

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308**

FINANCIAL STATEMENTS

FISCAL YEAR ENDED JUNE 30, 2012

**Hutchinson Public Schools
Unified School District No. 308**

June 30, 2012

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June 30, 2012

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SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

McPherson Office
123 South Main
P.O. Box 1337
McPherson, KS 67460-1337
620.241.1826 office
888.241.1826 toll
620.241.6926 fax

Hutchinson Office
129 West 2nd, Suite A
P.O. Box 2889
Hutchinson, KS 67504-2889
620.662.3358 office
888.414.0123 toll
620.662.3350 fax

INDEPENDENT AUDITOR'S REPORT

Board of Education
Unified School District No. 308
Hutchinson, Kansas

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Unified School District No. 308, Hutchinson, Kansas (District), as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Hutchinson Recreation Commission, which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Hutchinson Recreation Commission, is based on the report of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the *Kansas Municipal Audit Guide*. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the Hutchinson Recreation Commission were not audited in accordance with *Government Auditing Standards*. 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 and the report of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2012, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 3 through 13 and 53 through 63 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historic context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The combining nonmajor fund financial statements and the individual fund budgetary comparison schedules, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 also not a required part of the basic financial statements of the District. The combining nonmajor fund financial statements, the individual fund budgetary comparison schedules, and the schedule of expenditures of federal awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied by us and the other auditors in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, based on our audit and the report of other auditors, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll, Janzen, Hawk & Loyd, LLC

December 1, 2012

BASIC FINANCIAL STATEMENTS

HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308

Management's Discussion and Analysis
For the Year Ended June 30, 2012

It is a privilege to present to you the financial picture of the Hutchinson Public Schools, Unified School District No. 308 (District). This discussion and analysis of the District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2012. The intent of this discussion and analysis is to look at the District's financial performance as a whole; readers should also review the transmittal letter, notes to the basic financial statements and financial statements to enhance their understanding of the School District's financial performance. Readers desiring additional information on the Hutchinson Recreation Commission should contact the District and request the separately issued report.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

Financial Highlights

The trends of prior years indicated that during the fiscal year 2011-2012, the Hutchinson Public Schools would experience another year of increases in the costs for fuel, property/liability insurance, and unemployment and health fringe benefits. The District provided only horizontal movement on the salary schedule for an increase of .08%. The District lost base state aid per pupil (BSAPP) from \$3,937 to \$3,780 during FY 11.12 due to a reduction set by the State of Kansas. The District had an increase in weighted enrollment from the prior year of 236.2 FTE which allowed the District to increase the budget authority over the prior year by \$383,334. The increase in weighted enrollment largely was due to one-time facility weighting which is weighting the District received for only two years. Without this additional weighting the District budget authority would have been down \$439,499. The Supplemental General Fund percent authority was 26.71% of the FY 11.12 legal maximum budget. The overall mill levy was higher by 3.7 mills because of an increase in the District's Bond & Interest fund due to an increase in outstanding bond payments. Also, the State of Kansas reduced the amount of equalization aid in the Supplemental General Fund which increased the amount of taxes paid at the local level.

Overview of the Financial Statements

This annual report consists of three parts: management's discussion and analysis (this section), the basic financial statements, and required supplementary information. These statements are organized so the reader can understand the District as a whole. The basic financial statements include two types of statements that present different views of the district. The first are the District-wide financial statements and the second are the fund financial statements.

District-wide Statements

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes

HUTCHINSON PUBLIC SCHOOLS
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all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how these have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the district's financial health or *position*.

Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively. To assess the District's overall health, additional non-financial factors such as changes in the District's property tax base and the condition of the school buildings and other facilities must be taken into account.

In the district-wide financial statements, the District's activities are divided into two categories:

- *Governmental activities:* All of the District's basic services are included here, such as regular and special education, transportation, and administration. Property taxes and state aid finance most of these activities.
- *Business-type activities:* The District does not have any business-type activities.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by state law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (such as repaying its long-term debts) or to show that it is properly using certain revenues (such as federal grants).

The District has three kinds of funds:

Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on the following: (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps to determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, reconciliations have been provided with the governmental funds statements to explain the relationship (or differences) between them.

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Proprietary funds: The District's proprietary fund is an internal service fund that reports the District's risk financing activities. The District's internal service fund includes the Health Care Fund.

Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others, such as the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

Financial Analysis of the District as a Whole

Table 1
as of June 30
Governmental Activities
Net Assets

	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>Change increase(decrease)</u>
Assets			
Current and other assets	\$ 38,438,793	\$ 32,783,374	\$ (5,655,419)
Capital Assets	<u>\$ 90,343,493</u>	<u>\$ 83,377,423</u>	<u>\$ (6,966,070)</u>
Total Assets	<u>\$ 128,782,286</u>	<u>\$ 116,160,797</u>	<u>\$ (12,621,489)</u>
 Deferred outflows of resources			
Deferred charge on refunding	\$ -	\$ 958,912	\$ 958,812
 Liabilities			
Current and other liabilities	\$ 3,870,857	\$ 4,147,433	\$ 276,576
Long term liabilities:			
Due within one year	\$ 1,652,515	\$ 3,241,917	\$ 1,589,402
Due in more than one year	<u>\$ 82,994,753</u>	<u>\$ 80,736,602</u>	<u>\$ (2,258,151)</u>
Total liabilities	<u>\$ 88,518,125</u>	<u>\$ 88,125,952</u>	<u>\$ (392,173)</u>
 Net Assets			
Invested in capital assets, net of debt	\$ 13,298,343	\$ 2,419,921	\$ (10,878,422)
Restricted:			
Capital projects	\$ 1,535,599	\$ -	\$ (1,535,599)
Debt service	\$ 2,522,908	\$ 3,063,737	\$ 540,829
Self-insurance medical claims	\$ 4,336,873	\$ 4,663,164	\$ 326,291
Unrestricted	<u>\$ 18,570,438</u>	<u>\$ 18,846,935</u>	<u>\$ 276,497</u>
Total net assets	<u>\$ 40,264,161</u>	<u>\$ 28,993,757</u>	<u>\$ (11,270,404)</u>

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UNIFIED SCHOOL DISTRICT NO. 308

The District's total net assets at June 30, 2011 and 2012, respectively, were \$40,264,161 and \$28,993,757. Eight percent of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining net assets consist of restricted and unrestricted amounts. Restricted balances are amounts set-aside to fund medical claims, debt service, and capital projects. Current assets have decreased because of continued payments to contractors under the District's Kids First bond project.

The results of this year's operations as a whole are reported in the statement of activities as listed in the table of contents. All expenses are reported first. Specific charges, grants, revenues and subsidies that directly relate to specific expense categories are represented to determine the final amount of the District's activities that are supported by other general revenues. The three largest general revenues are the state aid provided by the State of Kansas, federal aid and the local taxes assessed to community taxpayers.

Table 2 takes the information from the Statement of Activities and rearranges it slightly, to show the total revenues for the year. There is a \$12 million prior year adjustment to remove the soft costs that had been included previously in the Kid First Construction project.

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Table 2
Fiscal Years Ended June 30
Governmental Activities
Changes in net Assets

	<u>6/30/2011</u>	<u>6/30/2012</u>	<u>Change increase(decrease)</u>
Program Revenues:			
Charges for services	\$ 2,482,041	\$ 2,373,252	\$ (108,789)
Operating grants/contributions	\$ 11,400,292	\$ 8,820,555	\$ (2,579,737)
General Revenues			
Property taxes	\$ 10,242,275	\$ 11,012,906	\$ 770,631
State aid not restricted to specific purposes	\$ 33,972,381	\$ 36,357,880	\$ 2,385,499
Investment earnings	\$ 185,165	\$ 310,349	\$ 125,184
Noncash capital grants	\$ -	\$ -	\$ -
Total Revenues	<u>\$ 58,282,154</u>	<u>\$ 58,874,942</u>	<u>\$ 592,788</u>
Program Expenses:			
Instruction	\$ 31,617,597	\$ 34,951,030	\$ 3,333,433
Student support services	\$ 3,105,741	\$ 3,198,474	\$ 92,733
Instructional support services	\$ 2,820,382	\$ 2,208,111	\$ (612,271)
General administration	\$ 1,044,216	\$ 944,533	\$ (99,683)
School Administration	\$ 2,433,526	\$ 2,429,293	\$ (4,233)
Operations and maintenance	\$ 4,630,425	\$ 5,194,676	\$ 564,251
Student transportation services	\$ 853,915	\$ 846,398	\$ (7,517)
Other support services	\$ 1,406,703	\$ 2,038,085	\$ 631,382
Food service operations	\$ 2,735,511	\$ 2,461,891	\$ (273,620)
Community service operations	\$ 172,489	\$ 141,111	\$ (31,378)
Interest on long-term debt	\$ 3,572,775	\$ 3,544,687	\$ (28,088)
Total Expenses	<u>\$ 54,393,280</u>	<u>\$ 57,958,289</u>	<u>\$ 3,565,009</u>
 Increase in net assets	 \$ 3,888,874	 \$ 916,653	 \$ (2,972,221)
			\$ -
Net assets - beginning	<u>\$ 36,375,287</u>	<u>\$ 40,264,161</u>	<u>\$ 3,888,874</u>
 Prior Period Adjustment	 <u>\$ -</u>	 <u>\$ (12,187,057)</u>	 <u>\$ (12,187,057)</u>
 Net assets - ending	 <u>\$ 40,264,161</u>	 <u>\$ 28,993,757</u>	 <u>\$ (11,270,404)</u>

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The Districts total revenues amounted to \$58.8 million with unrestricted grants and entitlements contributing 62%, property taxes contributing 19%, operating grants and contributions contributing 15% and all other revenue sources contributing the remaining 4% of revenues. The most significant changes from the preceding year include:

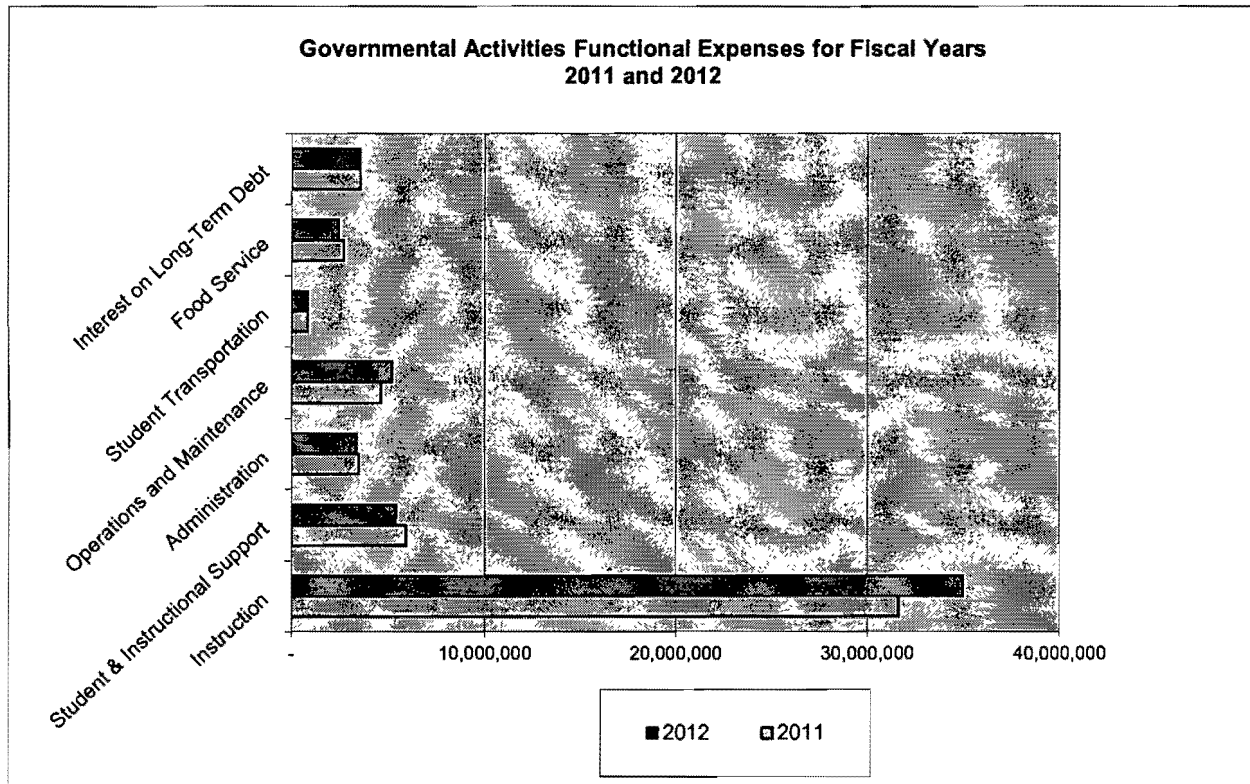
- Grants and state aid entitlements not restricted to specific programs increased \$2,385,499 or 7% primarily due to the increase of state aid entitlement in the general and the KPERS retirement funds. During FY 10.11 the State of Kansas funded a portion of the general fund state aid obligation with federal American Recovery Reinvestment Act (ARRA) dollars. During FY 11.12 the State of Kansas had to make up the loss of the ARRA dollars and fully fund the portion of the state aid which caused the state aid to increase over the prior year. During FY 11.12 the District had an increase in enrollment in which the District received additional state aid for those students. The special education state aid that flows through the general fund was increased due to the increase in the special education teacher entitlement aid. Additionally, state aid increased due to the KPERS retirement fund receiving five quarters of state aid during FY 11.12 compared to only three quarters of aid received during FY 10.11. Due to funding at the state level only three quarters of retirement could be paid during FY 10.11.
- Property tax increases were due to less state equalization of the supplemental general fund by the state with the difference covered by local tax payers. The District's outstanding debt schedule also required an increase in local tax payer support.
- Operating grants and contributions decreased by \$2,579,737, or 22.6%, due to the loss of American Recovery Reinvestment Act (ARRA) stabilization funds and a reduction of Medicaid dollars in FY 11.12.
- The increase in interest is due to arbitrage interest on the Kids First Bond project.

Total expense increased by \$3,565,392, or 6.1% for FY 11.12. Major expense changes compared to 2011 are as follows:

- Instruction expenses account for \$3,333,433 of the total increase in expenses for FY 11.12. The increases include year-end salary stipends to all staff, district paid health fringe increases and instructional equipment purchases.
- Instructional support services decreased a total of \$519,538. During FY 10.11, the District used the remaining ARRA funds for English Second Language Endorsement, purchased library books and student textbooks. The District did not have these funds in FY 11.12.
- Operations and Maintenance account for \$565,368, of the total increase for FY 11.12. The District did do some major projects during FY 11.12 which included two elevator projects at the Educational Service Center and the Administration Office.
- The food service program spent some cash reserves purchasing new equipment which included new dishwashers and ovens at selected sites.
- During FY 11.12 all expenditure areas associated with the operation of a school building (instruction, student and instructional support services, school administration, student transportation and food service operations total \$46,095,19772 or 79.53% of the total expenditures.

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- The KPERS retirement expense increase of \$1,288,711 makes up part of the total \$3,565,392 increase expenses due to the deferral of the 4th quarter in FY 10.11 that was moved to FY 11.12 by the State of Kansas.
- The increase in other supports services includes the addition of three instructional technology staff along with some upgrades to the District's technology infrastructure. This included an upgrade of data storage and virtual server. The District also upgraded the Microsoft desktop and software licenses.



The District had increases in free and reduced and facility weighting percentages in FY 11.12. FY 11.12 was the last year for the majority of the District's facility weighting dollars. The graph above shows an increase of spending in instructional services.

The School District's Funds

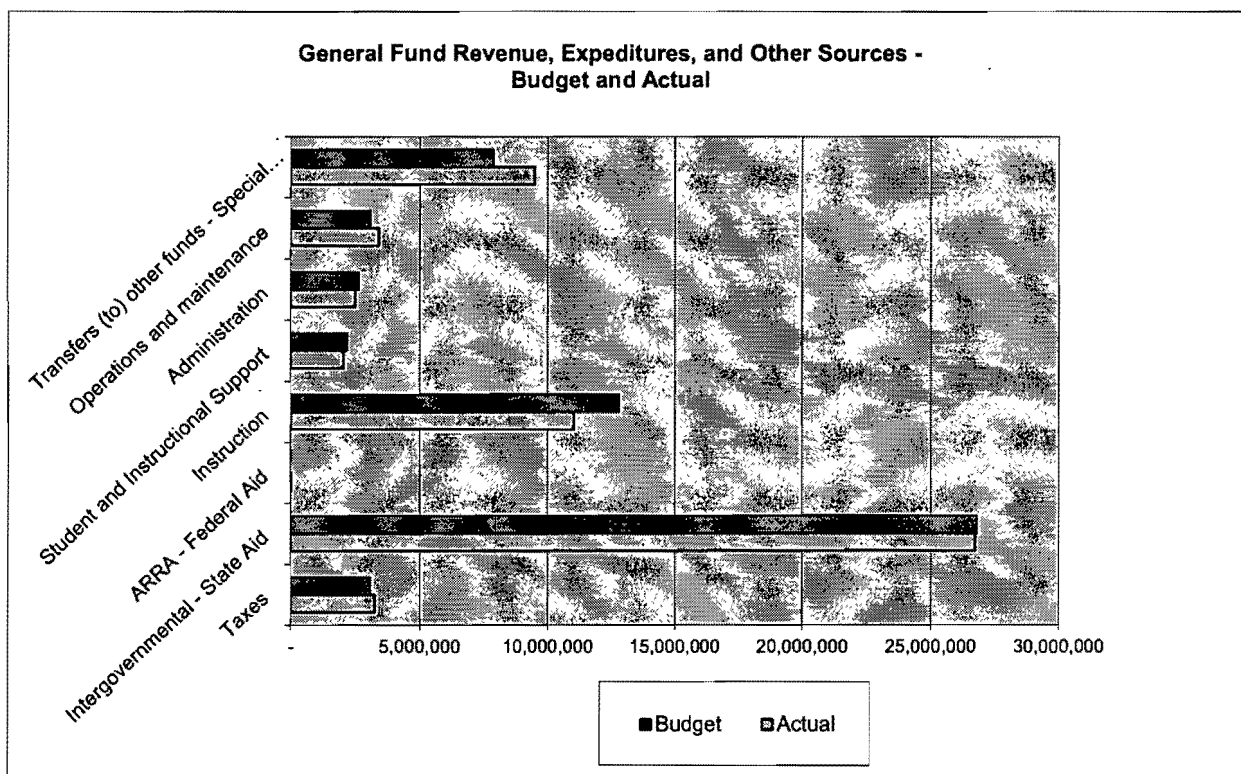
At June 30, 2012, the District governmental funds reported a combined fund balance of \$25,157,676 which is a decrease of \$5,396,924 from 2011. The decrease is largely due to the completion of the District's Kids First Capital Projects.

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General Fund Budgeting Highlights

The School District's budget is prepared according to Kansas State Statutes and is based on the statutory basis of accounting, modified further by the encumbrance method of accounting. The most significant budgeted fund is the General Fund.

Kansas Statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Management may amend the amount of a specific object or purpose appropriation without obtaining authorization from the Board of Education, providing the amendments or transfers do not create a total budgeted expenditure amount for a specific fund in excess of the amount originally adopted by the Board of Education.



For the General fund, the final approved expenditure budget was \$30,640,805 representing a \$291,242 increase from the amended adopted budget of \$30,349,563. The District is allowed to overspend the amended adopted budget by the amount of reimbursements. The \$291,242 is the amount of reimbursements for FY 11.12. Yearly the District budgets for expected enrollment adjustments within the budget. This dollar amount is reported as part of instructional costs. The actual expenditures reflect how the final enrollment audit amount was spent. These dollars are spent on instruction costs, but maybe shown as a transfer to a special revenue fund. Some of these differences were due to increases to student full-time equivalent enrollments, facility weighting, vocational, bilingual and free/reduced lunch weightings. The School District's ending unobligated cash balance in the General Fund was \$5,475 above the final budgeted amount due to prior year encumbrances.

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Supplemental General Fund

The Supplemental General fund for fiscal year 2011-2012 was limited by state statute to 31.00 percent of the General fund. The District used 26.71 percent of this authority. The increase in spending over prior year was \$63,707. The Supplemental General fund is used to cover utility costs, indigent textbooks and periodical costs, technology costs and activities. Most of the transfers to the special funds run through this fund which was increased over the prior year.

Special Education Fund

Special education expenditures increased by \$309,180 in fiscal year ending June 30, 2012, primarily due to increases in salaries/benefits and transportation services. The number of special education students served in the 2011-2012 fiscal year remained the same as the previous year.

State At-Risk (K-12)

The funds generated for this fund are based on students who qualify for free lunches. Due to the economy, that number has increased. The students served with these funds are considered at-risk and need additional instruction services to reduce the achievement gap. With the creation of this fund, any expenditure the District had previously reported in the general fund for at - risk expenditures now must be reported in this fund.

Bond Capital Projects

Voters approved a \$78.8 million Master Facility Plan (Kid's First Project) on a November 7, 2006, bond referendum. The project was completed in December 2011 and includes (a) improvements to Hutchinson High School, including science laboratories, fine arts facilities, media center, physical education facilities, special education facilities, additional classrooms, and additional interior and exterior improvements, including a new entrance; (b) improvements to Middle Schools, including science laboratories, special education facilities, additional classrooms, and site improvements; (c) improvements to K-6 attendance centers, including media centers, safe rooms, physical education facilities, special education facilities, additional classrooms, fine arts facilities and site improvements; (d) a vocational academy; (e) safety and security improvements, and upgrading of electrical, plumbing and drainage at all District buildings.

Capital Outlay Fund

The capital outlay fund is used for the purpose of acquisition, construction, repair, remodeling, additions to, furnishing, and equipment needs of the District. FY 11.12 was the first year on the current capital outlay levy authority which provides authority to levy up to 4 mills in this fund.

Bond and Interest Fund (Debt Service)

This fund is used to make principal and interest payments on the long-term debt obligations of the District authorized by the 2006 bond election. The expenditures in the Bond and Interest (Debt Service) Funds increased over prior year due to an increase in the debt payments.

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Capital Assets and Debt Administration

Capital Assets

At the end of the fiscal 2011 and 2012 years, the District had a net investment of \$90 million and \$83 million respectively invested in the Kid's First Construction project. The District also had upgrades to technology, furniture and computer leased equipment.

**Table 3
Governmental Activities
Capital Assets Net of Depreciation
6/30/2012**

	2011	2012	Change increase(decrease)
Land	\$1,938,440	\$1,938,440	\$ -
Land Improvements	1,308,868	1,316,353	7,485
Buildings	45,798,013	91,784,861	45,986,848
Equipment	4,829,574	5,071,204	241,630
Capitalized Leased Equipment	4,541,999	2,209,029	(2,332,970)
Vehicles	1,649,132	1,659,600	10,468
Construction in Progress	51,796,791	0	(51,796,791)
Artwork	241,785	241,785	-
Accumulated Depreciation	(21,761,109)	(20,843,849)	917,260
Total Capital Assets - Net of Depreciation	<u>\$90,343,493</u>	<u>\$83,377,423</u>	<u>(\$6,966,070)</u>

Debt

At June 30, 2012 the District had \$79,220,000 in general obligation bonds outstanding. There is \$4,057,235 of principal and interest due within one year. Table 4 summarizes bonds outstanding.

**Table 4
Governmental Activities
Outstanding Debt, At Year End**

	2011	2012	Change increase(decrease)
2007A Issue	78,800,000	71,285,000	(\$ 7,515,000)
2012 Refunding Bond	535,000	7,935,000	\$7,400,000
Total	<u>\$79,335,000</u>	<u>\$79,220,000</u>	<u>(\$115,000)</u>

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The 2007A issue runs through September 2027 and the 2012 Refunding Bond through September 2025. Moody's recently recalibrated its ratings on municipal bonds and the District's Moody rating went from a A2 to Aa3 .

For more information on the District's capital assets and debt administration, please refer to the footnotes to the financial statements. (See notes IE4, IE7, IIIB and IIIC)

The Hutchinson Public School District has committed itself to financial excellence for many years. The District has received the Government Finance Officers Association (GFOA) Certificate of Achievement for Excellence in Financial Reporting since 2005.

Contacting the School District's Financial Management

This financial report is designed to provide our citizens, taxpayers, and investors and creditors with a general overview of the District's finances and to show the District's accountability for the money it receives. If the reader has questions about the report or needs additional financial information the contact information is as follows:

Business Office Web Page: <http://www.usd308.com/page.php?id=190>

Business Office E-Mail: blakesleyl@usd308.com

Write the Business Office:

Unified School District #308, Reno County
Attention: Lori Blakesley
1520 N. Plum, P.O. Box 1908
Hutchinson, KS 67504-1908

Contact Business Office by Phone:

Lori Blakesley, Ex. Director Fiscal Management & Business Operations (620) 615-4040
Cindy Hughes, District Accountant (620) 615-4046
Business Office Fax (620) 615-4041

BASIC FINANCIAL STATEMENTS

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Net Position
June 30, 2012**

	Primary Governmental Governmental Activities	Component Unit Governmental Activities
Assets:		
Cash and cash equivalents	\$ 29,102,926	\$ 578,547
Receivables:		
Interest	577	-
Federal aid	143,395	-
State aid	3,416,187	-
Accounts	-	11,320
Taxes	-	1,128,568
Inventories	120,289	11,371
Capital assets:		
Nondepreciable - land, construction in progress, other	2,180,225	-
Depreciable, net of accumulated depreciation	<u>81,197,198</u>	<u>335,396</u>
Total assets	<u>116,160,797</u>	<u>2,065,202</u>
Deferred outflows of resources		
Deferred charge on refunding	<u>958,912</u>	<u>-</u>
Total deferred outflows of resources	<u>958,912</u>	<u>-</u>
Liabilities:		
Accounts payable	270,634	15,694
Accrued payroll	2,313,815	13,127
Medical claims payable	378,085	-
Accrued interest payable	1,184,899	-
Deferred revenue	-	1,128,568
Long-term liabilities:		
Due within one year	3,241,917	-
Due in more than one year	<u>80,736,602</u>	<u>107,771</u>
Total liabilities	<u>88,125,952</u>	<u>1,265,160</u>
Net position:		
Invested in capital assets, net of related debt	2,419,921	335,396
Restricted for:		
Debt service	3,063,737	-
Self-insurance medical claims	4,663,164	-
Unrestricted	<u>18,846,935</u>	<u>464,646</u>
Total net position	<u>\$ 28,993,757</u>	<u>\$ 800,042</u>

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

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Activities
For the Year Ended June 30, 2012**

					Net (Expense) Revenue and Changes in Net Assets	
					Primary Government	Component Unit
					Total	Total
Functions / Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Governmental Activities
Primary Government:						
Governmental Activities:						
Instruction	\$ 34,951,030	\$ 1,628,231	\$ 4,767,242	\$ -	\$(28,555,557)	\$ -
Student support services	3,198,474	-	954,134	-	(2,244,340)	-
Instructional support services	2,208,111	-	696,092	-	(1,512,019)	-
General administration	944,533	-	88,919	-	(855,614)	-
School administration	2,429,293	-	1,188	-	(2,428,105)	-
Operations and maintenance	5,194,676	-	96,427	-	(5,098,249)	-
Student transportation services	846,398	-	148,256	-	(698,142)	-
Other support services	2,038,085	-	185	-	(2,037,900)	-
Food service operations	2,461,891	649,443	9,431	-	(1,803,017)	-
Community service operations	141,111	95,578	1,988,511	-	1,942,978	-
Interest on long-term debt	<u>3,544,687</u>	<u>-</u>	<u>70,170</u>	<u>-</u>	<u>(3,474,517)</u>	<u>-</u>
Total Primary Government	<u>\$ 57,958,289</u>	<u>\$ 2,373,252</u>	<u>\$ 8,820,555</u>	<u>\$ -</u>	<u>(46,764,482)</u>	<u>-</u>
Component Unit:						
Hutchinson Recreation Commission	<u>\$ 2,009,092</u>	<u>\$ 726,364</u>	<u>\$ 75,155</u>	<u>\$ 117,094</u>	<u>-</u>	<u>(1,090,479)</u>
General Revenues:						
Property taxes levied for:						
General purposes					7,708,197	1,070,638
Debt service					2,828,900	-
Capital outlay					475,809	-
State aid not restricted to specific purposes					36,357,880	21,197
Investment earnings					310,349	158
Other revenues					<u>-</u>	<u>868</u>
Total general revenues					<u>47,681,135</u>	<u>1,092,861</u>
Change in net position					916,653	2,382
Net position, beginning of year					<u>40,264,161</u>	<u>797,660</u>
Prior period adjustment					<u>(12,187,057)</u>	<u>-</u>
Net position, end of year					\$ 28,993,757	\$ 800,042

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

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Balance Sheet
Governmental Funds
June 30, 2012**

	General	Special Education	Capital Outlay	At Risk K-12	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:								
Cash and cash equivalents	\$ 5,248,070	\$ 4,040,242	\$ 5,662,373	\$ 1,318,768	\$ 4,239,604	\$ -	\$ 3,810,951	\$ 24,320,008
Due from other funds	-	858,502	-	-	-	-	-	858,502
Receivables:								
Interest	-	-	493	-	-	-	-	493
Federal aid	-	-	-	-	-	-	143,395	143,395
State aid	3,416,187	-	-	-	-	-	-	3,416,187
Inventories	77,947	-	-	-	-	-	42,342	120,289
Total assets	\$ 8,742,204	\$ 4,898,744	\$ 5,662,866	\$ 1,318,768	\$ 4,239,604	\$ -	\$ 3,996,688	\$ 28,858,874
Liabilities and Fund Balances:								
Liabilities:								
Accounts payable	\$ 157,569	\$ -	\$ 72,222	\$ 34,950	\$ -	\$ -	\$ 5,893	\$ 270,634
Due to other funds	858,502	-	-	-	-	-	-	858,502
Accrued payroll	1,260,252	409,226	-	426,687	-	-	475,897	2,572,062
Total liabilities	2,276,323	409,226	72,222	461,637	-	-	481,790	3,701,198
Fund balances:								
Nonspendable	77,947	-	-	-	-	-	42,342	120,289
Restricted	-	4,489,518	5,590,644	857,131	4,239,604	-	3,021,215	18,198,112
Committed	1,845,906	-	-	-	-	-	451,341	2,297,247
Assigned	1,084,995	-	-	-	-	-	-	1,084,995
Unassigned	3,457,033	-	-	-	-	-	-	3,457,033
Total fund balances	6,465,881	4,489,518	5,590,644	857,131	4,239,604	-	3,514,898	25,157,676
Total liabilities and fund balances	\$ 8,742,204	\$ 4,898,744	\$ 5,662,866	\$ 1,318,768	\$ 4,239,604	\$ -	\$ 3,996,688	\$ 28,858,874

The accompanying notes are an integral part of these financial statements

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Position
June 30, 2012**

Amounts reported for governmental activities in the statement of net position is different because:

Total governmental fund balances		\$ 25,157,676
Other long-term assets are not available to pay for current-period expenditures and, therefore are deferred in the funds.		958,912
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds:		
Cost of capital assets	\$ 104,221,272	
Accumulated depreciation	<u>(20,843,849)</u>	
		83,377,423
The following liabilities are not due and payable in the current period and therefore are not reported in the funds:		
Compensated absences payable	(648,533)	
Accrued interest payable	(1,184,899)	
General obligation bonds payable	(79,220,000)	
Premium on bond payable	(1,824,275)	
Related amortization	335,231	
Capital lease obligations payable	(1,207,370)	
Early retirement payable	(823,572)	
Post employment health care liability	<u>(590,000)</u>	
		(85,163,418)
Internal service funds are used by management to charge the costs of the self-insured health insurance fund. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		<u>4,663,164</u>
Net position of governmental activities		<u>\$ 28,993,757</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012**

	General	Special Education	Capital Outlay	At Risk K-12	Debt Service	Capital Projects	Other Governmental Funds	Total Governmental Funds
Revenues:								
Taxes	\$ 7,708,197	\$ -	\$ 475,809	\$ -	\$ 2,828,900	\$ -	\$ -	\$ 11,012,906
State aid	17,675,307	5,279,766	1,804,000	4,341,417	1,744,611	-	5,512,779	36,357,880
Federal aid	22,619	1,214,697	-	-	-	-	6,983,600	8,220,916
Medicaid aid	-	458,095	-	-	-	-	-	458,095
Charges for services	200,224	-	-	370	-	-	1,582,564	1,783,158
Earnings on investments	-	-	4,080	-	15,229	290,117	923	310,349
Other revenue	224,222	-	76,895	-	-	-	350,147	651,264
Contributions	-	-	-	-	-	-	80,374	80,374
Total revenues	25,830,569	6,952,558	2,360,784	4,341,787	4,588,740	290,117	14,510,387	58,874,942
Expenditures:								
Current:								
Instruction	15,716,681	4,934,491	20,625	4,417,475	-	-	8,827,177	33,916,449
Student support services	1,012,759	972,469	-	-	-	-	1,214,054	3,199,282
Instructional support services	1,226,097	41,144	253	2,526	-	-	856,813	2,126,833
General administration	536,192	340,493	1,988	-	-	-	72,101	950,774
School administration	2,154,594	-	-	-	-	-	348,306	2,502,900
Operations and maintenance	4,457,305	-	5,666	-	-	47,376	559,863	5,070,210
Student transportation services	305,894	504,746	-	-	-	-	51,312	861,952
Other support services	2,112,665	620	-	-	-	-	129,809	2,243,094
Food service operations	8,518	-	-	-	-	-	2,421,900	2,430,418
Community service operations	138,790	-	-	-	-	-	3,895	142,685
Architectural and engineering services	44,708	-	-	-	-	-	1,515,911	1,560,619
Capital outlay								
Facilities acquisition and construction	-	-	1,250,117	-	-	5,217,392	-	6,467,509
Debt service:								
Principal	-	-	-	-	535,000	-	-	535,000
Interest	-	-	-	-	3,522,235	-	-	3,522,235
Bond issue costs	-	-	-	-	79,350	-	-	79,350
Total expenditures	27,714,203	6,793,963	1,278,649	4,420,001	4,136,585	5,264,768	16,001,141	65,609,310
Excess (deficiency) of revenues over expenditures	(1,883,634)	158,595	1,082,135	(78,214)	452,155	(4,974,651)	(1,490,754)	(6,734,368)
Other financing sources (uses)								
Transfers in	878,593	-	-	-	-	-	-	878,593
Transfers out	(498,382)	-	-	(380,211)	-	-	-	(878,593)
Capital lease financing	1,206,654	-	-	-	-	-	-	1,206,654
Sale of general capital assets	-	-	51,510	-	-	-	-	51,510
Refunding bonds issued	-	-	-	-	7,935,000	-	-	7,935,000
Premium refunding bonds issued	-	-	-	-	698,171	-	-	698,171
Payment to refunded bond escrows agent	-	-	-	-	(8,553,821)	-	-	(8,553,821)
Total other financing sources (uses)	1,586,865	-	51,510	(380,211)	79,350	-	-	1,337,514
Net change in fund balance	(296,769)	158,595	1,133,645	(458,425)	531,505	(4,974,651)	(1,490,754)	(5,396,854)
Fund balance, beginning of year	6,762,650	4,330,923	4,456,999	1,315,556	3,708,099	4,974,651	5,005,652	30,554,530
Fund balance, end of year	\$ 6,465,881	\$ 4,489,518	\$ 5,590,644	\$ 857,131	\$ 4,239,604	\$ -	\$ 3,514,898	\$ 25,157,676

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

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Reconciliation of the Statement of Revenues, Expenditures, and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012**

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds		\$ (5,396,854)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are capitalized and allocated over their estimated lives and reported as depreciation expense. In the current period, these amounts are:		
Capital outlay expense	\$ 7,149,796	
Depreciation expense	<u>(2,754,047)</u>	
Difference between capital outlay expense and depreciation expense		4,395,749
In the statement of activities, the gain or loss from the sale of capital assets is reported, whereas in the governmental funds, only proceeds from the sale increases financial resources. Thus, the change in net assets differs from the change in fund balances by the cost of capital assets sold less the related accumulated depreciation.		(47,829)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. However, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net assets.		(1,206,654)
In the statement of activities, interest is accrued on outstanding debt, whereas in governmental funds, an interest expenditure is reported when due.		11,635
Governmental funds report the effect of bond issuance costs and bond premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		(49,248)
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets:		
General obligation bond payments	535,000	
Capital lease payments	<u>867,000</u>	
Total payments on long-term liabilities		1,402,000
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Early retirement payable	126,643	
Post employment health care liability	(221,000)	
Compensated absences payable	59,999	
Arbitrage payable	<u>1,515,921</u>	
Total expenses		1,481,563
Internal service funds are used by management to charge the costs of the self-insured health insurance fund. The net revenue (expense) of the internal service fund is reported with governmental activities.		<u>326,291</u>
Change in net assets of governmental activities		<u>\$ 916,653</u>

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

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Fund Net Position
Proprietary Funds
June 30, 2012**

	<u>Internal Service Funds</u>
Assets:	
Current assets:	
Cash and cash equivalents	\$ 4,782,918
Interest receivable	84
Premiums receivable	<u>258,247</u>
Total current assets	<u>5,041,249</u>
Liabilities:	
Current liabilities:	
Medical claims payable	<u>378,085</u>
Total current liabilities	<u>378,085</u>
Net Position:	
Total net position restricted for self-insurance claims	<u>\$ 4,663,164</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2012**

	<u>Internal Service Funds</u>
Operating revenues:	
Charges for services	\$ 3,286,891
Operating expenses:	
Contractual services	<u>2,961,372</u>
Operating income (loss)	325,519
Nonoperating revenues:	
Interest revenue	<u>772</u>
Change in net position	326,291
Total net position - beginning of year	<u>4,336,873</u>
Total net position - end of year	<u><u>\$ 4,663,164</u></u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2012**

	<u>Internal Service Funds</u>
Cash flows from operating activities:	
Cash received from services	\$ 3,292,230
Cash payments for claims and administrative expenses	<u>(2,900,928)</u>
Net cash provided by operating activities	<u>391,302</u>
 Cash flows from investing activities:	
Interest on investments	<u>763</u>
 Net increase in cash and cash equivalents	392,065
 Cash and cash equivalents - beginning of year	<u>4,390,853</u>
 Cash and cash equivalents - end of year	<u><u>\$ 4,782,918</u></u>
 Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 325,519
Adjustments to reconcile operating income to net cash provided by operating activities:	
Change in insurance receivable	5,339
Change in medical claims payable	<u>60,444</u>
Net cash provided by operating activities	<u><u>\$ 391,302</u></u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Statement of Fiduciary Net Position
Fiduciary Funds
June 30, 2012**

	<u>Agency Funds</u>
Assets:	
Cash and cash equivalents	\$ 486,052
Total assets	<u>\$ 486,052</u>
Liabilities:	
Accounts Payable	<u>\$ 486,052</u>
Total liabilities	<u>\$ 486,052</u>

**Hutchinson Public Schools
Unified School District No. 308**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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**Hutchinson Public Schools
Unified School District No. 308**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

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**Hutchinson Public Schools
Unified School District No. 308**

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2012

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Hutchinson Public Schools, Unified School District No. 308, (District) have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting financial reporting principles. The District's significant accounting policies are described below.

A. Reporting Entity

The District is organized under the laws of the State of Kansas (Kansas) and is governed by an elected seven-member board. As required by accounting principles generally accepted in the United States of America, these financial statements present the District (the primary government) and a component unit, for which the District is considered to be financially accountable.

The Hutchinson Recreation Commission is a component unit of the District because the Commission's taxes are levied under the taxing authority of the District and the District appoints the majority of the Commission's governing board. The component unit is presented in a separate column in the district-wide financial statements to emphasize that it is a legally separate organization. Complete financial statements for the Hutchinson Recreation Commission may be obtained from their office at 17 East First Street, Hutchinson, Kansas 67501.

B. District-wide and Fund Financial Statements

District-wide financial statements – The statement of net position and the statement of activities report information on all of the nonfiduciary activities of the primary government and its component unit. The effects of interfund activity have been eliminated from the district-wide financial statements. However, any interfund charges for services provided and used are not eliminated in the process of consolidation.

The statement of net position presents the financial condition of the governmental activities of the District at year-end. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contribution that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. District-wide and Fund Financial Statements (Continued)

Fund financial statements – The fund financial statements include separate financial statements that are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. Non-major funds are aggregated and presented in a single column.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the fiduciary fund financial statements, except for agency funds, which have no measurement focus. All assets and liabilities associated with the operation of the District are included on the statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the budget year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets and current liabilities generally are included on the balance sheet. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Entitlements and state aid are recorded at the time of receipt or earlier if the criteria for accrual are met. Expenditure-driven grants are recognized as revenues when the qualifying expenditures have been incurred and all other grant requirements have been met. Other receipts become measurable and available when cash is received by the government and is recognized as revenue at that time.

The District reports the following major governmental funds:

General Revenue Funds -

General Fund – This is the District's primary operating fund. It accounts for all financial resources of the District except those required to be accounted for in another fund. The primary revenue sources are taxes and state aid.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Supplemental General Fund – This fund is used to account for revenue received and expenditures incurred related to the District's Local Option Budget (LOB). The LOB allows school districts to spend above the amount provided by the state in the general fund weighting formula. The primary revenue sources are taxes and state aid.

Professional Development Fund – This fund is used to account for teacher in-service training program. The primary revenue source is state aid.

Summer School Fund – This fund is used to account for costs associated with the summer school programs. The primary revenue sources are transfers from the General Fund.

Contingency Reserve Fund – This fund is used to provide resources for unforeseen and unplanned needs. The primary revenue sources are transfers from the General

Textbook Rental Fund – This fund is used to account for fees collected and expenditures related to textbooks, workbooks, music instruments, supplies, and other items. The primary revenue sources are state aid and charges for services.

HHS Daycare Fund – This fund is used to account for revenue and expenses relating to the childcare center maintained at the District. The primary revenue sources are federal aid and charges for services.

Special Education Fund – This fund is used to account for programs that deliver educational services to special needs students. The primary revenue sources are state and federal aid.

Capital Outlay Fund – This fund accounts for the acquisition, construction, reconstruction, repair, remodeling, additions to, furnishing, and equipping of District buildings. The primary revenue source is taxes.

Debt Service Fund – This fund accounts for the payment of principal and interest on the District's general obligation bonds. The primary revenue sources are taxes and

Capital Projects Fund – This fund accounts for the use of bond proceeds for the construction and remodeling of the District's facilities. The primary revenue sources are the bond proceeds and investment income.

At Risk K-12 – This fund accounts for revenue and expense related to At Risk K-12 children. The primary revenue source is state aid.

Federal Grants – This fund accounts for revenue and expenses of programs administered in accordance with federal grants awarded to the district. The primary revenue source is federal grants.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the District reports the following fund types:

Internal Service Fund – This fund accounts for the District's self-insured medical program.

Fiduciary Funds – The District has three agency funds which are used to account for assets held by the District as an agent for others. The funds include assets held for the student activity funds and for the District's component unit. They are custodial in nature and do not involve measurement of results of operations.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's internal services funds are charges for medical insurance services. Operating expenses for internal service funds include the payment of medical claims and the related administrative expenses. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

As permitted by generally accepted accounting principles, the District has elected to apply only applicable Financial Accounting Standards Board Statements and Interpretations issued on or after November 30, 1989, that do not contradict GASB pronouncements in its accounting and reporting practices for its business-type (enterprise) activities. The District currently does not have any enterprise activities.

Expenditures in the financial statements are grouped by function. Following are descriptions of the District's functions.

Instruction – Activities that deal directly with the interaction between teachers and students.

Student support services – Activities designed to assess and improve the well-being of students and to supplement the teaching process.

Instructional support services – Activities associated with assisting the instructional staff with the content and process of providing learning experiences for students.

General administration – Activities concerned with establishing and administering policy for operating the school district.

School administration – Activities concerned with overall administrative responsibility for a school.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Operations and maintenance – Activities concerned with keeping the physical plant open, comfortable, and safe for use, and keeping the grounds, buildings, and equipment in effective working condition.

Student transportation services – Activities concerned with conveying students to and from school, as provided by state and federal law.

Other support services – All other support services not classified elsewhere.

Food services operations – Activities concerned with providing food to students and staff in the school district.

Community service operations – Activities concerned with providing community services to students, staff, or other community participants.

Architectural and engineering services – The activities of architects and engineers related to acquiring and improving sites and buildings for those preliminary activities that may or may not result in additions to the school district's property.

Facilities acquisition and construction service – Activities concerned with acquiring land and buildings, remodeling buildings, constructing buildings and additions to buildings, initially installing or extending service systems and other built-in equipment, and improving sites.

Debt Service – Activities relating to servicing the long-term debt of the school district, including payments of both principal and interest.

D. Uses of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and the accompanying notes. Actual results may differ from those estimates.

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. Deposits and Investments

Kansas Statute 12-1675 authorizes the District to invest moneys in time deposits, certificates of deposits, repurchase agreements consisting of obligations insured by the U.S. government or any agency thereof, U.S. Treasury bills or notes with maturities not exceeding two years, and the Kansas Municipal Investment Pool. Investments are reported at fair value based on quoted market prices.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

1. Deposits and Investments (Continued)

Cash resources of the individual funds are combined to form a pool of cash and temporary investments that are managed by the District Treasurer. Investments of the pooled accounts consist primarily of certificates of deposits and the Kansas Municipal Investment Pool. Interest income earned is allocated to various funds based upon statutory guidelines.

For purposes of the statement of cash flows, the District considers all investments by fund in the District's cash and investment pool to be cash equivalents.

2. Receivables

Taxes receivable - Property taxes are assessed on a calendar-year basis and become a lien on the property on November 1 of each year. The County Treasurer is the tax collection agent for all tax entities within the county. Property owners have the option of paying one-half or the full amount of the taxes levied on or before December 20 during the year levied with the balance to be paid on or before May 10 of the following year. Tax installments paid to the County Treasurer in May are budgeted to finance the current year's operations and are distributed to the District prior to the fiscal year end.

State aid receivable – State statutes provide that in the month of June of each school year, the final payment (from the State to District) shall be made of the full amount of the state aid for the year. The State did not make the final general fund state aid payment of \$3,148,581 or the supplemental general state aid payment \$267,606 for the fiscal year ended June 30, 2012 until July 2012. The District was instructed by the State to record the final payment as though it had been received on June 30, 2012. These receipts were recorded for the budgetary basis; however, they were recorded as a receivable by the general and supplemental general funds on the district-wide and fund financial statements.

3. Inventories

All inventories are valued at cost using the average cost method. Inventories in the general fund consist of educational and maintenance supplies. Inventories in the special revenue funds are food supplies. Inventories are recorded as expenditures when consumed rather than when purchased. Reported inventories in the funds are equally offset by a nonspendable fund balance, which indicates they are unavailable for appropriation even though they are a component of reported assets.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

4. Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets of the District are defined as assets with an initial individual cost of more than \$500. However, the District records only capital assets in excess of \$5,000 on the district-wide financial statements. Capital assets are recorded at historical cost, or estimated historical cost if actual is not available. Donated capital assets are recorded at their estimated fair value as of the date received. The costs of normal maintenance and repairs, that do not add to the value of the asset or materially extend an asset's life, are not capitalized. The District does not possess any significant infrastructure, such as roads or bridges.

All reported capital assets except land and artwork are depreciated. Amortization expense of equipment under capital leases is included in depreciation expense. Depreciated is computed using the straight-line method over the following useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Land improvements	20 years
Buildings improvements	20-50 years
Equipment	5-20 years
Vehicles	8 years

The District owns various works of art that are included in capital assets on these financial statements. Any revenue generated by the artwork would be available to be spent for educational purposes.

5. Medical Claims Payable

The medical claims payable relates to the District's self-insured health care program and includes reported, as well as incurred but not reported, medical claims. These are expected to be fully paid within one year of the financial statement date.

6. Compensated Absences

District personnel are eligible for vacation and/or sick leave benefits in varying amounts depending upon the classification of the employee. Upon separation from the District, unused vacation leave and unused sick leave are eligible for payment to employees according to District policy as stated in District handbooks and the negotiated agreement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

6. *Compensated Absences (Continued)*

Unused vacation must be used by June 30th of the following fiscal year, or the benefit lapses. If the employee should separate from the District within that timeframe, compensation for unused vacation leave is limited to the amount earned at the beginning of that particular fiscal year. Thus, all liability associated with vacation compensation is due within one year of the fiscal year end.

Unused sick leave is accumulated up to a specified maximum number of days. Upon separation from the District, the compensation is based upon a pre-determined daily dollar amount multiplied by the number of accumulated sick days.

The compensated absences liability is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental fund financial statements only when the liability has matured, for example, as a result of employee resignations and retirements.

7. *Long-Term Obligations*

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. *Deferred Outflow/Inflows of Resources*

In addition assets, the statement of financial position will sometimes report a separate section for deferred outflow of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

8. *Deferred Outflow/Inflows of Resources (Continued)*

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District does not have any of this type of item.

9. *Fund Balances*

In the fund financial statements, governmental balances are classified as follows:

Non-spendable – Includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual constraints.

Restricted – Amounts which can be spent only for specific purposes because of state or federal laws, or extremely imposed conditions by grantors or creditors.

Committed – Amounts which can be used only for specific purposes determined by the Board of Education's formal action through a resolution.

Assigned – Includes fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board or Management. The Board adopted a resolution establishing the authority to assign funds.

Unassigned – All amounts not included in other spendable classifications.

In governmental funds when an expenditure is incurred that can be paid using either restricted or unrestricted resources, the District's policy is generally to first apply the expenditure toward restricted fund balance and then to other, less-restrictive classifications – committed, assigned, and then unassigned fund balances.

The District does not have a minimum fund balance policy. They rely on Kansas Statutes for those funds that, by statute, have requirements placed on ending unencumbered cash.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

E. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (Continued)

10. Net Position

Net positions represent the difference between assets and liabilities on the district-wide financial statements. Net positions are classified in the following categories:

Invested in capital assets, net of related debt – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that attributed to the acquisition, construction, or improvement of the assets.

Restricted net position – This amount is restricted by creditors, grantors, contributors, or laws or regulations of other governments.

Unrestricted net position – This amount is the net assets that do not meet the definition of “invested in capital assets, net of related debt” or “restricted net position”.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

Kansas statutes require budgets be adopted for all funds, unless exempted by a specific statute. The statutes provide for the following sequence and timetable in the adoption for the legal budget.

1. Preparation of the budget for the succeeding fiscal year on or before August 1.
2. Publication in local newspapers of the proposed budget and notice of public hearing on the budget on or before August 5.
3. Public hearing on or before August 15, but at least 10 days after publication of notice of hearing.
4. Adoption of the final budget on or before August 25.

Kansas statutes dictate the level of the general fund budget based on a formula that uses a specific dollar amount per full-time equivalent weighted student as of September 20. Because the number of students as of September 20 of the budget year is not known at the time of budget adoption, an estimated number is used. If the estimate is too high, the general fund budget is automatically reduced to the actual number without requiring any formal Board action. If the estimate is too low, the Board of Education may increase the general fund budget to the actual amount only after following statutory procedures for publication and public hearing.

Kansas statutes limit the supplemental general fund budget to a percentage of the general fund budget; therefore, this budget could have a corresponding adjustment when the general fund is adjusted to the legal maximum budget amount.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

A. Budgetary Information (Continued)

The District's legal level of budget control is at the fund level. Kansas statutes allow for the governing body to increase the original adopted budget for previously unbudgeted increases in revenue other than ad valorem 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.

Kansas statutes permit transferring budgeted amounts from one object or purpose to another within the same fund; however, such statutes prohibit creating expenditures in excess of the total amount of the adopted budget of expenditures of individual funds.

All legal operating budgets are prepared using the statutory basis of accounting. Revenues are recognized when cash is received. Expenditures include disbursements, accounts payable, and encumbrances. Encumbrances are commitments for future payment and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year end. Encumbered appropriations are not re-appropriated in the ensuing year's budget but are carried forward until liquidated or canceled. Accordingly, the data presented in the budgetary comparison schedules differ from the data presented in the financial statements prepared in accordance with GAAP. The reconciliations are presented on the face of the budgetary comparison schedules.

A legal operating budget is not required for the internal service fund, agency funds, capital project funds, and the following general and special revenue funds.

General Revenue Funds

Contingency reserve	HHS Daycare
Textbook rental	

Special Revenue Funds

Athletic activities	District activity funds
Arbitrage Rebate	EEC Depreciation Reserve
Scholarship funds	Employee Wellness
Dayschool Depreciation Reserve	

B. Compliance with the Kansas Cash Basis Law

Kansas municipalities are subject to the Cash-Basis Law as stated in Kansas Statute 10-1113. However in accordance with Kansas Statute 12-1663, the Federal Grants Fund has a negative unencumbered cash balance at June 30, 2012. This fund will be reimbursed in the following fiscal year from federal grant programs. This receivable has been recognized for GAAP purposes on the fund financial statements.

II. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (Continued)

C. General Obligation Bond Debt Limitation

The District's limitation on bond issues is established by Kansas Statute 72-6761 which states that the aggregate amount of bonds which the District can issue without authority from the State Board of Education is 14% of the assessed valuation. The State Board of Education authorized the District to exceed its statutory limit in August 2006 for the 2007-A General Obligation Bond Issue.

14% of assessed valuation	\$ 31,183,621
General obligation debt applicable to limitation	(79,335,000)
Less debt service fund	<u>(4,239,604)</u>
Debt in excess of limitation	<u>\$ (52,390,983)</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

As of June 30, 2012, the balance of deposits and investments are as follows:

Cash and cash equivalents:	
Deposits in financial bank institutions	\$ 5,987,042
Certificates of deposits	351,521
State investment pool	<u>23,250,415</u>
Total cash and cash equivalents	<u>\$ 29,588,978</u>

A reconciliation of this cash to the basic financial statements is as follows:

Cash and cash equivalents per the Statement of Net Position	\$ 29,102,926
Cash and cash equivalents per the Statement of Fiduciary Net Position	<u>486,052</u>
Total shown on basic financial statements	<u>\$ 29,588,978</u>

The District's policies relating to deposits and investments are governed by various Kansas Statutes (KSA). Those statutes specify the type of deposits and investments as well as the methods of securing those deposits and investments.

Interest rate risk – Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. In accordance with Kansas Statute 12-1675, the District manages its exposure to interest rate fluctuations by limiting all time investments to maturities of less than two years.

III. DETAILED NOTES ON ALL FUNDS (Continued)

A. Deposits and Investments (Continued)

Credit risk – State law limits the amount of credit risk by restricting governments to specific investment types as listed in KSA 12-1675 (See Note I. E. 1). The District's practice is to place idle funds in certificates of deposits and the Kansas Municipal Investment Pool (KMIP). The KMIP was rated AA Af/S1+ by Standard & Poor's as of March, 2012. The KMIP is permitted to invest in fully collateralized certificates of deposit, certain obligations of the United States, certain repurchase/reverse repurchase agreements, and other types of investments. The fair value of the investments in the pool are the same as the value of the pool shares. The KMIP is managed by the Pool Investment Board of which four members are appointed by the Governor of the State of Kansas.

Custodial credit risk – The custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty to a transaction, a government will not be able to recover the value of investment or collateral securities that are in the possession of an outside party. Kansas Statutes 9-1402 and 9-1405 requires that governments obtain security for all deposits. The District manages its custodial credit risk by requiring the financial institutions to grant a security interest in securities held by third-party custodial banks. Monies in the Kansas Municipal Investment Pool are not required to have pledged securities. As of June 30, 2012, the District was not exposed to custodial credit risk with its deposits or investments.

Concentration of credit risk – This is the risk of loss attributed to the magnitude of a government's investment in a single issuer. The District manages this risk by placing funds with financial institutions only after contacting all eligible institutions in the taxing area and by the fact that the monies in the Kansas Municipal Investment Pool are diverse according to the policies of the investment pool.

The Hutchinson Recreation Commission is governed by the same Kansas Statutes as the District. The Commission's cash at December 31, 2011, consisted of:

Deposits in financial banking institutions	\$ 159,235
State investment pool	<u>419,312</u>
Total component unit cash	<u>\$ 578,547</u>

III. DETAILED NOTES ON ALL FUNDS (Continued)

B. Capital Assets

Capital asset activity of the governmental activities for the year ended June 30, 2012 was as follows:

	Beginning <u>Balances</u>	Prior Period <u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balances</u>
Non-depreciable capital assets:					
Land	\$ 1,938,440	\$ -	\$ -	\$ -	\$ 1,938,440
Construction in progress	51,796,791	(25,657,997)	5,264,769	(31,403,563)	-
Artwork	<u>241,785</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>241,785</u>
Total non-depreciable capital assets	<u>53,977,016</u>	<u>(25,657,997)</u>	<u>5,264,769</u>	<u>(31,403,563)</u>	<u>2,180,225</u>
Depreciable capital assets:					
Land improvements	1,308,868	-	7,485	-	1,316,353
Building	45,798,013	14,272,239	31,714,609	-	91,784,861
Equipment	4,829,574	71,768	295,830	(125,968)	5,071,204
Vehicles	1,649,132	-	64,012	(53,544)	1,659,600
Capitalized leased equip	<u>4,541,999</u>	<u>-</u>	<u>1,206,654</u>	<u>(3,539,624)</u>	<u>2,209,029</u>
Total deprec capital assets	<u>58,127,586</u>	<u>14,344,007</u>	<u>33,288,590</u>	<u>(3,719,136)</u>	<u>102,041,047</u>
Accumulated depreciation:					
Land improvements	126,050	-	60,392	-	186,442
Buildings	14,011,042	23,787	1,618,912	-	15,653,741
Equipment	2,700,878	(65,142)	412,983	(131,683)	2,917,036
Vehicles	1,228,405	(53,544)	109,856	-	1,284,717
Leased equipment	<u>3,694,734</u>	<u>-</u>	<u>646,803</u>	<u>(3,539,624)</u>	<u>801,913</u>
Total accumulated deprec	<u>21,761,109</u>	<u>(94,899)</u>	<u>2,848,946</u>	<u>(3,671,307)</u>	<u>20,843,849</u>
Governmental activities					
capital assets (net)	<u>\$ 90,343,493</u>	<u>\$ (11,219,091)</u>	<u>\$ 35,704,413</u>	<u>\$ (31,451,392)</u>	<u>\$ 83,377,423</u>

Depreciation expense was charged to functions/programs of the primary government as

Instruction	\$ 1,904,803
Student support services	598
Instructional support	111,640
Operations and maintenance	68,819
Student transportation	20,444
Other support services	58,640
Food service operations	<u>37,199</u>
Total governmental activities depreciation expense	<u>\$ 2,202,143</u>

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-Term Liabilities

Long-term liabilities, relating to the District's governmental activities, are as follows:

	Balance at Beginning of Year	Additions	Payments/ Reductions	Balance at End of Year	Due Within One Year
General obligation bonds	\$ 79,335,000	\$ 7,935,000	\$ 8,050,000	\$ 79,220,000	\$ 1,920,000
Premium on bonds	900,884	698,171	110,011	1,489,044	110,011
Capital lease obligations	867,716	1,206,654	867,000	1,207,370	556,418
Early retirement program	950,215	204,815	331,458	823,572	302,524
Compensated absences	708,532	4,350	64,349	648,533	352,964
Arbitrage liability	1,515,921	-	1,515,921	-	-
Post employment health care	369,000	221,000	-	590,000	-
	<u>\$ 84,647,268</u>	<u>\$ 10,269,990</u>	<u>\$ 10,938,739</u>	<u>\$ 83,978,519</u>	<u>\$ 3,241,917</u>

The general obligation bonds will be paid through the Debt Service Fund which will be funded with future property tax revenues. The capital lease obligations are liquidated primarily by the General Fund and the Supplemental General Fund. The early retirement program is generally liquidated by the General Fund, with certain amounts allocated to various special revenue funds. Compensated absences are liquidated by the fund where each employee's regular salary is charged (primarily the General Fund and various special revenue funds). The arbitrage liability will be liquidated with funds accumulated in the Arbitrage Rebate Fund. The post employment health care is actuarially determined and any related effect would be funded by the General Fund.

General Obligation Bonds

Details of the bond issues are as follows:

Series 2007 General Obligation Bond Series A, original issue amount \$78,800,000, proceeds used to construct and equip new school facilities and to make improvements to existing facilities, future payments due in annual installments of \$1,920,000 to \$8,735,000, starting in 2012, interest rate ranges from 3.00% to 5.50%

\$ 71,285,000

Series 2012 Taxable General Obligation Refunding Bond, original issue amount \$7,935,000, proceeds used to establish an escrow fund to provide for a certain payment of the Series 2007 bonds (has been paid in full), future payments due in annual installments of \$110,000 to \$7,080,000, interest rate is from 2.375% to 3.375%

7,935,000

Total

\$ 79,220,000

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-Term Liabilities (Continued)

Annual debt service requirements for the general obligation bonds are as follows:

Year ending June 30,	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,920,000	\$ 3,469,925	\$ 5,389,925
2014	2,250,000	3,386,525	5,636,525
2015	2,600,000	3,274,900	5,874,900
2016	2,915,000	3,128,113	6,043,113
2017	3,260,000	2,966,450	6,226,450
2018-2022	22,875,000	11,390,930	34,265,930
2028	8,735,000	131,025	8,866,025
	<u>\$ 79,220,000</u>	<u>\$ 34,100,312</u>	<u>\$ 113,320,312</u>

Advance Refunding

The District issued \$7,935,000 of general obligation refunding bonds to advance refund a portion of the District's Series 2007-A General Obligation Bonds. The purpose of the refunding was to lower interest rates and provide taxpayers savings. As a result, the refunded bonds are considered to be defeased and the proceeds of new bonds were placed in an irrevocable trust to provide for all future debt service payments on the portion of the old bonds that were refunded. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the District's financial statements and the liability of the defeased debt has been removed from the government-wide financial statements. At June 30, 2012, the amount of outstanding defeased bonds totaled \$7,515,000. The reacquisition price exceeded the net carrying amount of the old debt by \$698,171. This amount is being netted against the new debt and amortized over the remaining life of the refunded debt, which is shorter than the life of the new debt issued. This advance refunding was undertaken to reduce total debt service payments over the next thirteen years by \$593,006 and resulted in an economic gain of \$445,521.

Excerpt from Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balance.

Other financing sources (uses):

Proceeds of refunding bonds	\$ 7,935,000
Payment to refunded bond escrow agent	\$ (8,553,821)

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-Term Liabilities (Continued)

Capital Lease Obligations

The District has entered into various lease agreements for financing the acquisition of equipment. These lease agreements qualify as capital leases for accounting purposes and, therefore, have been reported at the present value of their future minimum lease payments as of the inception date. The equipment purchased under capital leases totals \$2,203,006 and is included in the capital assets of the District. The amortization of this equipment has been included in the District's depreciation expense. Obligations of the District's governmental activities under capital leases at June 30, 2012, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
Year ending June 30,			
2013	\$ 556,419	\$ 32,875	\$ 589,294
2014	571,131	18,163	589,294
2015	79,821	2,866	82,687
Total lease payments	<u>\$ 1,207,371</u>	<u>\$ 53,904</u>	<u>\$ 1,261,275</u>

Early Retirement Benefits Program

At the discretion of the Board of Education, the District offers a voluntary early retirement program to eligible staff members. The staff member can select either ten percent (10%) of the member's "average annual income" plus two hundred dollars/month (\$200) to be used toward payment of a health insurance policy as part of the district health insurance plan or fifteen percent (15%) of the member's "average annual income." Staff members must meet the following eligibility requirements:

1. The staff member shall be eligible by age and experience for full retirement benefits under the Kansas Public Employees Retirement System (KPERS) or the employee shall be a minimum of sixty (60) years of age at some time during the calendar year in which early retirement is requested.
2. The staff member shall be receiving retirement benefits from KPERS or from Social Security Administration.
3. The staff member shall not be older than sixty-four (64) years on the date of retirement.
4. The staff member shall have a minimum of fifteen (15) years of credited full-time service with the district of which the last ten (10) are consecutive.
5. The staff member shall have a minimum of twenty (20) years of credited service as
6. The staff member shall be a full-time employee of the District.
7. Participation in the district's Early Retirement Program by a member shall not create a hardship for the district or its students.

III. DETAILED NOTES ON ALL FUNDS (Continued)

C. Long-Term Liabilities (Continued)

Early Retirement Benefits Program (Continued)

8. The participation in the district's Early Retirement Program by a member must be approved by the superintendent.

This benefit program is unfunded and current costs are paid by the fund where each employee's salary is charged (the General Fund and various special revenue funds). For the year ended June 30, 2012, the District paid \$331,898 in benefits. The liability for the early retirement program includes the expected cash outflows discounted at an average of 3.06%. At year end, there were 49 retirees receiving benefits.

Arbitrage Payable

Arbitrage is the difference between the yield on an issuer's tax-exempt bonds and the investment income earned on the bond proceeds. Arbitrage restrictions imposed by the federal government prohibit an issuer from retaining arbitrage profits when investing bond proceeds at a yield that exceeds the yield on the bonds. Any excess arbitrage must be rebated to the U.S. Treasury. The Series 2007-A Bonds are subject to arbitrage. The District has remitted the arbitrage to the U.S. Treasury and no longer has a liability at June 30, 2012.

D. Operating Lease Obligations

The District leases an athletic facility for various District activities from the Educational Facilities Authority of Reno County for a total cost of \$115,920 per year through 2015 and \$80,000 per year for 2016 to 2018. The lease agreement is classified as an operating lease for accounting purposes. The operating lease has an annual renewal option with the last possible renewal term ending in 2018. The Educational Facilities Authority of Reno County is a joint venture of the District as detailed in Note IV. C.

The future minimum lease payments are as follows:

	<u>Authority</u>
Year ending June 30,	
2013	\$ 115,920
2014	115,920
2015	115,920
2016	80,000
2017	80,000
2018	80,000
	<u>\$ 587,760</u>

III. DETAILED NOTES ON ALL FUNDS (Continued)

E. Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. There has been no significant change in insurance coverage from the previous fiscal year. Settled claims have not exceeded commercial insurance coverage in any of the last three years.

The District has established a self-insured health care program for eligible District employees and covered dependents. The activity is reported in an internal service fund on these financial statements. The District limits its exposure through specific and aggregate stop-loss coverage. All claims handling procedures are performed by a third-party claims administrator. Reported unpaid claims, as well as incurred but not reported claims, have been accrued as a liability based upon the claims administrator's estimate. These claims are expected to be fully paid within one year of the financial statement date.

Changes in claims liabilities during the past two years are summarized below:

Unpaid claims, June 30, 2010 (as adjusted in prior year)	\$ 260,372
Claims incurred (including incurred but not reported)	2,266,302
Claim payments	<u>(2,209,033)</u>
Unpaid claims, June 30, 2011	\$ 317,641
Claims incurred (including incurred but not reported)	2,370,654
Claim payments	<u>(2,310,210)</u>
Unpaid claims, June 30, 2012	<u>\$ 378,085</u>

F. Interfund Receivables and Payables

The General Fund recorded Due to Other Funds (payable) of \$858,502 and the Special Education Fund recorded an offsetting Due From Other Funds (receivable) on the Balance Sheet. This interfund payable was the result of a cash advance from the Special Education Fund.

Due to the implementation of GASB 54, the majority of the transfers made under the statutory basis of accounting or "internal books," are now classified as state aid. GASB 54 states that "specific restricted or committed revenues may be initially received in another fund and subsequently distributed to a special revenue fund. Those amounts should not be recognized as revenue in the fund initially receiving them; however, those inflows should be recognized as revenue in the special revenue fund in which they will be expended in accordance with specified purposes." State aid is initially received in the

III. DETAILED NOTES ON ALL FUNDS (Continued)

F. Interfund Receivables and Payables (Continued)

General and Supplemental General Funds. By various state statutes, the District is required to make transfers of this state aid to other special revenue funds. For purposes of GAAP presentation, these transfers are now shown as state aid in their respective special revenue funds. The below transfers reflect the true transfers made under GAAP presentation as defined by GASB 54.

Interfund transfers occurred during the year and were made between the funds identified in the following table:

	<u>Texbook Rental</u>	<u>Summer School</u>	<u>General Fund</u>	<u>Total</u>
Transfer from:				
General Fund	\$ 494,320	\$ -	\$ -	\$ 494,320
General Fund	-	4,062		4,062
At Risk K-12	-	-	380,211	380,211
	<u>\$ 494,320</u>	<u>\$ 4,062</u>	<u>\$ 380,211</u>	<u>\$ 878,593</u>

Transfers are used to move revenue from the fund where state statute or the District's budget requires them to be collected to the fund from which they are required to be expended under state statute or the District's budget.

H. Defined Benefit Pension Plan

Plan Description. The District participates in the Kansas Public Employees Retirement System (KPERs), a cost-sharing, multiple-employer defined benefit pension plan as provided by K.S.A. 74-4901 et seq. KPERs provides retirement benefits, life insurance, disability income benefits, and death benefits. Kansas law establishes and amends benefit provisions. KPERs issues a publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to KPERs (611 South Kansas, Suite 100, Topeka, Kansas 66603) 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. Member-employees' contributions are withheld by their employer and paid to KPERs according to the provisions of sections 414(h) of the Internal Revenue Code.

III. DETAILED NOTES ON ALL FUNDS (Continued)

H. Defined Benefit Pension Plan (Continued)

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. These contribution requirements are established by KPERS and periodically revised. Kansas' contributions to KPERS for all Kansas public school employees for the years ending June 30, 2012, 2011, and 2010 were \$298,635,383, \$253,834,044, and \$248,468,186, respectively, equal to the required contributions for each year as set forth by the legislature. The amounts attributable to the District for the years ending June 30, 2012, 2011, and 2010, were \$ 3,162,910, \$1,874,199, and \$2,208,557, respectively, equal to the required contributions for each year. The revenue and the related expenses are reported in a special revenue fund of the District and are included in these financial statements.

I. Post Employment Healthcare Plan

Plan Description. Hutchinson Public Schools Post Employment Healthcare Plan (the Plan) is a single-employer defined benefit healthcare plan administered by the Hutchinson Public Schools #308 (the District). The Plan provides healthcare benefits, including medical, dental, and prescription drug to retirees. Retiree health coverage is provided for under K.S.A. 12-5040. No separate financial report is issued for the Plan.

A full-time employee is eligible for full retirement benefits under KPERS under any of the following conditions:

Age 65 with one year of service (not applicable as benefits cease at age 65);

Age 62 with 10 years of service;

Any age when combined age and years of credited service equal 85 "points;" or

A minimum of sixty years of age at some time during the calendar year in which early retirement is requested (the employee cannot be older than sixty-four years on the date of retirement). The employee will have a minimum of fifteen years of credited full-time service with the District of which the last ten are consecutive and the employee will have a minimum of twenty years of credited service as recognized by KPERS.

Retiree coverage terminates either when the retiree becomes covered under another employer health plan, or when the retiree reaches the Medicare eligibility age which is currently age 65. Spousal coverage is available until retiree becomes covered under another employer health plans, attains Medicare eligibility age, or dies.

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post Employment Healthcare Plan (Continued)

Funding Policy. As provided by K.S.A. 12-5040, the District allows retirees to participate in the group health insurance plan. The funding policy of the District is to pay premiums as they come due through the Health Care internal service fund. The contribution requirements of plan members and the District are established and may be amended by the Board of Education. The required contribution is based on the projected pay-as-you-go financing requirements. District retirees pay all but \$200 of their premiums. The District pays claims costs for retirees through its Health Care internal service fund, as described in Note III E.

Annual OPEB Cost and Net OPEB Obligation. The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Districts' net OPEB obligation to the Plan:

Annual OPEB Cost and Net OPEB Obligation (Continued)

Annual required contribution	\$ 409,000
Interest on net OPEB obligation	17,000
Adjustment to annual required contribution	<u>(22,000)</u>
Annual OPEB cost (expense)	404,000
Contributions made	<u>183,000</u>
Increase in net OPEB obligation	221,000
Net OPEB obligation - beginning of year	<u>369,000</u>
Net OPEB obligation - end of year	<u>\$ 590,000</u>

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation for the year ended June 30, 2012, was as follows:

Fiscal Year <u>Ended</u>	Annual OPEB Cost <u>Cost</u>	Annual OPEB Cost <u>Contributed</u>	Net Percentage <u>Contributed</u>	Net OPEB <u>Obligation</u>
June 30, 2010	\$ 359,000	\$ 198,000	55.2%	\$ 215,000
June 30, 2011	\$ 359,000	\$ 205,000	57.1%	\$ 369,000
June 30, 2012	\$ 404,000	\$ 183,000	45.3%	\$ 590,000

III. DETAILED NOTES ON ALL FUNDS (Continued)

I. Post Employment Healthcare Plan (Continued)

Funded Status and Funding Progress. As of October 1, 2011, the most recent actuarial valuation date, the plan was not funded. The actuarial accrued liability for benefits was \$3,232,000, and there was no actuarial value of assets, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,232,000. The covered payroll (annual payroll of active employees covered by the plan) was \$29,875,980, and the ratio of the UAAL to the covered payroll was 10.82 percent.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets (if any) is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions. Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculation.

In the October 1, 2011, actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions included a 4.5 percent investment rate of return (net of administrative expenses), which is a blended rate of the expected long-term investment returns on plan assets and on the District's own investments calculated based on the funded level of the plan at the valuation date, and an annual healthcare cost trend rate of 10 percent initially, reduced by decrements of .5 percent to an ultimate trend rate of 5 percent after ten years. Both rates include a 3.0% inflation assumption. The UAAL is being amortized as a level dollar of projected payroll on an open basis. The remaining amortization period at October 1, 2011, was thirty years.

J. Fund Balance Disclosures

Fund Balance - See table on next page.

Hutchinson Public Schools
Unified School District No. 308
Disclosure of Fund Balances Reported on Balance Sheet
6/30/12

	General	Special Education	Capital Outlay	At Risk K-12	Debt Service	Other Governmental Funds	Total Governmental Funds
FUND BALANCES:							
Nonspendable							
Inventory	\$ 77,947	\$ -	\$ -	\$ -	\$ -	\$ 42,342	\$ 120,289
Restricted for:							
Debt service	-	-	-	-	4,239,604	-	4,239,604
Special Education	-	4,489,518	-	-	-	-	4,489,518
Capital Outlay	-	-	5,590,644	-	-	-	5,590,644
At Risk 4 Year Olds	-	-	-	-	-	75,954	75,954
At Risk K-12	-	-	-	857,131	-	-	857,131
Bilingual	-	-	-	-	-	418,757	418,757
Driver Training	-	-	-	-	-	99,231	99,231
Food Service	-	-	-	-	-	1,005,868	1,005,868
Parent Education	-	-	-	-	-	242,415	242,415
Vocational	-	-	-	-	-	946,687	946,687
Federal funds	-	-	-	-	-	93,777	93,777
Gifts & Grants	-	-	-	-	-	71,715	71,715
Scholarships	-	-	-	-	-	2,468	2,468
EEC Depreciation Reserve	-	-	-	-	-	60,000	60,000
Dayschool Depreciation Reserve	-	-	-	-	-	3,972	3,972
Employee Wellness	-	-	-	-	-	371	371
Committed							
Contingency	1,845,906	-	-	-	-	-	1,845,906
Capital Projects	-	-	-	-	-	-	-
District Activity	-	-	-	-	-	194,769	194,769
Athletic Activity	-	-	-	-	-	256,572	256,572
Assigned							
Assigned to General	1,023,368	-	-	-	-	-	1,023,368
Assigned to Supplemental General	49,070	-	-	-	-	-	49,070
Assigned to Professional Development	8,450	-	-	-	-	-	8,450
Assigned to Textbook Rental	4,107	-	-	-	-	-	4,107
Unassigned							
Unassigned	3,457,033	-	-	-	-	-	3,457,033
Total Fund Balance	<u>\$ 6,465,881</u>	<u>\$ 4,489,518</u>	<u>\$ 5,590,644</u>	<u>\$ 857,131</u>	<u>\$ 4,239,604</u>	<u>\$ 3,514,898</u>	<u>\$ 25,157,676</u>

III. DETAILED NOTES ON ALL FUNDS (Continued)

J. Fund Balance Disclosures (Continued)

Encumbrance Commitments. At fiscal year end, the government had the following significant contractual or purchase commitments that were outstanding and encumbered against available resources.

<u>Fund</u>	<u>Encumbered For</u>	<u>Amount</u>	<u>Reported within Fund Balance Classification</u>
General Fund	Upgrades for data storage, virtual services, etc.	\$ 228,654	Assigned to General
General Fund	Skyward Student Management	341,510	Assigned to General
Textbook Rental Fund	Books	197,592	Assigned to General Restricted for Capital
Capital Outlay Fund	Various roofing and remodeling projects	216,280	Outlay

Stabilization Arrangements. Under Kansas statutes, the District is permitted to maintain a Contingency Fund. Under current statutes the ending unencumbered cash balance can equal up to 10% of the General Fund. This is effective until the 2012 – 2013 school year. Effective July 1, 2012 it will go down to 6%. This Fund can only be spent if the District's Board passes a Resolution. The ending balance for June 30, 2012 in the Contingency fund was \$1,845,906.

IV. OTHER INFORMATION

A. Contingent Liabilities

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

The District is a defendant in various pending litigation and administrative proceedings. Management anticipates that any potential claims, if any, against the District would be covered by insurance and would not materially affect the District's financial position.

B. Construction Commitments

The District has construction projects in process under the \$78.8 million general obligation bond issue to construct, furnish, and equip new school facilities and make additions and improvements to existing school facilities throughout the District. Construction is complete as of December 2011.

IV. OTHER INFORMATION (Continued)

B. Construction Commitments (Continued)

	Project Authorization	Disbursements to Date
Bond Issue	\$ 78,800,000	
Related increases	9,746,893	
Total authorization	<u>\$ 88,546,893</u>	<u>\$ 88,546,893</u>

C. Joint Venture

In 2003, the District entered into an agreement with the Hutchinson Community College to form a separate legal entity named the Educational Facilities Authority of Reno County (Authority). The purpose of the Authority is to facilitate the renovation, improvement, and acquisition of educational and athletic facilities as determined by the Authority's board of directors. The District has entered into an operating lease agreement with the Authority for the use of an athletic facility. Details of that lease are included in Note III. D. Additionally, the District agreed to make annual contributions to cover an allocated portion of the annual operating costs. For this fiscal year, the District paid operating costs of \$40,367 to the Authority.

Requests for additional financial information should be addressed to the Authority in care of the Hutchinson Community College, 1300 North Plum, Hutchinson, Kansas 67501.

D. Prior Period Adjustments

During the year ended June 30, 2012, the following affected the beginning net position of the District:

Changes were made to reflect the effect of implementing GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities*. This statement requires that bond issue costs are to be shown current-period outflows of resources (expenses).

\$ 872,997

Changes were made to the capital asset records for Buildings asset account to reflect the completion of the CTEA building at the very end of June 30, 2011. This was a reclass from Construction in Progress to Buildings.

(14,344,007)

IV. OTHER INFORMATION (Continued)

D. Prior Period Adjustments (Continued)

Changes were made to the capital asset records for Construction in Progress asset account. The District had general construction costs that were not directly associated with the remodeling or new construction of the District's assets. At the end of the construction period, these expenses have been appropriately determined to not be capitalized and thus expensed to their respective prior years. In addition this amount reflects the reclass of the CTEA building to capital asset Buildings account.

25,658,067

Total prior period adjustment on Statement of Activities

\$ 12,187,057

The net prior period adjustment is shown as an increase in the beginning net position in the Statement of Activities.

III. OTHER INFORMATION (Continued)

Pending Governmental Accounting Standards

The effect on the District's financial statements for the following statements issued, but not yet adopted, has not yet been determined.

GASB Statement No. 61, *The Financial Reporting Entity*, was issued in December 2010. This statement provides guidance on information presented about the financial reporting entity and its component units. Amends the criteria for blending component units in certain circumstances. This is effective for periods beginning after June 15, 2012.

GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, was issued in December 2010. This statement incorporates FASB, APB, and ARB pronouncements, not conflicting with GASB pronouncements, and issued on or before November 30, 1989, into the GASB authoritative literature. This is effective for periods beginning after December 15, 2011.

**REQUIRED
SUPPLEMENTARY INFORMATION**

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Other Post Employment Benefits
Required Supplementary Information
Year ended June 30, 2012**

Schedule of Funding Progress:

<u>Actuarial</u> <u>Valuation</u> <u>Date</u>	<u>Actuarial</u> <u>Value of</u> <u>Assets</u> <u>(a)</u>	<u>Actuarial</u> <u>Accrued</u> <u>Liability</u> <u>(AAL)</u> <u>(b)</u>	<u>Unfunded</u> <u>AAL</u> <u>(b-a)</u>	<u>Funded</u> <u>Ratio</u> <u>(a/b)</u>	<u>Covered</u> <u>Payroll</u> <u>(c)</u>	<u>UAAL as a</u> <u>Percent of</u> <u>Covered</u> <u>Payroll</u> <u>((b-a)/c)</u>
10/1/2007	\$ -	\$ 1,666,000	\$ 1,666,000	0%	\$ 30,332,166	5.49%
10/1/2009	\$ -	\$ 2,982,000	\$ 2,982,000	0%	\$ 30,000,128	9.94%
10/1/2011	\$ -	\$ 3,232,000	\$ 3,232,000	0%	\$ 29,875,980	10.82%

Schedule of Employer Contributions:

<u>Fiscal</u> <u>Year</u> <u>Ended</u>	<u>Annual</u> <u>OPEB</u> <u>Cost</u> <u>Contributed</u>	<u>Net</u> <u>Percentage</u> <u>Contributed</u>
6/30/2010	\$ 198,000	55.2%
6/30/2011	\$ 205,000	57.1%
6/30/2012	\$ 183,000	45.3%

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Balance Sheet
Major Governmental Funds - General Revenue Funds
Year Ended June 30, 2012**

	General Revenue Funds							
	<u>General</u>	<u>Supplemental General</u>	<u>Professsional Development</u>	<u>Summer School</u>	<u>Contingency Reserve</u>	<u>Textbook Rental</u>	<u>HHS Daycare</u>	<u>Total</u>
Assets:								
Cash, cash equivalents and investments	\$ -	\$ 393,503	\$ 751,987	\$ 146,593	\$ 1,845,906	\$ 1,980,323	\$ 129,758	\$ 5,248,070
State aid receivable	3,148,581	267,606	-	-	-	-	-	3,416,187
Inventory	77,947	-	-	-	-	-	-	77,947
Total assets	<u>\$ 3,226,528</u>	<u>\$ 661,109</u>	<u>\$ 751,987</u>	<u>\$ 146,593</u>	<u>\$ 1,845,906</u>	<u>\$ 1,980,323</u>	<u>\$ 129,758</u>	<u>\$ 8,742,204</u>
Liabilities:								
Accounts payable	\$ 50,519	\$ -	\$ -	\$ -	\$ -	\$ 107,050	\$ -	\$ 157,569
Due to other funds	858,502	-	-	-	-	-	-	858,502
Accrued payroll	<u>1,210,717</u>	<u>49,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,260,252</u>
Total liabilities	<u>2,119,738</u>	<u>49,535</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>107,050</u>	<u>-</u>	<u>2,276,323</u>
Fund Balances:								
Nonspendable	77,947	-	-	-	-	-	-	77,947
Committed	-	-	-	-	1,845,906	-	-	1,845,906
Assigned	1,023,368	49,070	8,450	-	-	4,107	-	1,084,995
Unassigned	<u>5,475</u>	<u>562,504</u>	<u>743,537</u>	<u>146,593</u>	<u>-</u>	<u>1,869,166</u>	<u>129,758</u>	<u>3,457,033</u>
Total fund balances	<u>1,106,790</u>	<u>611,574</u>	<u>751,987</u>	<u>146,593</u>	<u>1,845,906</u>	<u>1,873,273</u>	<u>129,758</u>	<u>6,465,881</u>
Total liabilities and fund balances	<u>\$ 3,226,528</u>	<u>\$ 661,109</u>	<u>\$ 751,987</u>	<u>\$ 146,593</u>	<u>\$ 1,845,906</u>	<u>\$ 1,980,323</u>	<u>\$ 129,758</u>	<u>\$ 8,742,204</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Major Governmental Funds - General Revenue Funds
Year Ended June 30, 2012**

	General Revenue Funds							Total
	General	Supplemental General	Professional Development	Summer School	Contingency Reserve	Textbook Rental	HHS Daycare	General Revenue Funds
Revenues								
Taxes	\$ 3,253,604	\$ 4,454,593	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,708,197
State aid	17,260,552	31,060	43,501	-	-	340,194	-	17,675,307
Federal aid	13,619	-	-	-	-	-	9,000	22,619
Charges for services	-	-	-	-	-	104,646	95,578	200,224
Other	163,022	-	-	30	-	-	61,170	224,222
Total revenue	20,690,797	4,485,653	43,501	30	-	444,840	165,748	25,830,569
Expenditures:								
Instruction	12,183,584	2,898,902	470	4,091	-	629,634	-	15,716,681
Student support services	978,559	34,200	-	-	-	-	-	1,012,759
Instructional support services	1,074,450	110,225	34,999	-	-	6,423	-	1,226,097
General administration	531,769	4,423	-	-	-	-	-	536,192
School administration	1,968,388	186,206	-	-	-	-	-	2,154,594
Operations and maintenance	3,431,475	1,025,830	-	-	-	-	-	4,457,305
Student transportation services	305,894	-	-	-	-	-	-	305,894
Other support services	2,046,472	66,193	-	-	-	-	-	2,112,665
Food service	-	-	-	-	-	-	8,518	8,518
Community service operations	-	-	-	-	-	-	138,790	138,790
Architectural and engineering services	44,708	-	-	-	-	-	-	44,708
Total expenditures	22,565,299	4,325,979	35,469	4,091	-	636,057	147,308	27,714,203
Excess of revenues over (under) expenditures	(1,874,502)	159,674	8,032	(4,061)	-	(191,217)	18,440	(1,883,634)
Other financing sources (uses):								
Transfers in	380,211	-	-	4,062	-	494,320	-	878,593
Transfers out	(4,062)	(494,320)	-	-	-	-	-	(498,382)
Capital lease financing	1,206,654	-	-	-	-	-	-	1,206,654
Total other financing sources (uses)	1,582,803	(494,320)	-	4,062	-	494,320	-	1,586,865
Net change in fund balances	(291,699)	(334,646)	8,032	1	-	303,103	18,440	(296,769)
Fund balances at beginning of year	1,398,489	946,220	743,955	146,592	1,845,906	1,570,170	111,318	6,762,650
Fund balances at end of year	\$ 1,106,790	\$ 611,574	\$ 751,987	\$ 146,593	\$ 1,845,906	\$ 1,873,273	\$ 129,758	\$ 6,465,881

HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS

Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
General Fund
Year Ended June 30, 2012

	Budgeted Original	Amounts Final	Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
Revenue:				
Taxes	\$ 3,072,079	\$ 3,072,079	\$ 3,253,604	\$ 181,525
State aid	25,572,418	26,796,760	26,729,837	(66,923)
Educational Jobs Grant - Federal aid	-	-	13,619	13,619
Reimbursed expenses	-	274,150	163,022	(111,128)
Transfer from authorized funds	380,211	380,211	380,211	-
Total revenue	29,024,708	30,523,200	30,540,293	17,093
Expenditures and encumbrances:				
Instruction	11,607,266	12,813,842	11,015,171	(1,798,671)
Instruction - Educational Jobs Grant	-	-	13,619	13,619
Student support services	1,141,428	1,141,428	978,559	(162,869)
Instructional support services	1,042,183	1,042,183	1,074,450	32,267
General administration	512,031	512,031	531,769	19,738
School administration	2,127,197	2,127,197	1,968,388	(158,809)
Operations and maintenance	3,069,533	3,069,533	3,431,475	361,942
Student transportation services	489,146	489,146	305,894	(183,252)
Other support services	1,286,295	1,286,295	1,803,425	517,130
Architect fees	10,000	10,000	44,708	34,708
Transfers out to other funds	7,840,142	7,857,908	9,473,347	1,615,439
Total expenditures and encumbrances	29,125,221	30,349,563	30,640,805	291,242
Adjustment for State Juvenile Aid	-	128,220	-	(128,220)
Adjustment or other reimbursed expenses	-	145,930	-	(145,930)
Total expenditures and transfers subject to budget	29,125,221	30,623,713	30,640,805	17,092
Revenue over (under) expenditures and encumbrances	(100,513)	(100,513)	(100,512)	1
Unencumbered cash, beginning of year	100,513	100,513	100,513	-
Prior year cancelled encumbrances	-	-	5,474	5,474
Unencumbered cash, end of year	\$ -	\$ -	\$ 5,475	\$ 5,475
Differences between budgetary and GAAP fund balance				
Unencumbered cash, end of year			\$ 5,475	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			1,023,368	
Inventory			77,947	
GAAP fund balance, end of year			\$ 1,106,790	
GAAP fund balance for General Revenue Funds				
General Fund			\$ 1,106,790	
Supplemental General Fund			611,574	
Professional Development Fund			751,987	
Summer School Fund			146,593	
Textbook Rental Fund			1,873,273	
Contingency Reserve Fund			1,845,906	
HHS Daycare Fund			129,758	
GAAP fund balance, General Revenue Funds			\$ 6,465,881	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Supplemental General Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Taxes	\$ 4,825,204	\$ 4,825,204	\$ 4,454,593	\$ (370,611)
State aid	4,395,628	4,395,628	4,559,803	164,175
Total revenue	<u>9,220,832</u>	<u>9,220,832</u>	<u>9,014,396</u>	<u>(206,436)</u>
Expenditures and encumbrances:				
Instruction	1,974,190	1,974,190	2,323,778	349,588
Student support services	47,390	47,390	34,200	(13,190)
Instructional support services	322,649	322,649	110,225	(212,424)
General administration	21,575	21,575	4,423	(17,152)
School administration	193,985	193,985	186,206	(7,779)
Operations and maintenance	1,503,567	1,503,567	1,092,023	(411,544)
Other support services	112,025	112,025	-	(112,025)
Transfers out to other funds	4,598,538	4,598,538	5,023,063	424,525
Total expenditures and encumbrances	<u>8,773,919</u>	<u>8,773,919</u>	<u>8,773,918</u>	<u>(1)</u>
Revenue over (under) expenditures and encumbrances	446,913	446,913	240,478	(206,435)
Unencumbered cash, beginning of year	308,410	308,410	308,410	308,410
Prior year cancelled encumbrances	<u>-</u>	<u>-</u>	<u>13,616</u>	<u>13,616</u>
Unencumbered cash, end of year	<u>\$ 755,323</u>	<u>\$ 755,323</u>	<u>\$ 562,504</u>	<u>\$ 115,591</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 562,504	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>49,070</u>	
GAAP fund balance, end of year (combined with General Fund for GAAP presentation)			<u>\$ 611,574</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Professional Development Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenue:				
Transfers from other funds	\$ -	\$ -	\$ 43,501	\$ 43,501
Expenditures and encumbrances:				
Instructional support	<u>547,340</u>	<u>547,340</u>	<u>43,919</u>	<u>(503,421)</u>
Revenue over (under) expenditures and encumbrances	(547,340)	(547,340)	(418)	503,421
Unencumbered cash, beginning of year	743,537	743,537	743,537	-
Prior year canceled encumbrances	<u>-</u>	<u>-</u>	<u>418</u>	<u>418</u>
Unencumbered cash, end of year	<u>\$ 196,197</u>	<u>\$ 196,197</u>	<u>\$ 743,537</u>	<u>\$ 503,839</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 743,537	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>8,450</u>	
GAAP fund balance, end of year			<u>\$ 751,987</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Summer School Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Other	\$ 500	\$ 500	\$ 30	\$ (470)
Transfers from other funds	-	-	4,062	4,062
Total revenue	500	500	4,092	3,592
Expenditures and encumbrances:				
Instruction	117,862	117,862	4,091	(113,771)
Student support	4,902	4,902	-	(4,902)
School administration	102	102	-	(102)
Total expenditures and encumbrances	122,866	122,866	4,091	(118,775)
Revenue over (under) expenditures and encumbrances	(122,366)	(122,366)	1	122,367
Unencumbered cash, beginning of year	146,592	146,592	146,592	-
Unencumbered cash, end of year	<u>\$ 24,226</u>	<u>\$ 24,226</u>	<u>\$ 146,593</u>	<u>\$ 122,367</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 146,593	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
GAAP fund balance, end of year			<u>\$ 146,593</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Special Education Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Federal aid	\$ -	\$ 1,200,000	\$ 1,214,697	\$ 14,697
Medicaid aid	-	400,000	458,095	58,095
Transfers from other funds	5,262,000	5,279,766	5,279,766	-
Total revenue	5,262,000	6,879,766	6,952,558	72,792
Expenditures and encumbrances:				
Instruction	5,777,028	5,777,028	4,931,666	(845,362)
Student support services	973,996	973,996	972,469	(1,527)
Instructional support services	57,763	57,763	41,144	(16,619)
General administration	372,027	372,027	340,493	(31,534)
Operations and maintenance	1,000	1,000	620	(380)
Student transportation services	512,452	512,452	504,746	(7,706)
Total expenditures and encumbrances	7,694,266	7,694,266	6,791,138	(903,128)
Revenue over (under) expenditures and encumbrances	(2,432,266)	(814,500)	161,420	975,920
Unencumbered cash, beginning of year	4,328,098	4,328,098	4,328,098	-
Unencumbered cash, end of year	<u>\$ 1,895,832</u>	<u>\$ 3,513,598</u>	<u>\$ 4,489,518</u>	<u>\$ 975,920</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 4,489,518	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
GAAP fund balance, end of year			<u>\$ 4,489,518</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Capital Outlay Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Taxes	\$ 443,552	\$ 443,552	\$ 475,808	\$ 32,256
Interest on idle funds	13,000	13,000	4,017	(8,983)
Other revenue	101,515	101,515	128,405	26,890
Transfers from other funds	600,000	600,000	1,804,000	1,204,000
Total revenue	1,158,067	1,158,067	2,412,230	1,254,163
Expenditures and encumbrances:				
Instruction	182,808	182,808	20,625	(162,183)
Student support services	2,000	2,000	-	(2,000)
Instructional support services	19,099	19,099	253	(18,846)
General administration	63,000	63,000	1,988	(61,012)
School administration	16,502	16,502	-	(16,502)
Operations and maintenance	-	-	6,783	6,783
Other support services	-	-	(1,117)	(1,117)
Facilities acquisition and construction	2,116,591	2,116,591	1,347,564	(769,027)
Total expenditures and encumbrances	2,400,000	2,400,000	1,376,096	(1,023,904)
Revenue over (under) expenditures and encumbrances	(1,241,933)	(1,241,933)	1,036,134	2,278,067
Unencumbered cash, beginning of year	4,242,794	4,242,794	4,242,794	-
Prior year cancelled encumbrances	-	-	17,152	17,152
Unencumbered cash, end of year	\$ 3,000,861	\$ 3,000,861	\$ 5,296,080	\$ 2,295,219
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 5,296,080	
Interest receivable			493	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			294,071	
GAAP fund balance, end of year			\$ 5,590,644	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
At Risk K-12 Fund
Year Ended June 30, 2012**

	Budgeted Amounts Original	Final	Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
Revenue:				
Tuition	\$ -	\$ -	\$ 370	\$ 370
Transfers from other funds	4,366,095	4,366,095	4,341,417	(24,678)
Total revenue	4,366,095	4,366,095	4,341,787	(24,308)
Expenditures and encumbrances:				
Instruction	4,922,189	4,922,189	4,339,551	(582,638)
Student transportation service	10,000	10,000	-	(10,000)
Instructional support services	-	-	2,526	2,526
Transfers out to other funds	132,211	380,211	380,211	-
Total expenditures and encumbrances	5,064,400	5,312,400	4,722,288	(590,112)
Revenue over (under) expenditures and encumbrances	(698,305)	(946,305)	(380,501)	565,804
Unencumbered cash, beginning of year	1,119,792	1,119,792	1,119,792	-
Prior year canceled encumbrances	-	-	1,486	1,486
Unencumbered cash, end of year	\$ 421,487	\$ 173,487	\$ 740,777	\$ 567,290
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 740,777	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			116,354	
GAAP fund balance, end of year			\$ 857,131	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Debt Service Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Taxes	\$ 2,795,381	\$ 2,795,381	\$ 2,828,900	\$ 33,519
State aid	1,744,611	1,744,611	1,744,611	-
Interest transferred from Capital Projects Fund	-	-	15,229	15,229
Total revenue	<u>4,539,992</u>	<u>4,539,992</u>	<u>4,588,740</u>	<u>48,748</u>
Expenditures and encumbrances:				
Principal	535,000	535,000	535,000	-
Interest	<u>3,522,235</u>	<u>3,522,235</u>	<u>3,522,235</u>	<u>-</u>
Total expenditures and encumbrances	<u>4,057,235</u>	<u>4,057,235</u>	<u>4,057,235</u>	<u>-</u>
Revenue over (under) expenditures and encumbrances	482,757	482,757	531,505	48,748
Unencumbered cash, beginning of year	<u>3,708,099</u>	<u>3,708,099</u>	<u>3,708,099</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 4,190,856</u>	<u>\$ 4,190,856</u>	<u>\$ 4,239,604</u>	<u>\$ 48,748</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 4,239,604	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 4,239,604</u>	

SUPPLEMENTARY INFORMATION

**Hutchinson Public Schools
Unified School District No. 308**

Fund Descriptions – Nonmajor Funds

Special Revenue Funds – used to account for specific revenues that are legally restricted to expenditure for particular purposes. The special revenue funds maintained by the District and the purpose of each are as follows:

At Risk 4 Year Olds – used to account for revenue and expense related to At Risk 4 Year Old children.

Bilingual Education – used to account for costs incurred in administering programs to provide special help for pupils whose native language is not English.

Driver Training – used to account for the costs of providing driver education programs.

Food Service – used to account for the monies received and expended attributable to the food service program. The program is administered according to the state plan of child nutrition operations under which federal funds are received pursuant to federal acts relating to child nutrition. The programs are administered and meals are served on a nonprofit basis.

Parent Education – used to account for the home/school partnership program that helps parents understand more about how young children grow and learn so they can be better teachers of their preschool children.

Summer School – used to account for costs associated with the summer school programs.

Vocational Education – used to account for secondary education vocational programs approved by the State and funded by the General fund weighting formula.

KPERS Retirement – used to record the state aid received to pay for the employer's share of the KPERS contributions.

Employee Wellness – used for wellness activities associated with District staff.

Federal Grants – used to account for revenue and expenses of programs administered in accordance with federal grants awarded to the district.

Gifts and Grants – used to account for revenue and expenses for programs administered with state and local gifts and grants awarded to the district.

Scholarships – used to account for revenue and expenses relating to gifts that are restricted to scholarship purposes.

Early Education Depreciation Reserves – used to provide resources for capital expenses for the Early Education Center.

Dayschool Depreciation Reserves – used to account for revenue and expenses relating to kids with behavior issues located at the Dayschool.

District Activity – used to account for revenue and expenses relating to co-curricular activities which have student participation in the activity, but are administered by the district.

Athletic Activity – used to account for gate receipts at the middle and secondary school athletic functions and expenditures relating to those functions.

Arbitrage Rebate – used to accumulate the estimated liability payable relating to any excess earnings on the 2007-A bond proceeds.

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
Year Ended June 30, 2012**

	Special Revenue Funds								
	At Risk 4 Yr Olds	Bilingual Education	Driver Training	Food Service	Parent Education	Vocational Education	KPERS Retirement	Employee Wellness	Federal Grants
Assets									
Cash, cash equivalents and investments	\$ 91,675	\$ 442,836	\$ 99,231	\$ 1,006,450	\$ 242,921	\$ 1,073,016	\$ -	\$ 371	\$ 264,955
Federal receivable	-	-	-	-	-	-	-	-	143,395
Inventory	-	-	-	30,342	-	12,000	-	-	-
Total assets	<u>\$ 91,675</u>	<u>\$ 442,836</u>	<u>\$ 99,231</u>	<u>\$ 1,036,792</u>	<u>\$ 242,921</u>	<u>\$ 1,085,016</u>	<u>\$ -</u>	<u>\$ 371</u>	<u>\$ 408,350</u>
Liabilities:									
Accounts payable	\$ -	\$ -	\$ -	\$ 504	\$ -	\$ -	\$ -	\$ -	\$ 5,389
Accrued payroll	15,721	24,079	-	78	506	126,329	-	-	309,184
Total liabilities	<u>15,721</u>	<u>24,079</u>	<u>-</u>	<u>582</u>	<u>506</u>	<u>126,329</u>	<u>-</u>	<u>-</u>	<u>314,573</u>
Fund Balances									
Nonspendable	-	-	-	30,342	-	12,000	-	-	-
Restricted	75,954	418,757	99,231	1,005,868	242,415	946,687	-	371	93,777
Committed	-	-	-	-	-	-	-	-	-
Assigned	-	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-	-
Total fund balances	<u>75,954</u>	<u>418,757</u>	<u>99,231</u>	<u>1,036,210</u>	<u>242,415</u>	<u>958,687</u>	<u>-</u>	<u>371</u>	<u>93,777</u>
Total liabilities and fund balances	<u>\$ 91,675</u>	<u>\$ 442,836</u>	<u>\$ 99,231</u>	<u>\$ 1,036,792</u>	<u>\$ 242,921</u>	<u>\$ 1,085,016</u>	<u>\$ -</u>	<u>\$ 371</u>	<u>\$ 408,350</u>

-Continued-

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Balance Sheet
Nonmajor Governmental Funds - Special Revenue Funds
Year Ended June 30, 2012**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Gift and Grants	Scholarships	EEC Depreciation Reserve	Dayschool Depreciation Reserve	District Activity	Athletic Activity	Arbitrage Rebate	
Assets:								
Cash, cash equivalents and investments	\$ 71,715	\$ 2,468	\$ 60,000	\$ 3,972	\$ 194,769	\$ 256,572	\$ -	\$ 3,810,951
Federal receivable	-	-	-	-	-	-	-	143,395
Inventory	-	-	-	-	-	-	-	42,342
Total assets	<u>\$ 71,715</u>	<u>\$ 2,468</u>	<u>\$ 60,000</u>	<u>\$ 3,972</u>	<u>\$ 194,769</u>	<u>\$ 256,572</u>	<u>\$ -</u>	<u>\$ 3,996,688</u>
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,893
Accrued payroll	-	-	-	-	-	-	-	475,897
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>481,790</u>
Fund Balances:								
Nonspendable	-	-	-	-	-	-	-	42,342
Restricted	71,715	2,468	60,000	3,972	-	-	-	3,021,215
Committed	-	-	-	-	194,769	256,572	-	451,341
Assigned	-	-	-	-	-	-	-	-
Unassigned	-	-	-	-	-	-	-	-
Total fund balances	<u>71,715</u>	<u>2,468</u>	<u>60,000</u>	<u>3,972</u>	<u>194,769</u>	<u>256,572</u>	<u>-</u>	<u>3,514,898</u>
Total liabilities and fund balances	<u>\$ 71,715</u>	<u>\$ 2,468</u>	<u>\$ 60,000</u>	<u>\$ 3,972</u>	<u>\$ 194,769</u>	<u>\$ 256,572</u>	<u>\$ -</u>	<u>\$ 3,996,688</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds - Special Revenue Funds
Year Ended June 30, 2012**

	Special Revenue Funds								
	At Risk 4 Yr Olds	Bilingual Education	Driver Training	Food Service	Parent Education	Vocational Education	KPERS Retirement	Employee Wellness	Federal Grants
Revenues									
State aid	\$ 187,408	\$ 331,423	\$ -	\$ 26,381	\$ 204,338	\$ 1,600,319	\$ 3,162,910	\$ -	\$ -
Federal aid	-	-	-	1,810,677	-	-	-	-	5,172,923
Charges for services	-	-	-	559,884	-	280,827	-	-	-
Earnings on investments	-	-	-	762	-	-	-	-	-
Other	-	-	-	89,559	23,425	205,538	-	3,625	-
Contributions	-	-	-	-	-	-	-	-	-
Total revenue	<u>187,408</u>	<u>331,423</u>	<u>-</u>	<u>2,487,263</u>	<u>227,763</u>	<u>2,086,684</u>	<u>3,162,910</u>	<u>3,625</u>	<u>5,172,923</u>
Expenditures									
Instruction	142,494	326,964	5,310	-	-	1,947,210	2,119,150	-	3,552,224
Student support services	-	-	-	-	228,841	-	253,033	-	732,180
Instructional support services	-	-	-	-	-	13,415	126,516	-	702,661
General administration	-	-	-	-	-	-	63,258	-	4,884
School administration	-	-	-	-	-	158,531	189,775	-	-
Operations and maintenance	-	-	-	78,699	-	156,864	221,404	-	98,868
Student transportation services	28,849	-	-	-	-	-	-	-	22,463
Other support services	-	-	-	-	-	8,158	94,887	-	8,247
Food service	-	-	-	2,144,678	-	-	94,887	-	182,335
Community service operations	-	-	-	-	-	-	-	3,895	-
Architectural and engineering services	-	-	-	-	-	-	-	-	-
Total expenditures	<u>171,343</u>	<u>326,964</u>	<u>5,310</u>	<u>2,223,377</u>	<u>228,841</u>	<u>2,284,178</u>	<u>3,162,910</u>	<u>3,895</u>	<u>5,303,862</u>
Excess of revenues over (under) expenditures	<u>16,065</u>	<u>4,459</u>	<u>(5,310)</u>	<u>263,886</u>	<u>(1,078)</u>	<u>(197,494)</u>	<u>-</u>	<u>(270)</u>	<u>(130,939)</u>
Net change in fund balances	16,065	4,459	(5,310)	263,886	(1,078)	(197,494)	-	(270)	(130,939)
Fund balances at beginning of year	<u>59,889</u>	<u>414,298</u>	<u>104,541</u>	<u>772,324</u>	<u>243,493</u>	<u>1,156,181</u>	<u>-</u>	<u>641</u>	<u>224,716</u>
Fund balances at end of year	<u>\$ 75,954</u>	<u>\$ 418,757</u>	<u>\$ 99,231</u>	<u>\$ 1,036,210</u>	<u>\$ 242,415</u>	<u>\$ 958,687</u>	<u>\$ -</u>	<u>\$ 371</u>	<u>\$ 93,777</u>

-Continued-

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balance
Nonmajor Governmental Funds - Special Revenue Funds
Year Ended June 30, 2012**

	Special Revenue Funds							Total Nonmajor Governmental Funds
	Gifts and Grants	Scholarships	EEC Depreciation Reserve	Dayschool Depreciation Reserve	District Activity	Athletic Activity	Arbitrage Rebate	
Revenues								
State aid	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,512,779
Federal aid	-	-	-	-	-	-	-	6,983,600
Charges for services	-	-	-	-	306,949	434,904	-	1,582,564
Earnings on investments	-	2	-	-	-	159	-	923
Other	2,000	-	20,000	6,000	-	-	-	350,147
Contributions	80,374	-	-	-	-	-	-	80,374
Total revenue	82,374	2	20,000	6,000	306,949	435,063	-	14,510,387
Expenditures								
Instruction	22,441	-	-	-	305,653	405,731	-	8,827,177
Student support services	-	-	-	-	-	-	-	1,214,054
Instructional support services	14,221	-	-	-	-	-	-	856,813
General administration	3,959	-	-	-	-	-	-	72,101
School administration	-	-	-	-	-	-	-	348,306
Operations and maintenance	2,000	-	-	2,028	-	-	-	559,863
Student transportation services	-	-	-	-	-	-	-	51,312
Other support services	18,517	-	-	-	-	-	-	129,809
Food service	-	-	-	-	-	-	-	2,421,900
Community service operations	-	-	-	-	-	-	-	3,895
Facilities, acquisition and construction	-	-	-	-	-	-	1,515,911	1,515,911
Architectural and engineering services	-	-	-	-	-	-	-	-
Total expenditures	61,138	-	-	2,028	305,653	405,731	1,515,911	16,001,141
Excess of revenues over (under) expenditures	21,236	2	20,000	3,972	1,296	29,332	(1,515,911)	(1,490,754)
Net change in fund balances	21,236	2	20,000	3,972	1,296	29,332	(1,515,911)	(1,490,754)
Fund balances at beginning of year	51,094	2,466	40,000	-	193,473	227,240	1,515,911	5,006,267
Fund balances at end of year	\$ 72,330	\$ 2,468	\$ 60,000	\$ 3,972	\$ 194,769	\$ 256,572	\$ -	\$ 3,515,513

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
At Risk 4 Year Olds Fund
Year Ended June 30, 2012**

	Budgeted Amounts Original	Final	Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
Revenue:				
Transfers from other funds	\$ 187,408	\$ 187,408	\$ 187,408	\$ -
Expenditures and encumbrances:				
Instruction	177,207	177,207	141,049	(36,158)
Student transportation service	61,640	61,640	28,849	(32,791)
Total expenditures and encumbrances	238,847	238,847	169,898	(68,949)
Revenue over (under) expenditures and encumbrances	(51,439)	(51,439)	17,510	68,949
Unencumbered cash, beginning of year	58,444	58,444	58,444	-
Unencumbered cash, end of year	\$ 7,005	\$ 7,005	\$ 75,954	\$ 68,949
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 75,954	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
GAAP fund balance, end of year			\$ 75,954	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Bilingual Education Fund
Year Ended June 30, 2012**

	<u>Budgeted Amounts Original</u>	<u>Final</u>	<u>Actual Amounts Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenue:				
Transfers from other funds	\$ 401,218	\$ 401,218	\$ 331,423	\$ (69,795)
Expenditures and encumbrances:				
Instruction	<u>452,381</u>	<u>452,381</u>	<u>326,964</u>	<u>(125,417)</u>
Revenue over (under) expenditures and encumbrances	(51,163)	(51,163)	4,459	55,622
Unencumbered cash, beginning of year	<u>414,298</u>	<u>414,298</u>	<u>414,298</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 363,135</u>	<u>\$ 363,135</u>	<u>\$ 418,757</u>	<u>\$ 55,622</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 418,757	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 418,757</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Driver Training Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary	Variance With Final Budget Over (Under)
	Original	Final	Basis	
Revenue:	\$ -	\$ -	\$ -	\$ -
Expenditures and encumbrances:				
Instruction	<u>20,000</u>	<u>20,000</u>	<u>5,310</u>	<u>(14,690)</u>
Revenue over (under) expenditures and encumbrances	(20,000)	(20,000)	(5,310)	14,690
Unencumbered cash, beginning of year	<u>104,541</u>	<u>104,541</u>	<u>104,541</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 84,541</u>	<u>\$ 84,541</u>	<u>\$ 99,231</u>	<u>\$ 14,690</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 99,231	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 99,231</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Food Service Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
State aid	\$ 21,280	\$ 21,280	\$ 26,381	\$ 5,101
Federal aid	1,577,647	1,577,647	1,810,677	233,030
Food service sales	474,372	474,372	559,884	85,512
Interest on idle funds	1,000	1,000	762	(238)
Other	90,000	90,000	89,559	(441)
Total revenue	<u>2,164,299</u>	<u>2,164,299</u>	<u>2,487,263</u>	<u>322,964</u>
Expenditures and encumbrances:				
Operations and maintenance	89,334	89,334	78,699	(10,635)
Food service	<u>2,602,827</u>	<u>2,602,827</u>	<u>2,168,408</u>	<u>(434,419)</u>
Total expenditures and encumbrances	<u>2,692,161</u>	<u>2,692,161</u>	<u>2,247,107</u>	<u>(445,054)</u>
Revenue over (under) expenditures and encumbrances	(527,862)	(527,862)	240,156	768,018
Unencumbered cash, beginning of year	724,759	724,759	724,759	-
Prior year canceled encumbrances	<u>-</u>	<u>-</u>	<u>30</u>	<u>30</u>
Unencumbered cash, end of year	<u>\$ 196,897</u>	<u>\$ 196,897</u>	<u>\$ 964,945</u>	<u>\$ 768,048</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 964,945	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			40,923	
Inventory			<u>30,342</u>	
GAAP fund balance, end of year			<u>\$ 1,036,210</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Parent Education Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
State aid	\$ 138,120	\$ 138,120	\$ 134,338	\$ (3,782)
Other	20,000	20,000	23,425	3,425
Transfers from other funds	<u>70,000</u>	<u>70,000</u>	<u>70,000</u>	<u>-</u>
Total revenue	<u>228,120</u>	<u>228,120</u>	<u>227,763</u>	<u>(357)</u>
Expenditures and encumbrances:				
Student support	<u>263,024</u>	<u>263,024</u>	<u>234,993</u>	<u>(28,031)</u>
Revenue over (under) expenditures and encumbrances	(34,904)	(34,904)	(7,230)	27,674
Unencumbered cash, beginning of year	241,705	241,705	241,705	-
Prior year canceled encumbrances	<u>-</u>	<u>-</u>	<u>284</u>	<u>284</u>
Unencumbered cash, end of year	<u>\$ 206,801</u>	<u>\$ 206,801</u>	<u>\$ 234,759</u>	<u>\$ 27,958</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 234,759	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>7,656</u>	
GAAP fund balance, end of year			<u>\$ 242,415</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Vocational Education Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Tuition	\$ 400,000	\$ 400,000	\$ 280,827	\$ (119,173)
Transfers from other funds	1,551,959	1,551,959	1,600,319	48,360
Reimbursed expenses	-	-	205,538	205,538
Total revenue	<u>1,951,959</u>	<u>1,951,959</u>	<u>2,086,684</u>	<u>134,725</u>
Expenditures and encumbrances:				
Instruction	2,359,960	2,359,960	1,732,820	(627,140)
Instructional support	16,400	16,400	13,415	(2,985)
School administration	163,195	163,195	158,531	(4,664)
Operations and maintenance	279,882	279,882	156,864	(123,018)
Other support services	-	-	8,158	8,158
Total expenditures and encumbrances	<u>2,819,437</u>	<u>2,819,437</u>	<u>2,069,788</u>	<u>(749,649)</u>
Revenue over (under) expenditures and encumbrances	(867,478)	(867,478)	16,896	884,374
Unencumbered cash, beginning of year	<u>916,687</u>	<u>916,687</u>	<u>916,687</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 49,209</u>	<u>\$ 49,209</u>	<u>\$ 933,583</u>	<u>\$ 884,374</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 933,583	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			13,104	
Inventory			<u>12,000</u>	
GAAP fund balance, end of year			<u>\$ 958,687</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
KPERS Special Retirement Contribution Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
State aid	\$ 3,467,268	\$ 3,467,268	\$ 3,162,910	\$ (304,358)
Expenditures and encumbrances:				
Instruction	2,323,070	2,323,070	2,119,150	(203,920)
Student support	242,709	242,709	253,033	10,324
Instructional support	138,690	138,690	126,516	(12,174)
General administration	69,345	69,345	63,258	(6,087)
School administration	242,709	242,709	189,775	(52,934)
Operations and maintenance	242,709	242,709	221,404	(21,305)
Other support services	104,018	104,018	94,887	(9,131)
Food service	104,018	104,018	94,887	(9,131)
Total expenditures and encumbrances	<u>3,467,268</u>	<u>3,467,268</u>	<u>3,162,910</u>	<u>(304,358)</u>
Revenue over (under) expenditures and encumbrances	-	-	-	-
Unencumbered cash, beginning of year	-	-	-	-
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ -	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			-	
GAAP fund balance, end of year			<u>\$ -</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Federal Grants Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Federal aid	\$ 5,560,000	\$ 5,560,000	\$ 4,927,592	\$ (632,408)
ARRA - Federal aid	-	-	167,128	167,128
Tech match	-	-	9,118	9,118
Total revenue	<u>5,560,000</u>	<u>5,560,000</u>	<u>5,103,838</u>	<u>(456,162)</u>
Expenditures and encumbrances:				
Instruction	3,663,799	3,663,799	3,422,018	(241,781)
Student support	633,000	633,000	732,180	99,180
Instructional support	810,000	810,000	702,661	(107,339)
General administration	5,500	5,500	4,884	(616)
Operations and maintenance	132,100	132,100	98,868	(33,232)
Student transportation service	29,720	29,720	22,463	(7,257)
Other support services	15,600	15,600	8,247	(7,353)
Food service	190,900	190,900	182,334	(8,566)
Architect fees	5,000	5,000	-	(5,000)
Total expenditures and encumbrances	<u>5,485,619</u>	<u>5,485,619</u>	<u>5,173,655</u>	<u>(311,964)</u>
Revenue over (under) expenditures and encumbrances	74,381	74,381	(69,817)	(144,198)
Unencumbered cash, beginning of year	(74,381)	(74,381)	(74,310)	71
Prior year cancelled encumbrances	-	-	732	732
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (143,395)</u>	<u>\$ (143,395)</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ (143,395)	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			93,777	
Federal receivable			143,395	
GAAP fund balance, end of year			<u>\$ 93,777</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Gifts and Grants Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	Original	Final		
Revenue:				
Other	\$ 100,000	\$ 100,000	\$ 6,928	\$ (93,072)
Contributions	<u>50,000</u>	<u>50,000</u>	<u>75,446</u>	<u>25,446</u>
Total revenue	<u>150,000</u>	<u>150,000</u>	<u>82,374</u>	<u>(67,626)</u>
Expenditures and encumbrances:				
Instruction	100,425	100,425	22,117	(78,308)
Instructional support	10,000	10,000	14,221	4,221
General administration	85,000	85,000	3,959	(81,041)
Operations and maintenance	-	-	2,000	2,000
Other support services	24,550	24,550	18,517	(6,033)
Food service operation	<u>20,000</u>	<u>20,000</u>	<u>-</u>	<u>(20,000)</u>
Total expenditures and encumbrances	<u>239,975</u>	<u>239,975</u>	<u>60,814</u>	<u>(179,161)</u>
Revenue over (under) expenditures and encumbrances	(89,975)	(89,975)	21,560	111,535
Unencumbered cash, beginning of year	<u>89,975</u>	<u>89,975</u>	<u>49,905</u>	<u>(40,070)</u>
Unencumbered cash, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 71,465</u>	<u>\$ 71,465</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 71,465	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>250</u>	
GAAP fund balance, end of year			<u>\$ 71,715</u>	

**Hutchinson Public Schools
Unified School District No. 308**

Fund Descriptions – Agency Funds

Agency Funds – used to account for situations where the government’s role is custodial. All assets are offset by a liability to the party on whose behalf they are held.

Student Activity – used to account for money relating to student activities. The student organizations approve how these monies are to be spent.

Early Education Center CACFP – Used to account for revenue and expenses for the Early Education Center’s federal child food program.

Hutchinson Recreation Commission – The District receives the Commission’s tax revenue from the county treasurer. This money is then remitted to the Commission.

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Statement of Assets and Liabilities
Agency Funds
June 30, 2012**

	<u>Student Activity Fund</u>	<u>Early Education Center</u>	<u>Hutchinson Recreation Commission</u>	<u>Totals</u>
Assets:				
Cash and cash equivalents	\$ 92,786	\$ -	\$ 393,266	\$ 486,052
Total assets	<u>\$ 92,786</u>	<u>\$ -</u>	<u>\$ 393,266</u>	<u>\$ 486,052</u>
Liabilities:				
Due to others	\$ 92,786	\$ -	\$ 393,266	\$ 486,052
Total liabilities	<u>\$ 92,786</u>	<u>\$ -</u>	<u>\$ 393,266</u>	<u>\$ 486,052</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Combining Statement of Changes in Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2012**

	Beginning Cash Balance	Cash Receipts	Cash Disbursements	Ending Cash Balance
Student Activity Funds				
Assets				
Cash and cash equivalents	\$ 96,474	\$ 201,287	\$ 204,975	\$ 92,786
Total assets	<u>\$ 96,474</u>	<u>\$ 201,287</u>	<u>\$ 204,975</u>	<u>\$ 92,786</u>
Liabilities				
Due to others	\$ 96,474	\$ 201,287	\$ 204,975	\$ 92,786
Total liabilities	<u>\$ 96,474</u>	<u>\$ 201,287</u>	<u>\$ 204,975</u>	<u>\$ 92,786</u>
Early Education Center - CACFP Fund				
Assets				
Cash and cash equivalents	\$ -	\$ 10,735	\$ 10,735	\$ -
Total assets	<u>\$ -</u>	<u>\$ 10,735</u>	<u>\$ 10,735</u>	<u>\$ -</u>
Liabilities				
Due to others	\$ -	\$ 10,735	\$ 10,735	\$ -
Total liabilities	<u>\$ -</u>	<u>\$ 10,735</u>	<u>\$ 10,735</u>	<u>\$ -</u>
Hutchinson Recreation Commission				
Assets				
Cash and cash equivalents	\$ 385,577	\$ 1,072,281	\$ 1,064,592	\$ 393,266
Total assets	<u>\$ 385,577</u>	<u>\$ 1,072,281</u>	<u>\$ 1,064,592</u>	<u>\$ 393,266</u>
Liabilities				
Due to others	\$ 385,577	\$ 1,072,281	\$ 1,064,592	\$ 393,266
Total liabilities	<u>\$ 385,577</u>	<u>\$ 1,072,281</u>	<u>\$ 1,064,592</u>	<u>\$ 393,266</u>
Totals - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 482,051	\$ 1,284,303	\$ 1,280,302	\$ 486,052
Total assets	<u>\$ 482,051</u>	<u>\$ 1,284,303</u>	<u>\$ 1,280,302</u>	<u>\$ 486,052</u>
Liabilities				
Due to others	\$ 482,051	\$ 1,284,303	\$ 1,280,302	\$ 486,052
Total liabilities	<u>\$ 482,051</u>	<u>\$ 1,284,303</u>	<u>\$ 1,280,302</u>	<u>\$ 486,052</u>

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Hutchinson Recreation Commission Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 821,214	\$ 821,214	\$ 857,652	\$ 36,438
Expenditures and encumbrances:				
Community service operations	<u>950,000</u>	<u>950,000</u>	<u>851,798</u>	<u>(98,202)</u>
Revenue over (under) expenditures and encumbrances	(128,786)	(128,786)	5,854	134,640
Unencumbered cash, beginning of year	<u>308,709</u>	<u>308,709</u>	<u>308,709</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 179,923</u>	<u>\$ 179,923</u>	<u>\$ 314,563</u>	<u>\$ 134,640</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 314,563	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 314,563</u>	

**HUTCHINSON PUBLIC SCHOOLS
UNIFIED SCHOOL DISTRICT NO. 308
HUTCHINSON, KANSAS**

**Schedule of Revenues, Expenditures, and Changes in Fund Balances
Budget and Actual - Budgetary Basis
Hutchinson Recreation Commission Employee Benefits and Special Liability Fund
Year Ended June 30, 2012**

	Budgeted Amounts		Actual Amounts Budgetary Basis	Variance With Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>		
Revenue:				
Taxes	\$ 205,649	\$ 205,649	\$ 214,629	\$ 8,980
Expenditures and encumbrances:				
Community service operations	<u>280,700</u>	<u>280,700</u>	<u>212,794</u>	<u>(67,906)</u>
Revenue over (under) expenditures and encumbrances	(75,051)	(75,051)	1,835	76,886
Unencumbered cash, beginning of year	<u>76,868</u>	<u>76,868</u>	<u>76,868</u>	<u>-</u>
Unencumbered cash, end of year	<u>\$ 1,817</u>	<u>\$ 1,817</u>	<u>\$ 78,703</u>	<u>\$ 76,886</u>
Differences between budgetary and GAAP fund balance:				
Unencumbered cash, end of year			\$ 78,703	
Encumbrances for expenses ordered but not received are not reported for GAAP purposes until received			<u>-</u>	
GAAP fund balance, end of year			<u>\$ 78,703</u>	

SINGLE AUDIT SECTION

**Hutchinson Public Schools
Unified School District No. 308**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Disbursements/ Expenditures
<u>U.S. Department of Education</u>				
Passed Through State Department of Education				
Title I - 2011	84.010		\$ 1,446,781	\$ 213,288
Title I - 2012	84.010		1,544,954	1,320,791
Title I - Delinquent - 2011	84.010		113,391	11,161
Title I - Delinquent - 2012	84.010		83,080	73,700
Title ID Reallocation	84.010		10,603	10,603
Special Education - IDEA Part B - Discretionary 2011	84.027		44,846	22,287
Special Education - IDEA Part B - Discretionary 2012	84.027		44,846	25,736
Special Education - IDEA - Part B - 2012	84.027		1,104,242	1,104,242
Perkins - Program Improvement 11-12	84.048		93,403	93,403
Special Education - IDEA Preschool - 2012	84.173		66,363	66,363
Title IID - FY11	84.318		4,897	684
Education Technology State Grants, Ave A	84.318		40,500	37,900
Education Technology State Grants, Graber	84.318		99,249	49,722
Advanced Placement Program	84.330		11,945	11,945
Advanced Placement Program	84.330		14,500	14,500
Title III - FY11	84.365		24,298	6,133
Title III - FY12	84.365		23,886	23,886
Math & Science FY12	84.366		184,303	184,303
Title IIA - FY11	84.367		306,155	75,973
Title IIA - FY12	84.367		262,049	216,569
Title I - School Improvement	84.377		100,000	100,000
Education Jobs	84.410A	S410A100017	13,619	13,619
Total Department of Education				<u>3,676,809</u>
<u>U.S. Department of Health and Human Services</u>				
Head Start FY12	93.600	07CH6242/46	2,449,823	2,449,823
ARRA - Head Start	93.708	07SH6242/02	75,100	845
ARRA - Head Start	93.708	07SA6242/02	288,234	145,828
Total Department of Health and Human Services				<u>2,596,495</u>

**Hutchinson Public Schools
Unified School District No. 308**

**Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012**

- Continued -

Federal Grantor/ Pass Through Grantor/ Program Title	Federal CFDA Number	Grant Number	Program or Award Amount	Disbursements/ Expenditures
<u>U.S. Department of Agriculture</u>				
Passed Through State Department of Education				
School Breakfast Program	10.553			335,886
National School Lunch Program	10.555			1,402,648
Child and Adult Care Food Program	10.558			152,262
Summer Food Service Program for Children	10.559			72,143
Team Nutrition Grants	10.574			150
Fresh Fruit and Vegetable	10.582			39,838
Total Department of Agriculture				<u>2,002,927</u>
 Total Federal Assistance Expended				 <u>\$ 8,276,231</u>

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Note 1 - The accompanying schedule of expenditures of federal awards includes the federal grant activity of the District and is presented in accordance with the cash basis and budget laws of the State of Kansas. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.



SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

McPherson Office
123 South Main
P.O. Box 1337
McPherson, KS 67460-1337
620.241.1826 office
888.241.1826 toll
620.241.6926 fax

Hutchinson Office
129 West 2nd, Suite A
P.O. Box 2889
Hutchinson, KS 67504-2889
620.662.3358 office
888.414.0123 toll
620.662.3350 fax

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

Board of Education
Unified School District Number 308
Hutchinson, Kansas

We have audited the financial statements of the governmental activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of Unified School District Number 308 as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated December 1, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Hutchinson Recreation Commission, as described in our report on the District's financial statements. The financial statements of the Hutchinson Recreation Commission were not audited in accordance with *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management of 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 opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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

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

Compliance and Other Matters

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

We noted certain matters that we reported to management of the District, in a separate letter dated December 1, 2012.

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

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll Janzen Hawk & Loyd, LLC

December 1, 2012



SWINDOLL
JANZEN
HAWK &
LOYD, LLC

Certified Public Accountants

McPherson Office
123 South Main
P.O. Box 1337
McPherson, KS 67460-1337
620.241.1826 office
888.241.1826 toll
620.241.6926 fax

Hutchinson Office
129 West 2nd, Suite A
P.O. Box 2889
Hutchinson, KS 67504-2889
620.662.3358 office
888.414.0123 toll
620.662.3350 fax

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

Board of Education
Unified School District Number 308
Hutchinson, Kansas

Compliance

We have audited the compliance of the Unified School District Number 308 with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the District's major federal programs for the year ended June 30, 2012. The District's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above 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, the District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012.

Internal Control Over Compliance

Management of the Unified School District Number 308 is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine 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 was not designed to identify all deficiencies in internal control over compliance 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 solely for the information and use of management, Board of Education, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Swindoll, Janzen, Hawk & Loyd, LLC

Swindoll Janzen Hawk & Loyd, LLC

December 1, 2012

**Hutchinson Public Schools
Unified School District No. 308**

**Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2012**

SUMMARY OF AUDITOR'S RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the Hutchinson Public Schools.
2. No significant deficiencies relating to the audit of the financial statements are reported in the Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*.
3. No instances of noncompliance material to the financial statements of the Hutchinson Public Schools, which would be required to be reported in accordance with *Government Auditing Standards*, 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 With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.
5. The auditor's report on compliance for the major federal award programs expressed an unqualified opinion.
6. There were no audit findings that are required to be reported in accordance with Section 510(a) of OMB Circular A-133.
7. The programs tested as major programs include:

	<u>CFDA No.</u>
Child Nutrition Cluster:	
School Breakfast Program	10.553
National School Lunch Program	10.555
Summer Food Service Program for Children	10.559
Head Start Cluster	
Head Start	93.600
ARRA – Head Start	93.708
ARRA – Early Head Start	93.709
8. The threshold for distinguishing Types A and B program was \$300,000.
9. Hutchinson Public Schools was determined to be a low-risk auditee.

FINDINGS—FINANCIAL STATEMENTS AUDIT

There were no reportable findings.

FINDINGS AND QUESTIONED COSTS—MAJOR FEDERAL AWARD PROGRAMS AUDIT

There were no reportable findings.

**Hutchinson Public Schools
Unified School District No. 308**

**Summary Schedule of Prior Audit Findings
For the Year Ended June 30, 2012**

There were no reportable findings for the year ended June 30, 2011.