

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

**FINANCIAL STATEMENTS
with
INDEPENDENT AUDITOR'S REPORT
YEAR ENDED JUNE 30, 2012**

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INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 226
Meade, Kansas

We have audited the accompanying financial statements of Unified School District No. 226, 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 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. 226 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. 226 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. 226, as of June 30, 2012, and their respective cash receipts and expenditures, and budgetary results, for the year then ended, on the basis of accounting described in Note A.

Kennedy McKee & Company LLP

December 28, 2012

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

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

Year ended June 30, 2012

Fund	Beginning unencumbered cash balance	Prior year canceled encumbrances	Cash receipts
General funds:			
General	\$ -	\$ -	\$ 3,214,890
Supplemental general	150,782	3,174	1,108,413
Special revenue funds:			
At risk (4 year old)	30,000	-	25,959
At risk (K-12)	100,000	-	275,589
Bilingual	37,500	-	22,561
Capital outlay	196,733	-	325,727
Driver training	12,000	-	4,133
Food service	40,000	-	289,760
Professional development	22,000	-	9,626
Special education	190,000	37	504,987
Vocational education	85,000	54	65,605
KPERS special retirement contribution	-	-	316,671
Recreation commission	52,908	-	59,050
Contingency reserve	340,000	-	104,081
Textbook and student materials revolving	2,641	169	19,635
REAP	-	-	36,596
Title I	-	-	62,344
Title IIA	-	-	12,885
Title I Migrant	-	-	12,000
Gifts and donations	-	-	4,000
District activity funds	25,631	-	121,617
Roy and Laura Whitehead scholarship	2,147,544	-	23,207
Debt service fund:			
Bond and interest	429,230	-	359,890
Total primary government - excluding agency funds	<u>3,861,969</u>	<u>3,434</u>	<u>6,979,226</u>
Component unit:			
Meade District Recreation Commission:			
General	<u>177,388</u>	<u>-</u>	<u>66,311</u>
Total reporting entity (excluding agency funds)	<u>\$ 4,039,357</u>	<u>\$ 3,434</u>	<u>\$ 7,045,537</u>

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

<u>Expenditures</u>	<u>Ending unencumbered cash balance</u>	<u>Add outstanding encumbrances and accounts payable</u>	<u>Ending cash balance</u>
\$ 3,214,890	\$ -	\$ -	\$ -
1,127,369	135,000	4,886	139,886
25,959	30,000	-	30,000
254,594	120,995	-	120,995
22,561	37,500	-	37,500
276,504	245,956	-	245,956
4,133	12,000	-	12,000
289,760	40,000	-	40,000
9,626	22,000	-	22,000
505,024	190,000	-	190,000
65,659	85,000	-	85,000
316,671	-	-	-
65,000	46,958	-	46,958
123,081	321,000	-	321,000
11,851	10,594	96	10,690
36,596	-	-	-
62,344	-	-	-
12,885	-	-	-
12,000	-	-	-
2,718	1,282	-	1,282
118,549	28,699	-	28,699
28,658	2,142,093	-	2,142,093
<u>363,973</u>	<u>425,147</u>	<u>-</u>	<u>425,147</u>
<u>6,950,405</u>	<u>3,894,224</u>	<u>4,982</u>	<u>3,899,206</u>
 <u>41,883</u>	 <u>201,816</u>	 <u>9</u>	 <u>201,825</u>
<u><u>\$ 6,992,288</u></u>	<u><u>\$ 4,096,040</u></u>	<u><u>\$ 4,991</u></u>	<u><u>\$ 4,101,031</u></u>

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

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

Year ended June 30, 2012

Composition of cash balance:

Activity funds - cash on hand	\$ 80
Petty cash	1,500
Money market checking	626,917
Activity funds - money market	8,935
Activity funds - checking	41,847
Activity funds - savings	466
Certificates of deposit	1,100,000
Scholarship fund checking	14,858
Scholarship fund certificate of deposit	<u>2,127,235</u>
 Total primary government	 3,921,838
 Agency funds	 <u>(22,632)</u>
 Total primary government - excluding agency funds	 3,899,206
 Total component unit	 <u>201,825</u>
 Total reporting entity (excluding agency funds)	 <u><u>\$ 4,101,031</u></u>

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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	\$ 3,311,384	\$ (96,494)	\$ 3,214,890	\$ 3,214,890	\$ -
Supplemental general	1,139,973	(11,703)	1,128,270	1,127,369	901
Special revenue funds:					
At risk (4 year old)	30,000	-	30,000	25,959	4,041
At risk (K-12)	321,081	-	321,081	254,594	66,487
Bilingual	37,500	-	37,500	22,561	14,939
Capital outlay	468,703	-	468,703	276,504	192,199
Driver training	14,500	-	14,500	4,133	10,367
Food service	335,055	-	335,055	289,760	45,295
Professional development	22,000	-	22,000	9,626	12,374
Special education	649,019	-	649,019	505,024	143,995
Vocational education	90,000	-	90,000	65,659	24,341
KPERS special retirement contribution	335,365	-	335,365	316,671	18,694
Recreation commission	65,000	-	65,000	65,000	-
Debt service fund:					
Bond and interest	365,133	-	365,133	363,973	1,160
	<u>7,184,713</u>	<u>(108,197)</u>	<u>7,076,516</u>	<u>6,541,723</u>	<u>534,793</u>
Component unit:					
Meade District Recreation Commission:					
General	<u>87,350</u>	<u>-</u>	<u>87,350</u>	<u>41,883</u>	<u>45,467</u>
	<u>\$ 7,272,063</u>	<u>\$ (108,197)</u>	<u>\$ 7,163,866</u>	<u>\$ 6,583,606</u>	<u>\$ 580,260</u>

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

GENERAL FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - STATUTORY AND BUDGET

	Year ended June 30,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Taxes:				
Ad valorem property:				
Tax in process	\$ 12,069	\$ 4,284	\$ 2	\$ 4,282
Current tax	1,041,433	1,091,397	999,374	92,023
Delinquent tax	4,264	3,645	5,422	(1,777)
Federal aid:				
ARRA stabilization funds	64,156	-	-	-
Education Jobs funds	112,336	1,596	-	1,596
State aid:				
Equalization aid	1,806,325	1,746,475	1,899,567	(153,092)
Special education aid	335,361	343,469	357,019	(13,550)
Mineral production tax	24,443	24,024	-	24,024
Operating transfer in	-	-	50,000	(50,000)
Total cash receipts	<u>3,400,387</u>	<u>3,214,890</u>	<u>\$ 3,311,384</u>	<u>\$ (96,494)</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	1,845,815	1,783,910	\$ 1,808,515	\$ 24,605
Student support services	64,372	64,493	64,304	(189)
Instructional support staff	121,224	126,431	126,930	499
General administration	203,781	210,102	261,227	51,125
School administration	128,002	130,804	139,024	8,220
Operations and maintenance	1,723	1,084	5,000	3,916
Student transportation services	182,606	202,362	214,410	12,048
Other supplemental services	114,455	117,970	113,874	(4,096)
Transfers to other funds	738,409	577,734	578,100	366
Adjustment to comply with legal maximum budget	<u>-</u>	<u>-</u>	<u>(96,494)</u>	<u>(96,494)</u>
Total expenditures and transfers subject to legal maximum budget	<u>3,400,387</u>	<u>3,214,890</u>	<u>\$ 3,214,890</u>	<u>\$ -</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>-</u>	<u>-</u>		
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

SUPPLEMENTAL GENERAL 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	\$ 11,172	\$ 5,742	\$ 2,700	\$ 3,042
Current tax	994,640	1,062,743	976,981	85,762
Delinquent tax	4,371	4,062	5,193	(1,131)
Motor vehicle tax	32,201	35,013	40,809	(5,796)
Recreational vehicle tax	859	853	1,084	(231)
Reimbursements	22,527	-	-	-
Total cash receipts	<u>1,065,770</u>	<u>1,108,413</u>	<u>\$ 1,026,767</u>	<u>\$ 81,646</u>
Expenditures and transfers subject to legal maximum budget:				
Instruction	151,701	185,873	\$ 294,357	\$ 108,484
Operations and maintenance	494,498	445,848	645,616	199,768
Transfers to other funds	476,373	495,648	200,000	(295,648)
Adjustment to comply with legal maximum budget	<u>-</u>	<u>-</u>	<u>(11,703)</u>	<u>(11,703)</u>
Total expenditures and transfers subject to legal maximum budget	<u>1,122,572</u>	<u>1,127,369</u>	<u>\$ 1,128,270</u>	<u>\$ 901</u>
Receipts over (under) expenditures	(56,802)	(18,956)		
Unencumbered cash, beginning of year	206,379	150,782		
Prior year canceled encumbrances	<u>1,205</u>	<u>3,174</u>		
Unencumbered cash, end of year	<u>\$ 150,782</u>	<u>\$ 135,000</u>		

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

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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:				
Transfers:				
General fund	\$ 5,000	\$ -	\$ -	\$ -
Supplemental general fund	34,380	25,959	-	25,959
Total cash receipts	39,380	25,959	\$ -	\$ 25,959
Expenditures:				
Instruction	24,380	25,959	\$ 25,000	\$ (959)
Transfer to general fund	-	-	5,000	5,000
Total expenditures	24,380	25,959	\$ 30,000	\$ 4,041
Receipts over (under) expenditures	15,000	-		
Unencumbered cash, beginning of year	15,000	30,000		
Unencumbered cash, end of year	\$ 30,000	\$ 30,000		

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

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

AT RISK (K-12) 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	\$ 243,000	\$ -	\$ 221,081	\$ (221,081)
Supplemental general fund	77,822	275,589	-	275,589
Total cash receipts	320,822	275,589	\$ 221,081	\$ 54,508
Expenditures:				
Instruction	179,928	168,933	\$ 210,898	\$ 41,965
Student support services	59,026	59,240	59,218	(22)
School administration	31,868	26,421	25,965	(456)
Transfer to general fund	-	-	25,000	25,000
Total expenditures	270,822	254,594	\$ 321,081	\$ 66,487
Receipts over (under) expenditures	50,000	20,995		
Unencumbered cash, beginning of year	50,000	100,000		
Unencumbered cash, end of year	\$ 100,000	\$ 120,995		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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:				
Other	\$ 1,097	\$ 409	\$ -	\$ 409
Transfers:				
Supplemental general fund	37,973	22,152	-	22,152
Total cash receipts	39,070	22,561	\$ -	\$ 22,561
Expenditures:				
Instruction	21,570	22,561	\$ 32,500	\$ 9,939
Transfer to general fund	-	-	5,000	5,000
Total expenditures	21,570	22,561	\$ 37,500	\$ 14,939
Receipts over (under) expenditures	17,500	-		
Unencumbered cash, beginning of year	20,000	37,500		
Unencumbered cash, end of year	\$ 37,500	\$ 37,500		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

CAPITAL OUTLAY 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	\$ 2,901	\$ 1,555	\$ 731	\$ 824
Current tax	269,307	281,498	258,800	22,698
Delinquent tax	1,254	1,145	1,406	(261)
Motor vehicle tax	8,585	9,190	10,747	(1,557)
Recreational vehicle tax	228	225	286	(61)
Other	1,199	32,114	-	32,114
Total cash receipts	283,474	325,727	\$ 271,970	\$ 53,757
Expenditures:				
Instruction	197,834	179,109	\$ 200,000	\$ 20,891
Student support services	-	-	25,000	25,000
Operations and maintenance	425	-	23,253	23,253
Student transportation services	77,846	8,272	90,000	81,728
Facility acquisition and construction service	55,970	89,123	130,450	41,327
Total expenditures	332,075	276,504	\$ 468,703	\$ 192,199
Receipts over (under) expenditures	(48,601)	49,223		
Unencumbered cash, beginning of year	245,334	196,733		
Unencumbered cash, end of year	\$ 196,733	\$ 245,956		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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:				
State aid	\$ 1,628	\$ 1,786	\$ 1,480	\$ 306
Other	750	2,025	1,020	1,005
Transfers:				
Supplemental general fund	7,749	322	-	322
Total cash receipts	10,127	4,133	\$ 2,500	\$ 1,633
Expenditures:				
Instruction	5,740	3,890	\$ 7,466	\$ 3,576
Vehicle operating maintenance	387	243	2,034	1,791
Transfer to general fund	-	-	5,000	5,000
Total expenditures	6,127	4,133	\$ 14,500	\$ 10,367
Receipts over (under) expenditures	4,000	-		
Unencumbered cash, beginning of year	8,000	12,000		
Unencumbered cash, end of year	\$ 12,000	\$ 12,000		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

FOOD SERVICE FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
		2012		
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Federal aid	\$ 100,853	\$ 102,235	\$ 102,387	\$ (152)
State aid	2,576	2,417	2,108	309
Charges for services	102,071	97,136	110,560	(13,424)
Other	233	300	-	300
Transfers:				
General fund	44,000	-	80,000	(80,000)
Supplemental general fund	39,741	87,672	-	87,672
Total cash receipts	<u>289,474</u>	<u>289,760</u>	<u>\$ 295,055</u>	<u>\$ (5,295)</u>
Expenditures:				
Operations and maintenance	8,000	8,000	\$ 8,000	\$ -
Food service operations	<u>281,474</u>	<u>281,760</u>	<u>327,055</u>	<u>45,295</u>
Total expenditures	<u>289,474</u>	<u>289,760</u>	<u>\$ 335,055</u>	<u>\$ 45,295</u>
Receipts over (under) expenditures	-	-		
Unencumbered cash, beginning of year	<u>40,000</u>	<u>40,000</u>		
Unencumbered cash, end of year	<u>\$ 40,000</u>	<u>\$ 40,000</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

PROFESSIONAL DEVELOPMENT 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	\$ 20,262	\$ 9,626	\$ -	\$ 9,626
Expenditures:				
Instructional support staff	8,262	9,626	\$ 17,000	\$ 7,374
Transfer to general fund	-	-	5,000	5,000
Total expenditures	8,262	9,626	\$ 22,000	\$ 12,374
Receipts over (under) expenditures	12,000	-		
Unencumbered cash, beginning of year	10,000	22,000		
Unencumbered cash, end of year	\$ 22,000	\$ 22,000		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

SPECIAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			
	2011	Actual	Budget	Variance favorable (unfavorable)
Cash receipts:				
Interest	\$ 2,506	\$ 1,386	\$ 2,000	\$ (614)
Other	1,377	-	-	-
Transfers:				
General fund	335,361	473,653	357,019	116,634
Supplemental general fund	158,933	29,948	100,000	(70,052)
Total cash receipts	498,177	504,987	\$ 459,019	\$ 45,968
Expenditures:				
Instruction	483,176	471,757	\$ 628,209	\$ 156,452
Vehicle operating service	15,130	33,267	20,810	(12,457)
Total expenditures	498,306	505,024	\$ 649,019	\$ 143,995
Receipts over (under) expenditures	(129)	(37)		
Unencumbered cash, beginning of year	190,129	190,000		
Prior year canceled encumbrances	-	37		
Unencumbered cash, end of year	\$ 190,000	\$ 190,000		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

VOCATIONAL EDUCATION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Miscellaneous	\$ 6,920	\$ 21,225	\$ 5,000	\$ 16,225
Transfers:				
General fund	9,000	-	-	-
Supplemental general fund	85,532	44,380	-	44,380
Total cash receipts	101,452	65,605	\$ 5,000	\$ 60,605
Expenditures:				
Instruction	66,452	65,659	\$ 85,000	\$ 19,341
Transfer to general fund	-	-	5,000	5,000
Total expenditures	66,452	65,659	\$ 90,000	\$ 24,341
Receipts over (under) expenditures	35,000	(54)		
Unencumbered cash, beginning of year	50,000	85,000		
Prior year canceled encumbrances	-	54		
Unencumbered cash, end of year	\$ 85,000	\$ 85,000		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

KPERS SPECIAL RETIREMENT CONTRIBUTION FUND

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			Variance favorable (unfavorable)
	2011	Actual	Budget	
Cash receipts:				
State aid	\$ 184,774	\$ 316,671	\$ 335,365	\$ (18,694)
Expenditures:				
Instruction	123,800	210,627	\$ 214,324	\$ 3,697
Student support services	6,836	12,030	12,869	839
Instructional support staff	7,206	12,781	14,562	1,781
General administration	7,760	13,702	14,587	885
School administration	9,423	16,508	18,978	2,470
Other supplemental services	4,804	11,410	9,563	(1,847)
Operations and maintenance	11,826	18,684	22,063	3,379
Student transportation services	7,021	10,165	14,568	4,403
Food service	6,098	10,764	13,851	3,087
Total expenditures	184,774	316,671	\$ 335,365	\$ 18,694
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. 226
MEADE, KANSAS**

RECREATION COMMISSION 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	\$ 725	\$ 311	\$ 146	\$ 165
Current tax	53,873	56,266	51,736	4,530
Delinquent tax	298	244	281	(37)
Motor vehicle tax	1,560	2,177	2,506	(329)
Recreational vehicle tax	43	52	66	(14)
Total cash receipts	56,499	59,050	<u>\$ 54,735</u>	<u>\$ 4,315</u>
Expenditures:				
Transfer to component unit	60,000	65,000	<u>\$ 65,000</u>	<u>\$ -</u>
Receipts over (under) expenditures	(3,501)	(5,950)		
Unencumbered cash, beginning of year	56,409	52,908		
Unencumbered cash, end of year	<u>\$ 52,908</u>	<u>\$ 46,958</u>		

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

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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	\$ 3,946	\$ 2,029	\$ 956	\$ 1,073
Current tax	351,406	343,678	315,938	27,740
Delinquent tax	1,770	1,514	1,834	(320)
Motor vehicle tax	12,130	12,368	14,414	(2,046)
Recreational vehicle tax	321	301	382	(81)
Total cash receipts	<u>369,573</u>	<u>359,890</u>	<u>\$ 333,524</u>	<u>\$ 26,366</u>
Expenditures:				
Debt service:				
Principal	180,000	190,000	\$ 190,000	\$ -
Interest	182,257	173,933	173,933	-
Commission and postage	30	40	1,200	1,160
Total expenditures	<u>362,287</u>	<u>363,973</u>	<u>\$ 365,133</u>	<u>\$ 1,160</u>
Receipts over (under) expenditures	7,286	(4,083)		
Unencumbered cash, beginning of year	<u>421,944</u>	<u>429,230</u>		
Unencumbered cash, end of year	<u>\$ 429,230</u>	<u>\$ 425,147</u>		

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS**

**MEADE DISTRICT RECREATION COMMISSION
MEADE, KANSAS**

STATEMENT OF CASH RECEIPTS AND EXPENDITURES - ACTUAL AND BUDGET

	Year ended June 30,			
	2012			Variance
	2011	Actual	Budget	favorable (unfavorable)
Cash receipts:				
Transfer from Unified School District No. 226	\$ 60,000	\$ 65,000	\$ 60,000	\$ 5,000
Interest	2,236	1,273	1,500	(227)
Other	-	38	-	38
Total cash receipts	62,236	66,311	\$ 61,500	\$ 4,811
Expenditures:				
Printing/advertising	169	84	\$ 250	\$ 166
Accounting	1,218	1,290	1,500	210
Payroll taxes	1,955	1,392	8,000	6,608
Administration	4,249	321	2,500	2,179
Insurance	5,798	5,961	5,000	(961)
Baseball activities and improvements	14,670	9,345	20,000	10,655
Basketball activities	2,984	7,068	5,000	(2,068)
Golf activities	2,000	2,000	2,500	500
Football	4,054	3,456	7,500	4,044
Repairs and maintenance	3,648	3,595	7,500	3,905
Equipment, building and improvements	9,737	-	15,000	15,000
Swimming activities	2,269	2,560	3,500	940
Tennis	500	-	1,000	1,000
Trapshooting club	500	-	1,000	1,000
Other activities	5,580	4,586	7,000	2,414
Miscellaneous	535	225	100	(125)
Total expenditures	59,866	41,883	\$ 87,350	\$ 45,467
Receipts over (under) expenditures	2,370	24,428		
Unencumbered cash, beginning of year	175,018	177,388		
Unencumbered cash, end of year	\$ 177,388	\$ 201,816		

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

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, KANSAS

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

Year ended June 30, 2012

	Contingency reserve	Textbook and student materials revolving	REAP	Title I
Cash receipts:				
Fees	\$ -	\$ 19,635	\$ -	\$ -
Federal aid	-	-	36,596	62,344
Interest	-	-	-	-
Other	-	-	-	-
Transfer from general fund	104,081	-	-	-
	<u>104,081</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total cash receipts	<u>104,081</u>	<u>19,635</u>	<u>36,596</u>	<u>62,344</u>
Expenditures:				
Instruction	85,147	11,851	36,596	62,344
General administration	-	-	-	-
School administration	5,688	-	-	-
Other supplemental service	6,265	-	-	-
Operations and maintenance	13,590	-	-	-
Student transportation services	5,992	-	-	-
Food service operation	6,399	-	-	-
Scholarships	-	-	-	-
	<u>123,081</u>	<u>11,851</u>	<u>36,596</u>	<u>62,344</u>
Total expenditures	<u>123,081</u>	<u>11,851</u>	<u>36,596</u>	<u>62,344</u>
Receipts over (under) expenditures	(19,000)	7,784	-	-
Unencumbered cash, beginning of year	340,000	2,641	-	-
Prior year canceled encumbrances	-	169	-	-
	<u>-</u>	<u>169</u>	<u>-</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 321,000</u>	<u>\$ 10,594</u>	<u>\$ -</u>	<u>\$ -</u>

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

Title IIA	Title I migrant	Gifts & donations	Roy and Laura Whitehead scholarship	Total
\$ -	\$ -	\$ -	\$ -	\$ 19,635
12,885	12,000	-	-	135,825
-	-	-	23,207	23,207
-	-	4,000	-	4,000
-	-	-	-	104,081
<u>12,885</u>	<u>12,000</u>	<u>4,000</u>	<u>23,207</u>	<u>286,748</u>
12,885	12,000	2,718	-	235,541
-	-	-	3,833	3,833
-	-	-	-	5,688
-	-	-	-	6,265
-	-	-	-	13,590
-	-	-	-	5,992
-	-	-	-	6,399
-	-	-	24,825	24,825
<u>12,885</u>	<u>12,000</u>	<u>2,718</u>	<u>28,658</u>	<u>302,133</u>
-	-	1,282	(5,451)	(15,385)
-	-	-	2,147,544	2,490,185
-	-	-	-	169
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,282</u>	<u>\$ 2,142,093</u>	<u>\$ 2,474,969</u>

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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	\$ 6,875	\$ 59,502	\$ 54,300	\$ 12,077	\$ -	\$ 12,077
Sports special	-	1,910	1,619	291	-	291
School play	2,845	-	-	2,845	-	2,845
Forensics	171	725	671	225	-	225
Elementary school:						
Athletics	2,020	8,579	10,045	554	-	554
Subtotal gate receipts	11,911	70,716	66,635	15,992	-	15,992
School projects:						
High school:						
Library	315	105	-	420	-	420
Band	915	2,560	2,538	937	-	937
Drivers education	6	165	167	4	-	4
Special projects	18	1,190	1,091	117	-	117
Science	227	464	567	124	-	124
Weightlifting	1,245	-	1,245	-	-	-
Yearbook	-	1,760	1,760	-	-	-
Wood shop	1,711	31,722	30,308	3,125	-	3,125
Vocational	-	2,542	2,542	-	-	-
Buff Bank	543	1,666	1,663	546	-	546
Elementary school:						
Memory book	3,174	1,214	1,322	3,066	-	3,066
Music	994	306	364	936	-	936
Library	395	4,841	5,041	195	-	195
Special projects	4,177	2,366	3,306	3,237	-	3,237
Subtotal school projects	13,720	50,901	51,914	12,707	-	12,707
Total district activity funds	\$ 25,631	\$ 121,617	\$ 118,549	\$ 28,699	\$ -	\$ 28,699

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

UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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:				
Cheerleaders	\$ 1,883	\$ 5,416	\$ 6,064	\$ 1,235
Basketball	945	1,695	1,648	992
Basketball - girls	379	628	789	218
SWKS Classic BB	432	-	-	432
Volleyball	62	3,217	3,101	178
Football	1,725	10,682	10,870	1,537
Cross country	239	-	-	239
Tennis - girls	14	695	345	364
Tennis - boys	28	13	-	41
Golf	443	1,146	1,397	192
Class of 2011	183	-	183	-
Class of 2012	1,590	1,912	3,317	185
Class of 2013	5,607	2,552	6,625	1,534
Class of 2014	1,442	4,110	1,127	4,425
Class of 2015	-	3,847	1,556	2,291
International	288	1,553	1,554	287
Kayettes	1,553	6,803	6,644	1,712
Key club	714	651	982	383
M club	8	-	-	8
Student council	466	7,800	7,161	1,105
FBLA	268	200	70	398
Skills USA	240	5,172	4,946	466
After Prom	-	442	442	-
Leadership class	-	105	105	-
Madrigals	588	90	7	671
National honor society	-	618	80	538
Official initials	73	-	54	19
Art	386	562	131	817
Service learning	-	80	-	80
Concessions	940	26,503	26,105	1,338
Subtotal high school	20,496	86,492	85,303	21,685
Elementary school:				
Cheerleaders	787	3,631	4,142	276
Pep club	590	-	367	223
Junior high	1,087	8,807	9,446	448
Subtotal elementary school	2,464	12,438	13,955	947
Subtotal student organization funds	22,960	98,930	99,258	22,632
Clearing fund:				
Health/life insurance	-	152,358	152,358	-
Total agency funds	\$ 22,960	\$ 251,288	\$ 251,616	\$ 22,632

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

**UNIFIED SCHOOL DISTRICT NO. 226
MEADE, 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. Certain prior year amounts have been reclassified to result in more comparative statements.

1. Reporting entity

U.S.D. No. 226 Meade, Kansas is a municipal corporation governed by an elected seven-member board. These financial statements present U.S.D. No. 226 Meade, Kansas (the primary government) and its component unit. The component unit is included in the District's reporting entity because of the significance of its operational and financial relationship with the District.

Discretely Presented Component Unit. The component unit section of these financial statements includes the financial data of the discretely presented component unit. This component unit is reported separately to emphasize that it is legally separate from the District.

Meade Recreation Commission: The Commission oversees recreational activities. Two of the five members of the governing board of the Recreation Commission are appointed by the Board of Education, two by the City Council, with one at large member. The Recreation Commission operates as a separate governing body but the District levies the taxes for the Recreation Commission and the Recreation Commission has only the powers granted by statute, K.S.A. 12-1928. The Recreation Commission cannot purchase real property but can acquire real property by gift.

Complete financial statements of the Meade Recreation Commission may be obtained as follows:

Meade Recreation Commission
P.O. Box 634
Meade, Kansas 67864

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2. Fund accounting (continued)

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.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3. Basis of accounting (continued)

Departure from Accounting Principles Generally Accepted in the United States of America. The basis of accounting described above results in a financial statement presentation which shows cash receipts, expenditures, cash and unencumbered cash balances, and expenditures compared to budget. 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, capital leases, temporary notes, and compensated absences is not presented in the financial statements.

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. There were no amendments to the budget for the year ended June 30, 2012.

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.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4. Budgetary information (continued)

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

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

- Contingency reserve
- Textbook and student materials revolving
- Federal grant funds
- District activity funds
- Roy and Laura Whitehead Scholarship

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 collection 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 accrued; such costs to be funded are determined annually by the system's actuary.

A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8. Compensated absences

The District's policies regarding vacation permit an annual vacation of two weeks with pay to those employees assigned to twelve-month positions. The Superintendent is entitled to an annual vacation of one month. Policies prohibit payment for vacation time in lieu of time off. Sick leave for all employees may be accumulated at the rate of ten days per year up to a total accumulation of sixty days. An amount is paid in August to teachers for any accumulation beyond sixty days at \$30 per day. In the event of death, resignation, or termination of employment for all employees, unused vacation time and accumulated sick leave are lost. Upon retirement after at least twenty years of employment by the District, a teacher may be reimbursed for up to thirty days of the teacher's accumulated and unused sick leave at a rate of \$30 per day. The District does not accrue compensated absences as the amounts thereof are not material in relationship to the financial statements taken as a whole. The District's policy is to recognize the costs of compensated absences when paid.

9. Section 125 plan

The District offers a Section 125 Flexible Benefit Plan to employees electing to participate. It is used for 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 to 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 bank to 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.

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. 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 \$3,921,838 and the bank balance was \$4,213,868. Of the bank balance, \$267,635 was covered by FDIC insurance and \$3,963,868 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name.

C. LONG-TERM DEBT

Changes in long-term liabilities for the entity 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 2004					
Issued December 1, 2004					
In the amount of \$4,998,000					
At interest rates of 3.60% to 4.50%					
Maturing September 1, 2025	\$4,350,000	\$ -	\$3,705,000	\$ 645,000	\$ 173,933
General obligation refunding bonds:					
School building bonds – Series 2012					
Issued April 5, 2012					
In the amount of \$3,810,000					
At interest rates of 2.00% to 3.00%					
Maturing September 1, 2025	-	3,810,000	-	3,810,000	-
Capital leases:					
CNC router					
Issued June 18, 2010					
In the amount of \$50,000					
At interest rate of 4.50%					
Maturing July 15, 2015	30,006	-	9,565	20,441	1,350
Boiler					
Issued May 11, 2010					
In the amount of \$185,000					
At interest rate of 3.75%					
Maturing June 15, 2013	126,025	-	61,852	64,173	4,726

C. LONG-TERM DEBT (CONTINUED)

<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>
Bus					
Issued December 12, 2011					
In the amount of \$48,000					
At interest rate of 3.50%					
Maturing February 1, 2017	\$ -	\$ 48,000	\$ 10,087	\$ 37,913	\$ 235
Termination benefits:					
Early retirement payable	<u>27,740</u>	<u>27,860</u>	<u>13,790</u>	<u>41,810</u>	<u>-</u>
Total long-term debt	<u>\$4,533,771</u>	<u>\$3,885,860</u>	<u>\$3,800,294</u>	<u>\$4,619,337</u>	<u>\$ 180,244</u>

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

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 235,000	\$ 102,948	\$ 337,948
2014	250,000	102,120	352,120
2015	260,000	92,620	352,620
2016	275,000	85,020	360,020
2017	290,000	79,370	369,370
2018-2022	1,620,000	279,850	1,899,850
2023-2026	<u>1,525,000</u>	<u>71,875</u>	<u>1,596,875</u>
Total	<u>\$ 4,455,000</u>	<u>\$ 813,803</u>	<u>\$ 5,268,803</u>

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

<u>Year ended June 30,</u>	<u>Principal due</u>	<u>Interest due</u>	<u>Total due</u>
2013	\$ 83,162	\$ 4,653	\$ 87,815
2014	19,755	1,482	21,237
2015	9,636	686	10,322
2016	9,973	349	10,322
2017	<u>1</u>	<u>-</u>	<u>1</u>
Total	<u>\$ 122,527</u>	<u>\$ 7,170</u>	<u>\$ 129,697</u>

Legal debt limit. 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 \$4,455,000 of bonds outstanding which is 7.83% of the assessed valuation.

D. DEFEASED BOND

On April 5, 2012, the District issued \$3,810,000 in general obligation bonds with interest rates ranging from 2.0% to 3.0% to advance refund \$3,515,00 of outstanding 2004 Series bonds with interest rates ranging from 3.6% to 4.375%. The net proceeds of \$3,847,022 (after reoffering premium of \$118,136, payments of \$43,014 for costs of issuance and \$38,100 for underwriter's discount) were issued to call the 2004 Series bonds that were callable on April 5, 2012. As a result, the refunded portion of the 2004 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 callable portions of the 2004 Series bonds to reduce its total debt service payments over the next 13 years by \$370,129 and to obtain an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$378,639.

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 66603-3803), at the following website: <http://www.kpers.gov> or by calling 1-888-275-5737.

Funding policy. K.S.A. 74-4919 and 74-49,210 establish the KPERS member-employee contribution rates at 4% and 6%, 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 the 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, 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 \$316,671, \$184,774 and \$208,572 respectively.

F. OPERATING LEASES

The District has entered into five operating lease agreements for six copy machines and one for lease of a postage meter. The following is a yearly schedule of future minimum rental payments under the operating leases:

2013	\$ 19,699
2014	19,593
2015	17,562
2016	<u>1,458</u>
	<u>\$ 58,312</u>

Annual lease payments for the year ended June 30, 2012 were \$22,069.

G. 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.'s 72-6428 and 72-6433 and the bond ordinance are as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
General fund	Special education fund	\$ 473,653
General fund	Contingency reserve fund	104,081
Supplemental general fund	Bilingual fund	22,152
Supplemental general fund	Driver training fund	322
Supplemental general fund	Food service fund	87,672
Supplemental general fund	Professional development fund	9,626
Supplemental general fund	Special education fund	29,948
Supplemental general fund	Vocational education fund	44,380
Supplemental general fund	At risk (4 year old) fund	25,959
Supplemental general fund	At risk (K-12) fund	<u>275,589</u>
		<u>\$1,073,383</u>

Transfers to component units as authorized by K.S.A. 12-1928 were as follows:

<u>From</u>	<u>To</u>	<u>Amount</u>
Recreation commission fund	Meade District Recreation Commission	<u>\$ 65,000</u>

H. 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.

I. RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions, injuries to employees, and natural disasters for which the District carries commercial insurance. There have been no significant reductions in coverage from the prior year. Settled claims have not exceeded coverage in any of the past three years.

Workers' Compensation Coverage. The District is a member of the Kansas Association of School Boards (KASB) Workers Compensation Fund, Inc. which is a public entity risk pool currently operating as a common risk management and insurance program for member school districts. The District pays an annual premium to KASB for coverage. The contract provides that the plan will be self-sustaining through member premiums and will reinsure through commercial companies for claims in excess of \$1,000,000.

J. TERMINATION BENEFITS

The District offers a voluntary early retirement plan to employees electing to participate. Qualifying personnel must be not less than 61 years and not more than 64 years old, have at least 15 years of service with the District, and must be fully vested in KPERS. The annual rate of retirement compensation is twenty percent (20%) of the District's base salary. Benefits end after five years. All benefits terminate when the participant reaches age 65. Payments to retired employees under this plan were \$13,790 for the year ended June 30, 2012.

K. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 28, 2012, the date on which the financial statements were available to be used. Management's evaluation concluded that there are no subsequent events that are required to be recognized or disclosed in these financial statements.