

**BOARD OF EDUCATION
UNIFIED SCHOOL DISTRICT NO. 263
Mulvane, Kansas**

**Financial Statements
June 30, 2012**

**with
Independent Auditors' Report**

UNIFIED SCHOOL DISTRICT NO. 263

Financial Statements

Year Ended June 30, 2012

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UNIFIED SCHOOL DISTRICT NO. 263

Financial Statements

Year Ended June 30, 2012

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PETERSON, PETERSON & GOSS, L.C.

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS

417 NORTH TOPEKA AVENUE
P.O. BOX 1259

WICHITA, KANSAS 67201-1259

TELEPHONE 316-262-8371
FAX 316-262-5369
www.ppglc.com

**MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS**

OF COUNSEL
MARVIN W. NYE, C.P.A.

INDEPENDENT AUDITORS' REPORT

Board of Education
Unified School District No. 263
Mulvane, Kansas

We have audited the accompanying financial statements of the individual funds of Unified School District No. 263, Mulvane, 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 the Kansas Municipal Audit Guide, auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly in conformity with accounting principles generally accepted in the United States of America, the cash and unencumbered cash balances of USD 263, Mulvane, Kansas as of June 30, 2012, or the revenues received and expenditures paid, for the year then ended.

In our opinion, the financial statements referred to above presents fairly, in all material respects, the cash and unencumbered cash balances of each of the various funds of Unified School District No. 263, Mulvane, Kansas, as of June 30, 2012, and the revenues received and expenditures paid of such funds for the year then ended on the basis of accounting described in Note 1.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 4, 2013 on our consideration of Unified School District No. 263's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grants 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 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 be considered in assessing the result of our audit

Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise the Unified School District No. 263, Mulvane, Kansas, 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 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 schedule of expenditures of the federal awards is fairly stated in all material respects, in relation to the financial statements as a whole.

March 4, 2013

UNIFIED SCHOOL DISTRICT NO. 263
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2012

Funds	Beginning Unencumbered Cash Balance	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances	Ending Cash Balance
General	\$ -	\$ 9,841,986	\$ 9,841,986	\$ -	\$ 6,756	\$ 6,756
Supplemental General	51,757	3,334,429	3,282,485	103,701	73,249	176,950
Special Revenue:						
At Risk (4 yr old)	-	70,259	70,259	-	-	-
At Risk (K-12)	20,042	794,250	743,484	70,808	2,723	73,531
Bilingual Education	-	2,766	2,766	-	-	-
Capital Outlay	1,170,863	324,711	495,574	1,000,000	170,283	1,170,283
Contingency Reserve	1,005,669	-	21,471	984,198	-	984,198
Driver Training	103,689	22,932	17,981	108,640	-	108,640
Extraordinary School Program	-	42,683	42,683	-	-	-
Food Service	242,131	848,254	856,513	233,872	34,178	268,050
KPERS Special Retirement Contribution	-	1,139,187	1,139,187	-	-	-
Professional Development	146,320	15,680	61,999	100,001	333	100,334
Parent Education	-	26,941	26,941	-	-	-
Special Education	1,189,422	2,642,048	2,600,000	1,231,470	-	1,231,470
Vocational Education	125,000	288,117	288,117	125,000	-	125,000
Textbook and Student Materials	197,329	152,122	5,398	344,053	24,512	368,565
Historical Museum	59,856	60,228	62,230	57,854	-	57,854
Recreation Commission	255,057	319,186	322,211	252,032	-	252,032
Gate Receipts	51,105	99,980	109,767	41,318	31,157	72,475
School Projects	7,832	7,331	7,957	7,206	-	7,206
Federal Projects:						
Title I Low Income	8,384	242,588	214,635	36,337	5,905	42,242
Title II-A Teacher Quality	-	49,653	49,653	-	-	-
Carl Perkins Grant	-	28,973	28,973	-	-	-
Debt Service:						
Bond and Interest	1,247,571	1,513,997	1,617,632	1,143,936	-	1,143,936
Expendable Trust Fund	134,534	43,989	50,152	128,371	-	128,371
Total Reporting Entity (Excluding Agency Funds)	\$ 6,016,561	\$ 21,912,290	\$ 21,960,054	\$ 5,968,797	\$ 349,096	\$ 6,317,893

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

UNIFIED SCHOOL DISTRICT NO. 263
Summary of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2012

Composition of Cash:

Mulvane State Bank:

Checking accounts	\$ 1,564,622
Money market accounts	4,840,625
Payroll clearing and other revolving	<u>(18,119)</u>
Total Cash	6,387,128

Agency Funds per Statement 4	<u>(69,235)</u>
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Total Reporting Entity (Excluding Agency Funds)	<u><u>\$ 6,317,893</u></u>
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The notes to the financial statements are an integral part of this statement.

UNIFIED SCHOOL DISTRICT NO. 263
Summary of Expenditures - Actual and Budget
Year Ended June 30, 2012

Funds	Certified Budget	Adjustment to Comply with Legal Max	Total Budget for Comparison	Expenditures Chargeable to Current Year	Variance Favorable (Unfavorable)
General	\$ 9,863,532	\$ (21,546)	\$ 9,841,986	\$ 9,841,986	\$ -
Supplemental General	3,315,333	(32,848)	3,282,485	3,282,485	-
Special Revenue:					
At Risk (4 yr old)	75,000	-	75,000	70,259	4,741
At Risk (K-12)	801,717	-	801,717	743,484	58,233
Bilingual Education	3,000	-	3,000	2,766	234
Capital Outlay	1,441,700	-	1,441,700	495,574	946,126
Driver Training	126,088	-	126,088	17,981	108,107
Extraordinary School Program	80,000	-	80,000	42,683	37,317
Food Service	930,773	-	930,773	856,513	74,260
KPERS Special Retirement Contribution	1,223,616	-	1,223,616	1,139,187	84,429
Professional Development	62,000	-	62,000	61,999	1
Parent Education	26,941	-	26,941	26,941	-
Special Education	2,600,000	-	2,600,000	2,600,000	-
Vocational Education	469,774	-	469,774	288,117	181,657
Historical Museum	62,230	-	62,230	62,230	-
Recreation Commission	322,211	-	322,211	322,211	-
Debt Service:					
Bond and Interest	1,617,632	-	1,617,632	1,617,632	-

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

UNIFIED SCHOOL DISTRICT NO. 263

General Fund

Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 1,015,671	\$ 1,006,780	\$ (8,891)
Delinquent tax	18,511	20,048	1,537
Mineral production tax	-	915	915
Federal aid:			
Education job grant	-	4,549	4,549
State aid:			
Equalization aid	7,311,836	7,241,837	(69,999)
Special education aid	1,495,968	1,567,857	71,889
Total Cash Receipts	<u>9,841,986</u>	<u>9,841,986</u>	<u>-</u>
Expenditures:			
Instruction	5,265,464	4,997,722	267,742
Student support services	447,000	265,527	181,473
Instructional support services	193,800	190,911	2,889
General administration	255,700	468,608	(212,908)
School administration	798,000	807,030	(9,030)
Operations and maintenance	38,000	185,906	(147,906)
Student transportation services	60,300	55,449	4,851
Vehicle operating services	216,500	214,265	2,235
Vehicle and maintenance services	59,800	88,080	(28,280)
Transfer to:			
Bilingual Education Fund	3,000	2,766	234
Special Education Fund	1,495,968	1,567,857	(71,889)
Vocational Education Fund	144,774	90,720	54,054
At Risk Fund (4 yr old)	75,000	70,259	4,741
At Risk Fund (K-12)	731,676	780,878	(49,202)
Capital Outlay Fund	78,550	56,008	22,542
Adjustment to comply with legal max	(21,546)	-	(21,546)
Total Expenditures	<u>9,841,986</u>	<u>9,841,986</u>	<u>-</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Supplemental General Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 1,169,527	\$ 1,205,617	\$ 36,090
Delinquent tax	20,037	22,298	2,261
Motor vehicle tax	204,215	186,097	(18,118)
State aid:			
Equalization aid	1,836,950	1,920,417	83,467
Total Cash Receipts	<u>3,230,729</u>	<u>3,334,429</u>	<u>103,700</u>
Expenditures:			
Instruction (net \$235 federal aid)	896,700	894,433	2,267
Instruction support services	522,000	7,689	514,311
General administration	175,000	166,394	8,606
School administration	-	7,118	(7,118)
Operations and maintenance	1,120,000	1,256,291	(136,291)
Transfer to:			
Textbook and Student Materials Fund	-	83,405	(83,405)
Professional Development Fund	-	15,680	(15,680)
Parent Education Fund	10,613	10,613	-
Special Education Fund	391,020	643,465	(252,445)
Vocational Education Fund	200,000	197,397	2,603
Adjustment to comply with legal max	(32,848)	-	(32,848)
Total Expenditures	<u>3,282,485</u>	<u>3,282,485</u>	<u>-</u>
Receipts Over (Under) Expenditures	(51,756)	51,944	103,700
Unencumbered Cash, Beginning	<u>51,756</u>	<u>51,757</u>	<u>1</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 103,701</u>	<u>\$ 103,701</u>

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

UNIFIED SCHOOL DISTRICT NO. 263
 At Risk (4 yr old) Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Transfer from General Fund	\$ 75,000	\$ 70,259	\$ (4,741)
Total Cash Receipts	75,000	70,259	(4,741)
Expenditures:			
Instruction	75,000	70,259	4,741
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	-	-	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 263
At Risk (K-12) Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Tuition	\$ 50,000	\$ 13,372	\$ (36,628)
Transfer from General Fund	731,676	780,878	49,202
Total Cash Receipts	781,676	794,250	12,574
Expenditures:			
Instruction	501,017	490,775	10,242
Student support services	152,000	143,669	8,331
Instruction support services	33,200	14,080	19,120
School administration	115,500	94,960	20,540
Total Expenditures	801,717	743,484	58,233
Receipts Over (Under) Expenditures	(20,041)	50,766	70,807
Unencumbered Cash, Beginning	20,041	20,042	1
Unencumbered Cash, Ending	\$ -	\$ 70,808	\$ 70,808

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

UNIFIED SCHOOL DISTRICT NO. 263
 Bilingual Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfer from General Fund	3,000	2,766	(234)
Expenditures:			
Instruction	<u>3,000</u>	<u>2,766</u>	<u>234</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
 Capital Outlay Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem tax	\$ 60,762	\$ 57,717	\$ (3,045)
Delinquent tax	2,154	2,541	387
Motor vehicle taxes	37,922	36,087	(1,835)
Interest	-	7,689	7,689
Lease payments	-	120,000	120,000
Miscellaneous	170,000	44,669	(125,331)
Transfer from General Fund	-	56,008	56,008
Total Cash Receipts	<u>270,838</u>	<u>324,711</u>	<u>53,873</u>
Expenditures:			
Instruction	-	52,756	(52,756)
Bond principal payment	-	77,871	(77,871)
Bond interest payment	-	48,867	(48,867)
Central services	442,749	-	442,749
Operations and maintenance	348,951	127,748	221,203
Transportation	373,261	40,611	332,650
Facility acquisition and service	276,739	147,721	129,018
Total Expenditures	<u>1,441,700</u>	<u>495,574</u>	<u>946,126</u>
Receipts Over (Under) Expenditures	(1,170,862)	(170,863)	999,999
Unencumbered Cash, Beginning	<u>1,170,862</u>	<u>1,170,863</u>	<u>1</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ 1,000,000</u></u>	<u><u>\$ 1,000,000</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Contingency Reserve Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2012

	<u>Actual</u>
Expenditures	
Transfer to Special Education Fund	<u>\$ 21,471</u>
Receipts Over (Under) Expenditures	(21,471)
Unencumbered Cash, Beginning	<u>1,005,669</u>
Unencumbered Cash, Ending	<u><u>\$ 984,198</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
 Driver Training Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 7,400	\$ 9,212	\$ 1,812
Student fees	15,000	13,720	(1,280)
Total Cash Receipts	22,400	22,932	532
Expenditures:			
Instruction	23,088	15,902	7,186
Vehicle operations and maintenance services	103,000	2,079	100,921
Total Expenditures	126,088	17,981	108,107
Receipts Over (Under) Expenditures	(103,688)	4,951	108,639
Unencumbered Cash, Beginning	103,688	103,689	1
Unencumbered Cash, Ending	\$ -	\$ 108,640	\$ 108,640

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

UNIFIED SCHOOL DISTRICT NO. 263
 Extraordinary School Program Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Tuition	\$ 80,000	\$ 42,683	\$ (37,317)
Expenditures:			
Instruction	80,000	42,683	37,317
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	-	-	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 263
Food Service Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 7,420	\$ 9,202	\$ 1,782
Federal aid	349,321	385,986	36,665
Charges for services	331,900	453,066	121,166
Total Cash Receipts	688,641	848,254	159,613
Expenditures:			
Operation and maintenance	66,000	64,819	1,181
Food service operation	864,773	791,694	73,079
Total Expenditures	930,773	856,513	74,260
Receipts Over (Under) Expenditures	(242,132)	(8,259)	233,873
Unencumbered Cash, Beginning	242,132	242,131	(1)
Unencumbered Cash, Ending	\$ -	\$ 233,872	\$ 233,872

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

UNIFIED SCHOOL DISTRICT NO. 263
 KPERS Special Retirement Contribution Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
State contributions	\$ 1,223,616	\$ 1,139,187	\$ (84,429)
Expenditures:			
Instruction	786,218	820,214	(33,996)
Student support	113,070	34,175	78,895
Instructional support	58,625	34,175	24,450
General administration	59,993	34,175	25,818
School administration	116,291	136,702	(20,411)
Operations and maintenance	13,000	11,395	1,605
Student transportation services	76,419	11,392	65,027
Food service	-	56,959	(56,959)
Total Expenditures	<u>1,223,616</u>	<u>1,139,187</u>	<u>84,429</u>
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Professional Development Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Transfer from Supplemental General Fund	\$ -	\$ 15,680	\$ 15,680
Expenditures:			
Instructional support services	<u>62,000</u>	<u>61,999</u>	<u>1</u>
Receipts Over (Under) Expenditures	(62,000)	(46,319)	15,681
Unencumbered Cash, Beginning	<u>146,319</u>	<u>146,320</u>	<u>1</u>
Unencumbered Cash, Ending	<u><u>\$ 84,319</u></u>	<u><u>\$ 100,001</u></u>	<u><u>\$ 15,682</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
 Parent Education Fund
 Statement of Cash Receipts and Expenditures - Actual and Budget
 Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
State aid	\$ 16,328	\$ 16,328	\$ -
Transfer from Supplemental General Fund	10,613	10,613	-
Total Cash Receipts	26,941	26,941	-
Expenditures:			
Student support services	26,941	26,941	-
Receipts Over (Under) Expenditures	-	-	-
Unencumbered Cash, Beginning	-	-	-
Unencumbered Cash, Ending	\$ -	\$ -	\$ -

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

UNIFIED SCHOOL DISTRICT NO. 263
Special Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Federal aid	\$ 327,167	\$ 334,965	\$ 7,798
Medicaid	50,000	74,290	24,290
Transfer from General Fund	1,495,968	1,567,857	71,889
Transfer from Supplemental General Fund	391,020	643,465	252,445
Transfer from Special Education Fund	-	21,471	21,471
Total Cash Receipts	2,264,155	2,642,048	377,893
Expenditures:			
Instruction	1,675,500	1,711,491	(35,991)
Student support services	666,900	602,490	64,410
General administration	222,500	226,704	(4,204)
Student transportation services	35,100	59,315	(24,215)
Total Expenditures	2,600,000	2,600,000	-
Receipts Over (Under) Expenditures	(335,845)	42,048	377,893
Unencumbered Cash, Beginning	1,189,423	1,189,422	(1)
Unencumbered Cash, Ending	\$ 853,578	\$ 1,231,470	\$ 377,892

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

UNIFIED SCHOOL DISTRICT NO. 263
Vocational Education Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	Budget	Actual	Variance Favorable (Unfavorable)
Cash Receipts:			
Transfer from General Fund	\$ 144,774	\$ 90,720	\$ (54,054)
Transfer from Supplemental General Fund	200,000	197,397	(2,603)
Total Cash Receipts	344,774	288,117	(56,657)
Expenditures:			
Instruction	469,774	288,117	181,657
Receipts Over (Under) Expenditures	(125,000)	-	125,000
Unencumbered Cash, Beginning	125,000	125,000	-
Unencumbered Cash, Ending	\$ -	\$ 125,000	\$ 125,000

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

UNIFIED SCHOOL DISTRICT NO. 263
Textbook and Student Materials Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2012

	<u>Actual</u>
Cash Receipts:	
Textbook rental	\$ 152,122
Expenditures:	
Textbook purchases	<u>5,398</u>
Receipts Over (Under) Expenditures	146,724
Unencumbered Cash, Beginning	<u>197,329</u>
Unencumbered Cash, Ending	<u><u>\$ 344,053</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Historical Museum Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 49,327	\$ 48,002	\$ (1,325)
Delinquent tax	1,077	1,845	768
Motor vehicle tax	11,355	10,381	(974)
Total Cash Receipts	<u>61,759</u>	<u>60,228</u>	<u>(1,531)</u>
Expenditures:			
Community service operations	<u>62,230</u>	<u>62,230</u>	<u>-</u>
Receipts Over (Under) Expenditures	(471)	(2,002)	(1,531)
Unencumbered Cash, Beginning	<u>59,856</u>	<u>59,856</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 59,385</u></u>	<u><u>\$ 57,854</u></u>	<u><u>\$ (1,531)</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Recreation Commission Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 252,611	\$ 258,520	\$ 5,909
Delinquent tax	5,646	6,180	534
Motor vehicle tax	59,566	54,486	(5,080)
Total Cash Receipts	<u>317,823</u>	<u>319,186</u>	<u>1,363</u>
Expenditures:			
Community service operations	<u>322,211</u>	<u>322,211</u>	<u>-</u>
Receipts Over (Under) Expenditures	(4,388)	(3,025)	1,363
Unencumbered Cash, Beginning	<u>255,058</u>	<u>255,057</u>	<u>(1)</u>
Unencumbered Cash, Ending	<u><u>\$ 250,670</u></u>	<u><u>\$ 252,032</u></u>	<u><u>\$ 1,362</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Federal Projects Funds
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2012

	<u>Title I Low Income</u>	<u>Title II-A Teacher Quality</u>	<u>Carl Perkins Grant</u>
Cash Receipts:			
Federal aid	\$ 242,588	\$ 49,653	\$ 28,973
Expenditures:			
Instruction and supplies	<u>214,635</u>	<u>49,653</u>	<u>28,973</u>
Receipts Over (Under) Expenditures	27,953	-	-
Unencumbered Cash, Beginning	<u>8,384</u>	<u>-</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 36,337</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Bond and Interest Fund
Statement of Cash Receipts and Expenditures - Actual and Budget
Year Ended June 30, 2012

	<u>Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Cash Receipts:			
Taxes and shared revenue:			
Ad valorem property	\$ 593,173	\$ 589,903	\$ (3,270)
Delinquent tax	10,014	13,309	3,295
Motor vehicle tax	94,926	85,794	(9,132)
State aid	824,992	824,991	(1)
Total Cash Receipts	<u>1,523,105</u>	<u>1,513,997</u>	<u>(9,108)</u>
Expenditures:			
Interest	482,632	482,632	-
Principal	<u>1,135,000</u>	<u>1,135,000</u>	<u>-</u>
Total Expenditures	<u>1,617,632</u>	<u>1,617,632</u>	<u>-</u>
Receipts Over (Under) Expenditures	(94,527)	(103,635)	(9,108)
Unencumbered Cash, Beginning	<u>1,247,571</u>	<u>1,247,571</u>	<u>-</u>
Unencumbered Cash, Ending	<u><u>\$ 1,153,044</u></u>	<u><u>\$ 1,143,936</u></u>	<u><u>\$ (9,108)</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Expendable Trust Fund
Statement of Cash Receipts and Expenditures - Actual
Year Ended June 30, 2012

	<u>Actual</u>
Cash Receipts:	
Donations and interest	\$ 43,989
Expenditures:	
Scholarships	<u>50,152</u>
Receipts Over (Under) Expenditures	(6,163)
Unencumbered Cash, Beginning	<u>134,534</u>
Unencumbered Cash, Ending	<u><u>\$ 128,371</u></u>

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

UNIFIED SCHOOL DISTRICT NO. 263
School Activity Funds
Statement of Cash Receipts and Disbursements - Actual
Year Ended June 30, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
After Prom	\$ 2,479	\$ 8,335	\$ 5,948	\$ 4,866
Band Club	7,767	4,852	12,298	321
Baseball	2,663	7,176	9,830	9
Basketball Team - Men	111	2,513	-	2,624
Basketball Team - Women	891	3,599	3,599	891
Bowling Club	-	1,260	1,239	21
Cheerleaders	1,357	36,012	36,597	772
Class of 2011	3,266	-	3,266	-
Class of 2012	3,219	3,332	6,551	-
Class of 2013	615	12,096	10,926	1,785
Crime Stoppers	75	-	-	75
Cross Country/Track	3,970	4,972	8,063	879
Debate/Forensics	895	3,726	4,621	-
Drama Club	1,197	3,759	4,824	132
Electorally Car Club	169	-	30	139
Football team	-	5,499	-	5,499
F.C.A.	106	215	252	69
F.C.C.L.A. Club	1,222	5,761	5,762	1,221
Flag Team	-	2,249	928	1,321
Fund Raising	13,085	18,084	11,078	20,091
Golf/Boys Club	-	344	344	-
Golf/Girls Club	50	-	-	50
K.A.Y. Club	1,526	4,875	5,996	405
KCAT	94	4,358	3,704	748
M-Club	129	-	129	-
Mulvane Mentors - Friendship Club	220	234	-	454
Nacho Libros - Book Club	704	2,114	2,469	349
National Honor Society	778	1,883	1,319	1,342
Personnel Finance Grant	189	-	189	-
Soccer Team - Boys	1,376	4,306	4,969	713
Pom Pon Club	210	11,752	11,352	610
Rowdie Crowd Pep Club	50	2,416	2,280	186

UNIFIED SCHOOL DISTRICT NO. 263
School Activity Funds
Statement of Cash Receipts and Disbursements - Actual
Year Ended June 30, 2012

Funds	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Organization Funds:				
High School:				
Quill Type Club	\$ 722	\$ -	\$ 722	\$ -
SADD Club	798	819	733	884
School Newspaper Club	93	624	283	434
Scholar's Bowl Club	241	1	-	242
Softball	3	2,438	2,174	267
Soccer Team - Girls	2,065	2,518	2,494	2,089
Student Council	140	4,889	4,881	148
TASK	425	-	425	-
Thespians Club	1,540	1,863	3,403	-
TSA/Skills USA	473	235	194	514
Vocal Music Club	2,754	5,349	2,558	5,545
Yearbook Club	1,961	27,712	28,460	1,213
Volleyball team	105	959	928	136
Wildcat Café	-	3,328	2,526	802
Wrestling Club	939	2,795	2,626	1,108
Middle School:				
Cross Country	165	-	-	165
Cheerleading	6,540	14,364	16,861	4,043
Sevenettes Club	173	373	323	223
Seventh Grade Girls Basketball	54	-	-	54
Sixth Grade Language Arts	500	80	186	394
Student Council	574	1,095	927	742
RAD Club	1,709	1,665	1,554	1,820
Team Apparel	649	1,668	1,714	603
Track	194	-	-	194
Yearbook Club	2,151	8,235	8,343	2,043
Total	<u>\$ 73,381</u>	<u>\$ 236,732</u>	<u>\$ 240,878</u>	<u>\$ 69,235</u>

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

UNIFIED SCHOOL DISTRICT NO. 263
District Activity Funds
Statement of Cash Receipts, Expenditures and Unencumbered Cash
Year Ended June 30, 2012

<u>Funds</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balance</u>	<u>Add Outstanding Encumbrances</u>	<u>Ending Cash Balance</u>
Gate receipts:						
High school	\$ 39,265	\$ 79,281	\$ 86,177	\$ 32,369	\$ 31,157	\$ 63,526
Middle school	<u>11,840</u>	<u>20,699</u>	<u>23,590</u>	<u>8,949</u>	<u>-</u>	<u>8,949</u>
Total gate receipts	51,105	99,980	109,767	41,318	31,157	72,475
School projects:						
High school	2,276	4,582	4,149	2,709	-	2,709
Middle school	1,627	846	553	1,920	-	1,920
Grade school	284	1,639	1,591	332	-	332
Primary school	<u>3,645</u>	<u>264</u>	<u>1,664</u>	<u>2,245</u>	<u>-</u>	<u>2,245</u>
Total school projects	<u>7,832</u>	<u>7,331</u>	<u>7,957</u>	<u>7,206</u>	<u>-</u>	<u>7,206</u>
Total	<u>\$ 58,937</u>	<u>\$ 107,311</u>	<u>\$ 117,724</u>	<u>\$ 48,524</u>	<u>\$ 31,157</u>	<u>\$ 79,681</u>

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

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies

This summary of significant accounting policies of Unified School District No. 263 (the District) is presented to assist in understanding the District's financial statements. The financial statements and notes are representations of the District's management, who is responsible for their integrity and objectivity. These accounting policies conform to a comprehensive basis of accounting other than generally accepted accounting principles and have been consistently applied in the preparation of the financial statements.

Reporting Entity

Unified School District No. 263 is a municipal corporation located in Mulvane, Kansas, governed by an elected seven-member board. The Mulvane Board of Education ("Board") is the basic level of government, which has financial accountability, and control over all activities related to the public school education in the City of Mulvane, Kansas. The Board receives funding from local, state and federal government sources and must comply with the requirements of these funding source entities. However, the board is not included in any other governmental "reporting entity" as defined by the GASB pronouncement, since Board members are elected by the public and have decision making authority, the authority to levy taxes, the power to designate management, the ability to significantly influence operations and primary accountability for fiscal matters. In addition, there are no component units as defined in Governmental Accounting Standards Boards Statement 14, which are included in the District's reporting entity.

Basis of Presentation

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

The following types of funds comprise the financial activities of the District for the fiscal year of 2012:

Governmental Funds

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

Special Revenue Funds - to account for the proceeds of specific revenue sources that are restricted by law or administrative action to expenditures for specified purposes.

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

1. Summary of Significant Accounting Policies (continued)

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

Fiduciary Funds

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

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

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. Balance sheets that would have shown non-cash assets such as receivables, inventories and prepaid expense, liabilities such as deferred revenue and matured principal and interest payable and reservations of the fund balance are not presented. Under generally accepted accounting principles, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with generally accepted accounting principles. General fixed assets that account for the land, building and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes and compensated absences are not presented in the financial statements.

The District has approved a waiver from generally accepted accounting principles, allowed by the State of Kansas, which allows the District to report on the statutory basis of accounting.

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

2. Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time.

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 modified accrual basis of accounting, modified further by the encumbrance method of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

Contingency Reserve Fund
Textbook and Student Materials Fund
Federal Projects Funds
Gate Receipts
School Projects

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

2. 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.

3. Interfund Transfers

Recurring annual transfers between 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 as follows:

From	To	Statutory Authority	Amount
General Fund	Bilingual Education Fund	K.S.A. 72-6428	\$ 2,766
General Fund	Special Education Fund	K.S.A. 72-6428	1,567,857
General Fund	Vocational Education Fund	K.S.A. 72-6428	90,720
General Fund	At Risk Fund (K-12)	K.S.A. 72-6428	780,878
General Fund	At Risk Fund (4 yr old)	K.S.A. 72-6428	70,259
General Fund	Capital Outlay Fund	K.S.A. 72-6428	56,008
Supplemental General Fund	Parent Education Fund	K.S.A. 72-6428	10,613
Supplemental General Fund	Special Education Fund	K.S.A. 72-6428	643,465
Supplemental General Fund	Vocational Education Fund	K.S.A. 72-6428	197,397
Supplemental General Fund	Professional Development Fund	K.S.A. 72-6428	15,680
Supplemental General Fund	Textbook and Student Material Fund	K.S.A. 72-6428	83,405
Contingency Reserve Fund	Special Education Fund	K.S.A. 72-6428	21,471

4. Defined Benefit Pension Plan

Plan description. The District contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et seq.* KPERS provides retirement benefits, life insurance, disability income benefits and death benefits. Kansas law establishes and amends benefits 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) or by calling 1-888-275-5737.

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

4. Defined Benefit Pension Plan (continued)

Funding policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% (Tier 1) and 6% (Tier 2) 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 currently contributes 9.77% of covered payroll. These contribution requirements are established by KPERS and are periodically revised. Kansas' contribution to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011 and 2010 were \$298,635,383, \$188,864,352, 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, 2010 were \$1,139,187, \$661,414, and \$754,847, respectively.

5. Compensated Absences

Vacation

Twelve-month non-teacher personnel are provided vacation ranging from 2 to 4 weeks based on years of service. All earned vacation time is to be taken from July 1 to June 30 of each fiscal year and cannot be accumulated or carried forward. Hence, there is no estimated liability for accrued vacation pay at June 30, 2012.

Personal Time Off

All classified employees who work at least 20 hours per week start each school year with 7 to 10 days of personal time off with full pay and may carry over a total of 5 days. All certified staff will be granted 10 days of personal time off with full pay and can carry over a total of 10 days into an accumulated sick leave account with an accumulated total of not more than 80 days. Twelve month building administrators start each school year with 30 days of personal time off with full pay and may carry over 15 days of personal time off. Ten and a half month building administrators and twelve month directors start each school year with 20 days of personal time off with full pay and may carry over 10 days of personal time off. Terminated or retiring classified staff and administrators are compensated for their unused personal time off at a rate of \$8.00 per hour. Terminated or retiring certified staff are compensated for their unused personal time off at a rate of \$12.00 per day. The accumulated sick leave carried by employees as of July 1, 2008 will be carried forward in a sick leave reserve account that will be paid at the rate of \$12.00 per day upon retirement or resignation. Personal time off will be used before the sick leave reserve unless there is five consecutive days of absence. For financial statement purposes, personal time off is recognized when paid. The estimated liability at June 30, 2012, if all employees were to use their accumulated personal time off, would be \$44,660.

UNIFIED SCHOOL DISTRICT NO. 263

Notes to Financial Statements

June 30, 2012

6. Deposits and Investments

Deposits

At June 30, 2012, the carrying amount of the District deposits was \$6,387,128. The bank balance was \$6,516,834. The difference between the carrying amount and the bank balance is outstanding checks and deposits in transit. Of the bank balance, \$250,000 was covered by FDIC insurance and the remaining \$6,266,834 was collateralized by pledged securities held under joint custody receipts issued by a third-party bank in the District's name and irrevocable letters of credit. The third-party bank holding the pledged securities is independent of the pledging bank. The pledged securities are held under a tri-party custodial agreement signed by all three parties: the District, the pledging bank, and the independent third-party bank holding the pledged securities.

7. Lease Commitments

As of June 30, 2012, the District receives lease payments from two entities. The following is a listing of the equipment, terms and payment amounts for those leases.

<u>Equipment Leased</u>	<u>Term of Lease</u>	<u>Payment Amount</u>
Bloomenshine center	60 month term	\$10,000 per month
Mulvane Recreation Commission	five year term	\$500 plus utilities per month

8. Risk Management

The District manages risk primarily through the purchase of insurance coverage from commercial insurers.

9. Subsequent Events

On August 1, 2012 the district agreed to a \$20,755,000 General Obligation Refunding and School Building Bond Issue. Subsequent events have been evaluated through March 4, 2013, which is the date the financial statements were available to be issued. There were no further events to be disclosed.

10. Compliance with Kansas Statutes

The District was in violation of K.S.A 9-1402 regarding the adequate pledging of securities during one month of the year.

Management is aware of no other statutory violations for the period covered by the June 30, 2012 financials.

UNIFIED SCHOOL DISTRICT NO. 263
Notes to Financial Statements
Year Ended June 30, 2012

11. Long-term Debt

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

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
General Obligation Bonds:										
Series 2004, School Building	3.25% to 5.00%	6/1/2004	\$ 10,069,000	9/1/2018	\$ 9,025,000	\$ -	\$ 325,000	\$ -	\$ 8,700,000	\$ 417,875
Series 2008, Refunding	3.00% to 3.15%	6/1/2008	\$ 4,025,000	9/1/2013	2,520,000	-	810,000	-	1,710,000	64,757
Capital Leases:										
Bobcat Skid Steer		3/8/2012	\$ 26,655	3/8/2013	-	26,655	3,715	-	22,940	-
Energy Equipment	4.189%	6/29/2011	\$ 1,185,832	6/29/2023	1,185,832	-	77,871	-	1,107,961	48,867
Total Contractual Indebtedness					12,730,832	26,655	1,216,586	-	11,540,901	531,499
Compensated Absences	N/A	N/A	N/A	N/A	48,623	-	-	(3,963)	44,660	-
Total Indebtedness					<u>\$ 12,779,455</u>	<u>\$ 26,655</u>	<u>\$ 1,216,586</u>	<u>\$ (3,963)</u>	<u>\$ 11,585,561</u>	<u>\$ 531,499</u>

Annual Debt Service Requirements

	2013	2014	2015	2016	2017	2018-2022	2023-therafter	Total
Principal:								
General obligation bonds	\$ 1,285,000	\$ 1,430,000	\$ 2,315,000	\$ 1,640,000	\$ 1,630,000	\$ 9,120,000	\$ 7,215,000	\$ 24,635,000 *
Capital leases	104,108	84,603	88,184	91,917	95,808	543,415	122,865	1,130,900
Interest:								
General obligation bonds	427,807	599,034	542,406	479,500	439,000	1,545,875	360,438	4,394,060
Capital leases	<u>46,617</u>	<u>42,136</u>	<u>38,554</u>	<u>34,822</u>	<u>30,931</u>	<u>90,279</u>	<u>3,873</u>	<u>287,212</u>
Total Principal and Interest		<u>\$ 1,863,532</u>	<u>\$ 2,155,773</u>	<u>\$ 2,984,144</u>	<u>\$ 2,246,239</u>	<u>\$ 2,195,739</u>	<u>\$ 7,702,176</u>	<u>\$ 30,447,172</u>

* Total includes amount for 2012 bond issue not reflected above, see subsequent event note

PETERSON, PETERSON & GOSS, L.C.

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
417 NORTH TOPEKA AVENUE
P.O. BOX 1259
WICHITA, KANSAS 67201-1259

TELEPHONE 316-262-8371
FAX 316-262-5369
www.ppglc.com

MEMBER OF THE
AMERICAN INSTITUTE OF
CERTIFIED PUBLIC ACCOUNTANTS

OF COUNSEL
MARVIN W. NYE, C.P.A.

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

Board of Education
Unified School District No. 263
Mulvane, Kansas

We have audited the basic financial statements of Unified School District No. 263 as of and for the year ended June 30, 2012, and have issued our report thereon dated March 4, 2013. Our report disclosed that, as discussed in Note 1 to the financial statements, the District prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the cash basis and budget laws of the State of Kansas, which is a comprehensive basis of accounting other than generally accepted accounting principles. 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.

Internal Control Over Financial Reporting

Management of the District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion of 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 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 material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis.

Internal Control Over Financial Reporting (continued)

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, 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 that are required to be reported under Government Auditing Standards.

This report is intended for the information of the management of Unified School District No. 263 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.

March 4, 2013

PETERSON, PETERSON & GOSS, L.C.

MEMBERS
GREGORY B. SEVIER, C.P.A.
JOHN B. GOSS, C.P.A.

PRINCIPALS
VONDA J. WILSON, C.P.A.
DENISE M. GUDENKAUF, C.P.A.
MATT T. HAASE, C.P.A.
JON W. OETTING, C.P.A.

CERTIFIED PUBLIC ACCOUNTANTS
417 NORTH TOPEKA AVENUE
P.O. BOX 1259
WICHITA, KANSAS 67201-1259

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

Board of Education
Unified School District No. 263
Mulvane, Kansas

Compliance

We have audited the compliance of Unified School District No. 263 with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 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 on the District's compliance with those requirements.

In our opinion, Unified School District No. 263 complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the District 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 requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

This report is intended for the information of the management of Unified School District No. 263, 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.

March 4, 2013

UNIFIED SCHOOL DISTRICT NO. 263
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of Unified School District No. 263.
2. No significant deficiencies relating to the audit of the financial statements are reported in the report on compliance and on internal control over financial reporting 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. 263 were disclosed during the audit.
4. No significant deficiencies relating to the audit of the major federal award programs are reported in the report on compliance in accordance with OMB Circular A-133.
5. The auditor's report on compliance of the major federal award programs for Unified School District No. 263 expresses an unqualified opinion.
6. Audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133 are reported in this Schedule.
7. The programs tested as major programs included:

Child Nutrition Cluster:
School Breakfast Program – 10.553
National School Lunch Program – 10.555
Cash for Commodities – 10.555
8. The threshold for distinguishing Types A and B programs was \$300,000.
9. Unified School District No. 263 was determined to be a low-risk auditee.

B. FINDINGS – FINANCIAL STATEMENTS AUDIT

SIGNIFICANT DEFICIENCIES

None

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

None

UNIFIED SCHOOL DISTRICT NO. 263
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

<u>Federal Grantor/ Pass-through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-through Grantor's Number</u>	<u>Expenditures</u>	<u>Award Amount by Cluster</u>
U.S. Department of Agriculture:				
Passed-through Kansas Department of Education:				
Child Nutrition Cluster:				
School Breakfast Program	10.553	3529-3490	\$ 75,501	
National School Lunch Program	10.555	3530-3500	263,185	
Cash for Commodities	10.555	3530-3500	<u>47,300</u>	
Total Child Nutrition Cluster				385,986
U.S. Department of Education:				
Passed-through Kansas Department of Education:				
Title I, Part A Cluster:				
Title I, Low Income	84.010	3532-3520	214,635	214,635
Program Improvement	84.048	3539-3590	28,973	28,973
Title II-A, Improving Teacher Quality	84.367	3526-3860	49,653	49,653
Special Education Cluster:				
EHC Flo-Thru	84.027	3234-3050	304,741	
EHC Flo-Thru Disc	84.027	3234-3050	18,094	
EC Flo-Thru	84.173	3234-3050	<u>12,130</u>	
Total Special Education Cluster				334,965
Youth Risk Behavior Survey	93.938	3592-3070	235	235
Educational Jobs Fund	84.410	3551-3551	4,549	4,549
U.S. Department of Health and Human Services:				
Passed-through Kansas Social and Rehabilitation Services:				
Medicaid	93.778	N/A	74,290	<u>74,290</u>
Total Federal Awards Expended				<u>\$ 1,093,286</u>

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

UNIFIED SCHOOL DISTRICT NO. 263
Schedule of Expenditures of Federal Awards
Year Ended June 30,2012

Note 1 - Basis of Presentation

The schedule of expenditures of federal awards is presented using the accounting practice prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, the same as the financial statements accompanying this schedule. The information is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* .

UNIFIED SCHOOL DISTRICT NO. 263
Summary of Prior Audit Findings
Year Ended June 30, 2012

There are no prior audit findings.