

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
and
OMB CIRCULAR A-133, SINGLE AUDIT REPORTS
YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT	1
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH	3
SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET	5
STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET:	
General Fund	6
Supplemental General Fund	7
At Risk Fund (4 Year Old)	8
At Risk Fund	9
Bilingual Fund	10
Virtual Education Fund	11
Capital Outlay Fund	12
Driver Training Fund	13
Food Service Fund	14
Special Education Fund	15
Vocational Education Fund	16
KPERS Special Retirement Contribution Fund	17
Bond and Interest Fund	18
STATEMENT OF CASH RECEIPTS AND EXPENDITURES: All Non-Budgeted Special Revenue Funds	19
STATEMENT OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH:	
District Activity Funds	20
SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS: Agency Funds	21
NOTES TO FINANCIAL STATEMENTS	22
APPENDICES:	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	32
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	34
Schedule of Expenditures of Federal Awards	36
Schedule of Findings and Questioned Costs	38
Summary Schedule of Prior Audit Findings	40

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 102
Cimarron, Kansas

We have audited the accompanying financial statements of Unified School District No. 102, Cimarron, Kansas as of and for the year ended June 30, 2012, 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.

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 and guidance 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 A, Unified School District No. 102 has prepared these financial statements using the accounting practices prescribed or permitted by 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.

Further in our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 102 as of June 30, 2012, or the changes in its financial position for the year then ended.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of each fund of Unified School District No. 102, as of June 30, 2012, and their respective cash receipts and expenditures, and budgetary comparisons, for the year then ended, on the basis of accounting described in Note A.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2012, on our consideration of the Unified School District No. 102's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* 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 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 as a whole.

Kennedy McKee & Company LLP

November 8, 2012

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Prior year canceled encumbrances</u>
General funds:		
General	\$ 1	\$ 1,338
Supplemental general	-	-
Special revenue funds:		
At risk (4 yr old)	147	-
At risk	173	-
Bilingual	308	-
Virtual education	-	-
Capital outlay	527,150	203
Driver training	25,058	-
Food service	100,165	-
Special education	247,674	-
Vocational education	319	-
KPERS special retirement contribution	-	-
Migrant	856	-
Contingency reserve	108,998	-
Textbook and student materials revolving	36,262	-
Title I	39	-
Title I C	30,556	-
Title II A	-	-
Title III A	-	-
REAP	3,598	-
District activity funds	14,801	-
Debt service fund:		
Bond and interest	540,732	-
Capital project fund:		
Capital improvement	-	-
	<hr/>	<hr/>
Total reporting entity (excluding agency funds)	<u><u>\$ 1,636,837</u></u>	<u><u>\$ 1,541</u></u>

<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 4,718,673	\$ 4,718,952	\$ 1,060	\$ 50,673	\$ 51,733
1,231,626	1,170,000	61,626	9,333	70,959
65,500	65,435	212	31	243
444,300	444,352	121	90	211
288,200	288,311	197	361	558
90,000	88,913	1,087	-	1,087
374,808	401,379	500,782	164,867	665,649
2,632	7,032	20,658	193	20,851
339,058	338,869	100,354	508	100,862
744,562	725,541	266,695	99	266,794
170,000	169,780	539	213	752
400,851	400,851	-	-	-
188,125	188,134	847	1,144	1,991
-	-	108,998	-	108,998
16,927	28,269	24,920	2,938	27,858
91,572	91,572	39	-	39
139,570	157,495	12,631	3,229	15,860
20,166	20,166	-	-	-
13,617	13,617	-	-	-
31,562	35,160	-	-	-
114,663	108,333	21,131	-	21,131
372,135	380,943	531,924	-	531,924
<u>5,377,856</u>	<u>254,828</u>	<u>5,123,028</u>	<u>95,964</u>	<u>5,218,992</u>
<u>\$ 15,236,403</u>	<u>\$ 10,097,932</u>	<u>\$ 6,776,849</u>	<u>\$ 329,643</u>	<u>\$ 7,106,492</u>

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

**SUMMARY OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH (CONTINUED)**

Year ended June 30, 2012

Composition of cash balance:

Activity funds - checking	\$ 20,736
Activity funds - money market	57,979
Money market checking	1,271,231
Certificates of deposit	600,000
Pooled investments	<u>5,214,130</u>
Total cash and investments	7,164,076
Agency funds	<u>(57,584)</u>
Total reporting entity (excluding agency funds)	<u><u>\$ 7,106,492</u></u>

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

SUMMARY OF EXPENDITURES - ACTUAL AND BUDGET

Year ended June 30, 2012

<u>Fund</u>	<u>Certified budget</u>	<u>Adjustment to comply with legal maximum budget</u>	<u>Total budget for comparison</u>	<u>Expenditures chargeable to current year</u>	<u>Variance favorable (unfavorable)</u>
General funds:					
General	\$ 4,827,060	\$ (108,108)	\$ 4,718,952	\$ 4,718,952	\$ -
Supplemental general	1,170,000	-	1,170,000	1,170,000	-
Special revenue funds:					
At risk (4 year old)	78,200	-	78,200	65,435	12,765
At risk	480,173	-	480,173	444,352	35,821
Bilingual	290,000	-	290,000	288,311	1,689
Virtual education	90,000	-	90,000	88,913	1,087
Capital outlay	800,000	-	800,000	401,379	398,621
Driver training	15,000	-	15,000	7,032	7,968
Food service	400,000	-	400,000	338,869	61,131
Special education	815,000	-	815,000	725,541	89,459
Vocational education	200,000	-	200,000	169,780	30,220
KPERs special retirement contribution	443,973	-	443,973	400,851	43,122
Debt service fund:					
Bond and Interest	381,943	-	381,943	380,943	1,000
	<u>\$ 9,991,349</u>	<u>\$ (108,108)</u>	<u>\$ 9,883,241</u>	<u>\$ 9,200,358</u>	<u>\$ 682,883</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Statutory amounts	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 10,347	\$ 13,480	\$ 35,859	\$ (22,379)
Current tax	588,120	633,670	621,187	12,483
Delinquent tax	12,239	39,119	9,649	29,470
Federal aid:				
ARRA stabilization funds	87,697	-	-	-
Education jobs	153,556	2,283	-	2,283
State aid:				
Equalization aid	3,526,886	3,542,141	3,607,441	(65,300)
Special education aid	472,014	487,980	550,860	(62,880)
Total cash receipts	<u>4,850,859</u>	<u>4,718,673</u>	<u>\$ 4,824,996</u>	<u>\$ (106,323)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	2,114,200	2,079,945	\$ 2,021,810	\$ (58,135)
Student support services	105,585	107,715	111,000	3,285
Instructional support staff	109,219	110,941	110,900	(41)
General administration	191,569	200,865	204,150	3,285
School administration	329,277	326,276	359,300	33,024
Operations and maintenance	369,134	363,489	365,000	1,511
Student transportation services	238,732	258,201	239,900	(18,301)
Other supplemental services	435	-	-	-
Transfers to other funds	1,398,926	1,271,520	1,415,000	143,480
Adjustment to comply with legal maximum budget	<u>-</u>	<u>-</u>	<u>(108,108)</u>	<u>(108,108)</u>
Total expenditures and transfers subject to legal maximum budget	<u>4,857,077</u>	<u>4,718,952</u>	<u>\$ 4,718,952</u>	<u>\$ -</u>
Receipts over (under) expenditures	(6,218)	(279)		
Unencumbered cash, beginning of year	6,219	1		
Prior year canceled encumbrances	<u>-</u>	<u>1,338</u>		
Unencumbered cash, end of year	<u>\$ 1</u>	<u>\$ 1,060</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUPPLEMENTAL GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Statutory amounts	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 9,480	\$ 12,127	\$ 27,522	\$ (15,395)
Current tax	474,163	622,360	604,238	18,122
Delinquent tax	8,425	24,390	7,759	16,631
Motor vehicle tax	50,006	67,619	71,713	(4,094)
Recreational vehicle tax	930	1,461	1,311	150
State aid:				
Supplemental State Aid	418,327	503,669	486,230	17,439
Total cash receipts	961,331	1,231,626	\$ 1,198,773	\$ 32,853
Expenditures and transfers subject to legal maximum budget:				
Instruction	-	-	\$ 89,660	\$ 89,660
Operations and maintenance	187,118	191,278	175,040	(16,238)
Other supplemental services	-	-	15,300	15,300
Transfers to other funds	781,212	978,722	890,000	(88,722)
Total expenditures and transfers subject to legal maximum budget	968,330	1,170,000	\$ 1,170,000	\$ -
Receipts over (under) expenditures	(6,999)	61,626		
Unencumbered cash, beginning of year	6,999	-		
Unencumbered cash, end of year	\$ -	\$ 61,626		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

AT RISK (4 YEAR OLD) FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Tuition	\$ 15,965	\$ 10,500	\$ 10,000	\$ 500
Transfers:				
General fund	45,245	55,000	70,000	(15,000)
Total cash receipts	61,210	65,500	\$ 80,000	\$ (14,500)
Expenditures:				
Instruction	61,556	65,435	\$ 78,200	\$ 12,765
Receipts over (under) expenditures	(346)	65		
Unencumbered cash, beginning of year	493	147		
Unencumbered cash, end of year	\$ 147	\$ 212		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AT RISK FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
General fund	\$ 97,800	\$ -	\$ 80,000	\$ (80,000)
Supplemental general fund	322,882	444,300	400,000	44,300
Total cash receipts	420,682	444,300	\$ 480,000	\$ (35,700)
Expenditures:				
Instruction	403,024	428,167	\$ 480,173	\$ 52,006
Student support services	18,883	16,185	-	(16,185)
Total expenditures	421,907	444,352	\$ 480,173	\$ 35,821
Receipts over (under) expenditures	(1,225)	(52)		
Unencumbered cash, beginning of year	1,398	173		
Unencumbered cash, end of year	\$ 173	\$ 121		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

BILINGUAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
General fund	\$ -	\$ -	\$ 25,000	\$ (25,000)
Supplemental general fund	259,500	288,200	290,000	(1,800)
Total cash receipts	259,500	288,200	<u>\$ 315,000</u>	<u>\$ (26,800)</u>
Expenditures:				
Instruction	252,508	284,492	\$ 290,000	\$ 5,508
Student support	7,276	3,819	-	(3,819)
Total expenditures	259,784	288,311	<u>\$ 290,000</u>	<u>\$ 1,689</u>
Receipts over (under) expenditures	(284)	(111)		
Unencumbered cash, beginning of year	592	308		
Unencumbered cash, end of year	<u>\$ 308</u>	<u>\$ 197</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

VIRTUAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,		
	2012		
	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:			
Transfers:			
General fund	\$ 90,000	<u>\$ 90,000</u>	<u>\$ -</u>
Expenditures:			
Instruction	<u>88,913</u>	<u>\$ 90,000</u>	<u>\$ 1,087</u>
Receipts over (under) expenditures	1,087		
Unencumbered cash, beginning of year	<u>-</u>		
Unencumbered cash, end of year	<u>\$ 1,087</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

CAPITAL OUTLAY FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 8	\$ 51	\$ -	\$ 51
Current tax	1,248	-	-	-
Delinquent tax	1,674	5,419	-	5,419
Motor vehicle tax	11,083	143	-	143
Recreational vehicle tax	208	-	-	-
Other	-	300	-	300
Transfers:				
General fund	458,961	368,895	350,000	18,895
Total cash receipts	<u>473,182</u>	<u>374,808</u>	<u>\$ 350,000</u>	<u>\$ 24,808</u>
Expenditures:				
Instruction	76,915	154,368	\$ 100,000	\$ (54,368)
General administration	977	-	-	-
Operations and maintenance	564,569	71,681	100,000	28,319
Student transportation services	-	111,080	250,000	138,920
Facility acquisition and construction services	<u>21,074</u>	<u>64,250</u>	<u>350,000</u>	<u>285,750</u>
Total expenditures	<u>663,535</u>	<u>401,379</u>	<u>\$ 800,000</u>	<u>\$ 398,621</u>
Receipts over (under) expenditures	(190,353)	(26,571)		
Unencumbered cash, beginning of year	717,323	527,150		
Prior year canceled encumbrances	<u>180</u>	<u>203</u>		
Unencumbered cash, end of year	<u>\$ 527,150</u>	<u>\$ 500,782</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

DRIVER TRAINING FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Charges for services	\$ 4,246	\$ -	\$ 4,000	\$ (4,000)
State aid	3,256	2,632	2,960	(328)
Total cash receipts	7,502	2,632	\$ 6,960	\$ (4,328)
Expenditures:				
Instruction	7,956	6,591	\$ 13,150	\$ 6,559
Operations and maintenance	670	441	1,850	1,409
Total expenditures	8,626	7,032	\$ 15,000	\$ 7,968
Receipts over (under) expenditures	(1,124)	(4,400)		
Unencumbered cash, beginning of year	26,182	25,058		
Unencumbered cash, end of year	\$ 25,058	\$ 20,658		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 150,786	\$ 151,517	\$ 129,825	\$ 21,692
State aid	3,455	3,436	2,940	496
Charges for services	122,714	125,035	115,115	9,920
Interest	7,478	4,070	5,000	(930)
Other	350	-	-	-
Transfers:				
General fund	59,930	-	100,000	(100,000)
Supplemental general fund	-	55,000	-	55,000
Total cash receipts	344,713	339,058	<u>\$ 352,880</u>	<u>\$ (13,822)</u>
Expenditures:				
Food service operations	320,845	338,869	<u>\$ 400,000</u>	<u>\$ 61,131</u>
Receipts over (under) expenditures	23,868	189		
Unencumbered cash, beginning of year	76,297	100,165		
Unencumbered cash, end of year	<u>\$ 100,165</u>	<u>\$ 100,354</u>		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 588	\$ -	\$ -	\$ -
Other	-	3,340	-	3,340
Transfers:				
General fund	734,250	720,000	700,000	20,000
Supplemental general fund	-	21,222	-	21,222
Total cash receipts	734,838	744,562	\$ 700,000	\$ 44,562
Expenditures:				
Instruction	702,216	709,262	\$ 798,959	\$ 89,697
Student transportation services	14,402	16,279	16,041	(238)
Total expenditures	716,618	725,541	\$ 815,000	\$ 89,459
Receipts over (under) expenditures	18,220	19,021		
Unencumbered cash, beginning of year	229,454	247,674		
Unencumbered cash, end of year	\$ 247,674	\$ 266,695		

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Transfers:				
Supplemental general fund	\$ 189,830	\$ 170,000	\$ 200,000	\$ (30,000)
Expenditures:				
Instruction	190,127	169,780	\$ 200,000	\$ 30,220
School administration	343	-	-	-
Total expenditures	190,470	169,780	\$ 200,000	\$ 30,220
Receipts over (under) expenditures	(640)	220		
Unencumbered cash, beginning of year	959	319		
Unencumbered cash, end of year	\$ 319	\$ 539		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
State aid	\$ 233,670	\$ 400,851	\$ 443,973	\$ (43,122)
Expenditures:				
Instruction	165,002	280,650	\$ 303,973	\$ 23,323
Student support services	6,852	11,748	18,000	6,252
Instructional support staff	6,809	17,337	12,000	(5,337)
General administration	8,726	15,085	20,000	4,915
School administration	18,229	30,947	25,000	(5,947)
Operations and maintenance	12,677	19,445	30,000	10,555
Student transportation services	8,380	13,918	15,000	1,082
Food service	6,995	11,721	20,000	8,279
Total expenditures	233,670	400,851	\$ 443,973	\$ 43,122
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	-	-		
Unencumbered cash, end of year	\$ -	\$ -		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

BOND AND INTEREST FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 5,626	\$ 7,104	\$ 15,073	\$ (7,969)
Current tax	277,219	183,987	177,262	6,725
Delinquent tax	6,274	18,482	4,520	13,962
Motor vehicle tax	37,749	39,798	40,044	(246)
Recreational vehicle tax	704	862	732	130
State aid:				
Supplemental state aid	118,502	121,902	121,902	-
Total cash receipts	446,074	372,135	\$ 359,533	\$ 12,602
Expenditures:				
Debt service:				
Principal	365,000	360,000	\$ 360,000	\$ -
Interest	30,005	20,943	20,943	-
Commission and postage	-	-	1,000	1,000
Total expenditures	395,005	380,943	\$ 381,943	\$ 1,000
Receipts over (under) expenditures	51,069	(8,808)		
Unencumbered cash, beginning of year	489,663	540,732		
Unencumbered cash, end of year	\$ 540,732	\$ 531,924		

The accompanying notes are an integral
part of the financial statements.

UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS

STATEMENT OF CASH RECEIPTS AND EXPENDITURES
ALL NON-BUDGETED SPECIAL REVENUE FUNDS

Year ended June 30, 2012

	Special revenue			
	Migrant	Contingency reserve	Textbook and student materials revolving	Title I
Cash receipts:				
Fees	\$ -	\$ -	\$ 16,927	\$ -
Federal aid	150,500	-	-	91,572
Sale of bonds	-	-	-	-
Transfer from general fund	37,625	-	-	-
Total cash receipts	188,125	-	16,927	91,572
Expenditures:				
Instruction	143,436	-	28,269	91,572
Instruction support staff	37,498	-	-	-
General administration	-	-	-	-
School administration	-	-	-	-
Operations and maintenance	7,200	-	-	-
Vehicle Operating Services	-	-	-	-
Refund to State	-	-	-	-
Architectural and engineering	-	-	-	-
Construction services	-	-	-	-
Other expense	-	-	-	-
Total expenditures	188,134	-	28,269	91,572
Receipts over (under) expenditures	(9)	-	(11,342)	-
Unencumbered cash, beginning of year	856	108,998	36,262	39
Unencumbered cash, end of year	\$ 847	\$ 108,998	\$ 24,920	\$ 39

The accompanying notes are an integral
part of the financial statements.

Special revenue				Capital project	
Title I C migrant	Title II A	Title III A	REAP	Capital improvement	Total
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 16,927
139,570	20,166	13,617	31,562	128	447,115
-	-	-	-	5,377,728	5,377,728
-	-	-	-	-	37,625
139,570	20,166	13,617	31,562	5,377,856	5,879,395
64,757	20,166	13,617	35,160	-	396,977
47,761	-	-	-	-	85,259
7,103	-	-	-	-	7,103
11,748	-	-	-	-	11,748
304	-	-	-	-	7,504
801	-	-	-	-	801
25,021	-	-	-	-	25,021
-	-	-	-	152,250	152,250
-	-	-	-	8,964	8,964
-	-	-	-	93,614	93,614
157,495	20,166	13,617	35,160	254,828	789,241
(17,925)	-	-	(3,598)	5,123,028	5,090,154
30,556	-	-	3,598	-	180,309
\$ 12,631	\$ -	\$ -	\$ -	\$ 5,123,028	\$ 5,270,463

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

DISTRICT ACTIVITY FUNDS

**STATEMENT OF CASH RECEIPTS, EXPENDITURES
AND UNENCUMBERED CASH**

Year ended June 30, 2012

<u>Fund</u>	<u>Beginning unencumbered cash balance</u>	<u>Cash receipts</u>	<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
Gate receipts:						
High school:						
Athletics	\$ 1,768	\$ 45,404	\$ 43,092	\$ 4,080	\$ -	\$ 4,080
Athletic student	901	33,733	27,264	7,370	-	7,370
Subtotal gate receipts	<u>2,669</u>	<u>79,137</u>	<u>70,356</u>	<u>11,450</u>	<u>-</u>	<u>11,450</u>
School projects:						
High school:						
Annual	-	8,297	8,297	-	-	-
Ind. Tech. Building	2,131	1,000	2,926	205	-	205
Musical	6,760	18,100	18,427	6,433	-	6,433
Shop	-	1,672	1,672	-	-	-
Weight Club	806	-	478	328	-	328
Grade School:						
Library	1,395	6,457	6,082	1,770	-	1,770
Mexican Fiesta	<u>1,040</u>	<u>-</u>	<u>95</u>	<u>945</u>	<u>-</u>	<u>945</u>
Subtotal school projects	<u>12,132</u>	<u>35,526</u>	<u>37,977</u>	<u>9,681</u>	<u>-</u>	<u>9,681</u>
Total district activity funds	<u>\$ 14,801</u>	<u>\$ 114,663</u>	<u>\$ 108,333</u>	<u>\$ 21,131</u>	<u>\$ -</u>	<u>\$ 21,131</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

AGENCY FUNDS

SUMMARY OF CASH RECEIPTS AND CASH DISBURSEMENTS

Year ended June 30, 2012

Fund	Beginning cash balance	Cash receipts	Cash disbursements	Ending cash balance
Student organization funds:				
High school:				
Band	\$ 2,149	\$ 7,438	\$ 5,935	\$ 3,652
Cheerleaders	6,550	14,665	16,876	4,339
Educational Fund	921	917	1,207	631
Seventh	190	140	190	140
Eighth	547	581	712	416
Freshmen	688	747	688	747
Sophomores	839	1,465	1,374	930
Juniors	3,342	31,172	27,810	6,704
Seniors	-	9,484	9,484	-
FCCLA	1,705	10,083	6,956	4,832
FFA	5,560	7,628	6,991	6,197
Foreign language club	-	300	300	-
Forensics	243	-	-	243
Gifted	345	-	25	320
HS keys	158	3,763	3,868	53
JH keys	249	169	227	191
JH pep club	218	5,145	4,282	1,081
Library	460	364	544	280
Miscellaneous	-	5,712	5,712	-
National Honor Society	658	15,596	16,245	9
National Honor Society (Nate Fund)	1,407	-	-	1,407
SADD	3,023	1,232	799	3,456
Scholars bowl	255	116	246	125
Student council	3,352	2,466	3,339	2,479
Tri-M	295	545	345	495
TSA	727	966	857	836
Subtotal high school	<u>33,881</u>	<u>120,694</u>	<u>115,012</u>	<u>39,563</u>
Grade school:				
Box Tops	4,581	11,388	3,473	12,496
Carnival Fund	127	5,398	-	5,525
Subtotal elementary school	<u>4,708</u>	<u>16,786</u>	<u>3,473</u>	<u>18,021</u>
Total agency funds	<u>\$ 38,589</u>	<u>\$ 137,480</u>	<u>\$ 118,485</u>	<u>\$ 57,584</u>

The accompanying notes are an integral
part of the financial statements.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

NOTES TO FINANCIAL STATEMENTS

June 30, 2012

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of the significant accounting policies applied in the preparation of the accompanying financial statements is presented to assist the reader in understanding the District's financial statements, which are presented in conformity with the cash basis and budget laws of the State of Kansas. The financial statements and notes are representations of the District's management, which is responsible for their integrity and objectivity. The amounts shown for 2011 in the accompanying financial statements are included, where practicable, only to provide a basis for comparison with 2012, and are not intended to present all information necessary for a fair presentation in accordance with the basis of accounting described below.

1. Reporting entity

Unified School District No. 102 is a municipal corporation governed by an elected six-member board. The scope of the entity for financial reporting purposes is defined as those funds for which the governing body of the School has financial accountability. Financial accountability includes budgetary authority and fiscal management responsibility. Budgetary authority is defined as authority for final approval of budgetary appropriations and revisions. Fiscal management responsibility is control of the collection and disbursement of funds. These financial statements include all funds included in the School's legally adopted budget and trust and agency funds controlled or administered by School employees in their capacity as School employees. The School has no component units.

2. Fund accounting

The accounts of the District are organized on the basis of funds. In governmental accounting, a fund is designated as a sum of money or other resources segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations and constituting an independent fiscal and accounting entity. District resources are allocated to and for individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The following funds comprise the financial activities of the District for the fiscal year ending June 30, 2012:

GOVERNMENTAL FUNDS

General Funds

General funds are used to account for all financial transactions not properly accounted for in another fund. They receive a greater variety and number of taxes and other general revenue than any other funds and finance a wider range of activities.

Special Revenue Funds

Special revenue funds are used to account for the proceeds of specific revenue sources which must be devoted to some special use as required by law or specific regulation.

Debt Service Fund

The debt service fund is used to account for the financing of long-term debt that is not otherwise financed from other revenue.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

Capital Projects Funds

Capital projects funds are established to account for financial resources to be used for the acquisition and construction of major capital facilities.

FIDUCIARY FUNDS

Agency Funds

Agency funds are used to account for assets held by the District as an agent for individuals, private organizations and other governmental units.

3. Basis of accounting

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

K.S.A. 72-6417 and K.S.A. 79-6434 require that districts receiving state aid in July for the previous fiscal year ended in June record and account for these funds as receipts for the previous fiscal year ending on the preceding June 30.

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, cash disbursements, cash and unencumbered cash balances, and expenditures compared to budget. A statement of net assets 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 is 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 District 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 is not presented in the financial statements.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. 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 funds, and enterprise funds. Although directory rather than mandatory, the statutes provide for the following sequence and timetable in adoption of the legal annual operating budget:

- a. Preparation of the budget for the succeeding fiscal year on or before August 1st.
- b. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
- c. Public hearing on or before August 15th, but at least ten days after publication of notice of hearing.
- d. 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 Bilingual Education and Virtual Education fund budgets were amended as follows:

<u>Fund</u>	<u>Original budget</u>	<u>Amended budget</u>
Bilingual Education	\$ 185,592	\$ 290,000
Virtual Education	18,000	90,000

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 municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

- Migrant
- Contingency reserve
- Textbook and student materials revolving
- Title I
- Title I C
- Title II A
- Title III A
- Rural education achievement program (REAP)
- District activity

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

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.

5. Cash and investments

The District pools cash resources of its various funds in order to facilitate the management of cash. Cash applicable to a particular fund is readily identifiable. The balance in the pooled cash accounts is available to meet current operating requirements. Cash in excess of current requirements is invested in interest-bearing deposits and disclosed as part of the District's investments. Unless specifically designated, all investment income is credited to funds designated by K.S.A. 72-6427. Investments are recorded at cost.

6. Ad valorem tax revenue

The determination of assessed valuation and the collections of property taxes for all political subdivisions in the State of Kansas is the responsibility of the various counties. The County Appraiser's Office annually determines assessed valuation and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied by November 1 and a lien for all taxes attaches on that same date until taxes are paid. One-half of the property taxes is due December 20 and distributed to the District by January 20 and the second half is due May 10 and distributed to the District by June 5. The District Treasurer draws available funds from the County Treasurer's office at designated times throughout the year.

7. Pension plan

Substantially all full-time employees are members of the State of Kansas Public Employees' Retirement System (KPERS) which is a cost-sharing multiple-employer state-wide pension plan. The State of Kansas pays the District's share of all pension costs; such costs to be funded are determined annually by the system's actuary.

8. Compensated absences

The District's policies regarding vacation and sick pay permit full-time classified employees to earn up to 10 days of vacation at the close of the first year and ten days after each subsequent year of service up to six years. After six years of service, fifteen days are granted. After eleven years of service, twenty days are granted. Anniversary dates for vacation purposes are July 1st to correspond with the fiscal year of the District. Vacation time is prorated for new employees who do not complete a full fiscal year of employment on a July 1 through June 30 cycle.

At the beginning of the school year all employees are given a day of sick leave for each month of employment plus one. Sick leave may be accumulated to a total of 70 days. Classified employees who have more than 70 sick days at the beginning of the school year shall be reimbursed at a rate of \$20 per day for sick days over 70. In the event of retirement or disability of a certified employee, the District will pay for unused sick leave up to a maximum of 50 days in the amount of one-half of a substitute's daily rate at the time of reimbursement. In the event of death, the payment will be made to the beneficiary or beneficiaries as designated by KPERS.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Compensated absences (continued)

The District has a sick leave bank for classified and certified employees in which each employee may contribute one day to the bank each year and the Board of Education will match the days contributed to the bank. A committee made up of classified employees and the superintendent shall decide upon the distribution of days. Each year the bank begins with a zero balance of sick days.

9. Section 125 plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is used for annuities, mutual funds, health insurance premiums, unreimbursed medical expense, dependent care expense, and other insurance premiums. The plan is administered by an independent company.

10. Estimates

In preparing the financial statements, management is required to make estimates and assumptions that affect the reported amounts and the disclosures at the date of the financial statements. Actual results could differ from those estimates.

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 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.

B. DEPOSITS AND INVESTMENTS

Policies. The District has no formal deposit and investment policies; however, it does follow state statutes. K.S.A. 9-1401 establishes the depositories which may be used by the District. The statute requires banks eligible to hold the District's funds have a main or branch bank in the county in which the District is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the District's deposits in financial institutions to be entirely covered by federal depository insurance, by a corporate surety bond, 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. All deposits were legally secured at June 30, 2012.

B. 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. Additionally, K.S.A. 10-131(a)(6) authorizes the District to invest proceeds of bonds in obligations of the Federal National Mortgage Association, Federal Home Loan Banks, or the Federal Home Loan Mortgage Corporation. 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. At year-end the carrying amount of the District's deposits, including certificates of deposit, was \$1,949,946. The bank balance was \$1,962,352. Of the bank balance, \$282,537 was covered by FDIC insurance and \$1,679,815 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

Investments. As of June 30, 2012, the District had the following investments and maturities.

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity</u>	<u>Rating</u>
Kansas Municipal Investment Pool	\$ 5,214,530	(See below)	AAAf/S1+

At June 30, 2012, the District had invested \$5,214,530 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. Separately issued financial statements of the Municipal Investment Pool may be obtained from the Pooled Money Investment Board, 900 S.W. Jackson, Suite 209, Topeka, Kansas 66612-1220.

Credit quality risk. Investment quality rating given above is per Standard & Poor's, as of June 30, 2012.

Concentration of credit risk. Investment types and percents at cost are as follows: Kansas Municipal Investment Pool 100%.

Interest Rate Risk. The District's investment policy does not limit investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

C. LONG-TERM DEBT

Changes in long-term liabilities for the District for the year ended June 30, 2012, were as follows:

<u>Issue</u>	<u>Balance beginning of year</u>	<u>Additions</u>	<u>Reductions/ net change</u>	<u>Balance end of year</u>	<u>Interest paid</u>
General obligation bonds:					
School building bonds - Series 1993					
Issued July 1, 1993					
In the amount of \$1,005,000					
At interest rate of 0.00-4.00%					
Maturing September 1, 2013	\$ 170,000	\$ -	\$ -	\$ 170,000	\$ -
School building bonds – Series 2009					
Issued August 19, 2009					
Amount of issue \$1,430,000					
At interest rate of 2.25-2.65%					
Maturing September 1, 2014	1,065,000	-	555,000	510,000	20,943
School building bonds - Series 2012-A					
Issued June 1, 2012					
In the amount of \$5,300,000					
At interest rate of 2.00-3.375%					
Maturing September 1, 2032	-	5,300,000	-	5,300,000	-
School building bonds – Series 2012-B					
Issued June 1, 2012					
Amount of issue \$210,000					
At interest rate of 1.00 – 1.25%					
Maturing September 1, 2015	-	210,000	-	210,000	-
Subtotal general obligation bonds	<u>1,235,000</u>	<u>5,510,000</u>	<u>555,000</u>	<u>6,190,000</u>	<u>20,943</u>
Capital leases:					
Lighting upgrade					
Issued April 1, 2009					
In the amount of \$157,826					
At interest rate of 4.95%					
Maturing March 1, 2018	127,979	-	15,713	112,266	5,962
Mac Book computers					
Issued June 17, 2012					
In the amount of \$123,845					
At interest rate of 2.99%					
Maturing July 15, 2015	-	123,845	-	123,845	-
Subtotal capital leases	<u>127,979</u>	<u>123,845</u>	<u>15,713</u>	<u>236,111</u>	<u>5,962</u>
Termination benefits:					
Early retirement payable	<u>877</u>	<u>-</u>	<u>877</u>	<u>-</u>	<u>-</u>
Total long-term debt	<u>\$1,363,856</u>	<u>\$5,633,845</u>	<u>\$ 571,590</u>	<u>\$6,426,111</u>	<u>\$ 26,905</u>

K.S.A. 72-6761 limits the amount of bonds that a school district may have outstanding at any one time to 14% of the assessed valuation of taxable tangible property within the school district. At year end, the District had \$6,190,000 of bonds outstanding which is 14.88% of the assessed valuation. The District has obtained permission from the Kansas State Board of Education to exceed this limitation.

C. LONG-TERM DEBT (CONTINUED)

Current maturities of general obligation bonds and interest for the next five years and in five year increments through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 365,000	\$ 119,458	\$ 484,458
2014	170,000	152,522	322,522
2015	170,000	150,475	320,475
2016	205,000	147,072	352,072
2017	225,000	143,466	368,466
2018-2022	1,245,000	640,555	1,885,555
2023-2027	1,525,000	460,726	1,985,726
2028-2032	1,860,000	224,548	2,084,548
2033	425,000	7,172	432,172
Total	<u>\$ 6,190,000</u>	<u>\$ 2,045,994</u>	<u>\$ 8,235,994</u>

Current maturities of capital leases and interest through maturity are as follows:

	Principal due	Interest due	Total due
2013	\$ 48,638	\$ 5,636	\$ 54,274
2014	46,999	7,274	54,273
2015	48,756	5,518	54,274
2016	50,583	3,691	54,274
2017	20,065	1,791	21,856
2018	21,070	785	21,855
Total	<u>\$ 236,111</u>	<u>\$ 24,695</u>	<u>\$ 260,806</u>

D. DEFEASED BONDS

On June 1, 2012, the District issued \$210,000 in general obligation bonds with interest rates ranging from 1.00% to 1.25% to advance refund \$195,000 of outstanding 2009 Series bonds with an interest rate of 2.25%. The net proceeds of \$206,366 (after payments of \$1,534 for costs of issuance and \$2,100 for underwriter's discount) were used to call the 2009 Series bonds. As a result, the refunded portions of the 2009 Series bonds are considered to be defeased and the liability for those bonds has been removed from the long-term debt footnote.

The District advance refunded the September 2013 portion of the 2009 Series bonds to increase its total debt service payments over the next three years by \$16,497 and to obtain an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$2,417.

E. 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, KS 66603-3869), or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and 74-49,210 establishes the KPERS member-employee contribution rate at 4.00% and 6.00% respectively 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. Kansas contributed 9.77% of covered payroll for July 1, 2011 through June 30, 2012. 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, 2012, 2011, and 2010 were \$298,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010 were \$400,851, \$233,670, and \$276,545. The contribution for the year ended June 30, 2011 does not reflect the amount required for the entire year.

F. INTERFUND TRANSACTIONS

Recurring annual transfers between budgetary funds for the purpose of shifting resources from the fund legally required to receive the revenue to the fund authorized to expend the revenue are operating transfers. These transfers, authorized by K.S.A. 72-6428 and K.S.A. 72-6433, are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General fund	Virtual education fund	\$ 90,000
General fund	Migrant family literacy fund	37,625
General fund	Capital outlay fund	368,895
General fund	Special education fund	720,000
General fund	At risk (4 year old) fund	55,000
Supplemental general fund	Bilingual education fund	288,200
Supplemental general fund	Food service fund	55,000
Supplemental general fund	Special education fund	21,222
Supplemental general fund	Vocational education fund	170,000
Supplemental general fund	At risk fund	444,300
		<u>\$2,250,242</u>

G. CONTINGENCIES

The District receives significant financial assistance from numerous federal and state governmental agencies in the form of grants and state pass-through aid. The disbursement of funds received under these programs generally requires compliance with terms and conditions specified in the grant agreements and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the General Fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on any of the financial statements of the District at June 30, 2012.

H. 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, natural disasters; and medical needs of employees for which the District purchases commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims from these risks have not exceeded commercial insurance coverage in any of the past three years.

I. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 8, 2012, the date on which the financial statements were available to be used. Management's evaluation concluded that the following subsequent event is required to be disclosed in these financial statements: A bid was accepted from Dick Construction in the amount of \$4,636,500 for the Grade School addition.

APPENDICES

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

**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. 102
Cimarron, Kansas

We have audited the financial statements of Unified School District No. 102 as of and for the year ended June 30, 2012 and have issued our report thereon dated November 8, 2012. 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. Our report on the financial statements disclosed that, as described in Note A to the financial statements, the District has prepared these financial statements in conformity with the accounting practices prescribed or permitted by the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

Management of Unified School District No. 102 is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Unified School District No. 102'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. 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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the 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 the 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 previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Unified School District No. 102'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 the governing body, management, and 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.

Kennedy McKee & Company LLP

November 8, 2012

Kennedy
McKee & Company LLP Certified Public Accountants

1100 W. Frontview
P. O. Box 1477
Dodge City, Kansas 67801
Tel. (620) 227-3135
Fax (620) 227-2308

JAMES W. KENNEDY, CPA
JAMES R. SHIRLEY, CPA
LU ANN WETMORE, CPA
ROBERT C. NEIDHART, CPA
PATRICK M. FRIESS, CPA
JOHN W. HENDRICKSON, CPA

**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. 102
Cimarron, Kansas

Compliance

We have audited Unified School District No. 102'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, 2012. 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 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.

As described in items 2012-01 and 2012-02 in the accompanying schedule of findings and questioned costs, Unified School District No. 102 did not comply with requirements regarding cash management and reporting that are applicable to its Migrant Program. Compliance with such requirements is necessary, in our opinion, for Unified School District No. 102 to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, Unified School District No. 102 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, 2012.

Internal Control Over Compliance

The management of Unified School District No. 102 is responsible for establishing and maintaining effective internal control over compliance with the 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 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

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

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and question costs as items 2012-01 and 2012-02 to be significant deficiencies.

Unified School District No. 102's responses to the findings identified in our audit are described in the accompany schedule of findings and questioned costs. We did not audit Unified School District No. 102's responses and, accordingly, we express no opinion on the responses.

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

Kennedy McKee & Company LLP

November 8, 2012

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year ended June 30, 2012

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Education</u>							
Direct award:							
Rural Education Achievement Program	84.358	N/A	\$ 3,598	\$ -	\$ 31,562	\$ 35,160	\$ -
Passed through Kansas Department of Education:							
Title I Program	84.010	N/A	39	-	91,572	91,572	39
Migrant Family Literacy Program	84.011	N/A	856	-	150,500	150,509	847
Migrant Program 2010-2011	84.011	N/A	30,556	-	-	25,021	5,535
Migrant Program 2011-2012	84.011	N/A	-	-	140,585	133,489	7,096
Title II A - Improving Teacher Quality	84.367	N/A	-	-	20,166	20,166	-
Title III A - English Language Acquisition	84.365	N/A	-	-	13,617	13,617	-
Education Jobs Fund - ARRA	84.410	N/A	-	-	2,283	2,283	-
			35,049	-	450,285	471,817	13,517

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)

Year ended June 30, 2012

Federal grantor/ pass-through grantor/ program title	Federal CFDA number	Pass-through grantor's number	Unencumbered cash beginning of year	Canceled encumbrances	Cash receipts	Expenditures	Unencumbered cash end of year
<u>U.S. Department of Agriculture</u>							
Passed through Kansas Department of Education:							
School Breakfast Program	10.553	N/A	\$ -	\$ -	\$ 27,267	\$ 27,267	\$ -
National School Lunch Program	10.555	N/A	-	-	124,249	124,249	-
Team Nutrition Training Grant	10.574	N/A	-	-	550	550	-
			-	-	152,066	152,066	-
			\$ 35,049	\$ -	\$ 602,351	623,883	\$ 13,517
Grant funds returned to the State						(25,021)	
Federal expenditures per the Data Collection Form						\$ 598,862	

X - Grant funds returned to the State

Note - The Schedule of Expenditures of Federal Awards is prepared 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.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year ended June 30, 2012

A. SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 102.
2. No 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 Unified School District No. 102 which would be required to be reported in accordance with *Government Auditing Standards* were disclosed during the audit.
4. Two significant deficiencies relating to the audit of internal control over major federal programs were reported in the Report on Compliance with Requirements Applicable to Each Major Program and on Internal Control over Compliance in Accordance with OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs for Unified School District No. 102 expresses a qualified opinion on the Migrant Program and an unqualified opinion on the Child Nutrition Program Cluster.
6. Audit findings required to be reported in accordance with Section 510(a) of OMB A-133 are reported in this schedule.
7. The programs tested as major programs included:

Migrant Program	CFDA 84.011
Child Nutrition Program Cluster:	
School Breakfast Program	CFDA 10.553
National School Lunch Program	CFDA 10.555
8. The threshold for distinguishing Type A and B programs was \$300,000.
9. Unified School District No. 102 did not qualify as a low-risk auditee.

B. FINDINGS - FINANCIAL STATEMENT AUDIT

None noted

CIMARRON, KANSAS

SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)

Year ended June 30, 2012

C. FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

2012-01 Migrant Program; Grant period: Year Ended June 30, 2012

Condition: We examined the "Request for Federal Program Funds Form 240" noting the form was completed on a monthly basis. On the last request of the year the District estimated that they would have the same amount of expenses as their remaining allocation. However, the actual expenditures at the end of the year were significantly less than the estimate.

Criteria: Cash management requires that a recipient receiving advances implement procedures to minimize the time elapsing between the transfer of federal funds from the recipient and the time of cash disbursements for program purposes.

Effect: Based on the above criteria, at June 30, 2012 the District had requested funds in excess of approved expenditures totaling \$12,631.

Cause: This occurred because District personnel recorded two separate grants in the same fund and the revenues and expenditures were not properly allocated to each individual grant.

Recommendation: We recommend each individual grant's revenues and expenditures be recorded separately in order to appropriately track the remaining available grant funding.

Response: District personnel agree with the finding and have taken steps to correct it.

2012-02 Migrant Program; Grant period: Year Ended June 30, 2012

Condition: We examined the "Local Consolidated Plan Revision and Carryover" application and noted that the expenditures reported were in excess of the actual expenditures.

Criteria: The District is required to report actual expenditures for Migrant at the end of the fiscal year to the State Education Agency (SEA).

Effect: The expenditures reported to the SEA were overstated by \$7,096 for 2011-12 and \$5,535 for 2010-11.

Cause: This occurred because District personnel recorded two separate grants in the same fund and the revenues and expenditures were not properly allocated to each individual grant.

Recommendation: We recommend each individual grant's revenues and expenditures be recorded separately in order to appropriately track the remaining available grant funding.

Response: District personnel agree with the finding and have taken steps to correct it.

**UNIFIED SCHOOL DISTRICT NO. 102
CIMARRON, KANSAS**

SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS

Year ended June 30, 2012

FINDINGS AND QUESTIONED COSTS - MAJOR FEDERAL AWARD PROGRAMS

2011-01 Migrant Program; Grant period: Year Ended June 30, 2011

Condition: We examined the "Request for Federal Program Funds Form 240" noting the form was completed on a monthly basis. On the last request of the year the District estimated that they would have the same amount of expenses as their remaining allocation. However, the actual expenditures at the end of the year were far less than the estimate.

Recommendation: We recommend that personnel completing the request forms get prior approval of significant estimated expenditures before requesting the cash advance needed to operate the program.

Current Status: The District concurred with the recommendation. One similar finding was noted in the June 30, 2012 audit, finding 2012-01.

2011-02 Migrant Program; Grant period: Year Ended June 30, 2011

Condition: We examined the "Local Consolidated Plan Revision and Carryover" application and noted that the expenditures reported were in excess of the actual expenditures.

Recommendation: We recommend that all transactions be complete and the year closed out before any required year-end reports are filed.

Current Status: The District concurred with the recommendation. One similar finding was noted in the June 30, 2012 audit, finding 2012-02.