

**UNIFIED SCHOOL DISTRICT NO. 348**

**Baldwin City, Kansas**

**Financial Statements**

**For the Year Ended June 30, 2012**

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UNIFIED SCHOOL DISTRICT NO. 348  
Baldwin City, Kansas  
Financial Statements  
For the Year Ended June 30, 2012

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For the Year Ended June 30, 2012

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## **INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS**

Board of Education  
Unified School District No. 348  
Baldwin City, Kansas

We have audited the summary statement of cash receipts, expenditures, and unencumbered cash balances of Unified School District No. 348, Baldwin City, Kansas, as of and for the year ended June 30, 2012. This financial statement is the responsibility of the District's management. Our responsibility is to express an opinion on the financial statement based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States and the "Kansas Municipal Audit Guide." Those standards require we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

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

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statement referred to above does not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the Unified School District No. 348, Baldwin City, Kansas, as of June 30, 2012, or the respective changes in financial position and changes in cash flows, where applicable, for the year then ended.

Also, in our opinion, the financial statement referred to above presents fairly, in all material respects, the aggregate cash and unencumbered cash balance of the District as of June 30, 2012, and the aggregate cash receipts and expenditures for the year then ended, on the basis of accounting described in Note 1.

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The financial statements include partial prior-year comparative information. Such information does not include all of the information required for a presentation in conformity with the Kansas regulatory basis of accounting. Accordingly, such information should be read in conjunction with the District's financial statement for the year ended June 30, 2011, from which such partial information was derived.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 6, 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, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the financial statement. The summary of expenditures-actual and budget, individual fund schedules of cash receipts and expenditures-actual and budget, schedule of cash receipts and expenditures-agency funds, and the schedule of cash receipts, expenditures and unencumbered cash-district activity funds (Schedules 1, 2, 3, and 4 as listed in the table of contents) are presented for analysis and are not a required part of the statutory 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 not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The information has been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statement as a whole.

*Mike Houser: Company PA*

December 6, 2012

UNIFIED SCHOOL DISTRICT NO. 348  
Summary of Cash Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended June 30, 2012

<u>Funds</u>	Beginning Unencumbered Cash <u>Balance</u>	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash <u>Balance</u>	Add Outstanding Encumbrances and Accounts Payable	Ending Cash <u>Balance</u>
Governmental Fund Types:							
General Funds:							
General	\$ -	\$ -	\$ 8,582,436	\$ 8,582,436	\$ -	\$ 117,549	\$ 117,549
Supplemental General	27,202	-	2,974,262	2,827,274	174,190	-	174,190
Special Purpose Funds:							
At risk (4 Year Old)	-	-	102,000	102,000	-	-	-
At risk (K-12)	60,418	-	402,715	418,932	44,201	-	44,201
Bilingual education	-	-	9,599	9,599	-	-	-
Capital outlay	310,339	-	456,773	522,004	245,108	144,622	389,730
Driver training	14,703	-	13,750	11,628	16,825	-	16,825
Food service	147,030	-	634,411	584,706	196,735	5,149	201,884
Professional development	-	-	-	-	-	-	-
Parent education program	-	-	139,397	139,397	-	-	-
Special education	208,684	-	1,994,077	1,971,633	231,128	-	231,128
Vocational education	20,000	-	236,164	256,164	-	4,570	4,570
KPERS special retirement contribution	-	-	737,137	737,137	-	-	-
Contingency reserve	437,688	-	383,976	1,664	820,000	-	820,000
Textbook and student material revolving	141,798	-	171,939	129,823	183,914	30,742	214,656
State and local	353	-	94,486	86,176	8,663	-	8,663
Federal grants	[8,383]	-	178,899	172,596	[2,080]	-	[2,080]
Gate Receipts	5,847	-	101,728	104,944	2,631	-	2,631
School projects	29,095	-	472,166	470,187	31,074	-	31,074
Debt Service Fund:							
Bond and Interest	1,924,236	-	2,420,729	2,135,801	2,209,164	-	2,209,164
Capital Project Fund:							
New Construction	436,510	-	350,208	65,666	721,052	57,677	778,729
Total	<u>\$ 3,755,520</u>	<u>\$ -</u>	<u>\$ 20,456,852</u>	<u>\$ 19,329,767</u>	<u>\$ 4,882,605</u>	<u>\$ 360,309</u>	<u>\$ 5,242,914</u>
Composition of Cash:							
Baldwin State Bank							
Checking Accounts							\$ 4,527,160
Kansas State Bank							
Checking Accounts							<u>778,728</u>
Total Cash							5,305,888
Less: Agency Funds per Schedule 3							<u>[62,974]</u>
Total Reporting Entity (excluding Agency Funds)							<u>\$ 5,242,914</u>

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

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 1 - Summary of Significant Accounting Policies

Reporting Entity

Unified School District No. 348 (the District) is a municipal corporation governed by an elected seven-member board. These financial statements present the primary government financial statements and do not include all the entities for which the District is considered to be financially accountable, as required by generally accepted accounting principles. A primary government is a legal entity or public politic and includes all funds, organizations, institutions, agencies, departments, and offices that are not legally separate. Such legally separate entities are referred to as component units. The Recreation Commission financial data is not included as a component unit in these financial statements. A separate audited financial statement of the Recreation Commission can be obtained from the Recreation Commission. The Foundation financial data is not included as a component unit in these financial statements.

Recreation Commission is a joint recreation system established by the District and the City of Baldwin, Kansas, in accordance with K.S.A. 12-1925. The Commission oversees recreational activities. The tax funds for the operation of the Commission are levied by the District and are remitted to the Commission by the District. Bond issues for the Commission must be approved by the District. The Commission can sue and be sued. The acquisition of real property by the Commission must be approved by the District. The Commission as a component unit is not included in these financial statements.

Foundation is a not for profit corporation formed under the laws of the State of Kansas. The entity benefits the District's students by raising funds to be used for the student's benefit. The Foundation as a component unit is not included in these financial statements.

Reimbursed Expenses

Expenditures in the amount of \$221,454 are classified as reimbursed expenses in the General Fund. The purpose of these expenditures is payments for goods and services in which fees are collected and such expenditures are exempt from the budget law under K.S.A. 79-2934.

Reimbursed expenses are defined as repayments of amounts remitted on behalf of another party. All reimbursed expenses shown in the financial statements meet the following criteria:

1. the related disbursement was made in the current year on behalf of the payee,
2. the item paid for was directly identifiable has having been used by or provided to the payee, and
3. the amount of the reimbursed expense was directly tied to the amount of the original cash disbursement.

Basis of Accounting

*Regulatory Basis of Accounting and Departure from Accounting Principles Generally Accepted in the United States of America.* The *Kansas Municipal Audit and Accounting Guide* (KMAAG) regulatory basis of accounting involves the recognition of cash, cash equivalents, and marketable investments, and certain accounts payable and encumbrance obligations to arrive at a net unencumbered cash and investments balance on a regulatory basis for each fund, and the reporting of changes in unencumbered cash and investments of a fund resulting from the difference in regulatory basis revenues and regulatory basis expenditures for the fiscal year. All recognized assets and liabilities are measured and reported at cost, unless they have been permanently impaired and have no future cash value or represent no future obligation against cash. The KMAAG regulatory basis does not recognize capital assets, long-term debt, accrued receivables and payables, or any other assets, liabilities or deferred inflows or outflows, other than those mentioned above.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c) waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the regulatory basis for accounting.



UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Fund Descriptions

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

The following types of funds comprise the financial activities of the District for the year ended June 30, 2012:

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

Special Purpose Funds - to account for the proceeds of specific revenue sources (other than major capital projects) that are restricted by law or administrative action to expenditure for specified purposes.

Bond and Interest Fund - to account for the accumulation of resources for, and the payments of, interest and principal and related costs, on general long-term debt.

Capital Projects Funds - to account for the financial resources segregated for the acquisition of major capital facilities.

Fiduciary Funds - to account for assets held by the District as an agent for individuals, other governmental units, private organizations, and/or other funds. Agency funds are custodial in nature and do not involve measurement of operations.

Budgetary Information

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

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

The statutes allow for the governing body to increase the originally adopted budget for previously unbudgeted increases in revenue other than ad valorem property taxes. To do this, a notice of public hearing to amend the budget must be published in the local newspaper. At least ten days after publication the hearing may be held and the governing body may amend the budget at that time. The budget for the year ended June 30, 2012 was amended for the General, Special Education and Bilingual Funds.

The statutes permit transferring budgeted amounts between line items within an individual fund. However, such statutes prohibit expenditures in excess of the total amount of the adopted budget of expenditures of individual funds. Budget comparison statements are presented for each fund showing actual receipts and expenditures compared to legally budgeted receipts and expenditures.

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 1 - Summary of Significant Accounting Policies (Continued)

Budgetary Information (Continued)

All legal annual operating budgets are prepared using the statutory basis of accounting, in which revenues are recognized when cash is received and expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments by the District for future payments and are supported by a document evidencing the commitment, such as a purchase order or contract. All unencumbered appropriations (legal budget expenditure authority) lapse at year-end.

A legal operating budget is not required for capital projects funds, trust funds and the following special revenue funds: Textbook and Student Material Revolving, Federal Grants, State and Local Funds, Contingency Reserve, Gate Receipts, and School Projects.

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

Ad Valorem Tax Revenues

The determination of assessed valuations and the collection of property taxes for all political subdivisions in the State of Kansas are the responsibility of the various counties. The County Appraiser annually determines assessed valuations on January 1 and the County Clerk spreads the annual assessment on the tax rolls. Property taxes are levied on November 1 and become a lien on the property as of that date. Payments are due November 1, becoming delinquent, with penalty, December 21. Payments of 50% are accepted through December 20, with the second 50% then being due on or before May 10th of the following year.

The County Treasurer is the tax collection agent for all taxing entities within the County. The initial distribution to the subdivisions, including the District, is on or before January 20 of the ensuing year. Additional amounts are distributed on four (4) subsequent dates throughout the calendar year.

NOTE 2 – Deposits and Investments

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

*Investments.* K.S.A. 12-1675 limits the District's investment of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The District has no investment policy that would further limit its investment choices. As of June 30, 2012, the District held no such investments.

*Concentration of credit risk.* State statutes place no limit on the amount the District may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and 9-1405.

*Custodial credit risk – deposits.* Custodial credit risk is the risk that in the event of a bank failure, the District's deposits may not be returned to it. State statutes require the District's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. The District has no designated "peak periods". All deposits were legally secured at June 30, 2012.

At June 30, 2012, the District's carrying amount of deposits was \$5,305,888 and the bank balance was \$5,639,716. The bank balance was held by two banks resulting in a concentration of credit risk. Of the bank balance, \$500,000 was covered by federal depository insurance and the balance of \$5,139,716 was collateralized with securities held by the pledging financial institutions' agents in the District's name.

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 2 – Deposits and Investments (Continued)

*Custodial credit risk – investments.* For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

*Substance receipt in transit.* The District received \$667,194 subsequent to June 30, 2012 and as required by K.S.A. 72-6417 and 72-6434 the receipt was recorded as an in-substance receipt in transit and included as a receipt for the year ended June 30, 2012.

NOTE 3 - Long-Term Debt

Following is a detailed listing of the District's long-term obligations:

<u>Issue</u>	<u>Interest Rates</u>	<u>Date of Issue</u>	<u>Amount of Issue</u>	<u>Current Balance Outstanding</u>	<u>Date of Final Maturity</u>
General Obligation Bonds					
Series 2001	4.25 to 5.00%	12/01/01	\$ 7,900,000	\$ 190,000	09/01/18
Series 2005, Refunding	3.00 to 3.40%	03/01/05	5,055,000	745,000	09/01/13
Series 2008A	3.50 to 5.25%	12/15/08	10,000,000	10,000,000	09/01/29
Series 2009A	1.75 to 4.00%	12/15/09	12,900,000	12,900,000	09/01/30
Series 2010	2.00 to 3.00%	08/23/10	7,925,000	7,925,000	09/01/18
			<u>\$ 43,780,000</u>	<u>\$ 31,760,000</u>	

The District is subject to statutes of the State of Kansas which limit the bonded debt outstanding to 14% of the assessed valuation. The District requested and received approval under K.S.A. 75-2315 which allows the issuance of bonded debt in excess of the general bond debt limitation. The ratio of net bonded debt to the assessed valuation as of June 30, 2012 was 42%.

	<u>Beginning Principal Outstanding</u>	<u>Restatement of Principal Outstanding</u>	<u>Additions to Principal</u>	<u>Reductions of Principal</u>	<u>Ending Principal Outstanding</u>
General Obligation Bonds					
Series 2001	\$ 320,000	\$ -	\$ -	\$ [130,000]	\$ 190,000
Series 2005A	1,440,000	-	-	[695,000]	745,000
Series 2008A	10,000,000	-	-	-	10,000,000
Series 2009A	12,900,000	-	-	-	12,900,000
Series 2010	7,925,000	-	-	-	7,925,000
Capital Lease					
Temperature controls	32,231	-	-	[32,231]	-
	<u>\$ 32,617,231</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ [857,231]</u>	<u>\$ 31,760,000</u>

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 3 - Long-Term Debt (Continued)

Annual debt service requirements to maturity for general obligation bonds to be paid with tax levies:

Year Ended June 30,	Principal	Interest	Total
2013	\$ 780,000	\$ 1,279,425	\$ 2,059,425
2014	1,045,000	1,249,558	2,294,558
2015	1,520,000	1,220,148	2,740,148
2016	1,715,000	1,176,848	2,891,848
2017	1,910,000	1,120,398	3,030,398
2018 - 2022	7,780,000	4,699,639	12,479,639
2023 - 2027	8,535,000	3,179,574	11,714,574
2028 - 2031	<u>8,475,000</u>	<u>815,094</u>	<u>9,290,094</u>
Total	<u>\$ 31,760,000</u>	<u>\$ 14,740,681</u>	<u>\$ 46,500,681</u>

On August 23, 2010, the District issued \$7,925,000 in refunding general obligation bonds, with a premium of \$342,322 with interest ranging from 2.0 to 3.0% to advance refund \$7,490,000, of 2001 general obligation bonds with interest rates of 4.25 to 5%. The net proceeds were used to establish escrow accounts invested in U.S. Government Securities to pay partial portions of the outstanding principal of the 2001 general obligation bonds and the interest due on the refunding bonds. As a result, a portion of the 2001 bonds were considered to be defeased and the liability for the defeased bonds has been removed from the District's financial statements. The transaction resulted in an economic gain of \$463,678 and a decrease of \$450,442 in future debt payments. At June 30, 2012, the remaining principal balance of outstanding debt issues previously defeased is \$7,490,000.

NOTE 4 – Operating Leases

The District entered into an operating lease for the use of its copiers for a term of 60 months ending July 2013. The current year rental payment under the lease was \$14,551. The District also entered into an operating lease for telephone service for a term of 60 months ending July 2014. The current year rental payment under the lease was \$10,620. Minimum future rental payments under operating leases as of June 30, 2013 are \$10,903 and \$10,620 for June 30, 2014.

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 5 - Interfund Transactions

Transfers were as follows:

<u>From</u>	<u>To</u>	<u>Statutory Authority</u>	<u>Amount</u>
General	Special Education	K.S.A. 72-6428	\$ 1,338,224
General	At-Risk (K-12)	K.S.A. 72-6428	402,715
General	At-Risk (4 Year Old)	K.S.A. 72-6428	102,000
General	Vocational Education	K.S.A. 72-6428	234,053
General	Contingency Reserve	K.S.A. 72-6428	383,976
General	Bilingual Education	K.S.A. 72-6428	9,599
General	Textbook & Student Material Revolving	K.S.A. 72-6428	100,000
Supplemental General	Special Education	K.S.A. 72-6433	561,850
Supplemental General	Parents Education Program	K.S.A. 72-6433	<u>54,914</u>
			<u>\$ 3,187,330</u>

NOTE 6 - 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, KS 66603) or by calling 1-888-275-5737.

Funding Policy. K.S.A. 74-4919 and K.S.A. 74-4921 establishes the KPERS member-employee contribution rates. Effective July 1, 2009 KPERS has two benefit structures and funding depends on whether the employee is a Tier 1 or Tier 2 member. Tier 1 members are active and contributing members hired before July 1, 2009. Tier 2 members were first employed in a covered position on or after July 1, 2009. Kansas law establishes the KPERS member-employee contribution rate of 4% of covered salary for Tier 1 members and at 6% of covered salary for Tier 2 members. Member employees' contributions are withheld by their employer and paid to KPERS according to the provisions of Section 414(h) of the Internal Revenue Code. The State of Kansas is required to contribute the statutory required employers share. Estimated Kansas contributions to KPERS for the District employees for the years ending June 30, 2012, 2011, and 2010 were \$737,137, \$432,997, and \$539,552, respectively, equal to the required contributions for each year.

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 7 - Compensated Absences

Classified. Twelve-month employees are eligible for vacation leave after completion of one year of continuous employment. Vacation time allowed is based upon years of service. Vacation days must be taken by October 31, following the fiscal year in which the days were earned. Vacation days shall not be cumulative or reimbursable. However, after five years of service, employees may carry five vacation days over to the next fiscal year. A classified employee earns a maximum of one day of sick leave for each month of service with a total accumulation of 65 days. Leave accrued after the 65 day maximum will be reimbursed at a rate of \$20 per day. Four days of personal leave are allowed each year to be used at the employee's discretion. Any unused days shall become sick days and added to the employee's accumulation sick leave. A sick leave pool is available for employees to participate on at their discretion. A maximum of 15 days may be awarded from the sick leave pool to those members who have applied and are eligible.

Certified. Each certified staff member shall be allowed 12 discretionary days per school year. Any unused days at the end of the school year shall become sick days and be added to the employee's accumulated sick leave. Sick leave can accrue to a maximum of 65 days. Teachers will be reimbursed at a rate equal to 60% of the daily substitute pay for sick leave accrued after the 65-day maximum. Administrators will be reimbursed at a rate equal to 65% of the employee's daily rate of pay for sick leave accrued after the 65-day maximum. Payment will be made by June 30. A sick leave pool is available for all certified teaching staff members to participate in. Not more than 100 days can be awarded from the pool in a given year.

The liability for compensated absences as of June 30, 2012, was \$46,705.

NOTE 8 - Termination Benefits

The District provides an early retirement incentive plan for eligible employees.

Classified. Eligible employees are staff who are currently employed full time, have served a minimum of ten years of service in the District, have been enrolled in the district insurance for one year, and are retiring under KPERS (85 points or minimum age requirement). The plan provides \$300 a month benefit per employee, payable for five consecutive years after retirement or, until the calendar year the employee reaches 65 years of age. The remaining balance of the monthly premium is the responsibility of the employee which is to be paid to the District the first of each month with a two percent handling fee.

Certified. Eligible employees are staff who have served a minimum of ten years of service in the District, and are eligible to retire under KPERS (85 points or minimum age requirement). The plan provides annual installments of \$6,000 with a maximum of five annual installments. The plan is an unfunded, noncontributory, defined benefit plan. Current year cost of the plan is \$72,000.

The outstanding liability for the retirees who have accepted this offer is as shown below.

Year Ended <u>June 30.</u>	Outstanding <u>Liability</u>
2013	\$ 78,000
2014	54,000
2015	34,000
2016	12,000
2017	<u>6,000</u>
Total	<u>\$ 184,000</u>

UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Financial Statements  
For the Year Ended June 30, 2012

NOTE 9 – Other Post Employment Benefits

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

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care benefits available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 10 – Flexible Benefit Plan (I.R.C. Section 125)

The Board adopted by resolution a salary-reduction flexible benefit plan ("Plan") under Section 125 of the Internal Revenue Code. All employees of the District are eligible to participate in the Plan beginning the first day of the month following thirty days of employment. Each participant may elect to reduce his or her salary to purchase benefits offered through the Plan. Currently, all benefits offered through the Plan involve insurance coverage.

NOTE 11 - Risk Management

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters for which the District carries commercial insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 12 - Contingency

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 require compliance with terms and conditions specified in the grant agreement and is subject to audit. Any disallowed claims resulting from such audits could become a liability of the general fund or other applicable funds. However, in the opinion of management, any such disallowed claims will not have a material effect on the financial statements of the District at June 30, 2012.

UNIFIED SCHOOL DISTRICT NO. 348  
Summary of Expenditures - Actual and Budget  
Regulatory Basis  
(Budgeted Funds Only)  
For the Year Ended June 30, 2012

<u>Fund</u>	<u>Certified Budget</u>	<u>Adjustment to Comply with Legal Max Budget</u>	<u>Adjustment for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year Budget</u>	<u>Variance Positive [Negative]</u>
Governmental Fund Types:						
General Fund:						
General	\$ 8,360,982	\$ -	\$ 221,454	\$ 8,582,436	\$ 8,582,436	\$ -
Supplemental General	2,827,274	-	-	2,827,274	2,827,274	-
Special Revenue Funds:						
At risk (4 Year Old)	102,000	-	-	102,000	102,000	-
At risk (K-12)	433,656	-	-	433,656	418,932	14,724
Bilingual education	10,000	-	-	10,000	9,599	401
Capital outlay	716,982	-	-	716,982	522,004	194,978
Driver training	14,492	-	-	14,492	11,628	2,864
Food service	589,940	-	-	589,940	584,706	5,234
Professional development	-	-	-	-	-	-
Parent education program	139,397	-	-	139,397	139,397	-
Special education	2,004,342	-	-	2,004,342	1,971,633	32,709
Vocational education	280,000	-	-	280,000	256,164	23,836
KPERS special retirement contribution	779,396	-	-	779,396	737,137	42,259
Federal grants	182,195	-	-	182,195	172,596	9,599
Debt Service Fund						
Bond and Interest	2,135,848	-	-	2,135,848	2,135,801	47

See independent auditor's report on the financial statements.



UNIFIED SCHOOL DISTRICT NO. 348  
General Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem tax	\$ 1,290,461	\$ 1,346,614	\$ 1,305,244	\$ 41,370
Delinquent tax	37,405	39,198	20,376	18,822
Federal aid	385,198	3,755	-	3,755
State aid:				
Equalization aid	5,498,887	5,727,697	5,791,644	[63,947]
Special education aid	1,020,316	1,243,718	1,243,718	-
Miscellaneous revenues	138,144	117,561	-	117,561
Reimbursed expenses	67,175	103,893	-	103,893
Total Cash Receipts	<u>8,437,586</u>	<u>8,582,436</u>	<u>\$ 8,360,982</u>	<u>\$ 221,454</u>
Expenditures				
Instruction	2,717,976	2,342,718	\$ 2,379,454	\$ 36,736
Student support services	159,407	197,231	166,716	[30,515]
Instructional support staff	329,896	336,118	332,279	[3,839]
General administration	227,370	221,681	221,848	167
School administration	887,970	821,610	784,685	[36,925]
Operations and maintenance	1,235,767	1,376,881	1,203,211	[173,670]
Transportation	412,716	436,278	435,968	[310]
Other supplemental services	263,077	279,352	259,899	[19,453]
Transfers out	2,203,407	2,570,567	2,576,922	6,355
Adjustment for qualifying budget credits	-	-	221,454	221,454
Total Expenditures	<u>8,437,586</u>	<u>8,582,436</u>	<u>\$ 8,582,436</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Supplemental General Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem tax	\$ 1,478,744	\$ 1,639,082	\$ 1,774,427	\$ [135,345]
Delinquent tax	37,742	40,708	23,474	17,234
Motor vehicle tax	149,296	137,682	149,809	[12,127]
Recreational vehicle tax	2,875	2,589	3,024	[435]
Rent excise tax	88	107	-	107
State aid:				
Equalization aid	1,111,257	1,154,094	1,112,541	41,553
Total Cash Receipts	<u>2,780,002</u>	<u>2,974,262</u>	<u>\$ 3,063,275</u>	<u>\$ [89,013]</u>
Expenditures				
Instruction	1,933,096	2,173,210	\$ 2,113,752	\$ [59,458]
Student support services	13,054	-	14,000	14,000
School administration	10,284	10,284	10,500	216
Operations and maintenance	28,371	27,016	30,100	3,084
Transfers out	767,995	616,764	658,922	42,158
Total Expenditures	<u>2,752,800</u>	<u>2,827,274</u>	<u>\$ 2,827,274</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	27,202	146,988		
Unencumbered Cash, Beginning	<u>-</u>	<u>27,202</u>		
Unencumbered Cash, Ending	<u>\$ 27,202</u>	<u>\$ 174,190</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
At Risk (4 Year Old) Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Cash Receipts				
Transfers in	\$ 100,751	\$ 102,000	\$ 102,000	\$ -
Total Cash Receipts	<u>100,751</u>	<u>102,000</u>	<u>\$ 102,000</u>	<u>\$ -</u>
Expenditures				
Instruction	91,931	93,643	\$ 96,180	\$ 2,537
School administration	3,000	3,249	-	[3,249]
Food service	<u>5,820</u>	<u>5,108</u>	<u>5,820</u>	<u>712</u>
Total Expenditures	<u>100,751</u>	<u>102,000</u>	<u>\$ 102,000</u>	<u>\$ -</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
At Risk (K-12) Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	[Under]
Cash Receipts				
Miscellaneous revenues	\$ 200	\$ -	\$ -	\$ -
Transfers in	401,698	402,715	373,238	29,477
Total Cash Receipts	401,898	402,715	\$ 373,238	\$ 29,477
Expenditures				
Instruction	267,182	341,306	\$ 341,507	\$ 201
Student support services	92,021	73,200	92,149	18,949
Other supplemental services	550	4,426	-	[4,426]
Total Expenditures	359,753	418,932	\$ 433,656	\$ 14,724
Receipts Over [Under] Expenditures	42,145	[16,217]		
Unencumbered Cash, Beginning	18,273	60,418		
Unencumbered Cash, Ending	\$ 60,418	\$ 44,201		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Bilingual Education Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Cash Receipts				
Transfers in	\$ 1,335	\$ 9,599	\$ 10,000	\$ [401]
Total Cash Receipts	<u>1,335</u>	<u>9,599</u>	<u>\$ 10,000</u>	<u>\$ [401]</u>
Expenditures				
Instruction	<u>1,335</u>	<u>9,599</u>	<u>\$ 10,000</u>	<u>\$ 401</u>
Total Expenditures	<u>1,335</u>	<u>9,599</u>	<u>\$ 10,000</u>	<u>\$ 401</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Capital Outlay Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem tax	\$ 360,975	\$ 368,296	\$ 356,105	\$ 12,191
Delinquent tax	16,266	14,490	5,569	8,921
Motor vehicle tax	67,681	55,743	57,801	[2,058]
Recreational vehicle	1,303	1,036	1,167	[131]
Rent excise tax	28	25	-	25
Investment income	3,193	2,768	3,000	[232]
Miscellaneous	25,669	14,415	33,000	[18,585]
Total Cash Receipts	<u>475,115</u>	<u>456,773</u>	<u>\$ 456,642</u>	<u>\$ 131</u>
Expenditures				
Equipment and furniture	175,238	318,753	\$ 432,554	\$ 113,801
Facility acquisition and repair	223,937	203,251	284,428	81,177
Debt service	137,363	-	-	-
Total Expenditures	<u>536,538</u>	<u>522,004</u>	<u>\$ 716,982</u>	<u>\$ 194,978</u>
Receipts Over [Under] Expenditures	[61,423]	[65,231]		
Unencumbered Cash, Beginning	<u>371,762</u>	<u>310,339</u>		
Unencumbered Cash, Ending	<u>\$ 310,339</u>	<u>\$ 245,108</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Driver Training Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State aid	\$ 3,478	\$ 3,666	\$ 3,108	\$ 558
Charges for services	<u>7,296</u>	<u>10,084</u>	<u>8,000</u>	<u>2,084</u>
Total Cash Receipts	<u>10,774</u>	<u>13,750</u>	<u>\$ 11,108</u>	<u>\$ 2,642</u>
Expenditures				
Instruction	11,573	10,991	\$ 13,292	\$ 2,301
Vehicle operating and maintenance services	<u>842</u>	<u>637</u>	<u>1,200</u>	<u>563</u>
Total Expenditures	<u>12,415</u>	<u>11,628</u>	<u>\$ 14,492</u>	<u>\$ 2,864</u>
Receipts Over [Under] Expenditures	[1,641]	2,122		
Unencumbered Cash, Beginning	<u>16,344</u>	<u>14,703</u>		
Unencumbered Cash, Ending	<u>\$ 14,703</u>	<u>\$ 16,825</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Food Service Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
Federal aid	\$ 221,414	\$ 265,578	\$ 206,660	\$ 58,918
State aid	6,075	6,181	6,150	31
Charges for services	339,837	346,929	341,281	5,648
Miscellaneous	19,241	15,383	5,000	10,383
Investment income	214	340	250	90
Total Cash Receipts	<u>586,781</u>	<u>634,411</u>	<u>\$ 559,341</u>	<u>\$ 75,070</u>
Expenditures				
Food service	<u>541,940</u>	<u>584,706</u>	<u>\$ 589,940</u>	<u>\$ 5,234</u>
Total Expenditures	<u>541,940</u>	<u>584,706</u>	<u>\$ 589,940</u>	<u>\$ 5,234</u>
Receipts Over [Under] Expenditures	44,841	49,705		
Unencumbered Cash, Beginning	<u>102,189</u>	<u>147,030</u>		
Unencumbered Cash, Ending	<u>\$ 147,030</u>	<u>\$ 196,735</u>		

See independent auditor's report on the financial statements.



UNIFIED SCHOOL DISTRICT NO. 348  
Professional Development Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Cash Receipts				
Transfers in	\$ 5,997	\$ -	\$ -	\$ -
Total Cash Receipts	<u>5,997</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures				
Instruction				
Inservice	1,228	-	\$ -	\$ -
Instructional support				
Travel and registration	<u>8,233</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>9,461</u>	<u>-</u>	<u>-</u>	<u>-</u>
Receipts Over [Under] Expenditures	[3,464]	-		
Unencumbered Cash, Beginning	<u>3,464</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Parent Education Program Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year <u>Actual</u>	<u>Current Year</u>		Variance Over [Under]
		<u>Actual</u>	<u>Budget</u>	
Cash Receipts				
State aid	\$ 86,862	\$ 84,483	\$ 84,483	\$ -
Transfers in	56,998	54,914	54,914	-
Total Cash Receipts	<u>143,860</u>	<u>139,397</u>	<u>\$ 139,397</u>	<u>\$ -</u>
Expenditures				
Student support services	122,948	116,790	\$ 139,397	\$ 22,607
School administration	20,262	22,182	-	[22,182]
Other supplemental services	650	425	-	[425]
Total Expenditures	<u>143,860</u>	<u>139,397</u>	<u>\$ 139,397</u>	<u>\$ -</u>
Receipts [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	<u>-</u>	<u>-</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
Special Education Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	[Under]
Cash Receipts				
State aid	\$ -	\$ 71,736	\$ -	\$ 71,736
Investment income	157	223	200	23
Miscellaneous revenues	20,118	22,044	15,000	7,044
Transfers in	<u>1,625,316</u>	<u>1,900,074</u>	<u>1,907,648</u>	<u>[7,574]</u>
Total Cash Receipts	<u>1,645,591</u>	<u>1,994,077</u>	<u>\$ 1,922,848</u>	<u>\$ 71,229</u>
Expenditures				
Instruction	1,500,399	1,796,109	\$ 1,842,648	\$ 46,539
Student support services	111,615	128,096	113,528	[14,568]
Vehicle operating services	<u>39,815</u>	<u>47,428</u>	<u>48,166</u>	<u>738</u>
Total Expenditures	<u>1,651,829</u>	<u>1,971,633</u>	<u>\$ 2,004,342</u>	<u>\$ 32,709</u>
Receipts Over [Under] Expenditures	[6,238]	22,444		
Unencumbered Cash, Beginning	<u>214,922</u>	<u>208,684</u>		
Unencumbered Cash, Ending	<u>\$ 208,684</u>	<u>\$ 231,128</u>		

UNIFIED SCHOOL DISTRICT NO. 348  
Vocational Education Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
Charges for services	\$ 1,879	\$ 1,595	\$ -	\$ 1,595
Federal aid	14,369	516	30,000	[29,484]
Transfers in	<u>229,205</u>	<u>234,053</u>	<u>230,000</u>	<u>4,053</u>
Total Cash Receipts	<u>245,453</u>	<u>236,164</u>	<u>\$ 260,000</u>	<u>\$ [23,836]</u>
Expenditures				
Instruction	<u>265,600</u>	<u>256,164</u>	<u>\$ 280,000</u>	<u>\$ 23,836</u>
Total Expenditures	<u>265,600</u>	<u>256,164</u>	<u>\$ 280,000</u>	<u>\$ 23,836</u>
Receipts Over [Under] Expenditures	[20,147]	[20,000]		
Unencumbered Cash, Beginning	<u>40,147</u>	<u>20,000</u>		
Unencumbered Cash, Ending	<u>\$ 20,000</u>	<u>\$ -</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
KPERS Special Retirement Contribution Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year Actual	Current Year		Variance Over [Under]
		Actual	Budget	
Cash Receipts				
State aid	\$ 432,997	\$ 737,137	\$ 779,396	\$ [42,259]
Total Cash Receipts	<u>432,997</u>	<u>737,137</u>	<u>\$ 779,396</u>	<u>\$ [42,259]</u>
Expenditures				
Instruction	261,141	442,061	\$ 467,368	\$ 25,307
Student support services	27,322	44,228	46,764	2,536
Instructional support	17,969	29,485	31,176	1,691
General administration	9,006	14,743	15,588	845
School administration	44,642	73,714	77,939	4,225
Other supplemental services	31,566	51,600	23,382	[28,218]
Operations and maintenance	17,320	29,485	54,558	25,073
Transportation	11,041	29,707	31,175	1,468
Food service	12,990	22,114	31,446	9,332
Total Expenditures	<u>432,997</u>	<u>737,137</u>	<u>\$ 779,396</u>	<u>\$ 42,259</u>
Receipts Over [Under] Expenditures	-	-		
Unencumbered Cash, Beginning	-	-		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>		

UNIFIED SCHOOL DISTRICT NO. 348  
Contingency Reserve Fund \*  
Schedule of Cash Receipts and Expenditures - Actual  
Regulatory Basis  
For the Year Ended June 30, 2012 and 2011

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Transfers in	\$ 470,102	\$ 383,976
Total Cash Receipts	<u>470,102</u>	<u>383,976</u>
Expenditures		
Instruction	99,308	-
Student support services	8,710	-
Instructional support staff	22,522	-
General administration	2,775	-
School administration	12,883	-
Operations and maintenance	12,632	1,664
Transportation	6,672	-
Other supplemental services	10,912	-
Total Expenditures	<u>176,414</u>	<u>1,664</u>
Receipts Over [Under] Expenditures	293,688	382,312
Unencumbered Cash, Beginning	<u>144,000</u>	<u>437,688</u>
Unencumbered Cash, Ending	<u>\$ 437,688</u>	<u>\$ 820,000</u>

\* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 348  
Textbook & Student Material Revolving Fund \*  
Schedule of Cash Receipts and Expenditures - Actual  
Regulatory Basis  
For the Year Ended June 30, 2012 and 2011

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Charges for services	\$ 69,385	\$ 71,939
Transfers in	<u>80,000</u>	<u>100,000</u>
Total Cash Receipts	<u>149,385</u>	<u>171,939</u>
Expenditures		
Instruction	<u>131,351</u>	<u>129,823</u>
Total Expenditures	<u>131,351</u>	<u>129,823</u>
Receipts Over [Under] Expenditures	18,034	42,116
Unencumbered Cash, Beginning	<u>123,764</u>	<u>141,798</u>
Unencumbered Cash, Ending	<u>\$ 141,798</u>	<u>\$ 183,914</u>

\* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 348  
State and Local Funds \*  
Schedule of Cash Receipts and Expenditures - Actual  
Regulatory Basis  
For the Year Ended June 30, 2012

	Pre K Pilot Grant	Other Grants	Total
Cash Receipts			
State and local sources	\$ 59,850	\$ 34,636	\$ 94,486
Total Cash Receipts	<u>59,850</u>	<u>34,636</u>	<u>94,486</u>
Expenditures			
Instruction	<u>59,850</u>	<u>26,326</u>	<u>86,176</u>
Total Expenditures	<u>59,850</u>	<u>26,326</u>	<u>86,176</u>
Receipts Over [Under] Expenditures	-	8,310	8,310
Unencumbered Cash, Beginning	<u>-</u>	<u>353</u>	<u>353</u>
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ 8,663</u>	<u>\$ 8,663</u>

\* These funds are not required to be budgeted.



UNIFIED SCHOOL DISTRICT NO. 348  
Federal Grants Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012

	Title I	Title I ARRA	Title II-A	Actual	Budget	Variance Over [Under]
Cash Receipts						
Federal aid	\$ 156,827	\$ 8,383	\$ 13,689	\$ 178,899	\$ 190,578	\$ [11,679]
Total Cash Receipts	<u>156,827</u>	<u>8,383</u>	<u>13,689</u>	<u>178,899</u>	<u>\$ 190,578</u>	<u>\$ [11,679]</u>
Expenditures						
Instruction	<u>156,827</u>	-	<u>15,769</u>	<u>172,596</u>	<u>\$ 182,195</u>	<u>\$ 9,599</u>
Total Expenditures	<u>156,827</u>	-	<u>15,769</u>	<u>172,596</u>	<u>\$ 182,195</u>	<u>\$ 9,599</u>
Receipts Over [Under] Expenditures	-	8,383	[2,080]	6,303		
Unencumbered Cash, Beginning	-	<u>[8,383]</u>	-	<u>[8,383]</u>		
Unencumbered Cash, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ [2,080]</u>	<u>\$ [2,080]</u>		

UNIFIED SCHOOL DISTRICT NO. 348  
Bond and Interest Fund  
Schedule of Cash Receipts and Expenditures - Actual and Budget  
Regulatory Basis  
For the Year Ended June 30, 2012  
(With Comparative Actual Amounts from the Year Ended June 30, 2011)

	Prior Year	Current Year		Variance Over
	<u>Actual</u>	<u>Actual</u>	<u>Budget</u>	<u>[Under]</u>
Cash Receipts				
Taxes and Shared Revenues:				
Ad valorem tax	\$ 1,692,818	\$ 1,592,563	\$ 1,541,364	\$ 51,199
Delinquent tax	27,408	39,964	26,827	13,137
Motor vehicle tax	110,104	162,479	177,475	[14,996]
Recreational vehicle tax	2,158	3,080	3,583	[503]
Rental excise tax	103	111	-	111
State aid	658,402	619,381	619,381	-
Miscellaneous	2,033	-	-	-
Investment income	-	3,151	1,000	2,151
Transfers in	800,000	-	-	-
Total Cash Receipts	<u>3,293,026</u>	<u>2,420,729</u>	<u>\$ 2,369,630</u>	<u>\$ 51,099</u>
Expenditures				
Principal	745,000	825,000	\$ 825,000	\$ -
Interest	1,520,305	1,310,798	1,310,798	-
Commission	3	3	50	47
Total Expenditures	<u>2,265,308</u>	<u>2,135,801</u>	<u>\$ 2,135,848</u>	<u>\$ 47</u>
Receipts Over [Under] Expenditures	1,027,718	284,928		
Unencumbered Cash, Beginning	<u>896,518</u>	<u>1,924,236</u>		
Unencumbered Cash, Ending	<u>\$ 1,924,236</u>	<u>\$ 2,209,164</u>		

See independent auditor's report on the financial statements.

UNIFIED SCHOOL DISTRICT NO. 348  
New Construction Fund \*  
Schedule of Cash Receipts and Expenditures - Actual  
Regulatory Basis  
For the Year Ended June 30, 2012 and 2011

	Prior Year <u>Actual</u>	Current Year <u>Actual</u>
Cash Receipts		
Interest on idle funds	\$ 23,879	\$ 796
FEMA grant	<u>2,075,419</u>	<u>349,412</u>
Total Cash Receipts	<u>2,099,298</u>	<u>350,208</u>
Expenditures		
Other supplemental services	425,998	4,996
Facilities acquisition and construction	958,043	60,670
Transfers out	<u>800,000</u>	<u>-</u>
Total Expenditures	<u>2,184,041</u>	<u>65,666</u>
Receipts Over [Under] Expenditures	[84,743]	284,542
Unencumbered Cash, Beginning	<u>521,253</u>	<u>436,510</u>
Unencumbered Cash, Ending	<u>\$ 436,510</u>	<u>\$ 721,052</u>

\* This fund is not required to be budgeted.

UNIFIED SCHOOL DISTRICT NO. 348  
Agency Funds  
Schedule of Cash Receipts and Cash Disbursements  
Regulatory Basis  
For the Year Ended June 30, 2012

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
<b>STUDENT ORGANIZATIONS</b>				
Baldwin Elementary Intermediate Center				
Enrollment fees	\$ 100	\$ 6,765	\$ 6,865	\$ -
Student Council	1,571	2,709	1,742	2,538
Subtotal Baldwin Elementary Intermediate Center Student Organization Funds	1,671	9,474	8,607	2,538
Baldwin Elementary Primary Center				
All day kindergarten fees	-	52,700	52,700	-
Student council	1,659	1,294	2,072	881
Subtotal Baldwin Elementary Primary Center Student Organization Funds	1,659	53,994	54,772	881
Total Elementary School Student Organization Funds	3,330	63,468	63,379	3,419
<b>JUNIOR HIGH SCHOOL</b>				
Baldwin Junior High School				
Band	1,075	1,065	1,190	950
Student store	562	2,981	2,458	1,085
Cheerleaders	32	5,884	5,577	339
Chorus	1,285	-	972	313
Football	1,274	5,096	1,209	5,161
Stuco	10,736	7,249	8,451	9,534
Volleyball	9	1,526	1,192	343
Yearbook	2,080	5,713	7,768	25
Total Baldwin Junior High Student Organization Funds	17,053	29,514	28,817	17,750
Total Junior High School Student Organization Funds	17,053	29,514	28,817	17,750

UNIFIED SCHOOL DISTRICT NO. 348  
Agency Funds  
Schedule of Cash Receipts and Cash Disbursements (Continued)  
Regulatory Basis  
For the Year Ended June 30, 2012

<u>FUND</u>	<u>Beginning Cash Balance</u>	<u>Cash Receipts</u>	<u>Cash Disbursements</u>	<u>Ending Cash Balance</u>
<b>STUDENT ORGANIZATIONS - CONTINUED</b>				
<b>HIGH SCHOOL</b>				
Baldwin High School				
Art Club	\$ 801	\$ 1,408	\$ 869	\$ 1,340
Animal club	-	958	787	171
Band	56	1,451	1,121	386
Baseball	1,377	7,333	7,799	911
BBB	-	7,413	4,765	2,648
Booster club	-	3,722	3,693	29
Cheerleaders	4,941	22,284	27,108	117
Class of '10	61	-	61	-
Class of '11	1,136	-	-	1,136
Class of '12	975	1,199	100	2,074
Class of '13	873	3,568	2,473	1,968
Class of '14	805	945	-	1,750
Class of '15	-	1,171	245	926
Close Up	526	358	-	884
Community service club	35	504	266	273
Cross country	746	3,843	3,206	1,383
Debate	50	85	43	92
FACS	3,067	857	714	3,210
International Club	83	500	508	75
Football	2,718	9,467	11,736	449
Forensics	1,716	1,641	733	2,624
FCCLA	632	923	1,200	355
Girls BB	1,279	4,006	3,659	1,626
Girls Soccer	-	439	439	-
Golf	232	175	399	8
Honor Society	420	526	513	433
Honors Banquet	[21]	162	-	141
Lettermen Club	2,748	228	1,218	1,758
Mardi gras game day	405	557	766	196
Pom Squad	1,564	7,768	7,488	1,844
Spanish Trip	37	-	-	37
Scholar's Bowl	78	-	-	78
Senior Projects	13	-	-	13
Soccer	772	3,262	821	3,213
Softball	1,052	4,850	5,660	242
Student rewards	65	-	-	65
Student Council	3,517	5,398	6,743	2,172
Stuco Concessions	78	11,757	10,376	1,459
Stuco heart awareness	-	2,874	2,005	869
Tennis	214	1,313	1,094	433
Track	-	1,738	1,738	-
Training aide	23	187	156	54
Volleyball	18	2,550	1,999	569
Winner's Circle	1	-	-	1
Wrestling	2,802	12,407	15,161	48
Total Baldwin High School Student Organization Funds	<u>35,895</u>	<u>129,827</u>	<u>127,662</u>	<u>38,060</u>
Total High School Student Organization Funds	<u>35,895</u>	<u>129,827</u>	<u>127,662</u>	<u>38,060</u>
 <b>Recreation Commission</b>				
General	-	334,449	334,449	-
Employee benefit and special liability	-	83,183	83,183	-
Total Recreation Commission	<u>-</u>	<u>417,632</u>	<u>417,632</u>	<u>-</u>
 Payroll Clearing Fund	 <u>6,619</u>	 <u>3,745</u>	 <u>6,619</u>	 <u>3,745</u>
Total Agency Funds	<u>\$ 62,897</u>	<u>\$ 644,186</u>	<u>\$ 644,109</u>	<u>\$ 62,974</u>

UNIFIED SCHOOL DISTRICT NO. 348  
District Activity Funds  
Schedule of Cash Receipts, Expenditures and Unencumbered Cash  
Regulatory Basis  
For the Year Ended June 30, 2012

<u>FUND</u>	<u>Beginning Unencumbered Cash Balance</u>	<u>Prior Year Cancelled Encumbrances</u>	<u>Cash Receipts</u>	<u>Expenditures</u>	<u>Ending Unencumbered Cash Balances</u>	<u>Outstanding Encumbrances and Accounts Payable</u>	<u>Ending Cash Balance</u>
<b>GATE RECEIPTS</b>							
Baldwin High School							
Athletics	\$ -	\$ -	\$ 73,346	\$ 73,346	\$ -	\$ -	\$ -
Musical	5,847	-	5,006	8,222	2,631	-	2,631
Baldwin Junior High School							
Athletics	-	-	23,376	23,376	-	-	-
Subtotal gate receipts	<u>5,847</u>	<u>-</u>	<u>101,728</u>	<u>104,944</u>	<u>2,631</u>	<u>-</u>	<u>2,631</u>
<b>SCHOOL PROJECTS</b>							
Baldwin Elementary Intermediate Center							
Petty cash	850	-	850	1,700	-	-	-
Building	45	-	1,232	1,246	31	-	31
Food service	6	-	35,026	35,032	-	-	-
Classroom projects	1,733	-	3,761	4,249	1,245	-	1,245
Yearbook	2,530	-	1,851	1,834	2,547	-	2,547
MARS	1,855	-	-	402	1,453	-	1,453
Music	-	-	616	610	6	-	6
Transportation	702	-	95	377	420	-	420
Library	<u>165</u>	<u>-</u>	<u>122</u>	<u>80</u>	<u>207</u>	<u>-</u>	<u>207</u>
Subtotal Baldwin Elementary Intermediate Center	<u>7,886</u>	<u>-</u>	<u>43,553</u>	<u>45,530</u>	<u>5,909</u>	<u>-</u>	<u>5,909</u>
Baldwin Elementary Primary Center							
Food service	-	-	44,663	44,663	-	-	-
Textbook	-	-	11,937	11,937	-	-	-
Petty cash	-	-	1,236	1,236	-	-	-
Classroom projects	4,419	-	6,864	7,130	4,153	-	4,153
Family aid	57	-	-	-	57	-	57
Library	476	-	177	68	585	-	585
Yearbook	<u>4,137</u>	<u>-</u>	<u>4,557</u>	<u>3,185</u>	<u>5,509</u>	<u>-</u>	<u>5,509</u>
Subtotal Baldwin Elementary Primary Center	<u>9,089</u>	<u>-</u>	<u>69,434</u>	<u>68,219</u>	<u>10,304</u>	<u>-</u>	<u>10,304</u>

UNIFIED SCHOOL DISTRICT NO. 348  
District Activity Funds  
Schedule of Cash Receipts, Expenditures and Unencumbered Cash (Continued)  
Regulatory Basis  
For the Year Ended June 30, 2012

FUND	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balances	Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
<b>SCHOOL PROJECTS - CONTINUED</b>							
Baldwin Junior High School							
Building	\$ 829	\$ -	\$ 7,744	\$ 7,638	\$ 935	\$ -	\$ 935
Building concession	1,310	-	9,879	10,187	1,002	-	1,002
Bulldog den	140	-	1,668	1,473	335	-	335
Food service	-	-	81,166	81,166	-	-	-
Petty cash	-	-	1,300	1,300	-	-	-
Library	84	-	16	-	100	-	100
Textbook	-	-	17,218	17,218	-	-	-
Student	657	-	892	1,529	20	-	20
Total Baldwin Junior High School	<u>3,020</u>	<u>-</u>	<u>119,883</u>	<u>120,511</u>	<u>2,392</u>	<u>-</u>	<u>2,392</u>
Baldwin High School							
Administration	1,687	-	6,563	4,167	4,083	-	4,083
AP Testing	-	-	5,133	5,133	-	-	-
Driver training	-	-	10,800	10,800	-	-	-
Field Trips	68	-	451	421	98	-	98
France Trip	1,054	-	350	350	1,054	-	1,054
Journalism	49	-	261	310	-	-	-
Library Aide	126	-	20	5	141	-	141
Lockers	68	-	-	68	-	-	-
Lunch	40	-	129,998	129,998	40	-	40
Parking Permit	-	-	285	285	-	-	-
Petty cash	-	-	1,500	1,500	-	-	-
Sales tax	-	-	9,026	9,026	-	-	-
School store	838	-	995	800	1,033	-	1,033
Woodshop	-	-	1,495	1,495	-	-	-
Staff concessions	-	-	78	-	78	-	78
Testing	814	-	750	817	747	-	747
Textbook	-	-	32,212	32,212	-	-	-
Training	24	-	31	-	55	-	55
User fee	-	-	17,520	17,520	-	-	-
Video yearbook	520	-	-	206	314	-	314
Vocal music	3,421	-	5,826	4,784	4,463	-	4,463
VPL	-	-	100	100	-	-	-
Yearbook	391	-	15,902	15,930	363	-	363
Total Baldwin High School	<u>9,100</u>	<u>-</u>	<u>239,296</u>	<u>235,927</u>	<u>12,469</u>	<u>-</u>	<u>12,469</u>
Subtotal school projects	<u>29,095</u>	<u>-</u>	<u>472,166</u>	<u>470,187</u>	<u>31,074</u>	<u>-</u>	<u>31,074</u>
Total district activity funds	<u>\$ 34,942</u>	<u>\$ -</u>	<u>\$573,894</u>	<u>\$ 575,131</u>	<u>\$ 33,705</u>	<u>\$ -</u>	<u>\$ 33,705</u>

UNIFIED SCHOOL DISTRICT NO. 348  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Receipts	Expenditures
U.S. Department of Education			
Passed through Kansas			
Department of Education (KSDE):			
Title I	84.010	\$ 156,827	\$ 156,827
Title I (ARRA)	84.389	8,383	-
Adv Placement Program	84.330	735	735
Title II-A Teacher Quality	84.367	13,689	15,769
Character Education Initiative	84.215	4,000	4,000
Education Jobs Funding	84.410	3,755	3,755
		<u>187,389</u>	<u>181,086</u>
Total Passed Through KSDE		<u>187,389</u>	<u>181,086</u>
Total U.S. Department of Education		<u>187,389</u>	<u>181,086</u>
U.S. Department of Health and Human Services			
Passed through Kansas			
Department of Education (KSDE):			
Youth Risk Behavior Survey	93.938	400	400
		<u>400</u>	<u>400</u>
Total U.S. Department of Health and Human Services		<u>400</u>	<u>400</u>
U.S. Department of Homeland Security			
FEMA Grant	97.000	349,412	349,412
		<u>349,412</u>	<u>349,412</u>
Total U.S. Department of Homeland Security		<u>349,412</u>	<u>349,412</u>
U.S. Department of Agriculture			
Passed through Kansas			
Department of Education (KSDE):			
School Breakfast	10.553	44,526	44,526
National School Lunch Program	10.555	203,132	203,132
Special Milk	10.556	1,075	1,075
Team Nutrition Grants	10.574	1,375	1,375
Fresh Fruits and Vegetables	10.582	16,844	16,844
		<u>266,952</u>	<u>266,952</u>
Total Department of Agriculture		<u>266,952</u>	<u>266,952</u>
Passed Through KSDE		<u>266,952</u>	<u>266,952</u>
Total		<u>\$ 804,153</u>	<u>\$ 797,850</u>

The accompanying notes are an integral part of this schedule.



UNIFIED SCHOOL DISTRICT NO. 348  
Notes to the Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2012

1. General

The accompanying Schedule of Expenditures of Federal Awards presents the expenditures of all federal financial assistance programs of Unified School District No. 348. All expenditures of federal financial assistance received directly from federal agencies, if any as well as federal financial assistance passed through other government agencies is included on the schedule.

2. Basis of Accounting

The accompanying Schedule of Expenditures of Federal Awards is presented on the Kansas statutory basis of accounting which includes cash disbursements, accounts payable and encumbrances.

UNIFIED SCHOOL DISTRICT NO. 348  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2012

Section I - Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:

Adverse - GAAP  
Unqualified - Prescribed Basis

Internal control over financial reporting:

Material weakness(es) identified?            Yes       X       No

Significant deficiency (ies) identified that are not considered to be material weaknesses?       x       Yes                    None reported

Noncompliance material to financial statements noted?                    Yes       X       No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?                    Yes       X       No

Significant deficiency (ies) identified that are not considered to be material weaknesses?                    Yes       X       None reported

Type of auditor's report issued on compliance for major programs:                   Unqualified                  

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?                    Yes       X       No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.000	FEMA Grant
84.010, 84.389	Title I Cluster

Dollar threshold used to distinguish between type A and type B programs:                   \$300,000                  

Auditee qualified as low-risk auditee?                    Yes       X       No

UNIFIED SCHOOL DISTRICT NO. 348  
Schedule of Findings and Questioned Costs (Continued)  
For the Year Ended June 30, 2012

Section II - Financial Statement Findings

Current Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Management Response</u>
Not Applicable	2012-1	The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with food service receipting. In this function, one person can enter the billing information into the computerized system, collect cash and record the cash receipt into the system.	Recommended Practices	Not determined.	We recommend that cash controls provide that separate individuals be assigned to physical control and accounting control of cash receipt transactions. Additionally, we recommend that the District develop a blind count procedure that requires the cashier to count the cash without knowledge of the amount of cash receipted into the system. An individual independent of the receipting process would then reconcile the blind count to the amount recorded into the system on a daily basis. We also recommend that food service receipts be deposited into the bank separate from other deposits. In addition, we recommend that an individual independent of the food service receipting process review system exception reports for account write offs, credit adjustments, negative account balances and free and reduced status changes.	Agrees

Prior Year Findings

<u>Program</u>	<u>Finding</u>	<u>Conditions</u>	<u>Criteria</u>	<u>Questioned Costs</u>	<u>Recommendation</u>	<u>Status</u>
Not Applicable	2011-1	The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with food service receipting. In this function, one person can enter the billing information into the computerized system, collect cash and record the cash receipt into the system.	Recommended Practices	Not determined.	We recommend that cash controls provide that separate individuals be assigned to physical control and accounting control of cash receipt transactions. Additionally, we recommend that the District develop a blind count procedure that requires the cashier to count the cash without knowledge of the amount of cash receipted into the system. An individual independent of the receipting process would then reconcile the blind count to the amount recorded into the system on a daily basis. We also recommend that food service receipts be deposited into the bank separate from other deposits. In addition, we recommend that an individual independent of the food service receipting process review system exception reports for account write offs, credit adjustments, negative account balances and free and reduced status changes.	Repeated at 2012-1
Not Applicable	2011-2	The District currently lacks adequate separation of physical control over cash and accounting control over cash in dealing with activity fund accounting. In this function, one person can post revenue to the computer system, prepare and post checks to the system, and reconcile the bank statement.	Recommended Practices	Not determined.	We recommend that cash controls provide that separate individuals be assigned to physical control and accounting control of the activity fund transactions. Additionally, we recommend that all schools use prenumbered receipts that are reconciled to the computer system by an individual independent of the receipting process.	Resolved

Section III - Federal Award Findings and Questioned Costs

Current Year Findings

None Noted

Prior Year Findings

None Noted



MIZE & HOUSER  
COMPANY P.A.

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENTAL AUDITING STANDARDS**

Board of Education  
Unified School District No. 348  
Baldwin City, Kansas

We have audited the financial statements of Unified School District No. 348, (the District), Baldwin City, Kansas, as of and for the year ended June 30, 2012, and have issued our report thereon dated December 6, 2012, which is a special report on the financial statements prepared in accordance with a basis of accounting prescribed by the State of Kansas. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in "Government Auditing Standards," issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion 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."

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However, we noted certain other matters that we have reported to management of Unified School District No. 348 in a separate letter dated December 6, 2012.

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

*Mike Houser: Company PA*

December 6, 2012

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

Board of Education  
Unified School District No. 348  
Baldwin City, Kansas

**Compliance**

We have audited the compliance of the Unified School District No. 348 (the District), Baldwin City, Kansas, with the types of compliance requirements described in the "U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement" that are applicable to each of its major federal programs for the year ended June 30, 2012. Major federal programs are identified in the summary of auditor's results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in "Government Auditing Standards", issued by the Comptroller General of the United States; and OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations". Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2012.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of law, 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 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 the 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 deficiencies, 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 communication is intended solely for the information and use of management, the Board of Education, federal awarding agencies and pass through entities, is not intended to be, and should not be used by anyone other than these specified parties.

*Mike Houser: Company PA*

December 6, 2012



Board of Education  
Unified School District No. 348  
Baldwin City, Kansas

In planning and performing our audit of the financial statements of Unified School District No. 348, Baldwin City, Kansas, as of and for the year ended June 30, 2012, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide an opinion on internal control.

However, during our audit, we became aware of several matters that are opportunities for strengthening internal controls and operating efficiency. This letter does not affect our report dated December 6, 2012, on the financial statements of Unified School District No. 348, Baldwin City, Kansas.

We will review the status of these comments during our next audit engagement. We have already discussed the comments with various District personnel, and we will be pleased to discuss the comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

1. During the audit, we noted several opportunities to strengthen internal controls over the gate receipting process. After the event, the cash collected should be counted by the individual collecting the cash. The beginning ticket and ending ticket numbers as well as the cash amount collected should be noted on a ticket reconciliation form by the individual collecting the cash. A District staff member should then reconcile the number of tickets sold to the cash collected. Any significant variances should be explained by the cash collector.
2. During the audit, we noted an opportunity to strengthen internal controls at the fuel facility. We recommend that the manual log currently kept be periodically reconciled back to the fuel purchased. The addition of security cameras would also strengthen controls over the fuel facility.

This report is intended for the use of the board of education and management of Unified School District No. 348 and should not be used by anyone other than these specified parties.

*Mize & Houser Company PA*

December 6, 2012





MIZE & HOUSER  
COMPANY P.A.

## AUDITOR'S COMMUNICATION TO THOSE CHARGED WITH GOVERNANCE

Board of Education  
Unified School District No. 348  
Baldwin City, Kansas

We have audited the financial statements of the Unified School District No. 348 for the year ended June 30, 2012, and have issued our report thereon dated December 6, 2012. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards, as well as certain information related to the planned scope and timing of our audit. Professional standards also require that we provide you with the following information related to our audit.

### Our Responsibility under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated, February 21, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and to express an opinion about whether the financial statements are fairly presented, in all material respects, in accordance with the cash basis and budget laws of the State of Kansas. Our audit of the financial statements does not relieve you or management of your responsibilities.

### Planned Scope and Timing of the Audit

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, our audit will involve judgment about the number of transactions to be examined and the areas to be tested.

Our audit will include obtaining an understanding of the entity and its environment, including internal control, sufficient to assess the risks of material misstatement of the financial statements and to design the nature, timing, and extent of further audit procedures. Material misstatements may result from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity. We will communicate our significant findings at the conclusion of the audit.

We performed the audit according to the planned scope and timing previously communicated to you in our meeting about planning matters on September 24, 2012.

### Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the District are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed for the year ended June 30, 2012. We noted no transactions entered into by the District during the year for which there is a lack of authoritative guidance or consensus. There are no significant transactions that have been recognized in the financial statements in a different period than when the transaction occurred.

### Corrected Misstatements

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to the financial statements taken as a whole.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Management Representations

We have requested certain representations from management that are included in the management representation letter dated December 6, 2012.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

### Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of the accounting principles and auditing standards, with management each year prior to retention as the Unified School District No. 348's auditors. However, this discussion occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

### Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This information is intended solely for the information and use of the Board of Education and management of Unified School District No. 348, and is not intended to be and should not be used by anyone other than these specified parties.

*Mize Houser & Company PA*

December 6, 2012