

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended June 30, 2012

CLUBINE AND RETTELE, CHARTERED
CERTIFIED PUBLIC ACCOUNTANTS
Salina, Kansas

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended June 30, 2012

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UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

FINANCIAL STATEMENTS AND INDEPENDENT AUDITORS' REPORT
For the Fiscal Year Ended June 30, 2012

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Unified School District No. 298
Lincoln, Kansas

We have audited the accompanying financial statements of Unified School District No. 298, as of and for the fiscal year ended June 30, 2012, which collectively comprise the basic financial statements of Unified School District No. 298 as listed in the table of contents. These financial statements are the responsibility of Unified School District No. 298 management. Our responsibility is to express opinions on these financial statements based on our audit. The partial prior-year comparative information has been derived from Unified School District No. 298 financial statements and, in our report dated October 19, 2011, we expressed an unqualified opinion on the respective financial statements which were prepared using accounting practices prescribed or permitted by the State of Kansas.

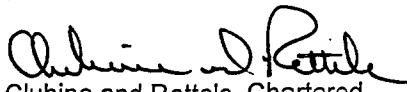
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the *Kansas Municipal Audit Guide* prescribed by the Division of Accounts and Reports of the State of Kansas. Those standards require that we plan and perform the audit to obtain reasonable 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 opinions.

As described more fully in Note 2, Unified School District No. 298 has prepared these financial statements using 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, are presumed to be material.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Unified School District No. 298 as of June 30, 2012, the changes in its financial position, or, where applicable, its cash flows for the year then ended. Further, Unified School District No. 298 has not presented a management's discussion and analysis that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

In addition, 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. 298 as of June 30, 2012, and their respective cash receipts and disbursements, and the respective budgetary comparison for the General Funds and budgeted Special Revenue Funds for the fiscal year then ended, on the basis of accounting described in Note 2.

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 298 financial statements for the fiscal year ended June 30, 2011, from which such partial information was derived.


Clubine and Rettele, Chartered
Salina, Kansas
September 24, 2012

UNIFIED SCHOOL DISTRICT NO. 298

Lincoln, Kansas

Statement 1

Summary of Cash Receipts, Expenditures and Unencumbered Cash - Statutory Basis
For the Fiscal Year Ended June 30, 2012

| Funds | Beginning Unencumbered Cash Balance | Cash Receipts | Expenditures | Ending Unencumbered Cash Balance | Add Outstanding Encumbrances and Accounts Payable | Current Year Ending Cash Balance |
|--|---|------------------------|------------------------|--|--|--|
| Governmental Type Funds: | | | | | | |
| General Funds | | | | | | |
| * General | \$ (291,729.00) | \$ 3,091,783.52 | \$ 2,990,948.52 | \$ (190,894.00) | \$ 13,829.68 | \$ (177,064.32) |
| * Supplemental General | 39,004.19 | 832,484.17 | 850,000.00 | 21,488.36 | 53,299.67 | 74,788.03 |
| Special Revenue Funds | | | | | | |
| At - Risk (4 Year Olds) | 5,000.00 | 28,000.00 | 33,000.00 | - | 113.59 | 113.59 |
| At - Risk (K-12) | 35,326.78 | 320,080.79 | 325,327.00 | 30,080.57 | 503.30 | 30,583.87 |
| Capital Outlay | 661,284.47 | 72,807.02 | 198,789.63 | 535,301.86 | 109,422.90 | 644,724.76 |
| Driver Training | 3,128.71 | 2,931.00 | 3,901.48 | 2,158.23 | 227.67 | 2,385.90 |
| Food Service | 44,972.65 | 215,938.96 | 219,249.87 | 41,661.74 | - | 41,661.74 |
| Professional Development | 27,603.11 | 601.16 | 19,491.71 | 8,712.56 | 2,237.46 | 10,950.02 |
| Parent Education | 7,064.50 | 5,094.90 | 10,575.44 | 1,583.96 | - | 1,583.96 |
| Special Education | 210,078.38 | 652,690.32 | 698,101.88 | 164,666.82 | 364.42 | 165,031.24 |
| Vocational Education | 29,950.00 | 25,913.87 | 54,010.12 | 1,853.75 | - | 1,853.75 |
| KPERS Retirement Contribution | - | 245,466.81 | 245,466.81 | - | - | - |
| Contingency Reserve | 276,872.30 | - | 59,601.53 | 217,270.77 | 112.47 | 217,383.24 |
| Title I | - | 78,476.00 | 78,476.00 | - | 162.00 | 162.00 |
| Title II-A | - | 13,453.00 | 13,453.00 | - | 800.00 | 800.00 |
| Title II-D | - | - | - | - | - | - |
| REAP Grant | - | 25,650.10 | 25,650.10 | - | - | - |
| Technology Grant | - | 5,000.00 | 5,000.00 | - | - | - |
| District Activity Funds | 26,931.55 | 178,486.05 | 176,164.16 | 29,253.44 | - | 29,253.44 |
| Debt Service Funds | | | | | | |
| Bond and Interest | 476,700.05 | 406,627.57 | 326,930.00 | 556,397.62 | - | 556,397.62 |
| Fiduciary Type Funds | | | | | | |
| Scholarship | 37,108.32 | 565.26 | 608.32 | 37,065.26 | - | 37,065.26 |
| Gifts and Grants | 3,253.75 | 500.00 | - | 3,753.75 | - | 3,753.75 |
| Total Reporting Entity (Excluding Agency Funds) | <u>\$ 1,592,549.76</u> | <u>\$ 6,202,550.50</u> | <u>\$ 6,334,745.57</u> | <u>\$ 1,460,354.69</u> | <u>\$ 181,073.16</u> | <u>\$ 1,641,427.85</u> |

Composition of Cash:

* General Funds presented per
Kansas Municipal Audit Guide
For Statutory Basis presentation
of these funds see Note #12

| | |
|---|------------------------|
| Checking Accounts | \$ 1,614,545.75 |
| Savings Accounts | 7,000.00 |
| Certificates of Deposit | 36,500.00 |
| Total Cash | 1,658,045.75 |
| Agency Funds per Statement 4 | (16,617.90) |
| Total Reporting Entity (Excluding Agency Funds) | <u>\$ 1,641,427.85</u> |

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

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas
Summary of Expenditures, Actual and Budget - Statutory Basis
For the Fiscal Year Ended June 30, 2012

Statement 2

| Fund | Certified Budget | Adjustment to Comply with Legal Max | Adjustment for Qualifying Budget Credits | Total Budget for Comparison | Expenditures Chargeable to Current Year | Variance - Over (Under) |
|-------------------------------|---------------------|---|--|-----------------------------------|---|-------------------------------|
| Governmental Type Funds | | | | | | |
| General Funds | | | | | | |
| General | \$ 2,884,518.00 | \$ - | \$ 106,430.52 | \$ 2,990,948.52 | \$ 2,990,948.52 | \$ - |
| Supplemental General | 850,000.00 | - | - | 850,000.00 | 850,000.00 | - |
| Special Revenue Funds | | | | | | |
| At - Risk (4 Year Olds) | 33,000.00 | - | - | 33,000.00 | 33,000.00 | - |
| At - Risk (K-12) | 325,327.00 | - | - | 325,327.00 | 325,327.00 | - |
| Capital Outlay | 444,721.00 | - | - | 444,721.00 | 198,789.63 | (245,931.37) |
| Driver Training | 6,209.00 | - | - | 6,209.00 | 3,901.48 | (2,307.52) |
| Food Service | 271,654.00 | - | - | 271,654.00 | 219,249.87 | (52,404.13) |
| Professional Development | 27,603.00 | - | - | 27,603.00 | 19,491.71 | (8,111.29) |
| Parent Education | 14,065.00 | - | - | 14,065.00 | 10,575.44 | (3,489.56) |
| Special Education | 864,686.00 | - | - | 864,686.00 | 698,101.88 | (166,584.12) |
| Vocational Education | 57,950.00 | - | - | 57,950.00 | 54,010.12 | (3,939.88) |
| KPERs Retirement Contribution | 255,358.00 | - | - | 255,358.00 | 245,466.81 | (9,891.19) |
| Debt Service Funds | | | | | | |
| Bond and Interest | 326,930.00 | - | - | 326,930.00 | 326,930.00 | - |

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

General Fund

Statement of Cash Receipts and Expenditures, Actual and Budget

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|--|-------------------------|------------------------|------------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 422,273.56 | \$ 415,095.08 | \$ 392,302.00 | \$ 22,793.08 |
| Delinquent | 3,567.13 | 5,616.11 | 2,234.00 | 3,382.11 |
| In Lieu of Taxes IRBS | 514.65 | 494.72 | 307.00 | 187.72 |
| Other Tax Revenue | 866.57 | 234.20 | - | 234.20 |
| State Aid - General | 1,942,977.00 | 2,124,047.00 | 2,050,817.00 | 73,230.00 |
| State Aid - Special Education Services | 420,633.00 | 438,771.00 | 438,858.00 | (87.00) |
| Federal Aid - SFSF Stabilization Funds | 49,603.00 | - | - | - |
| Other Sources | 206,272.61 | 107,525.41 | - | 107,525.41 |
| Total Cash Receipts | <u>3,046,707.52</u> | <u>3,091,783.52</u> | <u>\$ 2,884,518.00</u> | <u>\$ 207,265.52</u> |
| Expenditures | | | | |
| Instruction | 1,555,435.43 | 1,510,668.85 | \$ 1,458,361.00 | \$ 52,307.85 |
| Student Support Services | 73,916.83 | 75,365.15 | 77,033.00 | (1,667.85) |
| Instructional Support Staff | 521.56 | 927.12 | 400.00 | 527.12 |
| General Administration | 192,679.12 | 203,353.41 | 201,854.00 | 1,499.41 |
| School Administration | 216,177.09 | 225,778.55 | 218,910.00 | 6,868.55 |
| Operations and Maintenance | 154,612.00 | 159,621.18 | 157,763.00 | 1,858.18 |
| Transportation Services | 207,557.25 | 237,680.20 | 191,339.00 | 46,341.20 |
| Operating Transfers | 691,427.24 | 577,554.06 | 578,858.00 | (1,303.94) |
| Legal General Fund Budget | 3,092,326.52 | 2,990,948.52 | 2,884,518.00 | 106,430.52 |
| Adjustment for Qualifying Budget Credits | - | - | 106,430.52 | (106,430.52) |
| Total Expenditures | <u>3,092,326.52</u> | <u>2,990,948.52</u> | <u>\$ 2,990,948.52</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | (45,619.00) | 100,835.00 | | |
| Unencumbered Cash, Beginning | <u>(246,110.00)</u> | <u>(291,729.00)</u> | | |
| Unencumbered Cash, Ending | <u>\$ (291,729.00)</u> | <u>\$ (190,894.00)</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Supplemental General Fund

Statement of Cash Receipts and Expenditures, Actual and Budget

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|---------------------|----------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 567,560.76 | \$ 498,584.06 | \$ 533,229.00 | \$ (34,644.94) |
| Delinquent | 6,549.58 | 10,139.53 | 3,052.00 | 7,087.53 |
| Motor Vehicle | 57,674.45 | 47,128.27 | 60,107.00 | (12,978.73) |
| Recreational Vehicle | 878.28 | 792.08 | 744.00 | 48.08 |
| 16/20M Vehicle | 8,822.68 | 8,019.94 | - | 8,019.94 |
| In Lieu of Taxes IRBS | 622.21 | 598.29 | 416.00 | 182.29 |
| State Aid | 272,389.00 | 267,222.00 | 259,553.00 | 7,669.00 |
| Total Cash Receipts | <u>914,496.96</u> | <u>832,484.17</u> | <u>\$ 857,101.00</u> | <u>\$ (24,616.83)</u> |
| Expenditures | | | | |
| Instruction | 140,101.50 | 85,064.73 | \$ 124,000.00 | \$ (38,935.27) |
| Instructional Support Staff | 7,989.92 | 9,607.85 | 10,000.00 | (392.15) |
| General Administration | 19,213.48 | 15,569.81 | 17,000.00 | (1,430.19) |
| School Administration | 14,743.94 | 63,812.98 | 17,005.00 | 46,807.98 |
| Operations and Maintenance | 189,170.49 | 181,021.40 | 223,000.00 | (41,978.60) |
| Transportation Services | 5,157.44 | 14,776.39 | 10,000.00 | 4,776.39 |
| Operating Transfers | <u>471,623.23</u> | <u>480,146.84</u> | <u>448,995.00</u> | <u>31,151.84</u> |
| Total Expenditures | <u>848,000.00</u> | <u>850,000.00</u> | <u>\$ 850,000.00</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | 66,496.96 | (17,515.83) | | |
| Unencumbered Cash, Beginning | <u>(27,492.77)</u> | <u>39,004.19</u> | | |
| Unencumbered Cash, Ending | <u>\$ 39,004.19</u> | <u>\$ 21,488.36</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

At - Risk (4 Year Olds) Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|--------------|--------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Operating Transfers | \$ 30,000.00 | \$ 28,000.00 | \$ 28,000.00 | \$ - |
| Expenditures | | | | |
| Instruction | 27,464.60 | 30,550.86 | \$ 33,000.00 | \$ (2,449.14) |
| Operations and Maintenance | 2,535.40 | 2,449.14 | - | 2,449.14 |
| Total Expenditures | 30,000.00 | 33,000.00 | \$ 33,000.00 | \$ - |
| Receipts Over (Under) Expenditures | - | (5,000.00) | | |
| Unencumbered Cash, Beginning | 5,000.00 | 5,000.00 | | |
| Unencumbered Cash, Ending | \$ 5,000.00 | \$ - | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

At - Risk (K-12) Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over Over (Under) |
|------------------------------------|-------------------------|---------------------|----------------------|-------------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Interest on Idle Funds | \$ 11,326.57 | \$ 9,428.98 | \$ 10,000.00 | \$ (571.02) |
| Operating Transfers | <u>300,000.00</u> | <u>310,651.81</u> | <u>280,000.00</u> | <u>30,651.81</u> |
| Total Cash Receipts | <u>311,326.57</u> | <u>320,080.79</u> | <u>\$ 290,000.00</u> | <u>\$ 30,080.79</u> |
| Expenditures | | | | |
| Instruction | 309,980.38 | 323,309.95 | \$ 323,162.00 | \$ 147.95 |
| School Administration | - | 358.27 | 115.00 | 243.27 |
| Transportation Services | <u>1,683.62</u> | <u>1,658.78</u> | <u>2,050.00</u> | <u>(391.22)</u> |
| Total Expenditures | <u>311,664.00</u> | <u>325,327.00</u> | <u>\$ 325,327.00</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | (337.43) | (5,246.21) | | |
| Unencumbered Cash, Beginning | <u>35,664.21</u> | <u>35,326.78</u> | | |
| Unencumbered Cash, Ending | <u>\$ 35,326.78</u> | <u>\$ 30,080.57</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Capital Outlay Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|----------------------|----------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 67,838.77 | \$ 46,662.79 | \$ 45,877.00 | \$ 785.79 |
| Delinquent | 1,130.83 | 1,545.10 | 366.00 | 1,179.10 |
| Motor Vehicle | 9,367.64 | 5,961.74 | 7,182.00 | (1,220.26) |
| Recreational Vehicle | 141.65 | 100.06 | 88.00 | 12.06 |
| 16/20M Vehicle | 1,523.25 | 1,035.72 | - | 1,035.72 |
| In Lieu of Taxes IRBS | 80.05 | 71.34 | 49.00 | 22.34 |
| Interest on Idle Funds | 19,010.98 | 1,181.27 | 15,000.00 | (13,818.73) |
| Other Sources | - | 16,249.00 | - | 16,249.00 |
| Operating Transfers | 94,453.13 | - | - | - |
| Total Cash Receipts | <u>193,546.30</u> | <u>72,807.02</u> | <u>\$ 68,562.00</u> | <u>\$ 4,245.02</u> |
| Expenditures | | | | |
| Instruction | 6,210.60 | 37,344.74 | \$ 100,000.00 | \$ (62,655.26) |
| Student Support Services | 570.00 | - | 5,000.00 | (5,000.00) |
| General Administration | 14,227.60 | 14,305.89 | 20,000.00 | (5,694.11) |
| School Administration | - | 20,208.14 | 100,000.00 | (79,791.86) |
| Operations and Maintenance | 8,505.78 | 20,731.04 | 30,000.00 | (9,268.96) |
| Site Improvement | 331.17 | 91,479.00 | 100,000.00 | (8,521.00) |
| Other Support Services | 3,759.00 | - | - | - |
| Building Improvements | 5,536.28 | - | 75,000.00 | (75,000.00) |
| Lease Purchase | 14,720.82 | 14,720.82 | 14,721.00 | (0.18) |
| Total Expenditures | <u>53,861.25</u> | <u>198,789.63</u> | <u>\$ 444,721.00</u> | <u>\$ (245,931.37)</u> |
| Receipts Over (Under) Expenditures | 139,685.05 | (125,982.61) | | |
| Unencumbered Cash, Beginning | <u>521,599.42</u> | <u>661,284.47</u> | | |
| Unencumbered Cash, Ending | <u>\$ 661,284.47</u> | <u>\$ 535,301.86</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Driver Training Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|--------------------|--------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| State Aid | \$ 1,110.00 | \$ 1,316.00 | \$ 1,480.00 | \$ (164.00) |
| Other Sources | 1,710.00 | 1,615.00 | 1,600.00 | 15.00 |
| Total Cash Receipts | <u>2,820.00</u> | <u>2,931.00</u> | <u>\$ 3,080.00</u> | <u>\$ (149.00)</u> |
| Expenditures | | | | |
| Instruction | 2,648.88 | 3,487.68 | \$ 5,309.00 | \$ (1,821.32) |
| Vehicle Operation Services | 537.47 | 413.80 | 900.00 | (486.20) |
| Total Expenditures | <u>3,186.35</u> | <u>3,901.48</u> | <u>\$ 6,209.00</u> | <u>\$ (2,307.52)</u> |
| Receipts Over (Under) Expenditures | (366.35) | (970.48) | | |
| Unencumbered Cash, Beginning | <u>3,495.06</u> | <u>3,128.71</u> | | |
| Unencumbered Cash, Ending | <u>\$ 3,128.71</u> | <u>\$ 2,158.23</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Food Service Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|---------------------|----------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Federal Aid | \$ 103,746.79 | \$ 103,094.83 | \$ 102,003.00 | \$ 1,091.83 |
| State Aid | 2,430.45 | 2,168.44 | 1,713.00 | 455.44 |
| Local Receipts | 71,149.37 | 66,899.98 | 60,927.00 | 5,972.98 |
| Other Sources | 476.93 | 83.55 | - | 83.55 |
| Operating Transfers | 31,040.21 | 43,692.16 | 25,000.00 | 18,692.16 |
| Total Cash Receipts | <u>208,843.75</u> | <u>215,938.96</u> | <u>\$ 189,643.00</u> | <u>\$ 26,295.96</u> |
| Expenditures | | | | |
| Food Service Operation | <u>209,172.47</u> | <u>219,249.87</u> | <u>\$ 271,654.00</u> | <u>\$ (52,404.13)</u> |
| Receipts Over (Under) Expenditures | (328.72) | (3,310.91) | | |
| Unencumbered Cash, Beginning | <u>45,301.37</u> | <u>44,972.65</u> | | |
| Unencumbered Cash, Ending | <u>\$ 44,972.65</u> | <u>\$ 41,661.74</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Professional Development Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|--------------------|---------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Operating Transfers | \$ 11,000.00 | \$ 601.16 | \$ - | \$ 601.16 |
| Expenditures | | | | |
| Instructional Support Staff | <u>10,473.52</u> | <u>19,491.71</u> | <u>\$ 27,603.00</u> | <u>\$ (8,111.29)</u> |
| Receipts Over (Under) Expenditures | 526.48 | (18,890.55) | | |
| Unencumbered Cash, Beginning | <u>27,076.63</u> | <u>27,603.11</u> | | |
| Unencumbered Cash, Ending | <u>\$ 27,603.11</u> | <u>\$ 8,712.56</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Parent Education Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|--------------------|---------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Payments from Other Schools | \$ 3,000.00 | \$ - | \$ - | \$ - |
| Operating Transfers | <u>7,876.84</u> | <u>5,094.90</u> | <u>7,000.00</u> | <u>(1,905.10)</u> |
| Total Cash Receipts | <u>10,876.84</u> | <u>5,094.90</u> | <u>\$ 7,000.00</u> | <u>\$ (1,905.10)</u> |
| Expenditures | | | | |
| Support Services | <u>10,912.34</u> | <u>10,575.44</u> | <u>\$ 14,065.00</u> | <u>\$ (3,489.56)</u> |
| Receipts Over (Under) Expenditures | (35.50) | (5,480.54) | | |
| Unencumbered Cash, Beginning | <u>7,100.00</u> | <u>7,064.50</u> | | |
| Unencumbered Cash, Ending | <u>\$ 7,064.50</u> | <u>\$ 1,583.96</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Special Education Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over Over (Under) |
|------------------------------------|-------------------------|----------------------|----------------------|-------------------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Other Sources | \$ 3,832.33 | \$ 4,102.63 | \$ - | \$ 4,102.63 |
| Interest on Idle Funds | 8,038.25 | 3,926.82 | - | 3,926.82 |
| Operating Transfers | 641,680.29 | 644,660.87 | 654,608.00 | (9,947.13) |
| Total Cash Receipts | <u>653,550.87</u> | <u>652,690.32</u> | <u>\$ 654,608.00</u> | <u>\$ (1,917.68)</u> |
| Expenditures | | | | |
| Payments to Cooperative | 599,495.80 | 623,756.00 | \$ 654,608.00 | \$ (30,852.00) |
| Instruction | 30,351.86 | 44,749.28 | 167,000.00 | (122,250.72) |
| Vehicle Operating Services | 25,944.79 | 29,596.60 | 43,078.00 | (13,481.40) |
| Total Expenditures | <u>655,792.45</u> | <u>698,101.88</u> | <u>\$ 864,686.00</u> | <u>\$ (166,584.12)</u> |
| Receipts Over (Under) Expenditures | (2,241.58) | (45,411.56) | | |
| Unencumbered Cash, Beginning | <u>212,319.96</u> | <u>210,078.38</u> | | |
| Unencumbered Cash, Ending | <u>\$ 210,078.38</u> | <u>\$ 164,666.82</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Vocational Education Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|--------------------|---------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Other Sources | \$ 4,913.90 | \$ 913.87 | \$ - | \$ 913.87 |
| Operating Transfers | 47,000.00 | 25,000.00 | 28,000.00 | (3,000.00) |
| Total Cash Receipts | <u>51,913.90</u> | <u>25,913.87</u> | <u>\$ 28,000.00</u> | <u>\$ (2,086.13)</u> |
| Expenditures | | | | |
| Instruction | 51,963.90 | 54,010.12 | \$ 52,950.00 | \$ 1,060.12 |
| Student Support Services | - | - | 5,000.00 | (5,000.00) |
| Total Expenditures | <u>51,963.90</u> | <u>54,010.12</u> | <u>\$ 57,950.00</u> | <u>\$ (3,939.88)</u> |
| Receipts Over (Under) Expenditures | (50.00) | (28,096.25) | | |
| Unencumbered Cash, Beginning | <u>30,000.00</u> | <u>29,950.00</u> | | |
| Unencumbered Cash, Ending | <u>\$ 29,950.00</u> | <u>\$ 1,853.75</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

KPERS Retirement Contribution Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|---------------|---------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| State Aid | \$ 139,540.10 | \$ 245,466.81 | \$ 255,358.00 | \$ (9,891.19) |
| Expenditures | | | | |
| Employee Benefits | 139,540.10 | 245,466.81 | \$ 255,358.00 | \$ (9,891.19) |
| 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. 298

Statement 3

Lincoln, Kansas

Contingency Reserve Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Operating Transfers | \$ - | \$ - |
| Expenditures | - | 59,601.53 |
| Receipts Over (Under) Expenditures | - | (59,601.53) |
| Unencumbered Cash, Beginning | 276,872.30 | 276,872.30 |
| Unencumbered Cash, Ending | \$ 276,872.30 | \$ 217,270.77 |

Title I Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Federal Aid | \$ 97,794.00 | \$ 78,476.00 |
| Expenditures | | |
| Instruction | 97,794.00 | 78,476.00 |
| 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. 298

Statement 3

Lincoln, Kansas

Title II-A Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Federal Aid | \$ 19,324.00 | \$ 13,453.00 |
| Expenditures | | |
| Instruction | 19,324.00 | 13,453.00 |
| Receipts Over (Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

Title II-D Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Federal Aid | \$ 641.00 | \$ - |
| Expenditures | | |
| Instruction | 641.00 | - |
| 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. 298

Statement 3

Lincoln, Kansas

REAP Grant Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Federal Aid | \$ 15,650.10 | \$ 25,650.10 |
| Expenditures | | |
| Instruction | 15,650.10 | 25,650.10 |
| Receipts Over (Under) Expenditures | - | - |
| Unencumbered Cash, Beginning | - | - |
| Unencumbered Cash, Ending | \$ - | \$ - |

Technology Grant

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | | |
| Federal Aid | \$ 30,000.00 | \$ 5,000.00 |
| Expenditures | | |
| Instruction | 30,000.00 | 5,000.00 |
| 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. 298

Statement 3

Lincoln, Kansas

Bond and Interest Fund

Statement of Cash Receipts and Expenditures, Actual and Budget - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year | | Variance Over (Under) |
|------------------------------------|-------------------------|----------------------|----------------------|-----------------------------|
| | | Actual | Budget | |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 244,793.50 | \$ 319,390.08 | \$ 306,456.00 | \$ 12,934.08 |
| Delinquent | 3,157.44 | 4,674.27 | 1,317.00 | 3,357.27 |
| Motor Vehicle | 25,012.61 | 19,990.28 | 25,943.00 | (5,952.72) |
| Recreational Vehicle | 380.56 | 336.21 | 321.00 | 15.21 |
| 16/20M Vehicle | 3,910.63 | 3,389.73 | - | 3,389.73 |
| In Lieu of Taxes IRBS | - | - | 179.00 | (179.00) |
| State Aid | 42,448.00 | 58,847.00 | 58,847.00 | - |
| Total Cash Receipts | <u>319,702.74</u> | <u>406,627.57</u> | <u>\$ 393,063.00</u> | <u>\$ 13,564.57</u> |
| Expenditures | | | | |
| Principal | 290,000.00 | 300,000.00 | \$ 300,000.00 | \$ - |
| Interest | 36,525.00 | 26,930.00 | 26,930.00 | - |
| Total Expenditures | <u>326,525.00</u> | <u>326,930.00</u> | <u>\$ 326,930.00</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | (6,822.26) | 79,697.57 | | |
| Unencumbered Cash, Beginning | <u>483,522.31</u> | <u>476,700.05</u> | | |
| Unencumbered Cash, Ending | <u>\$ 476,700.05</u> | <u>\$ 556,397.62</u> | | |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 3

Lincoln, Kansas

Scholarship Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | \$ 608.12 | \$ 565.26 |
| Expenditures | <u>1,128.01</u> | <u>608.32</u> |
| Receipts Over (Under) Expenditures | (519.89) | (43.06) |
| Unencumbered Cash, Beginning | <u>37,628.21</u> | <u>37,108.32</u> |
| Unencumbered Cash, Ending | <u>\$ 37,108.32</u> | <u>\$ 37,065.26</u> |

Gifts and Grants Fund

Statement of Cash Receipts and Expenditures - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Prior Year Actual | Current Year Actual |
|------------------------------------|-------------------------|---------------------------|
| Cash Receipts | \$ 950.00 | \$ 500.00 |
| Expenditures | <u>-</u> | <u>-</u> |
| Receipts Over (Under) Expenditures | 950.00 | 500.00 |
| Unencumbered Cash, Beginning | <u>2,303.75</u> | <u>3,253.75</u> |
| Unencumbered Cash, Ending | <u>\$ 3,253.75</u> | <u>\$ 3,753.75</u> |

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

UNIFIED SCHOOL DISTRICT NO. 298

Statement 4

Lincoln, Kansas

Agency Funds

Statement of Cash Receipts and Cash Disbursements - Statutory Basis

For the Fiscal Year Ended June 30, 2012

(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| Student Organization Funds | Beginning Cash Balance | Cash Receipts | Cash Disbursements | Ending Cash Balance |
|----------------------------------|---------------------------|------------------|-----------------------|------------------------|
| Art Club | \$ 170.99 | \$ 129.00 | \$ 8.78 | \$ 291.21 |
| Cheerleaders | 68.21 | 2,931.84 | 2,817.14 | 182.91 |
| Class of 2009 | 19.19 | - | - | 19.19 |
| Class of 2010 | 67.41 | - | - | 67.41 |
| Class of 2011 | 222.50 | - | - | 222.50 |
| Class of 2012 | 734.93 | 428.37 | 1,068.82 | 94.48 |
| Class of 2013 | 24.83 | 8,004.88 | 7,787.11 | 242.60 |
| Class of 2015 | - | 28.00 | 20.00 | 8.00 |
| Concessions | 1,610.88 | 28,358.08 | 28,950.62 | 1,018.34 |
| Debate Club | 81.24 | 1,615.50 | 1,339.64 | 357.10 |
| Drama Club | 185.23 | 1,323.00 | 1,496.44 | 11.79 |
| Junior High Pep Club | 989.68 | 2,837.40 | 3,624.43 | 202.65 |
| Junior High Student Council | 16.00 | 20.00 | 20.00 | 16.00 |
| Kays | 147.51 | 4,214.16 | 3,605.25 | 756.42 |
| Library Club | 1,825.28 | 1,503.27 | 744.86 | 2,583.69 |
| Leopard Mascot | - | 1,037.44 | 884.90 | 152.54 |
| National Honor Society | 2,732.56 | 2,365.19 | 2,338.36 | 2,759.39 |
| Peer Club | 475.87 | - | - | 475.87 |
| Photo Club | 203.53 | - | - | 203.53 |
| SAFE | 1,543.23 | 712.64 | 858.33 | 1,397.54 |
| Scholars Bowl | 1,602.04 | 972.75 | 641.22 | 1,933.57 |
| Science Club | 86.83 | - | - | 86.83 |
| Spotlights | 300.00 | - | - | 300.00 |
| Student Clubs - Elementary | 2,135.49 | 8,738.16 | 9,003.39 | 1,870.26 |
| Student Council | 1,023.51 | 803.34 | 627.38 | 1,199.47 |
| Student Council - Elementary | - | 562.50 | 559.26 | 3.24 |
| Vocal Club | 243.97 | 432.50 | 515.10 | 161.37 |
| Total Student Organization Funds | 16,510.91 | 67,018.02 | 66,911.03 | 16,617.90 |
| Sales Tax Fund | - | 546.36 | 546.36 | - |
| Totals | \$ 16,510.91 | \$ 67,564.38 | \$ 67,457.39 | \$ 16,617.90 |

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

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas
District Activity Funds

Statement 5

Statement of Cash Receipts, Expenditures and Unencumbered Cash - Statutory Basis
For the Fiscal Year Ended June 30, 2012

| Fund | Beginning Unencumbered Cash | Cash Receipts | Expenditures | Ending Unencumbered Cash | Add Outstanding Encumbrances and Accounts Payable | Ending Cash Balance |
|-------------------------------|-----------------------------------|----------------------|----------------------|--------------------------------|---|------------------------|
| Gate Receipts | | | | | | |
| Lincoln High and Junior High | \$ 10,688.95 | \$ 48,825.71 | \$ 49,931.03 | \$ 9,583.63 | \$ - | \$ 9,583.63 |
| Lincoln Elementary School | 2,813.11 | 4,104.52 | 2,682.89 | 4,234.74 | - | 4,234.74 |
| Subtotal Gate Receipts | <u>13,502.06</u> | <u>52,930.23</u> | <u>52,613.92</u> | <u>13,818.37</u> | <u>-</u> | <u>13,818.37</u> |
| School Projects | | | | | | |
| Lincoln High and Junior High | 11,673.65 | 14,487.20 | 12,605.96 | 13,554.89 | - | 13,554.89 |
| Lincoln Elementary School | 1,755.84 | 6,351.51 | 6,227.17 | 1,880.18 | - | 1,880.18 |
| Subtotal School Projects | <u>13,429.49</u> | <u>20,838.71</u> | <u>18,833.13</u> | <u>15,435.07</u> | <u>-</u> | <u>15,435.07</u> |
| Revolving Funds | | | | | | |
| Lincoln High and Junior High | - | 71,837.80 | 71,837.80 | - | - | - |
| Lincoln Elementary School | - | 32,879.31 | 32,879.31 | - | - | - |
| Subtotal Revolving Funds | <u>-</u> | <u>104,717.11</u> | <u>104,717.11</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total District Activity Funds | <u>\$ 26,931.55</u> | <u>\$ 178,486.05</u> | <u>\$ 176,164.16</u> | <u>\$ 29,253.44</u> | <u>\$ -</u> | <u>\$ 29,253.44</u> |

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2012

Note 1 Reporting Entity

Unified School District No. 298 is a municipal corporation governed by a citizen elected seven-member Board of Education.

Note 2 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 would be charged in the fund from which the transfer is made.

The municipality 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 municipality to use the statutory basis of accounting.

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

The financial statements include partial prior-year comparative information. Such information does not include all of the information required to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with Unified School District No. 298 financial statements for the fiscal year ended June 30, 2011, from which such partial information was derived.

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2012

Note 3 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), debt service funds, and enterprise funds. The statutes provide for the following sequence and timetable in the adoption of the legal annual operating budget:

1. Preparation of the budget for the succeeding calendar year on or before August 1st.
2. Publication in local newspaper on or before August 5th of the proposed budget and notice of public hearing on the budget.
3. Public hearing on or before August 15th, but a 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 statutory basis of accounting, in which, revenues are recognized when cash is received and expenditures include disbursements, accounts payable, and encumbrances, with disbursements being adjusted for prior year's accounts payable and encumbrances. Encumbrances are commitments by the municipality for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. Any unused budgeted expenditure authority lapses at year-end.

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

| | | |
|--------------------------|-------------------------|-----------------------|
| Contingency Reserve Fund | Title II-D Fund | Technology Grant Fund |
| Title I Fund | Reap Grant Fund | |
| Title II-A Fund | District Activity Funds | |

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

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2012

Note 4 Deposits and Investments

K.S.A. 9-1401 establishes the depositories which may be used by the Government. The statute requires banks eligible to hold the Government's funds have a main or branch bank in the county in which the Government is located, or in an adjoining county if such institution has been designated as an official depository, and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402 requires the banks to pledge securities for deposits in excess of FDIC coverage. The Government has no other policies that would further limit interest rate risk.

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

Concentration of credit risk. State statutes place no limit on the amount the Government 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 Government's deposits may not be returned to it. State statutes require the Government's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The Government has not designated a "peak period."

Deposits. At June 30, 2012, the Government's carrying amount of deposits was \$1,658,045.75 and the bank balance was \$1,927,037.39. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$302,214.83 was covered by federal depository insurance, and the remaining \$1,624,822.56 was collateralized with securities held by the pledging financial institutions agents in the Government's name.

Note 5 Interfund Transfers

Operating transfers were as follows:

| From | To | Statutory Authority | Amount |
|---------------------------|---------------------------|---------------------|--------------|
| General Fund | At-Risk (4 Yr-Olds) Fund | K.S.A. 72-6428 | \$ 15,000.00 |
| General Fund | At-Risk (K-12) Fund | K.S.A. 72-6428 | 95,000.00 |
| General Fund | Teacher In-Service Fund | K.S.A. 72-6428 | 601.16 |
| General Fund | Parent Education Fund | K.S.A. 72-6428 | 3,094.90 |
| General Fund | Special Education Fund | K.S.A. 72-6428 | 438,858.00 |
| General Fund | Vocational Education Fund | K.S.A. 72-6428 | 25,000.00 |
| Supplemental General Fund | At-Risk (4 Yr-Olds) Fund | K.S.A. 72-6433 | 13,000.00 |
| Supplemental General Fund | At-Risk (K-12) Fund | K.S.A. 72-6433 | 215,651.81 |
| Supplemental General Fund | Food Service Fund | K.S.A. 72-6433 | 43,692.16 |
| Supplemental General Fund | Parent Education Fund | K.S.A. 72-6433 | 2,000.00 |
| Supplemental General Fund | Special Education Fund | K.S.A. 72-6433 | 205,802.87 |

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
JUNE 30, 2012

Note 6 Defined Benefit Pension Plan

Plan Description. The Government contributes to the Kansas Public Employees Retirement System (KPERS), a cost-sharing multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901, *et. Seq.* KPERS provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERS issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERS (611 S Kansas, Suite 100; Topeka, KS 66603-3869) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 establishes the KPERS member-employee contribution rate at 4% of covered salary or 6% if hired on or after July 1, 2009. 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 8.77% of covered payroll for the period July 1, 2011 to June 30, 2012. These contributions are established by KPERS and are periodically revised. For more information please see the KPERS website at www.kpers.org.

The State of Kansas' contributions to KPERS for all school municipalities for the years ending June 30, 2012, 2011, and 2010 were \$314,466,993, \$253,834,044, and \$248,468,186 respectively, equal to the statutory required contributions each year.

Note 7 Compensated Absences

The Government provides compensation for absences. For an in depth understanding, the policy in its entirety should be reviewed.

Note 8 Other Post Employment Benefits

As Provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these financial statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government 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 government under this program.

UNIFIED SCHOOL DISTRICT NO. 298

Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)

JUNE 30, 2012

Note 9 Subsequent Events

The Government's management has evaluated events and transactions occurring after June 30, 2012 through September 24, 2012. The aforementioned date represents the date the financial statements were available to be issued.

Note 10 Termination Benefits

The district provides an early retirement program for certain eligible employees. Certified professional employees must have at least ten school years of professional/classified service in a full time position at the district. The eligible certified professional employees who notify the Board of Education of their intention to retire in February of the year in which they retire will be compensated \$300.00, those who notify in March and April will be compensated \$200.00 and \$100.00 respectively. Additionally, eligible retirees will be entitled to 10% of their final contracted salary up to \$3,000.00 per year from the year of retirement until the age of 65. There were three individuals who participated in this plan for the fiscal year ended June 30, 2012 for a total cost of \$9,000.00.

Note 11 Pending Litigation

On July 6, 2012 a complaint was filed with the Kansas Human Rights Commission alleging violation by the school district of the Kansas Age Discrimination in Employment Act. It is the belief of the district and its attorneys that the complaint is without merit. Mediation was declined by the claimant and the matter is currently under investigation by the Human Rights Commission.

Note 12 Compliance With Statutes

K.S.A. 10-1113 requires that each fund comply with the cash-basis laws of the State of Kansas. No commitments or indebtedness should be incurred unless there is available cash in the fund. K.S.A. 10-116A exempts expenditures by school districts that are in excess of current revenues if the deficit in revenues is caused by the late distribution of state aid.

The General and Supplemental General Funds expenditures exceeded the fund balance due to the final June state aid payment for the fiscal year ended June 30, 2012 being disbursed by the State of Kansas in July 2012. The June state aid payment received in July 2012 was \$190,894.00 for the General Fund and \$15,802.00 for the Supplemental General Fund.

K.S.A. 72-6417(d) and K.S.A. 72-6434(d) require the school district to record any payment of general state aid that is due to be paid during the month of June and is paid to the school district after June 30, as a receipt for the school year ending on June 30. The following two pages show the revenue as required by these Statutes.

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 12 Compliance with Statutes

Statutory Revenues and Expenditures - Statutory and Budget
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | General Fund | | | |
|--|--|---------------------------|------------------------|-----------------------------|
| | Prior Year Statutory Transactions | Statutory Transactions | Current Year Budget | Variance Over (Under) |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 422,273.56 | \$ 415,095.08 | \$ 392,302.00 | \$ 22,793.08 |
| Delinquent | 3,567.13 | 5,616.11 | 2,234.00 | 3,382.11 |
| In Lieu of Taxes IRBS | 514.65 | 494.72 | 307.00 | 187.72 |
| Other Tax Revenue | 866.57 | 234.20 | - | 234.20 |
| State Aid - General | 1,988,596.00 | 2,023,212.00 | 2,049,258.00 | (26,046.00) |
| State Aid - Special Education Services | 420,633.00 | 438,771.00 | 433,613.00 | 5,158.00 |
| Federal Aid - SFSF Stabilization Fund | 49,603.00 | - | - | |
| Other Sources | 206,272.61 | 107,525.41 | - | 107,525.41 |
| Total Cash Receipts | <u>3,092,326.52</u> | <u>2,990,948.52</u> | <u>\$ 2,877,714.00</u> | <u>\$ 113,234.52</u> |
| Expenditures | | | | |
| Instruction | 1,555,435.43 | 1,510,668.85 | \$ 1,458,361.00 | \$ 52,307.85 |
| Student Support Services | 73,916.83 | 75,365.15 | 77,033.00 | (1,667.85) |
| Instructional Support Staff | 521.56 | 927.12 | 400.00 | 527.12 |
| General Administration | 192,679.12 | 203,353.41 | 201,854.00 | 1,499.41 |
| School Administration | 216,177.09 | 225,778.55 | 218,910.00 | 6,868.55 |
| Operations and Maintenance | 154,612.00 | 159,621.18 | 157,763.00 | 1,858.18 |
| Transportation Services | 207,557.25 | 237,680.20 | 191,339.00 | 46,341.20 |
| Operating Transfers | 691,427.24 | 577,554.06 | 578,858.00 | (1,303.94) |
| Legal General Fund Budget | 3,092,326.52 | 2,990,948.52 | 2,884,518.00 | 106,430.52 |
| Adjustment for Qualifying Budget Credits | - | - | 106,430.52 | (106,430.52) |
| Total Expenditures | <u>3,092,326.52</u> | <u>2,990,948.52</u> | <u>\$ 2,990,948.52</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | - | - | | |
| Unencumbered Cash, Beginning | - | - | | |
| Unencumbered Cash, Ending | <u>\$ -</u> | <u>\$ -</u> | | |

UNIFIED SCHOOL DISTRICT NO. 298
Lincoln, Kansas

NOTES TO FINANCIAL STATEMENTS (Cont.)
June 30, 2012

Note 12 Compliance with Statutes (Cont.)

Statutory Revenues and Expenditures - Statutory and Budget
For the Fiscal Year Ended June 30, 2012
(With Comparative Actual Totals for the Prior Fiscal Year Ended June 30, 2011)

| | Supplemental General Fund | | | |
|------------------------------------|--|---------------------------|----------------------|-----------------------------|
| | Prior Year Statutory Transactions | Current Year | | Variance Over (Under) |
| | | Statutory Transactions | Budget | |
| Cash Receipts | | | | |
| Taxes and shared Revenue: | | | | |
| Ad Valorem | \$ 567,560.76 | \$ 498,584.06 | \$ 533,229.00 | \$ (34,644.94) |
| Delinquent | 6,549.58 | 10,139.53 | 3,052.00 | 7,087.53 |
| Motor Vehicle | 57,674.45 | 47,128.27 | 60,107.00 | (12,978.73) |
| Recreational Vehicle | 878.28 | 792.08 | 744.00 | 48.08 |
| 16/20M Vehicle | 8,822.68 | 8,019.94 | - | 8,019.94 |
| In Lieu of Taxes IRBS | 622.21 | 598.29 | 416.00 | 182.29 |
| State Aid | 231,885.00 | 269,248.00 | 259,553.00 | 9,695.00 |
| Total Cash Receipts | <u>873,992.96</u> | <u>834,510.17</u> | <u>\$ 857,101.00</u> | <u>\$ (22,590.83)</u> |
| Expenditures | | | | |
| Instruction | \$ 140,101.50 | \$ 85,064.73 | \$ 124,000.00 | \$ (38,935.27) |
| Instructional Support Staff | 7,989.92 | 9,607.85 | 10,000.00 | (392.15) |
| General Administration | 19,213.48 | 15,569.81 | 17,000.00 | (1,430.19) |
| School Administration | 14,743.94 | 63,812.98 | 17,005.00 | 46,807.98 |
| Operations and Maintenance | 189,170.49 | 181,021.40 | 223,000.00 | (41,978.60) |
| Transportation Services | 5,157.44 | 14,776.39 | 10,000.00 | 4,776.39 |
| Operating Transfers | 471,623.23 | 480,146.84 | 448,995.00 | 31,151.84 |
| Total Expenditures | <u>848,000.00</u> | <u>850,000.00</u> | <u>\$ 850,000.00</u> | <u>\$ -</u> |
| Receipts Over (Under) Expenditures | 25,992.96 | (15,489.83) | | |
| Unencumbered Cash, Beginning | <u>26,787.23</u> | <u>52,780.19</u> | | |
| Unencumbered Cash, Ending | <u>\$ 52,780.19</u> | <u>\$ 37,290.36</u> | | |

UNIFIED SCHOOL DISTRICT NO. 298

NOTES TO FINANCIAL STATEMENTS (Cont.)

June 30, 2012

Note 13 Long-Term Debt

Changes in long-term liabilities for the municipality for the fiscal 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 2003 Refunding | 2.00%/3.60% | 5/1/2003 | <u>\$ 2,770,000.00</u> | 9/1/2013 | <u>\$ 915,000.00</u> | <u>\$ -</u> | <u>\$ 300,000.00</u> | <u>\$ -</u> | <u>\$ 615,000.00</u> | <u>\$ 26,930.00</u> |
| Capital Leases Payable | | | | | | | | | | |
| Temperature Control | 5.620% | 8/6/2004 | 110,000.00 | 9/1/2014 | 50,378.57 | - | 11,838.25 | - | 38,540.32 | 2,882.57 |
| HP Laptops | 9.021% | 6/20/2011 | <u>40,365.40</u> | 6/20/2013 | <u>25,732.90</u> | <u>-</u> | <u>12,276.16</u> | <u>-</u> | <u>13,456.74</u> | <u>2,321.34</u> |
| Total Capital Leases | | | <u>150,365.40</u> | | <u>76,111.47</u> | <u>-</u> | <u>24,114.41</u> | <u>-</u> | <u>51,997.06</u> | <u>5,203.91</u> |
| Total Contractual Indebtedness | | | <u>\$ 2,920,365.40</u> | | 991,111.47 | - | 324,114.41 | - | 666,997.06 | 32,133.91 |
| Compensated Absences | | | | | 396,343.96 | - | - | (99,881.41) | 296,462.55 | - |
| Total Long-Term Debt | | | | | <u>\$ 1,387,455.43</u> | <u>\$ -</u> | <u>\$ 324,114.41</u> | <u>\$ (99,881.41)</u> | <u>\$ 963,459.61</u> | <u>\$ 32,133.91</u> |

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

| | 2013 | Year 2014 | 2015 | Total |
|------------------------------|----------------------|----------------------|---------------------|----------------------|
| Principal: | | | | |
| General Obligation Bonds | \$ 310,000.00 | \$ 305,000.00 | \$ - | \$ 615,000.00 |
| Capital Leases: | | | | |
| Temperature Control | 12,495.11 | 13,200.92 | 12,844.29 | 38,540.32 |
| HP Laptops | <u>13,456.74</u> | <u>-</u> | <u>-</u> | <u>13,456.74</u> |
| Total Principal | <u>335,951.85</u> | <u>318,200.92</u> | <u>12,844.29</u> | <u>666,997.06</u> |
| Interest: | | | | |
| General Obligations Bonds | 16,405.00 | 5,490.00 | - | 21,895.00 |
| Capital Leases: | | | | |
| Temperature Control | 2,225.71 | 1,519.90 | 780.65 | 4,526.26 |
| HP Laptops | <u>1,210.76</u> | <u>-</u> | <u>-</u> | <u>1,210.76</u> |
| Total Interest | <u>19,841.47</u> | <u>7,009.90</u> | <u>780.65</u> | <u>27,632.02</u> |
| Total Principal and Interest | <u>\$ 355,793.32</u> | <u>\$ 325,210.82</u> | <u>\$ 13,624.94</u> | <u>\$ 694,629.08</u> |