

UNIFIED SCHOOL DISTRICT NO. 373

NEWTON, KANSAS

Special Financial Statements

June 30, 2011

Unified School District No. 373

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Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 373
Newton, Kansas

We have audited the accompanying primary government financial statements of the individual funds of Unified School District No. 373, Newton, Kansas, as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year partial comparative financial information has been derived from the District's 2010 financial statements and, in our report dated December 3, 2010, we expressed an unqualified opinion on the financial statements taken as a whole.

We conducted our audit in accordance with the *Kansas Municipal Audit Guide*; 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. 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.

The financial statements do not include financial data for the District's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for this component unit to be reported with the financial data of the District's primary government unless the District also issues financial statements for the financial reporting entity that include the financial data for its component units. The District has not issued such reporting entity financial statements. The effect on the financial statements of the omission of the component unit, although not reasonably determinable, is presumed to be material.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, is presumed to be material.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, and because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 373, Newton, Kansas, as of June 30, 2011, or the results of its operations for the year then ended.

Board of Education
Unified School District No. 373

Also, in our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Primary Government of Unified School District No. 373, Newton, Kansas, as of June 30, 2011, and its cash receipts and expenditures for the year then ended, taken as a whole, on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued a report dated December 9, 2011, 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 Unified School District No. 373, Newton, 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. 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 to 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.

Krusen, Monroe & Company, LLC

Certified Public Accountants

December 9, 2011

Unified School District No. 373

SUMMARY STATEMENT OF CASH RECEIPTS, EXPENDITURES,
AND UNENCUMBERED CASH BALANCE

Year ended June 30, 2011

FUNDS	Unencumbered	Prior Year			Unencumbered	Liabilities and	Cash Balance
	Cash Balance	Canceled	Receipts	Expenditures	Cash Balance		
	6/30/10	Encumbrances			6/30/11	Encumbrances	6/30/11
General	\$ (1,886,394)	-	21,802,912	21,583,406	(1,666,888)	200,326	(1,466,562)
Supplemental general	(564,047)	-	6,795,444	6,360,000	(128,603)	56,948	(71,655)
Special revenue							
Adult basic education	50,601	-	12,000	11,592	51,009	-	51,009
At risk (4 year old)	15,061	-	149,635	149,696	15,000	-	15,000
At risk (K-12)	39,979	-	2,699,482	2,699,450	40,011	1,126	41,137
Bilingual education	-	-	557,931	557,931	-	-	-
Capital outlay	1,381,869	-	692,938	799,098	1,275,709	218,719	1,494,428
Driver training	61,045	-	42,526	47,129	56,442	-	56,442
Food service	308,746	-	1,668,290	1,653,615	323,421	-	323,421
Professional development	172,646	-	81,000	106,875	146,771	273	147,044
Parent education	38,196	-	144,516	144,538	38,174	-	38,174
Summer school	14,526	-	7,655	9,174	13,007	-	13,007
Special education	350,163	-	4,259,460	4,229,623	380,000	-	380,000
KPERs employer contribution	-	-	1,482,518	1,482,518	-	-	-
Vocational education	45,630	-	1,293,520	1,288,971	50,179	9,374	59,553
Contingency reserve	1,058,032	-	209,116	-	1,267,148	-	1,267,148
Textbook and material revolving	159,148	-	259,992	215,271	203,869	20,766	224,635
Co-op special education	1,385,454	-	7,820,281	7,407,826	1,797,909	11,616	1,809,525
Recreation	18,688	-	1,191,422	1,194,300	15,810	-	15,810
Federal grant programs	(11,228)	-	1,281,206	1,269,661	317	11,197	11,514
Gate receipts	122,854	-	401,646	377,033	147,467	-	147,467
School projects	17,737	-	90,659	88,373	20,023	203	20,226
Debt service							
Bond and interest	2,366,229	-	3,667,227	3,844,749	2,188,707	-	2,188,707
Capital improvement project							
2007 improvement	3,384,389	-	1,233	2,652,216	733,406	72,440	805,846
Fiduciary							
Student organizations	-	-	236,096	236,096	-	65,646	65,646
Gift	341,145	-	209,425	200,472	350,098	3,673	353,771
	<u>\$ 8,870,469</u>	<u>-</u>	<u>57,058,130</u>	<u>58,609,613</u>	<u>7,318,986</u>	<u>672,307</u>	<u>7,991,293</u>

Unified School District No. 373

SUMMARY STATEMENT OF EXPENDITURES,
ACTUAL AND BUDGET

Year ended June 30, 2011

	Certified Budget	Adjustment to Comply with Legal Max	Adjustment for Qualifying Budget Credits	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance - Over (Under)
General	\$ 21,251,965	(320,904)	656,703	21,587,764	21,583,406	(4,358)
Supplemental general	6,360,000	-	-	6,360,000	6,360,000	-
Special revenue						
Adult basic education	50,602	-	-	50,602	11,592	(39,010)
At risk (4 year old)	155,324	-	-	155,324	149,696	(5,628)
At risk (K-12)	2,810,737	-	-	2,810,737	2,699,450	(111,287)
Bilingual education	572,968	-	-	572,968	557,931	(15,037)
Capital outlay	1,695,000	-	-	1,695,000	799,098	(895,902)
Driver training	64,559	-	-	64,559	47,129	(17,430)
Food service	1,953,992	-	-	1,953,992	1,653,615	(300,377)
Professional development	172,646	-	-	172,646	106,875	(65,771)
Parent education	175,445	-	-	175,445	144,538	(30,907)
Summer school	21,526	-	-	21,526	9,174	(12,352)
Special education	4,417,584	-	-	4,417,584	4,229,623	(187,961)
KPERS employer contribution	1,952,869	-	-	1,952,869	1,482,518	(470,351)
Vocational education	1,295,355	-	-	1,295,355	1,288,971	(6,384)
Co-op special education	8,696,669	-	-	8,696,669	7,407,826	(1,288,843)
Recreation	1,195,500	-	-	1,195,500	1,194,300	(1,200)
Debt service						
Bond and interest	<u>3,845,276</u>	-	-	<u>3,845,276</u>	<u>3,844,749</u>	<u>(527)</u>
	<u>\$ 56,688,017</u>	<u>(320,904)</u>	<u>656,703</u>	<u>57,023,816</u>	53,570,491	<u>(3,453,325)</u>
Add expenditures of unbudgeted funds						
Special Revenue					1,950,338	
Capital Projects					2,652,216	
Fiduciary					<u>436,568</u>	
Total expenditures, Statement 1					<u>\$ 58,609,613</u>	

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 41,289	123,160	212,056	(88,896)
Current tax	2,197,250	2,189,463	2,112,602	76,861
Delinquent tax	46,347	54,705	37,734	16,971
Mineral production tax	10	16	-	16
General state aid	14,478,003	15,039,807	15,997,735	(957,928)
Special education state aid	2,625,672	2,739,395	2,525,369	214,026
ARRA stabilization aid	956,178	363,382	363,382	-
Education jobs aid	-	636,281	-	636,281
Reimbursements -				
State juvenile detention payments	197,660	146,432	-	146,432
Fees and other	517,339	510,271	-	510,271
	<u>21,059,748</u>	<u>21,802,912</u>	<u>21,248,878</u>	<u>554,034</u>
Expenditures				
Instruction	9,070,567	9,321,794	9,802,429	(480,635)
Student support services	1,008,927	940,168	924,162	16,006
Instructional support staff	1,063,304	1,023,676	924,284	99,392
General administration	139,247	139,531	169,489	(29,958)
School administration	1,784,088	1,811,587	1,867,778	(56,191)
Other support services	48,813	63,784	78,615	(14,831)
Operations and maintenance	1,870,752	1,926,533	1,842,098	84,435
Student transportation	367,746	403,523	381,046	22,477
Community services	179,771	163,772	828	162,944
Transfers to other funds	5,906,695	5,789,038	5,261,236	527,802
	<u>21,439,910</u>	<u>21,583,406</u>	<u>21,251,965</u>	<u>331,441</u>
Budget adjustments:				
Qualifying budget credits	-	-	656,703	(656,703)
Legal maximum budget	-	-	(320,904)	320,904
	<u>21,439,910</u>	<u>21,583,406</u>	<u>21,587,764</u>	<u>(4,358)</u>
Receipts over (under) expenditures	(380,162)	219,506		
Unencumbered cash, beginning	<u>(1,506,232)</u>	<u>(1,886,394)</u>		
Unencumbered cash, ending	<u>\$ (1,886,394)</u>	<u>(1,666,888)</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
SUPPLEMENTAL GENERAL FUND				
Receipts				
Taxes				
Tax in process	\$ 43,182	124,050	205,736	(81,686)
Current tax	2,190,307	2,448,106	2,682,115	(234,009)
Delinquent tax	46,039	55,772	37,440	18,332
Motor vehicle tax	324,001	331,399	352,737	(21,338)
State aid	2,497,486	3,836,117	3,396,622	439,495
ARRA stabilization aid	832,825	-	-	-
	<u>5,933,840</u>	<u>6,795,444</u>	<u>6,674,650</u>	<u>120,794</u>
Expenditures				
Instruction	1,259,218	556,821	601,802	(44,981)
Student support services	42,107	111,335	49,000	62,335
Instructional support staff	276,146	275,109	296,647	(21,538)
General administration	320,087	329,492	330,991	(1,499)
School administration	5,167	-	-	-
Other support services	403,044	444,196	451,366	(7,170)
Operations and maintenance	1,113,739	1,187,846	1,328,805	(140,959)
Transfers to other funds	2,620,492	3,455,201	3,301,389	153,812
	<u>6,040,000</u>	<u>6,360,000</u>	<u>6,360,000</u>	<u>-</u>
Receipts over (under) expenditures	(106,160)	435,444		
Unencumbered cash, beginning	<u>(457,887)</u>	<u>(564,047)</u>		
Unencumbered cash, ending	<u>\$ (564,047)</u>	<u>(128,603)</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
ADULT BASIC EDUCATION FUND				
Receipts				
Federal aid	\$ 58,652	-	-	-
State aid	42,255	-	-	-
Transfers from other funds	-	12,000	-	12,000
	<u>100,907</u>	<u>12,000</u>	<u>-</u>	<u>12,000</u>
Expenditures				
Instruction	81,048	11,592	50,602	(39,010)
Student support services	14	-	-	-
Instructional support staff	2,487	-	-	-
School administration	28,235	-	-	-
Operations and maintenance	46,404	-	-	-
	<u>158,188</u>	<u>11,592</u>	<u>50,602</u>	<u>(39,010)</u>
Receipts over (under) expenditures	(57,281)	408		
Unencumbered cash, beginning	<u>107,882</u>	<u>50,601</u>		
Unencumbered cash, ending	<u>\$ 50,601</u>	<u>51,009</u>		
AT RISK FUND (4 Year Old)				
Receipts				
Transfers from other funds	\$ <u>148,224</u>	<u>149,635</u>	<u>140,264</u>	<u>9,371</u>
Expenditures				
Instruction	106,619	116,893	117,506	(613)
Student transportation	31,557	32,803	37,818	(5,015)
	<u>138,176</u>	<u>149,696</u>	<u>155,324</u>	<u>(5,628)</u>
Receipts over (under) expenditures	10,048	(61)		
Unencumbered cash, beginning	<u>5,013</u>	<u>15,061</u>		
Unencumbered cash, ending	<u>\$ 15,061</u>	<u>15,000</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
AT RISK FUND (K-12)				
Receipts				
Summer school fees	\$ 2,740	7,785	5,800	1,985
Interest and other	1,550	-	6,583	(6,583)
Transfers from other funds	<u>2,046,701</u>	<u>2,691,697</u>	<u>2,758,375</u>	<u>(66,678)</u>
	<u>2,050,991</u>	<u>2,699,482</u>	<u>2,770,758</u>	<u>(71,276)</u>
Expenditures				
Instruction	1,799,336	2,415,526	2,514,487	(98,961)
Student support services	74,484	75,615	76,603	(988)
School administration	106,105	105,928	110,241	(4,313)
Operations and maintenance	<u>61,755</u>	<u>102,381</u>	<u>109,406</u>	<u>(7,025)</u>
	<u>2,041,680</u>	<u>2,699,450</u>	<u>2,810,737</u>	<u>(111,287)</u>
Receipts over (under) expenditures	9,311	32		
Unencumbered cash, beginning	<u>30,668</u>	<u>39,979</u>		
Unencumbered cash, ending	<u>\$ 39,979</u>	<u>40,011</u>		
BILINGUAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 500,787	557,931	<u>572,968</u>	<u>(15,037)</u>
Expenditures				
Instruction	<u>500,787</u>	<u>557,931</u>	<u>572,968</u>	<u>(15,037)</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning	-	-		
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
CAPITAL OUTLAY FUND				
Receipts				
Taxes				
Tax in process	\$ 10,653	29,243	47,640	(18,397)
Current tax	503,991	501,571	483,406	18,165
Delinquent tax	11,606	13,498	8,619	4,879
Motor vehicle tax	81,524	78,569	83,627	(5,058)
Interest	-	12,611	-	12,611
Sale of assets and other	79,117	57,446	-	57,446
Transfers from other funds	50,000	-	-	-
	<u>736,891</u>	<u>692,938</u>	<u>623,292</u>	<u>69,646</u>
Expenditures				
Instruction	144,461	244,294	740,000	(495,706)
School administration	47,376	13,524	10,000	3,524
Operations and maintenance	71,001	38,521	50,000	(11,479)
Other support services	-	18,001	25,000	(6,999)
Transportation	84,627	21,500	120,000	(98,500)
Food service operations	5,914	-	20,000	(20,000)
Facilities acquisition and construction	352,170	463,258	730,000	(266,742)
	<u>705,549</u>	<u>799,098</u>	<u>1,695,000</u>	<u>(895,902)</u>
Receipts over (under) expenditures	31,342	(106,160)		
Unencumbered cash, beginning	<u>1,350,527</u>	<u>1,381,869</u>		
Unencumbered cash, ending	<u>\$ 1,381,869</u>	<u>1,275,709</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2011			Variance - Over (Under)
	2010 Actual	Actual	Budget	
DRIVER TRAINING FUND				
Receipts				
State aid	\$ 6,400	13,098	3,500	9,598
Fees and other	41,277	29,428	14	29,414
	<u>47,677</u>	<u>42,526</u>	<u>3,514</u>	<u>39,012</u>
Expenditures				
Instruction				
Salaries and benefits	19,901	31,252	38,359	(7,107)
Supplies and other	429	489	1,800	(1,311)
Vehicle operations and maintenance	3,463	15,388	24,400	(9,012)
	<u>23,793</u>	<u>47,129</u>	<u>64,559</u>	<u>(17,430)</u>
Receipts over (under) expenditures	23,884	(4,603)		
Unencumbered cash, beginning	<u>37,161</u>	<u>61,045</u>		
Unencumbered cash, ending	<u>\$ 61,045</u>	<u>56,442</u>		
FOOD SERVICE FUND				
Receipts				
Meal sales	\$ 683,333	630,433	747,067	(116,634)
Federal aid	937,263	951,723	884,460	67,263
State aid	17,015	16,900	13,719	3,181
Interest	16,406	-	-	-
Other	8,254	17,234	-	17,234
Transfers from other funds	35,000	52,000	-	52,000
	<u>1,697,271</u>	<u>1,668,290</u>	<u>1,645,246</u>	<u>23,044</u>
Expenditures				
Food service operation				
Salaries and benefits	679,202	691,284	732,692	(41,408)
Food and supplies	988,265	921,013	1,057,900	(136,887)
Capital outlay and other	14,642	20,701	158,800	(138,099)
Operations and maintenance	3,599	20,617	4,600	16,017
	<u>1,685,708</u>	<u>1,653,615</u>	<u>1,953,992</u>	<u>(300,377)</u>
Receipts over (under) expenditures	11,563	14,675		
Unencumbered cash, beginning	<u>297,183</u>	<u>308,746</u>		
Unencumbered cash, ending	<u>\$ 308,746</u>	<u>323,421</u>		

See notes to financial statements

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
PROFESSIONAL DEVELOPMENT FUND				
Receipts				
Transfers from other funds	\$ 102,342	81,000	-	81,000
Other	750	-	-	-
	<u>103,092</u>	<u>81,000</u>	<u>-</u>	<u>81,000</u>
Expenditures				
Instructional staff support				
Salaries and benefits	49,882	56,902	59,796	(2,894)
Consultants	-	-	12,000	(12,000)
Registration and travel	29,976	16,541	70,692	(54,151)
Supplies and other	23,366	33,432	30,158	3,274
	<u>103,224</u>	<u>106,875</u>	<u>172,646</u>	<u>(65,771)</u>
Receipts over (under) expenditures	(132)	(25,875)		
Unencumbered cash, beginning	<u>172,778</u>	<u>172,646</u>		
Unencumbered cash, ending	<u>\$ 172,646</u>	<u>146,771</u>		
PARENT EDUCATION FUND				
Receipts				
State aid	\$ 60,120	59,552	60,120	(568)
Other districts' contributions	13,218	13,218	13,218	-
Other	41,635	36,410	63,911	(27,501)
Transfers from other funds	34,000	35,336	-	35,336
	<u>148,973</u>	<u>144,516</u>	<u>137,249</u>	<u>7,267</u>
Expenditures				
Student support services				
Salaries and benefits	116,169	124,996	151,537	(26,541)
Supplies and travel	27,386	10,477	10,784	(307)
Other	-	6,000	8,525	(2,525)
Instructional staff support	2,606	1,276	2,810	(1,534)
Other supplemental services	1,789	1,789	1,789	-
	<u>147,950</u>	<u>144,538</u>	<u>175,445</u>	<u>(30,907)</u>
Receipts over (under) expenditures	1,023	(22)		
Unencumbered cash, beginning	<u>37,173</u>	<u>38,196</u>		
Unencumbered cash, ending	<u>\$ 38,196</u>	<u>38,174</u>		

See notes to financial statements

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
SUMMER SCHOOL FUND				
Receipts				
Student fees	\$ 7,404	7,655	7,000	655
Transfers from other funds	2,000	-	-	-
	<u>9,404</u>	<u>7,655</u>	<u>7,000</u>	<u>655</u>
Expenditures				
Instruction	<u>9,388</u>	<u>9,174</u>	<u>21,526</u>	<u>(12,352)</u>
Receipts over (under) expenditures	16	(1,519)		
Unencumbered cash, beginning	<u>14,510</u>	<u>14,526</u>		
Unencumbered cash, ending	<u>\$ 14,526</u>	<u>13,007</u>		
SPECIAL EDUCATION FUND				
Receipts				
Transfers from other funds	\$ 4,145,510	4,191,363	4,037,421	153,942
Medicaid	23,452	60,548	25,000	35,548
Other	<u>10,196</u>	<u>7,549</u>	<u>5,000</u>	<u>2,549</u>
	<u>4,179,158</u>	<u>4,259,460</u>	<u>4,067,421</u>	<u>192,039</u>
Expenditures				
Transfer to cooperative	3,607,808	3,868,064	3,645,420	222,644
Instruction	269,285	85,101	459,663	(374,562)
Instructional staff support	2,502	25	-	25
School administration	123,713	128,373	127,584	789
Transportation	<u>154,745</u>	<u>148,060</u>	<u>184,917</u>	<u>(36,857)</u>
	<u>4,158,053</u>	<u>4,229,623</u>	<u>4,417,584</u>	<u>(187,961)</u>
Receipts over (under) expenditures	21,105	29,837		
Unencumbered cash, beginning	<u>329,058</u>	<u>350,163</u>		
Unencumbered cash, ending	<u>\$ 350,163</u>	<u>380,000</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
KPERS EMPLOYER CONTRIBUTION FUND				
Receipts				
State aid	\$ 1,725,912	1,482,518	1,952,869	(470,351)
Expenditures				
Instruction	1,127,020	973,125	1,281,792	(308,667)
Student support services	162,236	134,909	177,632	(42,723)
Instructional support services	77,666	63,748	84,051	(20,303)
General administration	39,696	33,208	43,757	(10,549)
School administration	127,717	109,706	144,604	(34,898)
Other supplemental services	25,889	22,683	41,921	(19,238)
Operations and maintenance	91,473	80,352	105,831	(25,479)
Student transportation services	24,163	20,459	26,945	(6,486)
Food service operations	41,422	35,136	46,336	(11,200)
Community service operations	8,630	9,192	-	9,192
	<u>1,725,912</u>	<u>1,482,518</u>	<u>1,952,869</u>	<u>(470,351)</u>
Receipts over (under) expenditures	-	-	-	-
Unencumbered cash, beginning	-	-	-	-
Unencumbered cash, ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>
VOCATIONAL EDUCATION FUND				
Receipts				
Tuition	\$ 175,887	153,352	165,000	(11,648)
Federal vocational grant	36,637	31,128	31,128	-
Transfers from other funds	1,019,780	1,100,161	1,053,597	46,564
Revolving funds and other	6,633	8,879	-	8,879
	<u>1,238,937</u>	<u>1,293,520</u>	<u>1,249,725</u>	<u>43,795</u>
Expenditures				
Instruction	1,063,532	1,115,359	1,104,574	10,785
Instructional staff support	17,882	25,266	25,412	(146)
School administration	101,033	94,128	101,430	(7,302)
Operations and maintenance	36,279	38,306	48,000	(9,694)
Other support services	15,704	15,912	15,939	(27)
	<u>1,234,430</u>	<u>1,288,971</u>	<u>1,295,355</u>	<u>(6,384)</u>
Receipts over (under) expenditures	4,507	4,549		
Unencumbered cash, beginning	41,123	45,630		
Unencumbered cash, ending	<u>\$ 45,630</u>	<u>50,179</u>		

See notes to financial statements

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
	Actual	Actual	Budget	
CONTINGENCY RESERVE FUND				
Receipts				
Transfers from other funds	\$ 174,943	209,116		
Expenditures	-	-		NOT APPLICABLE
Receipts over (under) expenditures	174,943	209,116		
Unencumbered cash, beginning	883,089	1,058,032		
Unencumbered cash, ending	\$ 1,058,032	1,267,148		
 TEXTBOOK AND MATERIAL REVOLVING FUND				
Receipts				
Fees and other	\$ 102,390	95,992		
Transfers from other funds	267,900	164,000		
	370,290	259,992		
Expenditures				
Textbooks	366,931	215,271		NOT APPLICABLE
Receipts over (under) expenditures	3,359	44,721		
Unencumbered cash, beginning	155,789	159,148		
Unencumbered cash, ending	\$ 159,148	203,869		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
CO-OP SPECIAL EDUCATION FUND				
Receipts				
Transfer from special education	\$ 3,607,808	3,868,064	3,645,420	222,644
Other districts' contributions	1,530,278	1,742,801	1,648,480	94,321
Title VIB and other federal aid	1,721,925	1,983,175	1,852,315	130,860
Medicaid reimbursements	224,659	209,460	140,000	69,460
Other	24,318	16,781	25,000	(8,219)
	<u>7,108,988</u>	<u>7,820,281</u>	<u>7,311,215</u>	<u>509,066</u>
Expenditures				
Instruction	5,146,460	5,643,063	6,939,394	(1,296,331)
Student support services	1,361,433	1,367,682	1,319,033	48,649
Instructional staff support	47,195	34,368	51,361	(16,993)
General administration	316,129	325,664	344,881	(19,217)
Operation and maintenance	5,232	4,616	6,000	(1,384)
Student transportation	12,886	14,933	18,500	(3,567)
Other supplemental services	30,106	17,500	17,500	-
	<u>6,919,441</u>	<u>7,407,826</u>	<u>8,696,669</u>	<u>(1,288,843)</u>
Receipts over (under) expenditures	189,547	412,455		
Unencumbered cash, beginning	1,195,907	1,385,454		
Unencumbered cash, ending	<u>\$ 1,385,454</u>	<u>1,797,909</u>		
RECREATION FUND				
Receipts				
Tax in process	\$ 19,374	54,716	89,169	(34,453)
Current tax	947,801	966,624	931,788	34,836
Delinquent tax	20,450	24,475	16,204	8,271
Motor vehicle tax	142,598	145,607	155,043	(9,436)
	<u>1,130,223</u>	<u>1,191,422</u>	<u>1,192,204</u>	<u>(782)</u>
Expenditures				
Appropriations to the Recreation Commission				
Regular	1,020,000	976,300	977,500	(1,200)
Employee benefits	218,000	218,000	218,000	-
	<u>1,238,000</u>	<u>1,194,300</u>	<u>1,195,500</u>	<u>(1,200)</u>
Receipts over (under) expenditures	(107,777)	(2,878)		
Unencumbered cash, beginning	126,465	18,688		
Unencumbered cash, ending	<u>\$ 18,688</u>	<u>15,810</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET *

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2011								2010 Total	
	Title I	Drug- Free Schools	EETT Enhancing Tech-Ed	Title II Quality & Technology	Title III Eng. Lang. Acquisition	ELL Tech. Grant	HS Tech. Grant	After School Enhance.		Total
FEDERAL GRANT PROGRAMS										
Receipts										
Federal and state aid	\$ 846,770	11,044	2,427	148,049	24,224	3,889	229,806	14,997	1,281,206	1,221,289
Transfer from (to) other projects	-	-	-	-	-	-	-	-	-	-
	<u>846,770</u>	<u>11,044</u>	<u>2,427</u>	<u>148,049</u>	<u>24,224</u>	<u>3,889</u>	<u>229,806</u>	<u>14,997</u>	<u>1,281,206</u>	<u>1,221,289</u>
Expenditures										
Instruction										
Salaries and benefits	694,251	-	452	128,492	22,262	-	-	11,790	857,247	943,325
Supplies, materials and other	88,354	8,861	2,185	-	-	221	6,699	3,207	109,527	183,294
Equipment	1,645	-	-	-	-	-	225,635	-	227,280	20,073
Other services	<u>50,738</u>	<u>337</u>	<u>-</u>	<u>17,675</u>	<u>2,154</u>	<u>3,668</u>	<u>1,035</u>	<u>-</u>	<u>75,607</u>	<u>80,710</u>
	<u>834,988</u>	<u>9,198</u>	<u>2,637</u>	<u>146,167</u>	<u>24,416</u>	<u>3,889</u>	<u>233,369</u>	<u>14,997</u>	<u>1,269,661</u>	<u>1,227,402</u>
Receipts over (under) expenditures	11,782	1,846	(210)	1,882	(192)	-	(3,563)	-	11,545	(6,113)
Unencumbered cash, beginning	<u>(9,903)</u>	<u>(1,786)</u>	<u>(1)</u>	<u>270</u>	<u>192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(11,228)</u>	<u>(5,115)</u>
Unencumbered cash, ending	<u>\$ 1,879</u>	<u>60</u>	<u>(211)</u>	<u>2,152</u>	<u>-</u>	<u>-</u>	<u>(3,563)</u>	<u>-</u>	<u>317</u>	<u>(11,228)</u>

* Legally adopted budgets not applicable

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
BOND AND INTEREST FUND				
Receipts				
Taxes				
Tax in process	\$ 34,743	98,535	158,640	(60,105)
Current tax	1,699,379	1,689,744	1,628,660	61,084
Delinquent tax	32,896	41,665	29,039	12,626
Motor vehicle tax	219,725	260,936	277,836	(16,900)
State aid	1,564,430	1,576,347	1,576,347	-
	<u>3,551,173</u>	<u>3,667,227</u>	<u>3,670,522</u>	<u>(3,295)</u>
Expenditures				
Debt service				
Principal	1,625,000	1,715,000	1,715,000	-
Interest	2,190,683	2,129,749	2,129,776	(27)
Other	-	-	500	(500)
	<u>3,815,683</u>	<u>3,844,749</u>	<u>3,845,276</u>	<u>(527)</u>
Receipts over (under) expenditures	(264,510)	(177,522)		
Unencumbered cash, beginning	<u>2,630,739</u>	<u>2,366,229</u>		
Unencumbered cash, ending	<u>\$ 2,366,229</u>	<u>2,188,707</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES -
ACTUAL AND BUDGET

Year ended June 30, 2011

(With comparable actual totals for the prior year ended June 30, 2010)

	2010 Actual	2011		Variance - Over (Under)
		Actual	Budget	
2007 IMPROVEMENT FUND				
Receipts				
Interest on investments	\$ 36,489	1,233		
Expenditures				
Facilities acquisition and construction	<u>16,513,910</u>	<u>2,652,216</u>	NOT APPLICABLE	
Receipts over (under) expenditures	(16,477,421)	(2,650,983)		
Unencumbered cash, beginning	<u>19,861,810</u>	<u>3,384,389</u>		
Unencumbered cash, ending	<u>\$ 3,384,389</u>	<u>733,406</u>		

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

School Activity Funds

Year ended June 30, 2011

	<u>Beginning Balance</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Ending Balance</u>
Special Revenue Funds				
Activity Gate Receipts				
Newton High School	\$ 122,854	401,646	377,033	147,467
Totals to Statement 1	<u>\$ 122,854</u>	<u>401,646</u>	<u>377,033</u>	<u>147,467</u>
School Projects				
Newton High School	\$ 13,639	86,631	83,429	16,841
Chisholm Middle School	2,822	1,943	3,863	902
Santa Fe Middle School	1,276	2,085	1,081	2,280
Totals to Statement 1	<u>\$ 17,737</u>	<u>90,659</u>	<u>88,373</u>	<u>20,023</u>
Fiduciary Fund				
Student Organizations				
Newton High School	\$ 50,697	206,031	206,757	49,971
Chisholm Middle School	5,798	29,461	24,422	10,837
Santa Fe Middle School	4,688	604	454	4,838
Total cash basis activity	61,183	236,096	231,633	65,646
Adjustment for encumbrances	<u>(61,183)</u>	<u>-</u>	<u>4,463</u>	<u>(65,646)</u>
Totals to Statement 1	<u>\$ -</u>	<u>236,096</u>	<u>236,096</u>	<u>-</u>

Unified School District No. 373

STATEMENT OF CASH RECEIPTS AND EXPENDITURES

Gift Fund

Years ended June 30, 2011 and 2010

	<u>2011</u>	<u>2010</u>
Receipts		
Gifts and grants	\$ 208,900	185,039
Interest	<u>525</u>	<u>1,432</u>
	209,425	186,471
Expenditures	<u>200,472</u>	<u>277,166</u>
Receipts over (under) expenditures	8,953	(90,695)
Unencumbered cash, beginning	<u>341,145</u>	<u>431,840</u>
Unencumbered cash, ending	<u>\$ 350,098</u>	<u>341,145</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

Unified School District No. 373, Newton, Kansas, is a municipal corporation governed by an elected seven-member board. These financial statements present Unified School District No. 373 (the primary government) as the only component unit.

In addition to the primary government, the Newton Recreation Commission, which operates recreational programs within the District, qualifies as a component unit of the District. However, its financial activity is not included in the accompanying financial statements.

Fund Descriptions

In governmental accounting, a fund is defined as an independent fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations.

The following types of funds comprise the financial activities of the District for the year ended June 30, 2011:

Governmental Funds

General Funds - 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 major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

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

Capital Project Fund - to account for financial resources segregated for the acquisition of major capital facilities.

Fiduciary Funds

To account for assets held in a trustee capacity or as an agent for individuals, other governmental units, private organizations, and/or other funds.

Basis of Accounting

These financial statements are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Cash disbursements are recognized when the cash balance of a fund is decreased. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of Accounting

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 Generally Accepted Accounting Principles.

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 generally accepted accounting principles, 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 District are not presented in the financial statements. Also, long-term debt such as general obligation bonds, capital lease obligations and compensated absences are not presented in the financial statements.

Activity Funds

Under provisions of K.S.A. 72-8208a, the Board of Education adopted a resolution relating to the school activity fund which results in the activity funds being accounted for under policies and procedures of the Board. In these financial statements, all school activity funds of the District are classified as special revenue and fiduciary funds.

Use of Estimates

The preparation of financial statements in conformity with the basis of accounting described above requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Date of Management Review

Management has performed an analysis of the activities and transactions subsequent to June 30, 2011, to determine the need for any adjustments and/or disclosures within the audited financial statements for the year ended June 30, 2011. Management has performed their analysis through December 9, 2011, the date at which the financial statements were available for issue.

2. BUDGETARY INFORMATION

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

1. Publication in local newspaper of the proposed budget and notice of public hearing on the budget on or before August 5th.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

2. BUDGETARY INFORMATION (Continued)

2. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
3. Adoption of the final budget on or before August 25th.

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The District's 2011 budget was not amended.

The budget of the general fund of a unified school district is based on estimated enrollment for the district. After the school year has begun, the enrollment for each district is audited by the Kansas Department of Education. This enrollment will determine the legal maximum budget for the district, and if this "legal max" budget is less than the adopted budget, the general fund budget of the district is automatically reduced to the computed amount. The District's general fund budget was reduced to \$20,931,061 as a result of this adjustment.

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.

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

A legal operating budget is not required for agency funds, capital project funds and the following special revenue funds:

- Federal government programs
- Textbook and material revolving fund
- Contingency reserve

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

3. DEPOSITS AND INVESTMENTS

K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located 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 investment policy that would further limit interest rate risk.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

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

As of June 30, 2011, the District’s investments included the following:

<u>Investment type</u>	<u>Fair Value</u>	<u>Rating</u>
Bank time deposits	\$ 211,409	N/A
Kansas Municipal Investment Pool	<u>6,893,669</u>	S&P AA Af/S1+
	<u>\$ 7,105,078</u>	

Concentration of Credit Risk

State statutes place no limits on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the District’s deposits may not be returned to it. State statutes require the District’s deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated “peak periods” when required coverage is 50%. The District has not designated peak periods. All deposits were legally secured at June 30, 2011.

At June 30, 2011, the carrying amount of the District’s deposits was \$1,097,624. The bank balance totaled \$3,866,826. Of the bank balance, \$653,057 was covered by FDIC insurance and \$3,213,769 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 Government 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.

At June 30, 2011, the District had invested \$6,893,669 in the State’s municipal investment pool. The municipal investment pool is under the oversight of the Pooled Money Investment Board. The board is comprised of the State Treasurer and four additional members appointed by the State Governor. The Board reports annually to the Kansas legislature. State pooled monies may be invested in direct obligations of, or obligations that are insured as to principal and interest, by the U.S. government or any agency thereof, with maturities up to four years. No more than ten percent of those funds may be invested in mortgage-backed securities. In addition, the State pool may invest in repurchase agreements with Kansas banks or with primary government securities dealers.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

3. DEPOSITS AND INVESTMENTS (Continued)

Composition of Cash and Investment Balance

Board Funds

Checking accounts	\$ 696,186	
Certificates of deposit	211,409	
Municipal investment pool	<u>6,868,669</u>	7,776,264

Activity Funds

Checking accounts		190,029
Municipal investment pool		<u>25,000</u>
		<u>\$ 7,991,293</u>

4. DEFINED BENEFIT PENSION PLAN

Plan Description

The District participates in the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. Seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions.

KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S. Kansas, Suite 100, Topeka, Kansas 66603) or by calling 1-888-275-5737.

Funding Policy

K.S.A. 74-4919 established the KPERS member-employee contribution rate at 4 to 6% of covered salary. Member-employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the remaining amount necessary to achieve the actuarially determined contribution rate. For the year ended June 30, 2011, Kansas contributed 9.17% of covered payroll. Beginning July 1, 2011, the State contribution rate increased to 9.77% of covered payroll.

These contribution requirements are established by KPERS and are periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2011, 2010 and 2009 were \$253,834,044, \$248,468,186 and \$242,277,363 respectively, equal to the required contributions for each year.

5. COMPENSATED ABSENCES

Sick Leave

Classified employees on a 12-month contract who work at least 20 hours per week are credited with 9 days of sick leave after 60 days of continuous service. After the initial 60 day period, classified employees accrue sick leave monthly and may accumulate 130 days of total compensated leave.

Unified School District No. 373

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

5. COMPENSATED ABSENCES (Continued)

Certified teaching staff is credited with 16 days of temporary chargeable leave (due to illness, bereavement, etc.) on the first day of their employment with the District. After the first year, the teacher receives 11 days additional leave per year which may be accumulated to 120 days.

No compensation is paid for unused leave upon termination. The estimated liability for accrued leave has not been recorded in the financial statements.

Vacations

Classified 12-month employees who work at least 20 hours per week receive 10 days of paid vacation per year during the first 5 years of service. The employee is credited with 5 days of paid vacation after the completion of 6 months of service, then accrued 10/12 of a day's vacation for each month worked. After 5 years of service, the 12-month employee is credited with 5 additional days per year. Vacation time credited to an employee at July 1 of any year must be used by June 30 of the following year.

The estimated liability for accrued vacations has not been recorded in the financial statements.

6. GENERAL LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2011, were as follows:

Issue	Interest Rates	Date of Issue	Amount of Issue	Maturity Date	Balance 06/30/10	Issued	Retired	Balance 06/30/11	Interest Paid
General Obligation Bonds									
1998 Refunding & Improvement	3.03 - 5.00%	11/01/1998	\$ 16,560,000	9/1/2018	\$ 9,360,000	-	1,035,000	8,325,000	430,536
2003 Refunding	2.00 - 3.40%	07/01/2003	8,005,000	9/1/2016	5,360,000	-	670,000	4,690,000	155,613
2007 Refunding & Improvement	4.00 - 5.00%	12/01/2007	31,855,000	9/1/2026	31,815,000	-	10,000	31,805,000	1,543,600
					<u>\$ 46,535,000</u>	<u>-</u>	<u>1,715,000</u>	<u>44,820,000</u>	<u>2,129,749</u>

Current maturities of long-term debt and interest through maturity are as follows:

	Year ending June 30								Total
	2012	2013	2014	2015	2016	2017-2021	2022-2026	2027	
Principal									
General Obligation Bonds	\$ 1,790,000	1,875,000	1,970,000	2,080,000	2,220,000	13,960,000	20,100,000	825,000	44,820,000
Interest									
General Obligation Bonds	<u>2,060,943</u>	<u>1,987,186</u>	<u>1,908,619</u>	<u>1,823,586</u>	<u>1,730,862</u>	<u>6,972,560</u>	<u>2,862,000</u>	<u>20,625</u>	<u>19,366,381</u>
Total principal and interest	<u>\$ 3,850,943</u>	<u>3,862,186</u>	<u>3,878,619</u>	<u>3,903,586</u>	<u>3,950,862</u>	<u>20,932,560</u>	<u>22,962,000</u>	<u>845,625</u>	<u>64,186,381</u>

Unified School District No. 373

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES

K.S.A. 72-6417(d) and K.S.A. 72-6434(d)

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 schedules show the revenue as required by the Statutes.

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

Year ended June 30, 2011

GENERAL FUND

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance - Over <u>(Under)</u>
STATUTORY REVENUES			
Taxes			
Tax in process	\$ 123,160	212,056	(88,896)
Current tax	2,189,463	2,112,602	76,861
Delinquent tax	54,705	37,734	16,971
Mineral production tax	16	-	16
General state aid	14,821,572	15,997,735	(1,176,163)
Special education state aid	2,739,395	2,525,369	214,026
ARRA stabilization aid	363,382	363,382	-
Education jobs aid	636,281	-	636,281
Reimbursements	<u>656,703</u>	<u>-</u>	<u>656,703</u>
	<u>21,584,677</u>	<u>21,248,878</u>	<u>335,799</u>
EXPENDITURES			
Instruction	9,321,794	9,802,429	(480,635)
Student support services	940,168	924,162	16,006
Instructional support services	1,023,676	924,284	99,392
General administration	139,531	169,489	(29,958)
School administration	1,811,587	1,867,778	(56,191)
Other support services	63,784	78,615	(14,831)
Operations and maintenance	1,926,533	1,842,098	84,435
Student transportation services	403,523	381,046	22,477
Community services	163,772	828	162,944
Operating transfers	<u>5,789,038</u>	<u>5,261,236</u>	<u>527,802</u>
	21,583,406	21,251,965	331,441
Budget adjustments:			
Legal maximum budget	-	(320,904)	320,904
Qualifying budget credits	<u>-</u>	<u>656,703</u>	<u>(656,703)</u>
	<u>21,583,406</u>	<u>21,587,764</u>	<u>(4,358)</u>
Revenues over (under) expenditures	1,271		
MODIFIED UNENCUMBERED CASH, beginning	<u>3,087</u>		
MODIFIED UNENCUMBERED CASH, ending	<u>\$ 4,358</u>		

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

7. COMPLIANCE WITH KANSAS STATUTES (Continued)

STATUTORY REVENUES AND EXPENDITURES - STATUTORY AND BUDGET

Year ended June 30, 2011

SUPPLEMENTAL GENERAL FUND

	<u>Statutory Transactions</u>	<u>Budget</u>	Variance - Over (Under)
STATUTORY REVENUES			
Taxes			
Tax in process	\$ 124,050	205,736	(81,686)
Current tax	2,448,106	2,682,115	(234,009)
Delinquent tax	55,772	37,440	18,332
Motor vehicle tax	331,399	352,737	(21,338)
State aid	3,385,546	3,396,622	(11,076)
ARRA stabilization aid	-	-	-
	<u>6,344,873</u>	<u>6,674,650</u>	<u>(329,777)</u>
EXPENDITURES			
Instruction	556,821	601,802	(44,981)
Student support services	111,335	49,000	62,335
Instructional support services	275,109	296,647	(21,538)
General administration	329,492	330,991	(1,499)
Other support services	444,196	451,366	(7,170)
Operations and maintenance	1,187,846	1,328,805	(140,959)
Operating transfers	<u>3,455,201</u>	<u>3,301,389</u>	<u>153,812</u>
	<u>6,360,000</u>	<u>6,360,000</u>	<u>-</u>
Revenues over (under) expenditures	(15,127)		
MODIFIED UNENCUMBERED CASH, beginning	<u>87,667</u>		
MODIFIED UNENCUMBERED CASH, ending	<u>\$ 72,540</u>		

8. CAPITAL PROJECTS

Capital improvement authorizations compared to actual expenditures through June 30, 2011, were as follows:

	<u>Authorization</u>	<u>Expenditures to Date</u>	<u>Excess Authorization</u>
School Building Additions and Remodeling	<u>\$ 29,910,000</u>	<u>29,786,678</u>	<u>123,322</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

9. INTERFUND TRANSACTIONS

Operating transfers were as follows:

<u>Transfer To</u>	<u>Transfer From</u>			<u>Total</u>
	<u>General</u>	<u>Supplemental General</u>	<u>Special Education</u>	
Adult basic education	\$ -	12,000	-	12,000
At risk (4 year old)	149,635	-	-	149,635
At risk (K-12)	1,756,635	935,062	-	2,691,697
Bilingual education	557,931	-	-	557,931
Food service	52,000	-	-	52,000
Professional development	-	81,000	-	81,000
Parent education	35,336	-	-	35,336
Special education	2,739,395	1,451,968	-	4,191,363
Vocational education	288,990	811,171	-	1,100,161
Contingency reserve	209,116	-	-	209,116
Textbook and material revolving	-	164,000	-	164,000
CO-OP special education	-	-	3,868,064	3,868,064
	<u>\$ 5,789,038</u>	<u>3,455,201</u>	<u>3,868,064</u>	<u>13,112,303</u>

10. TERMINATION BENEFITS

Early Retirement Pension Plan - The District provides an early retirement program for certain eligible employees. The plan defines those eligible as employees who are "currently employed in licensed employment or administrative employment with the District". Eligible retirees under this program may receive benefits for up to 12 years. Payments to retired employees under this plan for the years ended June 30, 2011 and 2010, were \$580,913 and \$579,003 respectively.

11. 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 local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

NOTES TO FINANCIAL STATEMENTS

June 30, 2011

12. COMMITMENTS AND CONTINGENCIES

Lease Obligation, Educational Facilities - On January 1, 2007, the District entered into an agreement with Axtell Education Building, LLC (Lessor) to lease facilities for classroom instruction. Under terms of the agreement, the District is required to make monthly rental payments to the Lessor of \$15,833.33 for the 120 month initial lease term, which ends June 30, 2018. The lease agreement provides the District the option to extend the lease for 3 additional terms of 10 years.

The District has agreed to sublease a portion of the facility to Hutchinson Community College and Area Vocational School (Subtenant) in exchange for reimbursement to the District for a portion of the monthly rent. For the year ended June 30, 2011, the Subtenant reimbursed the District \$95,000 under the terms of the agreement. The sublease has been amended to provide for annually negotiated reimbursements from the Subtenant in subsequent years. For the year ended June 30, 2012, the reimbursement from the Subtenant will total \$142,500.

Federal Grants - In the normal course of operations, the District receives grant funds from various federal and state agencies. The grant programs are subject to audit by agents of the granting authority, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement that may arise as the result of these audits is not believed to be material.

SINGLE AUDIT SECTION

Knudsen Monroe & Company LLC

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

Board of Education
Unified School District No. 373
Newton, Kansas 67114

We have audited the financial statements of Unified School District No. 373, Newton, Kansas, as of and for the year ended June 30, 2011, and have issued our report thereon dated December 9, 2011. 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.

The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 373 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 opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

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

Krusden, Almer & Company, LLC

Certified Public Accountants

December 9, 2011

Knudsen Monroe & Company LLC

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Board of Education
Unified School District No. 373
Newton, Kansas 67114

Compliance

We have audited Unified School District No. 373, Newton, Kansas's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2011. 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.

The auditor's report on the financial statements disclosed that, as described in Note 1, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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 that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 the requirements that could have a direct and material effect on a major federal program in order to determine the 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.

Internal Control Over Compliance (Continued)

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis.

A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the 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.

Knudsen, Monroe & Company, LLC

Certified Public Accountants

December 9, 2011

Unified School District No. 373

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2011

<u>Federal Granting Agency/ Grant Program</u>	<u>CFDA Number</u>	<u>Grantor's Identifying Number</u>	<u>Grant Receipts</u>	<u>Grant Expenditures</u>
<u>U.S. Department of Agriculture</u>				
Passed through State Board of Education:				
School Breakfast Program	10.553		\$ 764,157	764,157
National School Lunch Program	10.555		162,394	162,394
Summer Food Service Program	10.559		<u>25,172</u>	<u>25,172</u>
Total Department of Agriculture			<u>951,723</u>	<u>951,723</u>
<u>U.S. Department of Education</u>				
Direct Funding:				
Funds for Improvement of Education				
2008 Improvement grant	84.215K	U215K080364	3,889	3,889
2010 Technology	84.215K	U215K100057	229,806	233,369
Passed through State Board of Education:				
ARRA - Education Jobs Fund	84.410		636,281	636,281
ARRA - State Fiscal Stabilization Fund for Education	84.394		363,382	363,382
Title I, Grants to LEA's	84.010		731,471	721,147
ARRA - Title I, Grants to LEA's	84.389		115,299	113,841
Special Education				
Grants to States, State Flow Through	84.027		1,051,318	1,051,318
Grants to States, Incentive Grant	84.027		39,845	39,845
Preschool Grants, State Flow Through	84.173		34,204	34,204
ARRA - Grants to States, State Flow Through	84.391		720,357	720,357
ARRA - Preschool Grants, State Flow Through	84.392		20,689	20,689
Career and Technical Education - Grants to States	84.048		31,128	31,128
Safe and Drug-Free Schools and Communities	84.186		11,044	9,198
Improving Teacher Quality	84.367		148,049	146,167
Education Technology	84.318		2,427	2,637
English Language Acquisition	84.365		24,224	24,416
State Assessment Grant	84.369		450	450
Passed through State Department of Health and Environment:				
Grants for Infant & Families	84.181		95,201	95,201
ARRA - Grants for Infant & Families	84.393		<u>21,561</u>	<u>21,561</u>
Total Department of Education			<u>4,280,625</u>	<u>4,269,080</u>
TOTAL FEDERAL AWARDS			<u>\$ 5,232,348</u>	<u>5,220,803</u>

Note 1--Basis of Presentation

The accompanying schedule of expenditures of federal awards of Unified School District No. 373, Newton, Kansas is presented on the statutory basis of accounting as described in note 1 to the financial statements. The information in this schedule is presented in accordance with the requirements of *OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2011

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report on the financial statements disclosed that, as described in Note 1, Unified School District No. 373 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. No instances of noncompliance material to the financial statements of Unified School District No. 373 were disclosed during the audit.
3. The auditor's report on compliance for the major federal award programs for Unified School District No. 373 expressed an unqualified opinion.
4. Audit findings relative to the major federal award programs for Unified School District No. 373 are reported in Part C of the schedule.
5. The programs tested as major programs include:
 - Department of Education – ARRA, State Stabilization Funds for Education (84.394)
 - Department of Education – ARRA, Education Jobs Fund (84.410)
 - Department of Education - Special Education Cluster (84.027, 84.173, 84.391, 84.392)
6. The threshold for distinguishing Type A and B programs was \$300,000.
7. Unified School District No. 373 was determined to be a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None

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

None

Unified School District No. 373

SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2011

None