544 and the bank balance was \$2,572,445. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$316,567 was covered by federal depository insurance, \$2,255,878 was collateralized with securities held by the pledging financial institutions' agents 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.

As of June 30, 2010 the District held no investments.

Note 3 - Long-Term Debt:

On May 1, 2001 the District issued general obligation bonds for refunding purposes in the amount of \$4,315,000. The issuance had been invested with a third party escrow agent and was used to retire the 1995 bond issue. On December 15, 2001 the District issued general obligation bonds for capital projects in the amount of \$4,350,000.

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**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010**

Note 3 - Long-Term Debt: (Continued)

Changes in long-term debt for the District for the year ended June 30, 2010, were as follows:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Date of Final Maturity</u>
General Obligation Bonds 2001 Series	3.50 - 4.90	5/1/01	\$ 4,315,000	9/1/15
General Obligation Bonds 2001B Series	4.75 - 7.50	12/15/01	\$ 4,350,000	3/1/22

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

<u>Issue</u>	<u>2011</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>
Principal				
General obligation bonds	\$ 590,000	\$ 635,000	\$ 670,000	\$ 725,000
Interest				
General obligation bonds	<u>283,410</u>	<u>251,525</u>	<u>222,090</u>	<u>189,898</u>
Total Principal and Interest	<u>\$ 873,410</u>	<u>\$ 886,525</u>	<u>\$ 892,090</u>	<u>\$ 914,898</u>

<u>Balance Beginning of Year</u>	<u>Additions</u>	<u>Reductions/ Payments</u>	<u>Balance End of Year</u>	<u>Interest Paid</u>
3,015,000	-	390,000	2,625,000	129,413
<u>3,670,000</u>	<u>-</u>	<u>170,000</u>	<u>3,500,000</u>	<u>183,850</u>
<u>\$ 6,685,000</u>	<u>\$ -</u>	<u>\$ 560,000</u>	<u>\$ 6,125,000</u>	<u>\$ 313,263</u>

<u>2015</u>	<u>2016-2020</u>	<u>2021-2022</u>	<u>Total</u>
\$ 775,000	\$ 1,910,000	\$ 820,000	\$ 6,125,000
<u>154,740</u>	<u>441,393</u>	<u>59,137</u>	<u>1,602,193</u>
<u>\$ 929,740</u>	<u>\$ 2,351,393</u>	<u>\$ 879,137</u>	<u>\$ 7,727,193</u>

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 4 - Compensated Absences:

All permanent full-time employees are eligible for general leave benefits that can be used for vacation, sick, or personal days. These benefits are given annually and can accumulate based on the District's policies.

It is the policy of the District to record general leave benefits as expenditures when paid.

Note 5 - Interfund Transfers:

Operating transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General Fund	At-risk	K.S.A. 72-6428	\$265,996
General Fund	Capital Outlay	K.S.A. 72-6428	279,192
General Fund	Food Service	K.S.A. 72-6428	57,059
General Fund	Special Education	K.S.A. 72-6428	414,066
Supplemental General	Special Education	K.S.A. 72-6433	267,571
General Fund	Vocational Education	K.S.A. 72-6428	58,175
Supplemental General	Vocational Education	K.S.A. 72-6433	<u>113,212</u>
			<u>\$ 1,455,271</u>

Note 6 - Prior Year Balances:

Certain prior year balances are presented for comparison purposes.

Note 7 - Defined Benefit Pension Plan:

Plan Description

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

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 7 - Defined Benefit Pension Plan: (Continued)

Funding Policy

K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary for Tier 1 members and 6% of covered salary for Tier 2 members. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. Kansas contributed 8.57% of covered payroll between July 1, 2009 and June 30, 2010. These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for District employees for the years ending June 30, 2010, 2009 and 2008 were \$226,401, \$229,701 and \$216,821, respectively, equal to the required contributions for each year.

Note 8 - 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 of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the 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.

Note 9 - Termination Benefits:

The District had an early retirement program available prior to July 1, 2005. Under the program, a full-time employee must have been less than 64 years of age with ten or more years with the District and eligible for retirement under KPERS to elect retirement under the program. Benefits included monthly payments of an amount equal to a percentage of the employee's final basis contract annual salary and continued until age 65. The fiscal year ending June 30, 2005 was the last year additional employees could receive these benefits. The district continues to have expenditures for existing retired employees already receiving benefits.

It is the policy of the District to record these benefits as expenditures when paid. Payments under the program for the years ending June 30, 2010 and 2009 were \$10,467 and \$21,625, respectively.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 10 - Contingencies

Grant Programs

This 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 11 - Subsequent Events

Management has evaluated the effects on the financial statements of subsequent events occurring through November 5, 2010, which is the date at which the financial statements were available to be issued.

Note 12 - Compliance with Kansas Statutes :

Cash Basis Exception

The General Fund and Supplemental General Fund of the District have negative unencumbered cash balances of \$315,955 and \$85,049, respectively, as of June 30, 2010. K.S.A. 10-1116 provides that under certain situations, the fund can end the year with a negative unencumbered cash balance and therefore, is exempt from the cash basis law of the State of Kansas. This fund met the criteria under the statutes, and therefore, is deemed not to be in violation of the Kansas cash basis law.

KPERS Fund

In violation of K.S.A. 10-1113 and 10-1121, indebtedness in excess of cash balance was created at year end in the KPERS Fund due to the State of Kansas making a late payment for June 2010 in July 2010.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13 - Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d)
(Statutory Presentation):

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require 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 on June 30. The following shows the revenue as required by these Statutes.

Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010
General Fund

	<u>Statutory</u> <u>Transactions</u>	<u>Budget</u>	Variance - Over (Under)
Statutory Revenues			
Local Sources	\$ 361,854	\$ 317,160	\$ 44,694
State Sources	3,387,407	3,401,048	(13,641)
Federal Sources	800	-	800
Federal Sources - ARRA	193,492	193,492	-
	<u>3,943,553</u>	<u>3,911,700</u>	<u>31,853</u>
Expenditures			
Instruction	1,529,300	1,846,181	(316,881)
Instruction - ARRA	130,977	130,977	-
Student Support Services	105,320	117,170	(11,850)
Student Suppt. Serv. - ARRA	16,535	16,535	-
Instruction Support Staff	157,094	166,660	(9,566)
Instruct. Suppt. Staff - ARRA	8,288	8,288	-
General Administration	77,255	80,172	(2,917)
General Admin. - ARRA	8,385	8,385	-
School Administration	146,283	174,956	(28,673)
School Admin. - ARRA	21,282	21,282	-
Central Services	119,437	111,226	8,211
Operations & Maintenance	397,211	447,262	(50,051)
Opeartions & Maint. - ARRA	8,025	8,025	-
Student Transportation Serv.	130,294	279,522	(149,228)
Other Supplemental Serv.	13,378	13,378	-
Transfers	1,074,489	989,601	84,888
Adjustment to Comply with Legal Max	-	(507,920)	507,920
Adjustment for Qualifying Budget Credits	-	32,800	(32,800)
	<u>3,943,553</u>	<u>\$ 3,944,500</u>	<u>\$ (947)</u>
Statutory Revenues Over (Under) Expenditures	-		
Modified Unencumbered Cash, July 1, 2009	-		
Prior Year Canceled Encumbrances	-		
Modified Unencumbered Cash, June 30, 2010	<u>\$ -</u>		

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

Note 13 - Compliance with K.S.A. 72-6417(d) and K.S.A. 72-6434(d) (Continued)

Statutory Revenues and Expenditures - Statutory and Budget
For the Year Ended June 30, 2010
Supplemental General

	<u>Statutory</u> <u>Transactions</u>	<u>Budget</u>	Variance - Over <u>(Under)</u>
Statutory Revenues			
Local Sources	\$ 394,888	\$ 354,388	\$ 40,500
County Sources	44,006	45,123	(1,117)
State Sources	473,488	632,514	(159,026)
Federal Sources - ARRA	160,872	-	160,872
	<u>1,073,254</u>	<u>1,032,025</u>	<u>41,229</u>
Expenditures			
Instruction	36,386	118,440	(82,054)
Instruction - ARRA	122,504	-	122,504
Student Suppt. Services - ARRA	7,916	-	7,916
Instruction Suppt. Staff - ARRA	8,410	-	8,410
General Administration	61,984	61,556	428
General Admin. - ARRA	694	-	694
School Administration	128,870	154,124	(25,254)
School Admin. - ARRA	21,348	-	21,348
Central Services	3,471	34,200	(30,729)
Operations & Maintenance	292,634	307,950	(15,316)
Transfers	380,783	388,730	(7,947)
Adjustment for Qualifying Budget Credits	-	-	-
	<u>\$ 1,065,000</u>	<u>\$ 1,065,000</u>	<u>\$ -</u>
Statutory Revenues Over (Under) Expenditures	8,254		
Modified Unencumbered Cash, July 1, 2009	32,976		
Prior Year Canceled Encumbrances	-		
Modified Unencumbered Cash, June 30, 2010	<u>\$ 41,230</u>		

SINGLE AUDIT SECTION



CHAD A. ANDRA, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

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

**Board of Education
Conway Springs Unified School District No. 356
Conway Springs, Kansas**

We have audited the financial statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas** as of and for the year ended June 30, 2010, and have issued our report thereon dated November 5, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*.

The auditor's report on the financial statements disclosed that, as described in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas** prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

Board of Education
Conway Springs Unified School District No. 356

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 combination of control deficiencies, that adversely affects the District's ability to initiate, authorize, record, process, or report financial data reliability in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the District's financial statements that is more than inconsequential will not be prevented or detected by the District's internal control. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be significant deficiencies in internal control over financial reporting and are listed as reference numbers 1 and 2. A material weakness is a significant deficiency, or 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 District's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we believe that none of the significant deficiencies described above is a material weakness.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District in a separate letter dated November 5, 2010.

**Board of Education
Conway Springs Unified School District No. 356**

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC
November 5, 2010



CHAD A. ANDRA, CPA, LLC

CERTIFIED PUBLIC ACCOUNTANT

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE
TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER
COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Education

Conway Springs Unified School District No. 356

Conway Springs, Kansas

Compliance

We have audited the compliance of **Conway Springs Unified School District No. 356, Conway Springs, Kansas** with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2010. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements. In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2010.

**Board of Education
Conway Springs Unified School District No. 356**

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A control deficiency is an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. *A significant deficiency* is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

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

Board of Education
Conway Springs Unified School District No. 356

This report is intended solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Chad A. Andra, CPA, LLC

Chad A. Andra, CPA, LLC

November 5, 2010

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**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010**

<u>Grant Title</u> <u>Direct</u>	<u>Federal</u> <u>CFDA</u> <u>No.</u>	<u>Program</u> <u>Amount</u>
Department of Education		
Rural Education Achievement Program (REAP) - SRSA	84.358	\$ 40,600
(Passes Through Kansas Department of Education - <u>Pass-Through Grantor's Number DO356</u>)		
U.S. Department of Agriculture		
School Breakfast Program	10.553	12,385
National School Lunch Program	10.555	87,082
		<u>99,467</u>
U.S. Department of Education		
ARRA - State Fiscal Stabilization Fund - Education State Grants Recovery Act	84.394	354,364
Title I - Low Income	84.010	63,738
ARRA - Title I Grants to Local Educational Agencies, Recovery Act	84.389	18,393
Title II-A - Improving Teacher Quality	84.367	17,048
Safe & Drug-Free Schools & Communities - State Grants	84.186	1,606
Title II - Tech Literacy	84.318	531
ARRA - Title II-D - Education Technology State Grants, Recovery Act	84.386	1,307
Title II - Statewide Data Systems - Data Use Grant	84.372	800
		<u>457,787</u>
U.S. Department of Homeland Security		
Emergency Management Performance Grant - School Preparedness	97.042	750
(Passes Through South Central Kansas Education <u>Service Center</u>)		
U.S. Department of Education		
Carl Perkins	84.048	3,842
		<u>\$ 602,446</u>

Note 1 - Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of Unified School District No. 356, Conway Springs, Kansas, and is presented using the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule.

See accompanying Independent Auditor's Report.

Unencumbered Cash <u>7-1-09</u>	<u>Receipts</u>	<u>Expenditures</u>	Unencumbered Cash <u>6-30-10</u>
\$ -	\$ 40,600	\$ 40,600	\$ -
-	12,385	12,385	-
-	87,082	87,082	-
-	99,467	99,467	-
-	354,364	354,364	-
-	63,738	63,738	-
-	18,393	18,393	-
-	17,048	17,048	-
-	1,606	1,606	-
-	531	531	-
-	1,307	1,307	-
-	800	800	-
-	457,787	457,787	-
-	750	750	-
-	3,842	3,842	-
\$ -	\$ 602,446	\$ 602,446	\$ -

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

A. SUMMARY OF AUDIT RESULTS

1. The auditors' report on the financial statements disclosed that, as described in Note 1, **Conway Springs Unified School District No. 356, Conway Springs, Kansas** prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. An unqualified opinion was expressed on the financial statements under this comprehensive basis of accounting.

2. Significant deficiencies relating to the audit of the financial statements are 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 statements of **Conway Springs Unified School District No. 356, Conway Springs, Kansas**, which would be required to be reported in accordance with Government Auditing Standards, were disclosed during the audit.

4. No significant deficiencies related to the audit of the major federal award programs as reported in the Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.

5. The auditors' report on compliance for the major federal award programs for **Conway Springs Unified School District No. 356, Conway Springs, Kansas** expresses an unqualified opinion on all major federal programs.

6. There are no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.

See accompanying Independent Auditor's Report.

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS (Continued)

7. The program tested as a major program was as follows:

	<u>CFDA No.</u>
ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act	84.394

8. The threshold for distinguishing between Type A and B programs was \$300,000.

9. Conway Springs Unified School District No. 356, Conway Springs, Kansas did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

SIGNIFICANT DEFICIENCY

Number 1: Lack of Segregation of Duties

Condition: Appropriate segregation of duties is achieved when one or more employees or functions acts as a check and balance on the activities of another so that no employee should be in a position to both commit an irregularity and conceal it. Due to resource constraints, these conflicting phases of transactions potentially occur throughout your entity at various times throughout the fiscal year. We considered this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

See accompanying Independent Auditor's Report.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Number 1: Lack of Segregation of Duties (continued)

Criteria: The segregation of incompatible duties means that no employee should be in a position to both commit an irregularity and conceal it. An Elected Official's Guide to Internal Controls and Fraud Prevention states that "ideally, no single individual should be able to:

- a) *authorize* a transaction;
- b) *record* the transaction in the books of account; and
- c) ensure custody of the asset resulting from the transaction."

In a smaller entity setting, it is very difficult to maintain ideal segregation of duties. We consider this lack of segregation of duties to be a significant deficiency under standards established by the American Institute of Certified Public Accountants.

Effect: Lack of segregation of duties aids in the possibility that errors and irregularities, whether caused by fraud or human error, will not be detected.

Cause: Due to the limited staff in the District, segregation of duties has not been possible as required in an ideal internal control structure. At this time, we feel it would be cost prohibitive to increase staff in the District offices sufficiently to rectify this situation. Current office staff and the Board should, however, continually review the opportunity to implement segregation of duties that will enhance the internal control structure at a minimal cost to the District.

Recommendation: We recommend that the office staff continually review their procedures for opportunities to increase the segregation of duties in the office as well as the overall internal controls and oversight over the accounting functions in the office. We recommend the Board be aware of the importance of segregating the office duties in order to maintain a good internal control structure that will aid in the prevention and detection of errors and irregularities whether caused by fraud or human error.

Within the constraints of available resources, management should attempt to logically segregate duties among people or processes to mitigate risks and meet their financial reporting objectives.

See accompanying Independent Auditor's Report.

CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

Number 2: Financial Statement Reporting

Condition: Our firm has been asked to prepare the financial statements for the District; however, our firm cannot be considered part of the internal control structure of the District in regard to the preparation of the financial statements.

Criteria: The District prepares its financial statements in accordance 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, in accordance with the reporting and formatting requirements displayed in the *Kansas Municipal Audit Guide (KMAG)*.

Effect: We consider this condition related to external financial statement and other supplemental information preparation to be a significant deficiency under the standards established by the American Institute of Certified Public Accountants.

Cause: District personnel do have the skill and knowledge to process all the basic financial transactions and the ability to issue the internal financial statements needed to provide appropriate budget and operating information to the District governing body on an as needed basis. However, the District either has no documented policy or procedures related to the preparation of the external financial statements and other supplemental information and/or the policies and procedures are not implemented and adequately followed to ensure the accuracy and completeness of the external financial statements and other supplemental information.

Recommendation: To strengthen internal control over financial statement preparation, we recommend:

- a) Obtain a current copy of the Kansas Municipal Audit Guide (KMAG);
- b) Obtain a report check list for KMAG financial statements;
- c) Participate in a training session on financial statement preparation and review; and
- d) Adopt a policy that annual financial statements will be reviewed prior to being subjected to audit.

See accompanying Independent Auditor's Report.

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

**C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD
PROGRAMS AUDIT**

DEPARTMENT OF EDUCATION

ARRA - State Fiscal Stabilization Fund - Education State Grants, Recovery Act -
CFDA Number 84.394

NONE

See accompanying Independent Auditor's Report.

**CONWAY SPRINGS UNIFIED SCHOOL DISTRICT NO. 356
SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2010**

NONE

(No Single Audit Required in Prior Year)

See accompanying Independent Auditor's Report.

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

APPENDIX C

SUMMARY OF FINANCING DOCUMENTS

The following is a summary of certain provisions contained in the Bond Resolution authorizing the issuance of the Bonds, the Escrow Trust Agreement and the Continuing Disclosure Instructions. This summary does not purport to be complete and is qualified by reference to the entirety of the foregoing documents.

THE BOND RESOLUTION

DEFINITIONS

In addition to words and terms defined elsewhere in this Official Statement, the following words and terms as used herein shall have the meanings hereinafter set forth. Unless the context shall otherwise indicate, words importing the singular number shall include the plural and vice versa, and words importing persons shall include firms, associations and corporations, including public bodies, as well as natural persons.

“Act” means the Constitution and statutes of the State of Kansas including K.S.A. 10-101 to 10-125, inclusive, K.S.A. 10-620 *et seq.* and K.S.A. 10-427 *et seq.*, as amended and supplemented.

“Authorized Denomination” means \$5,000 or any integral multiples thereof.

“Beneficial Owner” of the Bonds includes any Owner of the Bonds and any other Person who, directly or indirectly has the investment power with respect to such Bonds.

“Bond and Interest Fund” means the Bond and Interest Fund of the Issuer for its general obligation bonds.

“Bond Counsel” means the firm of Gilmore & Bell, P.C., or any other attorney or firm of attorneys whose expertise in matters relating to the issuance of obligations by states and their political subdivisions is nationally recognized and acceptable to the Issuer.

“Bond Payment Date” means any date on which principal of or interest on any Bond is payable.

“Bond Purchase Agreement” means the Bond Purchase Agreement between the Issuer and the Purchaser.

“Bond Register” means the books for the registration, transfer and exchange of Bonds kept at the office of the Bond Registrar.

“Bond Registrar” means the State Treasurer, and its successors and assigns.

“Bond Resolution” means the resolution adopted by the governing body of the Issuer authorizing the issuance of the Bonds, as amended from time to time.

“Bonds” means the General Obligation Refunding Bonds, Series 2011, authorized and issued by the Issuer pursuant to the Bond Resolution.

“Business Day” means a day other than a Saturday, Sunday or any day designated as a holiday by the Congress of the United States or by the Legislature of the State and on which the Paying Agent is scheduled in the normal course of its operations to be open to the public for conduct of its operations.

“Cede & Co.” means Cede & Co., as nominee of DTC and any successor nominee of DTC with respect to the Bonds.

“Clerk” means the duly appointed and/or elected Clerk or, in the Clerk's absence, the duly appointed Deputy Clerk or Acting Clerk of the Issuer.

“Code” means the Internal Revenue Code of 1986, as amended, and the applicable regulations promulgated thereunder of the United States Department of the Treasury.

“Costs of Issuance” means all costs of issuing the Bonds, including but not limited to all publication, printing, signing and mailing expenses in connection therewith, registration fees, financial advisory fees, all legal fees and expenses of

Bond Counsel and other legal counsel, expenses incurred in connection with compliance with the Code, all expenses incurred in connection with receiving ratings on the Bonds, and any premiums or expenses incurred in obtaining municipal bond insurance on the Bonds.

“Costs of Issuance Account” means the account by that name created by the Bond Resolution.

“Dated Date” means June 1, 2011.

“Debt Service Account” means the account by that name (within the Bond and Interest Fund) created by the Bond Resolution.

“Debt Service Requirements” means the aggregate principal payments (whether at maturity or pursuant to scheduled mandatory sinking fund redemption requirements) and interest payments on the Bonds for the period of time for which calculated; provided, however, that for purposes of calculating such amount, principal and interest shall be excluded from the determination of Debt Service Requirements to the extent that such principal or interest is payable from amounts deposited in trust, escrowed or otherwise set aside for the payment thereof with the Paying Agent or other commercial bank or trust company located in the State and having full trust powers.

“Defaulted Interest” means interest on any Bond which is payable but not paid on any Interest Payment Date.

“Defeasance Obligations” means any of the following obligations:

(a) United States Government Obligations that are not subject to redemption in advance of their maturity dates;
or

(b) obligations of any state or political subdivision of any state, the interest on which is excluded from gross income for federal income tax purposes and which meet the following conditions:

(1) the obligations are (i) not subject to redemption prior to maturity or (ii) the trustee for such obligations has been given irrevocable instructions concerning their calling and redemption and the issuer of such obligations has covenanted not to redeem such obligations other than as set forth in such instructions;

(2) the obligations are secured by cash or United States Government Obligations that may be applied only to principal of, premium, if any, and interest payments on such obligations;

(3) such cash and the principal of and interest on such United States Government Obligations (plus any cash in the escrow fund) are sufficient to meet the liabilities of the obligations;

(4) such cash and United States Government Obligations serving as security for the obligations are held in an escrow fund by an escrow agent or a trustee irrevocably in trust;

(5) such cash and United States Government Obligations are not available to satisfy any other claims, including those against the trustee or escrow agent; and

(6) the obligations are rated in the highest rating category by Moody's (presently “Aaa”) or Standard & Poor's (presently “AAA”).

“Derivative” means any investment instrument whose market price is derived from the fluctuating value of an underlying asset, index, currency, futures contract, including futures, options and collateralized mortgage obligations.

“Disclosure Instructions” means the Continuing Disclosure Instructions dated as of the Issue Date, attached to the Issuer's Closing Certificate relating to certain obligations contained in the SEC Rule.

“District” means Unified School District No. 356, Sumner County, Kansas (Conway Springs).

“DTC” means The Depository Trust Company, New York, New York.

“Escrow Agent” means UMB National Bank of America, N.A., Wichita, Kansas, and its successors and assigns.

“Escrow Agreement” means the Escrow Trust Agreement, dated as of May 1, 2011, between the Issuer and the Escrow Agent.

“Escrow Fund” means the fund by that name referred to in the Bond Resolution.

“Escrowed Securities” means the direct, noncallable obligations of the United States of America, and any Substitute Escrowed Securities, as described in the Escrow Agreement.

“Event of Default” means each of the following occurrences or events:

(a) Payment of the principal and of the redemption premium, if any, of any of the Bonds shall not be made when the same shall become due and payable, either at Stated Maturity or by proceedings for redemption or otherwise; or

(b) Payment of any installment of interest on any of the Bonds shall not be made when the same shall become due; or

(c) The Issuer shall default in the due and punctual performance of any other of the covenants, conditions, agreements and provisions contained in the Bonds or in the Bond Resolution (other than the covenants relating to continuing disclosure contained in the Bond Resolution and the Disclosure Instructions) on the part of the Issuer to be performed, and such default shall continue for thirty (30) days after written notice specifying such default and requiring same to be remedied shall have been given to the Issuer by the Owner of any of the Bonds then Outstanding.

“Federal Tax Certificate” means the Issuer's Federal Tax Certificate for the Bonds, dated as of the Issue Date, as the same may be amended or supplemented in accordance with the provisions thereof.

“Fiscal Year” means the twelve month period ending on June 30.

“Fitch” means Fitch Ratings, a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Fitch” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“Funds and Accounts” means funds and accounts created by or referred to in the Bond Resolution.

“Independent Accountant” means an independent certified public accountant or firm of independent certified public accountants at the time employed by the Issuer for the purpose of carrying out the duties imposed on the Independent Accountant by the Bond Resolution.

“Interest Payment Date(s)” means the Stated Maturity of an installment of interest on any Bond which shall be March 1 and September 1 of each year, commencing September 1, 2011.

“Issue Date” means the date when the Issuer delivers the Bonds to the Purchaser in exchange for the Purchase Price.

“Issuer” means the School District and any successors or assigns.

“Maturity” when used with respect to any Bond means the date on which the principal of such Bond becomes due and payable as therein and in the Bond Resolution provided, whether at the Stated Maturity thereof or call for redemption or otherwise.

“Moody's” means Moody's Investors Service, a corporation organized and existing under the laws of the State of Delaware, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, “Moody's” shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“Official Statement” means the Issuer's Official Statement relating to the Bonds.

“Outstanding” means, when used with reference to the Bonds, as of a particular date of determination, all Bonds theretofore, authenticated and delivered, except the following Bonds:

(a) Bonds theretofore canceled by the Paying Agent or delivered to the Paying Agent for cancellation;

(b) Bonds deemed to be paid in accordance with the provisions of the Bond Resolution; and

(c) Bonds in exchange for or in lieu of which other Bonds have been authenticated and delivered hereunder.

“Owner” when used with respect to any Bond means the Person in whose name such Bond is registered on the Bond Register. Whenever consent of the Owners is required pursuant to the terms of the Bond Resolution, and the Owner of the Bonds, as set forth on the Bond Register, is Cede & Co., the term Owner shall be deemed to be the Beneficial Owner of the Bonds.

“Participants” means those financial institutions for whom the Securities Depository effects book-entry transfers and pledges of securities deposited with the Securities Depository, as such listing of Participants exists at the time of such reference.

“Paying Agent” means the State Treasurer and any successors and assigns.

“Permitted Investments” shall mean the investments hereinafter described, provided, however, no moneys or funds shall be invested in a Derivative: (a) investments authorized by K.S.A. 12-1675 and amendments thereto; (b) the municipal investment pool established pursuant to K.S.A. 12-1677a, and amendments thereto; (c) direct obligations of the United States Government or any agency thereof; (d) the Issuer's temporary notes issued pursuant to K.S.A. 10-123 and amendments thereto; (e) interest-bearing time deposits in commercial banks or trust companies located in the county or counties in which the Issuer is located which are insured by the Federal Deposit Insurance Corporation or collateralized by securities described in (c); (f) obligations of the federal national mortgage association, federal home loan banks, federal home loan mortgage corporation or government national mortgage association; (g) repurchase agreements for securities described in (c) or (f); (h) investment agreements or other obligations of a financial institution the obligations of which at the time of investment are rated in either of the three highest rating categories by Moody's or Standard & Poor's; (i) investments and shares or units of a money market fund or trust, the portfolio of which is comprised entirely of securities described in (c) or (f); (j) receipts evidencing ownership interests in securities or portions thereof described in (c) or (f); (k) municipal bonds or other obligations issued by any municipality of the State as defined in K.S.A. 10-1101 which are general obligations of the municipality issuing the same; or (l) bonds of any municipality of the State as defined in K.S.A. 10-1101 which have been refunded in advance of their maturity and are fully secured as to payment of principal and interest thereon by deposit in trust, under escrow agreement with a bank, of securities described in (c) or (f), all as may be further restricted or modified by amendments to applicable State law.

“Person” means any natural person, corporation, partnership, joint venture, association, firm, joint-stock company, trust, unincorporated organization, or government or any agency or political subdivision thereof or other public body.

“President” means the duly elected and acting President, or in the President's absence, the duly appointed and/or elected Vice President or Acting President of the Issuer.

“Purchaser” means the financial institution or investment banking firm that is original purchaser of the Bonds.

“Rating Agency” means any company, agency or entity that provides financial ratings for the Bonds.

“Rebate Fund” means the fund by that name created by the Bond Resolution.

“Record Dates” for the interest payable on any Interest Payment Date means the fifteenth day (whether or not a Business Day) of the calendar month next preceding such Interest Payment Date.

“Redemption Date” when used with respect to any Bond to be redeemed means the date fixed for the redemption of such Bond pursuant to the terms of the Bond Resolution.

“Redemption Price” when used with respect to any Bond to be redeemed means the price at which such Bond is to be redeemed pursuant to the terms of the Bond Resolution, including the applicable redemption premium, if any, but excluding installments of interest whose Stated Maturity is on or before the Redemption Date.

“Refunded Bonds” means collectively, (a) the Series 2001 Bonds maturing in the years 2012 to 2015, inclusive, in the aggregate principal amount of \$1,780,000; and (b) the Series 2001B Bonds maturing in the years 2013 to 2022, inclusive, in the aggregate principal amount of \$3,120,000.

“Refunded Bonds Paying Agent” means the respective paying agent for each series of the Refunded Bonds as designated in the respective Refunded Bonds Resolution, and any successor or successors at the time acting as paying agent for any of the Refunded Bonds.

“Refunded Bonds Redemption Date” means (a) September 1, 2011, for the Series 2001 Bonds and (b) March 1, 2012, for the Series 2001B Bonds.

“Refunded Bonds Resolution” means each resolution which authorized the Refunded Bonds.

“Replacement Bonds” means Bonds issued to the Beneficial Owners of the Bonds in accordance with the Bond Resolution.

“SEC Rule” means Rule 15c2-12 adopted by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as may be amended from time to time.

“Securities Depository” means, initially, DTC, and its successors and assigns.

“Series 2001 Bonds” means the Issuer's General Obligation Refunding Bonds, Series 2001, dated May 1, 2001.

“Series 2001B Bonds” means the Issuer's General Obligation Bonds, Series 2001B, dated December 15, 2001.

“Special Record Date” means the date fixed by the Paying Agent for the payment of Defaulted Interest.

“Standard & Poor's” means Standard & Poor's Ratings Services, a Division of the McGraw-Hill Companies, Inc., a corporation organized and existing under the laws of the State of New York, and its successors and assigns, and, if such corporation shall be dissolved or liquidated or shall no longer perform the functions of a securities rating agency, Standard & Poor's shall be deemed to refer to any other nationally recognized securities rating agency designated by the Issuer.

“State” means the state of Kansas.

“State Treasurer” means the duly elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the State.

“Stated Maturity” when used with respect to any Bond or any installment of interest thereon means the date specified in such Bond and the Bond Resolution as the fixed date on which the principal of such Bond or such installment of interest is due and payable.

“Substitute Escrowed Securities” means non-callable direct obligations of the United States of America, which have been acquired by the Escrow Agent and substituted for Escrowed Securities in accordance with the Escrow Agreement.

“Treasurer” means the duly appointed and/or elected Treasurer or, in the Treasurer's absence, the duly appointed Deputy Treasurer or acting Treasurer of the Issuer.

“United States Government Obligations” means bonds, notes, certificates of indebtedness, treasury bills or other securities constituting direct obligations of, or obligations the principal of and interest on which are fully and unconditionally guaranteed as to full and timely payment by, the United States of America, including evidences of a direct ownership interest in future interest or principal payment on obligations issued by the United States of America (including the interest component of obligations of the Resolution Funding Corporation), or securities which represent an undivided interest in such obligations, which obligations are rated in the highest rating category by a nationally recognized rating service and such obligations are held in a custodial account for the benefit of the Issuer.

“Verification Report” means the verification report relating to the Bonds and the Refunded Bonds as referenced in the Escrow Agreement.

ESTABLISHMENT OF FUNDS AND ACCOUNTS; DEPOSIT AND APPLICATION OF BOND PROCEEDS

Creation of Funds and Accounts. Simultaneously with the issuance of the Bonds, there shall be created within the Treasury of the Issuer the following Funds and Accounts:

- (a) Debt Service Account; and
- (b) Rebate Fund.

The above Funds and Accounts shall be administered in accordance with the provisions of the Bond Resolution so long as the Bonds are Outstanding.

In addition to the Funds and Accounts described above, the Escrow Agreement establishes the following Funds and Accounts to be held and administered by the Escrow Agent in accordance with the provisions of the Escrow Agreement:

- (a) Escrow Fund; and
- (b) Costs of Issuance Account.

Deposit of Bond Proceeds. The net proceeds received from the sale of the Bonds shall be deposited simultaneously with the delivery of the Bonds as follows:

- (a) All accrued interest received from the sale of the Bonds shall be deposited in the Debt Service Account.
- (b) An amount necessary to pay the Costs of Issuance shall be deposited in the Costs of Issuance Account.
- (c) The remaining balance of the proceeds derived from the sale of the Bonds shall be transferred to the Escrow Agent and deposited in the Escrow Fund and applied in accordance with the Escrow Agreement.

Application of Moneys in the Debt Service Account. All amounts paid and credited to the Debt Service Account shall be expended and used by the Issuer for the sole purpose of paying the principal or Redemption Price of and interest on the Bonds as and when the same become due and the usual and customary fees and expenses of the Bond Registrar and Paying Agent. The Treasurer is authorized and directed to withdraw from the Debt Service Account sums sufficient to pay both principal or Redemption Price of and interest on the Bonds and the fees and expenses of the Bond Registrar and Paying Agent as and when the same become due, and to forward such sums to the Paying Agent in a manner which ensures that the Paying Agent will receive immediately available funds in such amounts on or before the Business Day immediately preceding the dates when such principal, interest and fees of the Paying Agent will become due. If, through the lapse of time or otherwise, the Owners of Bonds are no longer entitled to enforce payment of the Bonds or the interest thereon, the Paying Agent shall return said funds to the Issuer. All moneys deposited with the Paying Agent shall be deemed to be deposited in accordance with and subject to all of the provisions contained in the Bond Resolution and shall be held in trust by the Paying Agent for the benefit of the Owners of the Bonds entitled to payment from such moneys. Any moneys or investments remaining in the Debt Service Account after the retirement of the indebtedness for which the Bonds were issued shall be transferred and paid into the Bond and Interest Fund.

Payments Due on Saturdays, Sundays and Holidays. In any case where a Bond Payment Date is not a Business Day, then payment of principal, Redemption Price or interest need not be made on such Bond Payment Date but may be made on the next succeeding Business Day with the same force and effect as if made on such Bond Payment Date, and no interest shall accrue for the period after such Bond Payment Date.

Application of Moneys in the Rebate Fund. There shall be deposited in the Rebate Fund such amounts as are required to be deposited therein pursuant to the Federal Tax Certificate. All money at any time deposited in the Rebate Fund shall be held in trust, to the extent required to satisfy the Rebate Amount (as defined in the Federal Tax Certificate), for payment to the United States of America, and neither the Issuer nor the Owner of any Bonds shall have any rights in or claim to such money.

Application of Moneys in the Costs of Issuance Account. Moneys in the Costs of Issuance Account shall be used by the Escrow Agent to pay the Costs of Issuance. Any funds remaining in the Costs of Issuance Account, after payment of all Costs of Issuance, but not later than the later of 30 days prior to the first Stated Maturity of principal or one year after the date of issuance of the Bonds, shall be transferred to the Issuer for deposit into the Debt Service Account.

Application of Moneys in the Escrow Fund. Under the Escrow Agreement, the Escrow Agent will apply moneys in the Escrow Fund to purchase the Escrowed Securities and to establish an initial cash balance in accordance with the Escrow Agreement. The cash and Escrowed Securities held in the Escrow Fund will be applied by the Escrow Agent solely in the manner authorized by the Escrow Agreement.

Verification of Certified Public Accountant. Prior to or concurrently with the issuance and delivery of the Bonds and the creation of the Escrow Fund, the Issuer shall obtain a Verification Report from an independent certified public accountant that such accountant has verified the accuracy of the calculations that demonstrate that the money and obligations required to be deposited with the Escrow Agent pursuant to the Bond Resolution and the Escrow Agreement, together with the earnings to accrue thereon, will be sufficient for the timely payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds in accordance with the Escrow Agreement.

DEPOSIT AND INVESTMENT OF MONEYS

Deposits. Moneys in each of the Funds and Accounts shall be deposited in a bank, savings and loan association or savings bank which are members of the Federal Deposit Insurance Corporation, or otherwise as permitted by State law, and which meet certain guidelines of State law. All such deposits shall be held in cash or invested in Permitted Investments or shall be adequately secured as provided by the laws of the State.

Investments. Moneys held in any Fund or Account other than the Escrow Fund may be invested in accordance with the Bond Resolution and the Federal Tax Certificate, in Permitted Investments; provided, however, that no such investment shall be made for a period extending longer than to the date when the moneys invested may be needed for the purpose for which such fund was created. All earnings on any investments held in any Fund or Account shall accrue to and become a part of such Fund or Account.

DEFAULT AND REMEDIES

Remedies. The provisions of the Bond Resolution, including the covenants and agreements herein contained, shall constitute a contract between the Issuer and the Owners of the Bonds. If an Event of Default occurs and shall be continuing, the Owner or Owners of not less than 10% in principal amount of the Bonds at the time Outstanding shall have the right for the equal benefit and protection of all Owners of Bonds similarly situated:

(a) by mandamus or other suit, action or proceedings at law or in equity to enforce the rights of such Owner or Owners against the Issuer and its officers, agents and employees, and to require and compel duties and obligations required by the provisions of the Bond Resolution or by the Constitution and laws of the State;

(b) by suit, action or other proceedings in equity or at law to require the Issuer, its officers, agents and employees to account as if they were the trustees of an express trust; and

(c) by suit, action or other proceedings in equity or at law to enjoin any acts or things which may be unlawful or in violation of the rights of the Owners of the Bonds.

Limitation on Rights of Owners. The covenants and agreements of the Issuer contained in the Bond Resolution and in the Bonds shall be for the equal benefit, protection, and security of the Owners of any or all of the Bonds, all of which Bonds of any series shall be of equal rank and without preference or priority of one Bond over any other Bond in the application of the Funds and Accounts pledged to the payment of the principal of and the interest on the Bonds, or otherwise, except as to rate of interest, date of maturity and right of prior redemption as provided in the Bond Resolution. No one or more Owners secured hereby shall have any right in any manner whatever by his or their action to affect, disturb or prejudice the security granted and provided for in the Bond Resolution, or to enforce any right, except in the manner provided in the Bond Resolution, and all proceedings at law or in equity shall be instituted, had and maintained for the equal benefit of all Owners of such Outstanding Bonds.

Remedies Cumulative. No remedy conferred upon the Owners is intended to be exclusive of any other remedy, but each such remedy shall be cumulative and in addition to every other remedy and may be exercised without exhausting and without regard to any other remedy conferred. No waiver of any default or breach of duty or contract by the Owner of any Bond shall extend to or affect any subsequent default or breach of duty or contract or shall impair any rights or remedies thereon.

DEFEASANCE

When any or all of the Bonds, redemption premium, if any, or scheduled interest payments thereon have been paid and discharged, then the requirements contained in the Bond Resolution and all other rights granted thereby shall terminate with respect to the Bonds or scheduled interest payments thereon so paid and discharged. Bonds, redemption premium, if any, or scheduled interest payments thereon shall be deemed to have been paid and discharged within the meaning of the Bond Resolution if there has been deposited with the Paying Agent, or other commercial bank or trust company located in the State and having full trust powers, at or prior to the Stated Maturity or Redemption Date of said Bonds or the interest payments thereon, in trust for and irrevocably appropriated thereto, moneys and/or Defeasance Obligations which, together with the interest to be earned on any such Defeasance Obligations, will be sufficient for the payment of the principal or Redemption Price of said Bonds and/or interest accrued to the Stated Maturity or Redemption Date, or if default in such payment has occurred on such date, then to the date of the tender of such payments. If the amount to be so deposited is based on the Redemption Price of any Bonds, no such satisfaction shall occur until: (a) the Issuer has elected to redeem such

Bonds, and (b) either notice of such redemption has been given, or the Issuer has given irrevocable instructions, or shall have provided for an escrow agent to give irrevocable instructions, to the Bond Registrar to give such notice of redemption.

TAX COVENANTS

General Covenants. The Issuer covenants and agrees that it will comply with all applicable provisions of the Code necessary to maintain the exclusion from gross income for federal income tax purposes of the interest on the Bonds and it will not use or permit the use of any proceeds of Bonds or any other funds of the Issuer, will not take or permit any other action, or fail to take any action, if any such action or failure to take action would adversely affect the exclusion from gross income of the interest on the Bonds. The Issuer covenants and agrees that it will not use any portion of the proceeds of the Bonds, including any investment income earned on such proceeds, directly or indirectly, in a manner that would cause any Bond to be a “private activity bond” within the meaning of Code § 141(a), or to make or finance a loan to any Person other than the State or a political subdivision thereof.

Survival of Covenants. The covenants contained in the Bond Resolution and in the Federal Tax Certificate shall remain in full force and effect notwithstanding the defeasance of the Bonds or any other provision of the Bond Resolution until such time as is set forth in the Federal Tax Certificate.

CONTINUING DISCLOSURE REQUIREMENTS

Disclosure Requirements. The Issuer covenants in the Bond Resolution with the Purchaser and the Beneficial Owners to provide and disseminate such information as is required by the SEC Rule and as further set forth in the Disclosure Instructions. Such covenant shall be for the benefit of and enforceable by the Purchaser and the Beneficial Owners.

Failure to Comply with Continuing Disclosure Requirements. In the event the Issuer fails to comply in a timely manner with its covenants contained in the Bond Resolution, the Purchaser and/or any Beneficial Owner may make demand for such compliance by written notice to the Issuer. In the event the Issuer does not remedy such noncompliance within 10 days of receipt of such written notice, the Purchaser or any Beneficial Owner may in its discretion, without notice or demand, proceed to enforce compliance by a suit or suits in equity for the specific performance of such covenant or agreement or for the enforcement of any other appropriate legal or equitable remedy, as the Purchaser and/or any Beneficial Owner shall deem effectual to protect and enforce any of the duties of the Issuer under such preceding section.

MISCELLANEOUS PROVISIONS

Annual Audit. Annually, promptly after the end of the Fiscal Year, the Issuer will cause an audit to be made of the financial statements of the Issuer for the preceding Fiscal Year by an Independent Accountant. Within 30 days after the completion of each such annual audit, a copy thereof shall be filed in the office of the Clerk, and a duplicate copy of the audit shall be mailed to the Purchaser of the Bonds. Such audits shall at all times during the usual business hours be open to the examination and inspection by any Owner of any of the Bonds, or by anyone acting for or on behalf of such user or Owner.

Levy and Collection of Annual Tax. The governing body of the Issuer shall annually make provision for the payment of Debt Service Requirements on the Bonds as the same become due by levying and collecting the necessary taxes upon all of the taxable tangible property within the Issuer in the manner provided by law. The taxes referred to above shall be extended upon the tax rolls in each of the several years, respectively, and shall be levied and collected at the same time and in the same manner as the other ad valorem taxes of the Issuer are levied and collected. The proceeds derived from said taxes shall be deposited in the Bond and Interest Fund, shall be kept separate and apart from all other funds of the Issuer shall thereafter be deposited in the Debt Service Account and shall be used solely for the payment of the principal of and interest on the Bonds as and when the same become due, taking into account any scheduled mandatory redemptions, and the fees and expenses of the Paying Agent. If at any time said taxes are not collected in time to pay the principal of or interest on the Bonds when due, the Treasurer is hereby authorized and directed to pay said principal or interest out of the general funds of the Issuer and to reimburse said general funds for money so expended when said taxes are collected.

Amendments. The rights and duties of the Issuer and the Owners, and the terms and provisions of the Bonds or of the Bond Resolution, may be amended or modified at any time in any respect by resolution of the Issuer with the written consent of the Owners of not less than a majority in principal amount of the Bonds then Outstanding, such consent to be evidenced by an instrument or instruments executed by such Owners and duly acknowledged or proved in the manner of a deed to be recorded, and such instrument or instruments shall be filed with the Clerk, but no such modification or alteration shall: (a) extend the maturity of any payment of principal or interest due upon any Bond; (b) effect a reduction in the amount

which the Issuer is required to pay as principal of or interest on any Bond; (c) permit preference or priority of any Bond over any other Bond; or (d) reduce the percentage in principal amount of Bonds required for the written consent to any modification or alteration of the provisions of the Bond Resolution.

Any provision of the Bonds or of the Bond Resolution may, however, be amended or modified by resolution duly adopted by the governing body of the Issuer at any time in any legal respect with the written consent of the Owners of all of the Bonds at the time Outstanding.

Without notice to or the consent of any Owners, the Issuer may amend or supplement the Bond Resolution for the purpose of curing any formal defect, omission, inconsistency or ambiguity, to grant to or confer upon the Owners any additional rights, remedies, powers or authority that may lawfully be granted to or conferred upon the Owners, to conform the Bond Resolution to the Code or future applicable federal law concerning tax-exempt obligations, or in connection with any other change therein which is not materially adverse to the interests of the Owners.

Notices, Consents and Other Instruments by Owners. Any notice, request, complaint, demand or other communication required or desired to be given or filed under the Bond Resolution shall be in writing, and shall be deemed duly given or filed if the same shall be: (a) duly mailed by registered or certified mail, postage prepaid; or (b) communicated via fax, with electronic or telephonic confirmation of receipt. Copies of such notices shall also be given to the Paying Agent. The Issuer, the Paying Agent and the Purchaser may from time to time designate, by notice given hereunder to the others of such parties, such other address to which subsequent notices, certificates or other communications shall be sent. All notices given by: (a) certified or registered mail as aforesaid shall be deemed duly given as of the date they are so mailed; (b) fax as aforesaid shall be deemed duly given as of the date of confirmation of receipt. If, because of the temporary or permanent suspension of regular mail service or for any other reason, it is impossible or impractical to mail any notice in the manner herein provided, then such other form of notice as shall be made with the approval of the Paying Agent shall constitute a sufficient notice.

Electronic Transactions. The issuance of the Bonds and the transactions related thereto and described herein may be conducted and documents may be stored by electronic means.

Severability. If any section or other part of the Bond Resolution, whether large or small, is for any reason held invalid, the invalidity thereof shall not affect the validity of the other provisions of the Bond Resolution.

Governing Law. The Bonds and the Bond Resolution shall be governed exclusively by and construed in accordance with the applicable laws of the State.

THE ESCROW TRUST AGREEMENT

Creation of the Escrow Fund. The Escrow Trust Agreement creates and establishes with the Escrow Agent the Escrow Fund, which shall be a special and irrevocable separate trust fund to be held in the custody of the Escrow Agent.

Creation of Lien. The Escrow Fund shall be irrevocable. The owners of the Refunded Bonds are granted an express lien on, and security interest in, the Escrowed Securities and the cash in the Escrow Fund and all earnings thereon until used and applied in accordance with the Escrow Trust Agreement. The matured principal of, and earnings on, the Escrowed Securities and any cash in the Escrow Fund are pledged and assigned, and shall be applied solely for the payment of the principal of, redemption premium, if any, and interest on the Refunded Bonds

Deposits to the Escrow Fund. Concurrently with the execution and delivery of the issuance of the Bonds, and pursuant to the provisions of the Bond Resolution, the Issuer shall deposit with the Escrow Agent, and the Escrow Agent acknowledges receipt and deposit into the Escrow Fund of, proceeds of the Bonds in amounts sufficient to purchase the Escrowed Securities, which shall be delivered to and deposited in the Escrow Fund, and establish any required beginning cash balance in the Escrow Fund sufficient to provide for payment of the Refunded Bonds.

Verification Report. A firm of independent certified public accountants has verified the mathematical computations which demonstrate that the cash held in the Escrow Fund, together with the maturing Escrowed Securities and interest to accrue thereon, will be sufficient to pay all principal of, redemption premium, if any, and interest on the Refunded Bonds on the respective Bond Payment Dates and the Refunded Bonds Redemption Date.

Application of Cash and Escrowed Securities in the Escrow Fund. Except as otherwise expressly provided, the Escrow Agent shall have no power or duty to invest any money held thereunder or to sell transfer or otherwise dispose of any Escrowed Securities. On or prior to each Refunded Bonds Payment Date and on the Refunded Bonds Redemption Date, the Escrow Agent shall withdraw from the Escrow Fund an amount equal to the principal of, redemption premium, if any, and interest on the Refunded Bonds becoming due and payable on such Refunded Bonds Payment Date and on the Refunded Bonds

Redemption Date, and shall forward from available moneys in the Escrow Fund such amount to the office of the respective Refunded Bonds Paying Agent, so that immediately available funds will reach the offices of the Refunded Bonds Paying Agent on or before the Refunded Bonds Payment Date and the Refunded Bonds Redemption Date. In order to make the required payments, the Escrow Agent is authorized to redeem or otherwise dispose of Escrowed Securities. Upon the payment in full of the principal of, redemption premium, if any, and interest on the Refunded Bonds, all remaining money and Escrowed Securities in the Escrow Fund, together with any interest thereon, shall be transferred to the Issuer to be applied in accordance with State law.

Substitute Escrowed Securities. In the event that any of the Escrowed Securities are not available for delivery on the date of the issuance of the Bonds, the Escrow Agent is directed to accept substitute securities in lieu thereof, provided the substitute securities are non-callable direct obligations of the United States of America, the maturing principal of and interest on such substitute securities (excluding any interest after any optional call date) is equal to or greater than the maturity value of such unavailable Escrowed Securities, principal of and interest on the substitute securities is payable on or before the maturity date of the unavailable Escrowed Securities, and the Issuer and Bond Counsel approve such substitution.

At the written request of the Issuer and upon compliance with the conditions hereinafter stated, the Escrow Agent shall have the power to sell, transfer, request the redemption of or otherwise dispose of the Escrowed Securities and to substitute for the Escrowed Securities solely cash or Substitute Escrowed Securities. The Escrow Agent shall purchase such Substitute Escrowed Securities with the proceeds derived from the sale, transfer, disposition or redemption of the Escrowed Securities together with any other funds available for such purpose. The substitution may be effected only if the substitution of the Substitute Escrowed Securities for the original Escrowed Securities occurs simultaneously; the Escrow Agent shall receive from an independent certified public accountant acceptable to the Escrow Agent in its reasonable judgment a certification, satisfactory in form and substance to the Escrow Agent, to the effect that after such substitution, the principal of and interest on the Escrowed Securities to be held in the Escrow Fund after the substitution (including Substitute Escrowed Securities to be acquired), together with any other money to be held in the Escrow Fund after such transaction, will be sufficient to pay all remaining principal of, redemption premium, if any, and interest on the Refunded Bonds and the amounts and dates of the anticipated transfers from the Escrow Fund to the Refunded Bonds Paying Agent will not be diminished or postponed thereby; and the Escrow Agent shall receive a written opinion of Bond Counsel to the effect that such substitution would not cause the interest on either the Bonds or the Refunded Bonds to become included in gross income for purposes of federal income taxation under then existing law.

Redemption of Refunded Bonds. The Escrow Agent acknowledges that the Issuer has notified the Escrow Agent that the Issuer has elected to call the Refunded Bonds for redemption and payment prior to maturity on the Refunded Bonds Redemption Date and has directed the Escrow Agent to notify the Refunded Bonds Paying Agent of such call for redemption so that the Refunded Bonds Paying Agent may cause notice of the call for redemption and payment of the Refunded Bonds to be given.

Resignation or Removal of Escrow Agent; Successor Escrow Agent. The Escrow Agent may at any time resign and be discharged from its duties and responsibilities by giving written notice by first-class mail to the Issuer and the Refunded Bonds Paying Agent (who shall cause notice to be given to the Owners of the Refunded Bonds) not less than 60 days prior to the date when the resignation is to take effect. Such resignation shall take effect immediately upon the acceptance of the Issuer of the resignation, the appointment of a successor Escrow Agent (which may be a temporary Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the resigning Escrow Agent.

The Escrow Agent may be removed at any time by an instrument or concurrent instruments in writing, delivered to the Escrow Agent and the Issuer and signed by the owners of a majority in principal amount of the Refunded Bonds then Outstanding; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to all Owners of such Refunded Bonds, who are not parties to such instruments. The Escrow Agent may also be removed by the Issuer if the Escrow Agent fails to make timely payment of available moneys on any Bond Payment Date to the Refunded Bonds Paying Agent of the amounts required to be paid by it on such Bond Payment Date; provided that written notice thereof is mailed on or before the date of such removal by first-class mail, postage prepaid, to the Refunded Bonds Paying Agent and to all Owners of such Refunded Bonds, who are not parties to such instruments. Any removal shall become effective upon the appointment of a successor Escrow Agent (which may be a temporary successor Escrow Agent) by the Issuer, the acceptance of such successor Escrow Agent of the terms, covenants and conditions of the Escrow Trust Agreement, the transfer of the Escrow Fund, including the money and Escrowed Securities held therein, to such successor Escrow Agent and the completion of any other actions required for the principal of and interest on the Escrowed Securities to be made payable to such successor Escrow Agent rather than the Escrow Agent being removed.

If no appointment of a successor Escrow Agent or a temporary successor Escrow Agent shall have been made by the Issuer within 60 days after written notice of resignation of the Escrow Agent has been given to the Issuer or instrument of removal has been delivered to the Escrow Agent, the Owner of any of the Refunded Bonds or any retiring or removed Escrow Agent may apply to any court of competent jurisdiction for the appointment of a successor Escrow Agent, and such court may thereupon, after such notice, if any, as it shall deem proper, appoint a successor Escrow Agent. No successor Escrow Agent shall be appointed unless such successor Escrow Agent shall be a corporation with trust powers authorized to do business in the State, and organized under the banking laws of the United States or the State and shall have at the time of appointment capital and surplus of not less than \$10,000,000.

Amendments. The Escrow Agreement is made for the benefit of the Issuer and the Owners from time to time of the Refunded Bonds and it shall not be repealed, revoked, altered or amended without the written consent of all such Owners, the Escrow Agent and the Issuer; provided, however, that the Issuer and the Escrow Agent may, without the consent of, or notice to, such Owners, enter into such agreements supplemental to the Escrow Agreement as shall not adversely affect the rights of such Owners and as shall not be inconsistent with the terms and provisions of the Escrow Agreement, for any one or more of the following purposes: (a) to cure any ambiguity or formal defect or omission; (b) to grant to, or confer upon, the Escrow Agent for the benefit of the Owners of the Refunded Bonds, any additional rights, remedies, powers or authority that may lawfully be granted to, or conferred upon, such Owners or the Escrow Agent; and (c) to subject to the Escrow Agreement additional funds, securities or properties. The Escrow Agent shall notify the Rating Agency in writing prior to the execution of any such amendment.

THE CONTINUING DISCLOSURE INSTRUCTIONS

The Continuing Disclosure Instructions are executed and delivered by the Issuer in connection with the issuance of the Bonds pursuant to the Bond Resolution, in which the Issuer covenants to enter into an undertaking to provide certain financial and other information with respect to the Bonds in order to assist the Participating Underwriter in complying with the provisions of the SEC Rule. The Issuer is the only “obligated person” with responsibility for continuing disclosure with respect to the Bonds.

DEFINITIONS

In addition to the definitions set forth in this “**APPENDIX C – THE BOND RESOLUTION - Definitions**” unless otherwise defined herein, the following capitalized terms shall have the following meanings:

“**Annual Report**” means any Annual Report filed by the Issuer pursuant to the Disclosure Instructions.

“**Designated Agent**” means Gilmore & Bell, P.C. or one or more other entities designated in writing by the Issuer to serve as a designated agent of the Issuer for purposes of these Disclosure Instructions.

“**Dissemination Agent**” means any entity designated in writing by the Issuer to serve as dissemination agent pursuant to these Disclosure Instructions and which has filed with the Issuer a written acceptance of such designation.

“**EMMA**” means the Electronic Municipal Market Access system for municipal securities disclosures established and maintained by the MSRB, which can be accessed at www.emma.msrb.org.

“**Financial Information**” means the financial information of the Issuer described under the heading “**PROVISION OF ANNUAL REPORTS – Financial Information.**”

“**Material Events**” means any of the events listed under the heading “**REPORTING OF MATERIAL EVENTS.**”

“**MSRB**” means the Municipal Securities Rulemaking Board.

“**Operating Data**” means the operating data of the Issuer described under the heading “**PROVISION OF ANNUAL REPORTS – Operating Data.**”

“**Participating Underwriter**” means any of the original underwriters of the Bonds required to comply with the SEC Rule in connection with offering of the Bonds.

“**Repository**” means the MSRB via EMMA.

“**SEC**” means the Securities and Exchange Commission of the United States.

PROVISION OF ANNUAL REPORTS

The Issuer shall, or shall cause the Dissemination Agent to, not later than 180 days after the end of the Issuer's Fiscal Year, commencing with the Fiscal Year ended in 2011, file with the Repository, the Issuer's Financial Information and Operating Data (collectively, the "Annual Report"), as follows:

Financial Information. The audited financial statements of the Issuer for such prior Fiscal Year, prepared in accordance with generally accepted auditing standards, in substantially the format contained in *Appendix B* to the Official Statement. If audited financial statements are not available by the time the Annual Report is required to be filed, the Annual Report shall contain summary unaudited financial information and the audited financial statements shall be filed in the same manner as the Annual Report promptly after they become available. The accounting basis and the method of preparation of the financial statements of the Issuer is contained in *Appendix B* to the Official Statement. The method of preparation and basis of accounting of the Financial Information may not be changed to a basis less comprehensive than contained in the Official Statement, unless the Issuer provides notice of such change in the same manner as for a Material Event.

Operating Data. Updates as of the end of the Fiscal Year of substantially all of the information and data contained in those sections of *Appendix A* to the Official Statement entitled "Financial Information – Assessed Valuation," "Financial Information—Property Tax Levies and Collections—Tax Levies," "Financial Information—Property Tax Levies and Collections—Aggregate Tax Levies," "Financial Information—Property Tax Levies and Collections—Tax Collection Record," and "Debt Structure– Current Indebtedness of the Issuer" and all information contained in those sections of *Appendix A* to the Official Statement that is customarily prepared by the Issuer and is publicly available.

Any or all of the items listed above may be included by specific reference to other documents, including official statements of debt issues with respect to which the Issuer is an "obligated person" (as defined by the SEC Rule), which have been filed with the Repository, the MSRB or the SEC. If the document included by reference is a final official statement, it must be available from the MSRB via EMMA. The Issuer shall clearly identify each such other document so included by reference. In each case, the Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in this Section; provided that the audit report and accompanying financial statements may be submitted separately from the balance of the Annual Report and later than the date required above for the filing of the Annual Report if they are not available by that date. If the Issuer's Fiscal Year changes, it shall give notice of such change in the same manner as for a Material Event.

If no Dissemination Agent has been appointed, the Issuer file the Annual Report; or if the Annual Report is not filed within the time period specified, the Issuer shall send a notice to the Repository of the failure to timely file the Annual Report within 10 Business Days after the date the Annual Report is required to be filed as set forth herein.

REPORTING OF MATERIAL EVENTS

The Issuer shall give, or cause the Dissemination Agent, if any, to give, to the Repository within 10 Business Days after the occurrence of any of the following events with respect to the Bonds, notice of the following events:

- (1) principal and interest payment delinquencies;
- (2) non-payment related defaults, if material;
- (3) unscheduled draws on debt service reserves reflecting financial difficulties;
- (4) unscheduled draws on credit enhancements reflecting financial difficulties;
- (5) substitution of credit or liquidity providers, or their failure to perform;
- (6) adverse tax opinions ; the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bond, or other material events affecting the tax-exempt status of the Bonds;
- (7) modifications to rights of Owners, if material;
- (8) bond calls, if material, and tender offers;
- (9) defeasances;
- (10) release, substitution or sale of property securing repayment of the Bonds, if material;
- (11) rating changes;
- (12) bankruptcy, insolvency, receivership or similar event of the Issuer;
- (13) the consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a

- definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
- (14) appointment of a successor or additional Paying Agent or the change of name of the Paying Agent, if material.

Notwithstanding the foregoing, notice of Material Events described in (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

DISSEMINATION AGENT

General. The Issuer may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under the Disclosure Instructions, and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent.

Annual Reports. If a Dissemination Agent shall be appointed, not later than 15 Business Days prior to the date specified for providing the Annual Report to the Repository, the Issuer shall provide the Annual Report to the Dissemination Agent or the Repository. The Dissemination Agent shall file a report with the Issuer certifying that the Annual Report has been filed pursuant to the Disclosure Instructions, stating the date it was filed, or that the Issuer has certified to the Dissemination Agent that the Issuer has filed the Annual Report with the Repository. If the Dissemination Agent has not received an Annual Report or has not received a written notice from the Issuer that it has filed an Annual Report to the Repository, by the date required in *Section 2(a)*, the Dissemination Agent shall send a notice to the Repository.

Material Event Notices.

(1) The Dissemination Agent shall, promptly after obtaining actual knowledge of the occurrence of any event that it believes may constitute a Material Event, contact the chief financial officer of the Issuer or his or her designee, or such other person as the Issuer shall designate in writing to the Dissemination Agent from time to time, inform such person of the event, and request that the Issuer promptly notify the Dissemination Agent in writing whether or not to report the event.

(2) The Issuer will promptly respond in writing to any such request. Whenever the Issuer obtains knowledge of the occurrence of a Material Event, because of a notice from the Dissemination Agent or otherwise, the Issuer shall promptly determine if such event constitutes a Material Event and shall promptly notify the Dissemination Agent in writing. Such notice shall instruct the Dissemination Agent to report the occurrence. If the Issuer has determined that knowledge of an event is listed in (2), (7), (10) or (13) of the definition of a Material Event, is not material, the Issuer shall notify the Dissemination Agent in writing not to report the occurrence.

(3) If the Dissemination Agent has been given written instructions by the Issuer to report the occurrence of a Material Event, the Dissemination Agent shall file a notice of such occurrence with the Repository within 10 Business Days after the occurrence, with copies to the Issuer. Notwithstanding the foregoing, notice of Material Events described in paragraphs (8) and (9) need not be given any earlier than the notice (if any) of the underlying event is given to the Owners of affected Bonds pursuant to the Bond Resolution.

Duties, Immunities and Liabilities of Dissemination Agent. The Dissemination Agent shall have only such duties as are specifically set forth in the Disclosure Instructions. The Dissemination Agent shall not be responsible in any manner for the content of any notice or report prepared by the Issuer.

Other Designated Agents. The Issuer may, from time to time, appoint or designate a Designated Agent to submit Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Instructions. The Issuer hereby appoints the Dissemination Agent and the Designated Agent(s) solely for the purpose of submitting Issuer-approved Annual Reports, Material Event notices, and other notices or reports pursuant to the Disclosure Instructions. The Issuer may revoke this designation at any time upon written notice to the Designated Agent.

MISCELLANEOUS PROVISIONS

Termination of Reporting Obligation. The Issuer's obligations under the Disclosure Instructions shall terminate upon the legal defeasance, prior redemption or payment in full of all of the Bonds. If the Issuer's obligations are assumed in full by some other entity as permitted in the Bond Resolution, such person shall be responsible for compliance with under the Disclosure Instructions in the same manner as if it were the Issuer, and the Issuer shall have no further responsibility. If such termination or substitution occurs prior to the final maturity of the Bonds, the Issuer shall give notice of such termination or substitution in the same manner as for a Material Event

Amendment; Waiver. The Issuer and the Dissemination Agent, if any, may amend the Disclosure Instructions (and the Dissemination Agent shall not unreasonably refuse to execute any amendment so requested by the Issuer) and any provision of the Disclosure Instructions may be waived, provided that: (a) Bond Counsel or other counsel experienced in federal securities law matters provides the Issuer and the Dissemination Agent, if any, with its opinion that the undertaking of the Issuer, as so amended or after giving effect to such waiver, is in compliance with the SEC Rule and all current amendments thereto and interpretations thereof that are applicable to the Disclosure Instructions; (b) if the amendment or waiver relates to the Annual Report or a Material Event, such amendment or waiver may only be made in connection with a change in circumstances that arises from a change in law or legal requirements, or change in the identity, nature or status of an obligated person with respect to the Bonds, or the type of business conducted; and (c) the amendment or waiver is either (1) approved by the Owners of the Bonds in the same manner as provided in the Bond Resolution with consent of the Owners, or (2) does not in the opinion of Bond Counsel materially impair the interests of the Owners or Beneficial Owners of the Bonds.

If there is an amendment or waiver, the Issuer shall describe such amendment in the next Annual Report, and shall include, as applicable, a narrative explanation of the reason for the amendment or waiver and its impact on the type (or, in the case of a change of accounting principles, on the presentation) of Financial Information or Operating Data being presented by the Issuer. In addition, if the amendment relates to the accounting principles to be followed in preparing financial statements: (a) notice of such change shall be given in the same manner as for a Material Event, and (b) the Annual Report for the year in which the change is made should present a comparison (in narrative form and also, if feasible, in quantitative form) between the financial statements as prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles.

Additional Information. Nothing shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in the Disclosure Instructions or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by the Disclosure Instructions. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is specifically required by the Disclosure Instructions, the Issuer shall have no obligation under the Disclosure Instructions to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Noncompliance. In the event of a failure of the Issuer or the Dissemination Agent, if any, to comply with any provision of the Disclosure Instructions, the Participating Underwriter or any Beneficial Owner of the Bonds may take such actions as may be necessary and appropriate, including seeking mandamus or specific performance by court order, to cause the Issuer or the Dissemination Agent, if any, as the case may be, to comply with its obligations under the Disclosure Instructions. Noncompliance with the provisions of the Disclosure Instructions shall not be deemed an Event of Default under the Bond Resolution, and the sole remedy under the Disclosure Instructions in the event of any failure of the Issuer or the Dissemination Agent, if any, to comply with the Disclosure Instructions shall be an action to compel performance.

Electronic Transactions. Actions taken under the Disclosure Instructions and the arrangements described therein may be conducted and related documents may be stored by electronic means.

Beneficiaries. The Disclosure Instructions shall inure solely to the benefit of the Issuer, the Dissemination Agent, if any, the Participating Underwriter and Beneficial Owners from time to time of the Bonds, and shall create no rights in any other person or entity.

Governing Law. The Disclosure Instructions shall be governed by and construed in accordance with the laws of the State.

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